合生創展集團有限公司*

HOPSON DEVELOPMENT HOLDINGS LIMITED

(在百慕達註冊成立的有限公司)

(股份代號：754)

關於發行美元面值優先票據的計劃

本公司計劃進行票據的國際發售要約，並將於二零一一年一月十日或前後在亞洲及歐洲展開連串路演，向當地的機構投資者提供有關詳情。目前，有關票據的本金額、票息及年期等條款仍未落實。

票據將會由本公司於中國境外組成的若干子公司擔保。此外，本公司及若干擔保票據的子公司將向票據持有人以第一優先權益質押其所持有於中國境外組成部份子公司的股本。

本公司董事相信發行計劃對本公司有利，容許本公司自國際投資者取得長期融資，改善本公司的資本架構。本公司擬將票據發行所得款項的淨額作營運資金及一般公司用途。

發行計劃能否完成須視乎市況及投資者的興趣而定。瑞銀以獨家賬簿管理人及牽頭經辦人的身份管理發行計劃。

本公司已編製一份派發予指定專業投資者有關發行計劃的初步發售説明書。本公司根據證券法S規例純粹向美國境外的非美籍人士要約發售票據。票據沒有也不會根據證券法或任何其他地方的證券法進行註冊。票據將不會在香港向公眾人士要約發售，也不會向本公司任何關連人士(定義見上市規則)要約發售。就有關發行計劃，本公司將向若干機構投資者提供有關最近本公司的企業及財務資料，包括但不限於已更新的風險因素、本公司業務及項目描述、管理層對財務狀況及經營業績的討論與分析、業務策略、近期發展及關連方交易。此等資料從未向外公開。該等最新資料向機構投資者發佈之同時， 閣下可登入本公司網址*www.irasia.com/listco/hk/hopson/*閱覽有關資料的摘要。

由於截至本公佈日期尚未訂立有關發行計劃的具約束力協議，發行計劃可能會亦可能不會落實。此外，由於初步發售説明書尚待完成及修訂，本公佈所載資料亦有待最終確定。因此，本公司股東及潛在投資者買賣本公司股份時務請謹慎行事。

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本公司已獲新交所原則上批准票據於新交所上市。票據獲納入新交所正式名單不應被視作為本公司或票據質素的指標。本公司並無就票據尋求在香港上市。本公司根據證券法S規例純粹向美國境外的非美籍人士要約發售票據。票據沒有也不會根據證券法或任何其他地方的證券法進行註冊。票據將不會在香港向公眾人士要約發售，也不會向本公司任何關連人士(定義見上市規則)要約發售。

當發行計劃的確實條款落實時，本公司將另行作出公佈。**由於截至本公佈日期尚未訂立有關發行計劃的具約束力協議，發行計劃可能會亦可能不會落實。因此，本公司股東及潛在投資者買賣本公司股份時務請謹慎行事。**

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釋義

「董事會」	指	本公司董事會
「中國」	指	中華人民共和國，僅就本公佈而言，除另有指明者外，否則不包括香港、澳門及台灣
「本公司」	指	合生創展集團有限公司
「香港」	指	中華人民共和國香港特別行政區
「發行」	指	本公司進行票據的國際要約發售
「上市規則」	指	香港聯合交易所有限公司證券上市規則

「票據」	指	本公司發行的美元面值優先票據
「初步發售説明書」	指	有關發行及要約發售票據的初步發售説明書
「證券法」	指	美國一九三三年證券法(經修訂)
「新交所」	指	Singapore Exchange Securities Trading Limited(新加坡證券交易所有限公司)
「股份」	指	本公司股本中每股面值0.10港元之普通股
「瑞銀」	指	瑞銀集團,香港分行

承董事會命
合生創展集團有限公司
主席
朱孟依

香港,二零一一年一月十日

於本公佈日期,董事會包括九名董事。執行董事為朱孟依先生(主席)、項斌先生、歐偉建先生、薛虎先生、趙明豐女士及廖若清先生;及獨立非執行董事為李頌熹先生、黃承基先生及陳龍清先生。

* *僅供識別*

Extract of Operating and Financial Data of Hopson Development Holdings Limited (As at January 10, 2011)

Recent Developments

In June 2010, we entered into contracts to acquire a parcel of land located at Tianjin Port Bulk Cargo Logistics Center through the acquisition of the share capital of the land use rights holder for a consideration of approximately RMB441.1 million (US$65.0 million). This parcel of land has a gross floor area of approximately 183,754.7 square meters and is designated for residential use.

In September 2010, we entered into a land use rights grant contract to acquire a parcel of land located in the north-western part of Songjiang New District, Shanghai, for a consideration of approximately RMB1,246.2 million (US$183.8 million). This parcel of land has a site area of approximately 94,476 square meters and is designated for residential use.

In September 2010, we entered into a land use rights grant contract to acquire a parcel of land located at the north-western end of Sanlin Ji Zhen, Pudong New District, Shanghai, for a consideration of approximately RMB1,451.1 million (US$214.0 million). This parcel of land has a site area of approximately 40,900.9 square meters and is designated for residential use.

In November 2010, we entered into a land use rights grant contract to acquire a parcel of land located on the west side of Hangzhou Bay Avenue, Jinshan New District, Shanghai, for a consideration of RMB1,558.9 million (US$230.0 million). This parcel of land has a site area of approximately 88,448.7 square meters and is designated for residential and commercial use.

In December 10, 2010, we entered into a land use rights grant contract to acquire a parcel of land located at the Beijing Tongzhou Economic and Technological Development Zone, for a consideration of RMB768 million (US$113 million). This parcel of land has a site area of approximately 144,885 sq.m. and is designated for residential use.

On November 3, 2010 and December 13, 2010, we announced our plan to acquire the entire issued share capital of Sun Excel Investments Limited ("Sun Excel"), a limited company incorporated in the British Virgin Islands. Sun Excel owns the right to acquire the entire equity interests in each of Beijing Chuang He Feng Wei Technology Investment and Management Co. Limited ("Project Co A") and Beijing Sheng Chuang Heng Da Technology Investment and Management Co. Limited ("Project Co D"). Project Co A and Project Co D, in turn, each holds a land use right to land in the Industrial Park of Majuqiao town in Tongzhou District of Beijing, on which a project comprising 38 office buildings with a GFA of approximately 625,006.5 sq.m. is being developed. We believe this project, when completed, will add to our portfolio of investment properties, and should help to provide us with a stream of long-term stable rental income and strengthen our resilience against market fluctuations in the residential property development market. As of the date of this offering memorandum, the deal is subject to our shareholders' approval. See "Related Party Transactions—Acquisition of Sun Excel."

Corporate Information

We were incorporated in Bermuda as an exempted company with limited liability. Our principal office is located at Suites 3305–09, 33rd Floor, Jardine House, 1 Connaught Place, Central, Hong Kong. We have four representatives offices located in Guangzhou, Beijing, Shanghai and Tianjin in the PRC. Our registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. Our website is www.hopson.com.cn. Information contained on our website does not constitute part of this offering memorandum.

RISK FACTORS

An investment in the notes is subject to significant risks. You should carefully consider all of the information in this offering memorandum and, in particular, the risks described below before deciding to invest in the notes. The following describes some of the significant risks that could affect us and the value of the notes. Some risks may be unknown to us and other risks, currently believed to be immaterial, could be material. All of these could materially and adversely affect our business, financial condition, results of operations and prospects. The market price of the notes could decline due to any of these risks and you may lose all or part of your investment. This offering memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this offering memorandum.

Risks Relating to Our Business

Our business is subject to extensive governmental regulation and the macro-economic control measures implemented by the PRC government from time to time, particularly in the real estate sector.

Our business is subject to extensive governmental regulation and the macro-economic control measures implemented by the PRC government from time to time. As with other PRC property developers, we must comply with various requirements mandated by the PRC laws and regulations, including the policies and procedures established by local authorities designated to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development, control of foreign exchange, property financing, taxation and foreign investment. Through these policies and measures, the PRC government may restrict or reduce land available for property development, raise benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, impose additional taxes, such as property tax, and levies on property sales and restrict foreign investment in the PRC property sector.

For example, the PRC government has recently announced a series of measures designed to stabilize the PRC economy and cool down the property market. On April 17, 2010, the PRC government identified certain policy measures to increase down payments for properties purchased with mortgage loans. On May 19, 2010, the PRC government issued policies to strengthen the settlement of the Land Appreciation Tax ("LAT"). On May 26, 2010, a stricter standard was adopted to assess whether a house to be bought is a second home when granting mortgage loans. On September 21, 2010, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development jointly issued a Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development. On October 20, 2010, the People's Bank of China ("PBOC") raised the benchmark one-year deposit and lending rate by 0.25%. On December 26, 2010, the PBOC further raised the benchmark one-year deposit and lending rate by additional 0.25%. In addition, local governments in certain cities, such as Beijing, Shanghai and Hangzhou, have promulgated policies to limit the maximum number of housing properties which could be purchased by a family. These measures may limit our access to capital resources, reduce market demand for our products and increase our operating costs in complying with these measures.

Many of the property industry policies carried out by the PRC government are unprecedented and are expected to be amended and revised over time. Other political, economic and social factors may also lead to further adjustments and changes of such policies. The PRC government could adopt additional and more stringent industry policies, regulations and measures in the future, which could further slow down property development in China. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes disrupt our business, reduce our sales or average selling prices, or cause us to incur additional costs, our business prospects, results of operations and financial condition may be materially and adversely affected.

The PRC property market has been cyclical and our property development activities are susceptible to significant fluctuations.

Historically, the PRC property market has been cyclical. The rapid expansion of the property market in certain major cities in the PRC, including Guangzhou, Beijing and Shanghai, in the early 1990s culminated in an oversupply in the mid-1990s and a corresponding fall in property values and rentals in the second half of the decade. Since the late 1990s, private residential property prices and the number of residential property development projects have gradually increased in major cities as a result of an increase in demand driven by domestic economic growth. In particular, prices of residential properties in certain major PRC cities such as

Shanghai have experienced rapid and significant growth. There is, however, no assurance that the problems of oversupply and falling property prices that occurred in the mid-1990s will not recur in the PRC property market and the recurrence of such problems could adversely affect our business and financial condition.

The cyclical property market in the PRC affects the optimal timing for both the acquisition of sites and the sale of completed development properties. This cyclicality, combined with the lead time required for the completion of projects and the sale of properties, means that our results of operations relating to property development activities may be susceptible to significant fluctuations from year to year.

To the extent that supply in the overall property market significantly exceeds demand, we may be subject to significant downturns and disruptions in the market for a sustained period. Alternatively, if a serious downturn in regional or global market conditions should occur, this may seriously affect and disrupt the property market in the PRC. If any of these events were to occur, our financial condition and results of operations would be materially and adversely affected.

We are heavily dependent on the performance of the property market in the PRC, particularly in the Pearl River Delta, the Pan Bohai Rim and the Yangtze River Delta.

Our business and prospects depend on the performance of the PRC property market. Any housing market downturn in China generally or in the regions where we have property developments could adversely affect our business, financial condition and results of operations. Our property developments currently are largely located in the Pearl River Delta, the Pan Bohai Rim and the Yangtze River Delta. As of June 30, 2010, we had developed or were developing 33 projects in the Pearl River Delta, 19 projects in the Pan Bohai Rim and 13 projects in the Yangtze River Delta. In addition, we signed land use rights grant contacts in September and November 2010 to acquire three parcels of land for development in Shanghai, which occupies a total site area of approximately 223,825 sq.m. Although we have been pursuing further business opportunities in other locations in the PRC, we intend to maintain our focus on the property market in the Pearl River Delta, the Pan Bohai Rim and the Yangtze River Delta, particularly in Guangzhou, Beijing, Tianjian and Shanghai, the core cities on which we focus. As such, our business is and may continue to be heavily dependent on the continued growth of the property market in the Pearl River Delta, the Pan Bohai Rim and the Yangtze River Delta, and any adverse developments in the supply and demand or in property prices in these areas would have a material adverse effect on our results of operations and financial condition.

Demand for private residential properties in the PRC, including in the Pearl River Delta, the Pan Bohai Rim and the Yangtze River Delta, has experienced rapid growth in the last decade but such growth is often coupled with volatility in market conditions and fluctuations in property prices. We cannot assure you that property development and investment activities will continue at past levels or that we will be able to benefit from the future growth in the property market in the Pearl River Delta, the Pan Bohai Rim and the Yangtze River Delta or the PRC. Any adverse developments in national and local economic conditions as measured by such factors as GDP growth, employment levels, job growth, consumer confidence, interest rates and population growth in the PRC, particularly in the regions where our projects are located, may reduce demand and depress prices for our products and services and would have a material adverse effect on our business, financial condition and results of operations. Demand for and prices of properties in the PRC are also directly affected by the macroeconomic control measures adopted by the PRC government from time to time. Any further adverse development in the market condition of the property market in the PRC could have a material adverse effect on our business, financial condition and results of operations.

The recent global economic slowdown and financial crisis have negatively impacted, and may continue to negatively impact, our business.

The recent global economic slowdown and turmoil in the global financial markets beginning in the second half of 2008 have had a negative impact on the PRC economy, which in turn has affected the PRC property market. For example:

- the slowdown in economic growth and tightened credit have resulted in a lower demand for residential and commercial properties and declining property prices;
- the slowdown in economic growth has adversely impacted home owners and potential property purchasers, which may lead to a further decline in the general demand for property products and a further erosion of their selling prices; and
- the tightening of credit has negatively impacted the ability of property developers and potential property purchasers to obtain financing.

In light of the slowdown in the PRC property market, we scaled back some of our expansion plans and postponed or extended the development schedules of some of our projects in 2008. Although the PRC property market started to recover in the second half of 2009 in large part due to stimulus measures adopted by the PRC government, we cannot assure you that the property market will continue to recover. However, the stimulus measures adopted by the PRC government since the second half of 2008 have been revised or terminated according to changes in market conditions. For example, in December 2009 and January 2010, the PRC government adjusted some of its policies in order to enhance regulation in the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly in certain cities. The termination of any of the stimulus measures of the PRC government could cause the demand for, and the prices of, properties in the PRC to decline significantly, and could constrain our ability to obtain necessary financing for our operations, thereby causing a material adverse effect on our business, financial condition, results of operations and prospects.

Our results of operations may be materially and adversely affected if we fail to obtain, or there are material delays in obtaining, requisite governmental approvals for our property developments.

The PRC property market is heavily regulated by the PRC government. PRC property developers must comply with various requirements mandated by laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a property development project, we must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of the property development, including environmental impact assessment approvals, project proposal approvals or filings, land use rights certificates, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion and acceptance. Each approval is dependent on the satisfaction of certain conditions. There can be no assurance that we will not encounter major problems in fulfilling the conditions precedent to the approvals, or that we will be able to adapt ourselves to new laws, regulations or policies that may come into effect from time to time with respect to the property market in general or the particular processes with respect to the granting of the approvals. There may also be delays on the part of the administrative bodies in reviewing our applications and granting approvals. If we fail to obtain the relevant approvals for our property developments, these developments may not proceed on schedule or commence at all, and our business, financial condition and results of operations may be materially and adversely affected.

We face a number of development and approval risks associated with the development of properties. Our properties may not be completed according to planned schedules or be completed at all and may not generate the levels of expected revenue or contemplated investment returns.

There are a number of financing, operating and other risks associated with property developments. Projects undertaken by us typically require substantial capital expenditures during the construction phase and usually take many months, sometimes years, before cash proceeds are generated. The time taken and the costs involved in completing construction can be adversely affected by many factors, including shortages of construction materials, equipment or labor, adverse weather conditions, natural disasters, labor disputes, disputes with subcontractors, accidents, difficulties in obtaining necessary governmental approvals, changes in governmental priorities and other unforeseen circumstances. Any of these circumstances could give rise to construction delays and/or cost overruns.

Construction delays may result in the loss of revenues. Since we outsource all of our construction work to third-party contractors, we rely on our contractors to complete our projects according to the agreed completion schedules and do not exercise any direct control over material sourcing or the construction schedule of our projects. Under our pre-sale contracts, we are liable to the purchasers for default payments if we fail to deliver the completed properties in accordance with the delivery schedule in these contracts, and in the case of a prolonged delay, the purchasers will be entitled to terminate the pre-sale contracts and require a refund of the purchase price in addition to the default payments. In addition, the failure to complete construction according to its specifications may result in liabilities, reduced efficiency and lower financial returns. There can be no assurance that our existing or future projects will be completed on time, or at all, and generate satisfactory returns.

We may not be able to obtain a sufficient number of sites or retain sites suitable for property developments.

We derive the majority of our revenue from the sale of properties that we have developed. This revenue stream is dependent on our ability to complete and sell our property developments. To maintain or grow our business in the future, we will be required to replenish our land reserve with suitable sites for developments. Our ability to identify and acquire a sufficient number of suitable sites is subject to a number of factors that are beyond our control.

The PRC government controls substantially all of the country's land supply and regulates the means by which property developers, including us, obtain land sites for property developments. As a result, the PRC government's land supply policies affect our ability to acquire land use rights for sites we identify and the costs of any acquisition. In May 2002, the PRC government introduced regulations to require government departments and agencies to grant state-owned land use rights for residential and/or commercial property development by public tender, auction or listing-for-sale. We are required to go through these processes before we can acquire the land use rights to desirable sites from the government, which may result in higher land premiums than those we paid in the past. Although these regulations do not prevent privately held land use rights from being traded in the secondary market, the PRC government's policy to grant state-owned land use rights at competitive market prices is likely to increase the acquisition cost of land reserves generally in the PRC. If we fail to acquire sufficient land reserves in a timely manner and at acceptable prices, or at all, our business and prospects, results of operations and financial condition may be materially and adversely affected.

In recent years, the PRC government has adopted a number of initiatives to control the growth of China's residential property sector and to promote the development of more affordable housing. For example:

- one of these initiatives requires the local governments, when approving new residential projects after June 1, 2006, to ensure that at least 70% of their annual land supply (in terms of estimated GFA) consists of units that are less than 90 sq.m. in size;
- in an announcement made on May 30, 2006, the Ministry of Land and Resources has stated that land supply priority shall be given to ordinary commodity houses at middle to low prices and in medium to small sizes (including affordable housing); and
- pursuant to the "Catalogue of Restricted Use of Land (2006 Version Supplement)" and the "Catalogue of Prohibited Use of Land (2006 Version Supplement)" issued by the Ministry of Land and Resources on November 10, 2009, the area of a parcel of land granted for commodity housing development is limited to seven hectares in small cities (towns), 14 hectares in medium cities or 20 hectares in large cities.

Additionally, the PRC central and local governments have implemented various measures to regulate the means by which property developers obtain land for property development. The PRC government also controls land supply through zoning, land usage regulations and other means.

All these measures further intensify the competition for land in China among property developers. These policy initiatives and other measures adopted by the PRC government from time to time may limit our ability to acquire suitable land for our development or increase land acquisition cost significantly, which may have a material adverse effect on our business, financial condition and results of operations.

The land use rights in respect of our land reserves will not be formally vested in us until we have received the relevant formal land use rights certificates.

Under current PRC land grant policies, the relevant authorities generally will not issue the formal land use rights certificates until the developer has (i) paid the land premium in full, (ii) completed the resettlement process and (iii) is in compliance with other land grant conditions. We have not yet obtained the formal land use rights certificates in respect of some of our properties under development and a significant portion of our land to be developed. We are in the normal process of obtaining the land use rights certificates for these properties. Under current land grant policies, we are allowed to commence our development of these properties as soon as we have signed the land grant contracts or registered the land use rights transfer agreements, as the case may be, with the relevant authorities and obtained other required approvals. However, the land use rights in respect of these properties and the land that we may acquire in the future will not be formally vested in us until we have received the corresponding formal land use rights certificates. We may be required to pay land premium and obtain land use rights certificates in the future in respect of the land on which such facilities are located. There can be no assurance that there will not be delays in the authorities' issuance of the formal land use rights certificates in respect of these properties. Any failure or delay in obtaining the formal land use rights certificate will adversely affect our ability to deliver our properties to our customers and may have a material adverse effect on our operations.

Our capital contribution obligations towards some of our project companies are overdue.

While we focus on the development of large-scale residential property projects and typically develop such projects in several phases in three to seven years, we typically obtain upfront project approval for the entire project or a significant portion of the project. Accordingly, such project approvals will typically cover more than one phase and contain fixed capital contribution schedules based on our estimate of the funding needs of the projects under the original development plan for such projects. The funding requirement of the project may change subsequently due to changes in the development plans or market conditions or other factors not originally contemplated by us. In line with industry practice, although we currently have sufficient cash on hand to make the requisite capital contribution to the registered capital of our project companies, we generally seek to delay our contribution if they do not have immediate funding needs or if they are able to finance the projects from other sources of funding, such as bank financing or pre-sale proceeds from previous phases.

Applicable laws and regulations require that project developments be funded based on the original development plan of a project, Although we have delayed the capital contribution obligations for some of our project companies, these project companies have, to date, been able to pass the annual review and have not experienced any significant difficulties in obtaining other required governmental approvals for the development, construction and pre-sale of their development projects. However, if the relevant governmental authorities begin to enforce the requirement to make timely capital contributions to the registered capital of project companies, there can be no assurance that we will not be subject to an administrative penalty as a result of our delay in contributing to the registered capital of our project companies or have the business license of our project companies be revoked, as a result of which our business, financial condition and results of operations would be materially and adversely affected.

We are subject to legal and business risks if we fail to obtain formal qualification certificates.

Property developers in the PRC must obtain a formal qualification certificate in order to carry out property development business in the PRC. According to the Provisions on Administration of Qualification of Real Estate Developers, newly established developers must first apply for a temporary qualification certificate, which can be renewed for a maximum of two additional one-year periods, by which time a formal qualification certificate must have been issued. Before commencing their business operations, entities engaged in property management, construction, or fitting and decoration are required to obtain qualification certifications in accordance with the Measures on Administration of Qualification of Property Management Enterprises and the Provisions on Administration of Qualification of Construction Enterprises. Property developers in the PRC are required to provide a valid qualification certificate when they apply for a pre-sale permit. If the newly established property developer fails to commence a property development project within the one-year period when the provisional qualification certificate is in effect, it will not be allowed to extend its provisional qualification certificate. Experienced property developers must also apply for renewal of their qualification certificates once every two to three years in most cities, subject to an annual verification by relevant governmental authorities. It is mandatory under government regulations that developers fulfill all statutory requirements before obtaining or renewing their qualification certificates.

All qualification certificates for property developers are subject to renewal on an annual basis. In reviewing an application to renew a qualification certificate, the local authority takes into account the property developer's registered capital, property development investments, history of property development and quality of property construction, as well as the expertise of the developer's management and whether the developer has any illegal or inappropriate operations.

Each of our project companies, with the assistance of our headquarters, is responsible for the annual submission of its renewal application. If any one of our project companies is unable to meet the relevant qualification requirements, the local authorities will normally grant that project company, subject to a penalty of between RMB50,000 and RMB100,000, a grace period to rectify any insufficiency or non-compliance. Failure to satisfy the requirements within the specified time frame could result in rejection of the application for renewal of the qualification certificate and revocation of the business license of the project company. As of the date of this offering memorandum, several of our project companies are in the process of renewing their qualification certificates and one newly established project company is in the process of applying for its qualification certificate. We cannot assure you that each of these project companies will be able to renew or obtain its qualification in a timely manner, or at all. If our project companies are unable to renew or obtain their qualification certificates, they may not be permitted to continue their businesses, which could materially and adversely affect our business, financial condition and results of operations.

In addition, we have other non-property development related subsidiaries which also require qualification certificates before they could engage in their relevant operations. As of the date of this offering memorandum, these subsidiaries have obtained such qualification certificates.

We cannot assure you that the qualification certificates of all of our existing project companies will continue to be renewed or extended or that formal qualification certificates for new project companies and our other non-property development related subsidiaries will be obtained in a timely manner, or at all. If our project companies or our other non-property development related subsidiaries are unable to obtain or renew their qualification certificates, as applicable, they will not be permitted to engage in or continue their businesses, which could have a material adverse effect on our business and financial condition.

We may be liable to our customers for damages if we do not deliver individual property ownership certificates in a timely manner.

Under PRC law, property developers are required to deliver to purchasers the relevant individual property ownership certificates within 90 days after delivery of the property or within a time frame set out in the relevant sale agreement. Property developers, including us, generally elect to specify a deadline for the delivery of the individual property ownership certificates in the sale agreements to allow sufficient time for the application and approval processes.

Under current regulations, we are required to submit the requisite governmental approvals in connection with our property developments, including land use rights documents and planning and construction permits, to the local bureau of land resources and housing administration within three months after the receipt of the completion and acceptance certificate for the relevant properties and apply for the general property ownership certificate in respect of these properties. We are then required to submit, within a stipulated period after delivery of the properties, the relevant property sale agreements, identification documents of the purchasers, proof of payment of deed tax, together with the general property ownership certificate, for the bureau's review and the issuance of the individual property ownership certificates in respect of the properties purchased by the purchasers. Delays by the various administrative authorities in reviewing the application and granting approval and certain other factors may affect timely delivery of the general and individual property ownership certificates. Therefore, we may not be able to deliver individual property ownership certificates to purchasers on time as a result of delays in the administrative approval processes or for any other reason beyond our control, which may result in us having to pay default payments and, in the case of a prolonged delay, the purchaser terminating the sale agreement. If we become liable to a significant number of purchasers for late delivery of the individual property ownership certificates, our business, financial condition and results of operations may be materially and adversely affected.

No material claim has been brought against us by any purchasers for late application of the individual property ownership certificates on behalf of our customers in the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010. However, we cannot assure you that we will not become liable to purchasers in the future for the late application of the individual property ownership certificates on behalf of our customers due to our own fault or for any other reasons beyond our control.

We rely on contractors to provide us with various services.

We engage third-party contractors to provide us with various services in connection with our property development including construction, piling and foundation, building and property fitting-out work, interior decoration, installation of air-conditioning units and elevators and gardening and landscaping works. We cannot assure you of the availability of qualified independent contractors in the market at the time of our intended outsourcing, nor can we assure you that the services rendered by our independent contractors will always be satisfactory or meet our quality requirements. While we endeavor to monitor the quality of our independent contractors' work, we cannot assure you that such issues will not arise in the future or that our business, results of operation, financial condition and reputation will not be materially and adversely affected as a result. Moreover, we rely on our main contractors to obtain the requisite construction permits to commence construction of our sites. As a developer, we may be liable for administrative penalties if our contractors fail to obtain all of the requisite construction permits. We are also exposed to the risk that a contractor may require additional capital in excess of the price originally tendered to complete a project and we may have to bear such additional amounts in order to provide them with sufficient incentives to complete our projects. Furthermore, there is a risk that major contractors may experience financial or other difficulties which may affect their ability to carry out construction works, thus delaying the completion of our development projects or resulting in additional costs for us. All of these factors could materially and adversely affect our business, reputation, financial condition and results of operations.

We have provided guarantees to secure obligations of purchasers of our properties for repayment. A default by a significant number of purchasers would materially and adversely affect our financial condition.

We arrange for various banks to provide mortgage services to the purchasers of our properties. In accordance with market practice, domestic banks require us to provide guarantees in respect of these mortgages. The majority of these guarantees are short-term guarantees which are released upon the earlier of the issuance of the individual property ownership certificate to the owner of the property or the certificate of other rights of property to the mortgage bank by the relevant housing administration department, which generally takes place within three months after we deliver the relevant property to the purchasers, or the full settlement of the mortgaged loans by the purchasers. In our experience, the length of these guarantees typically ranges from 20 to 36 months. In line with industry practice, we do not conduct independent credit checks on our customers but rely instead on the credit checks conducted by the mortgage banks. Under the terms of the guarantees, if, during the term of the guarantee, a borrower defaults on its repayment obligation, we will be liable to pay to the banks the amount owing to them from the purchaser, but we will have the right to take possession of and re-sell the mortgaged property. As of June 30, 2010, our outstanding guarantees in respect of the mortgage loans of our customers amounted to approximately HK$10,268.0 million (US$1,318.7 million). Although we have historically experienced a low rate of default on mortgage loans guaranteed by us, there is no assurance that the purchaser default rate will not increase in the future. If such an increase occurs and our guarantees are called upon, our business, financial condition and results of operations could be materially and adversely affected.

In addition, if there are changes in laws, regulations, policies and practices that would prohibit property developers from providing guarantees to banks in respect of mortgages offered to property purchasers and these banks do not accept any alternative guarantees from other third parties, or if no third-party is available in the market to provide such guarantees, it may become more difficult for property purchasers to obtain mortgages from banks during pre-sales. Such difficulties in financing could result in a substantially lower rate of pre-sales of our properties, which could materially and adversely affect our cash flow, financial condition and results of operations. We are not aware of any impending changes in laws, regulations, policies or practices which will prohibit such practice in the PRC. However, there can be no assurance that such changes in laws, regulations, policies or practices will not occur in the future.

Our sales and pre-sales will be affected if mortgage financing becomes more costly or otherwise less attractive.

A majority of purchasers of our residential properties rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing, thus reducing the attractiveness of mortgages as a source of financing for property purchases and adversely impacting the affordability of residential properties. Under PRC law, monthly mortgage payments are limited to 50% of an individual borrower’s monthly income. In addition, to curtail the overheating of the property sector, between 2006 and 2008, the PRC government implemented, among other things, regulations that increased the down payment requirement for mortgage loans in respect of residential and commercial properties. Beginning in the second half of 2008, in order to combat the impact of the global economic slowdown, the PRC government lowered the minimum interest rate for individual mortgage loans to 70% of the corresponding PBOC benchmark bank lending rates. Further, the minimum down payment ratio of residential properties was lowered to 20%. However, to control the growth in the PRC property market following the adoption of the stimulus package, the General Office of the State Council on January 7, 2010 issued the Circular on Accelerating the Stable and Smooth Development of Real Estate Market, which provides that the down payment for the second residential property financed by bank loans shall not be less than 40% of the purchase price. In April 2010, the General Office of the State Council issued additional measures, including further increasing the down payment requirement applicable to additional housing properties to no less than 50% of the purchase price. In addition, on May 26, 2010, the Ministry of Housing and Urban-Rural Development, the PBOC and the China Banking Regulatory Commission (the “CBRC”) jointly issued a circular to regulate the criteria for identifying the second housing unit in connection with commercial mortgage loans, which provides, among others, that the number of housing units owned by an individual purchaser who is applying for mortgage loans will be determined by taking into account all the housing units owned by the family members of such purchaser (including the purchaser and such purchaser’s spouse and children under the age of 18), and that purchasers of second or subsequent housing units will be subject to different credit policies when they apply for mortgage loans. According to a notice jointly issued by the PBOC and the CBRC on September 29, 2010, the down payment required by all first home purchases has been raised to 30%, and commercial banks are required to suspend mortgage loans for purchases of a customer’s third or subsequent residential properties. On October 20, 2010, the PBOC raised the lending rate for over five years by 0.20% to 6.14%. On December 26, 2010, the PBOC further raised the lending rate for over five years by

0.26% to 6.40%. We cannot assure you that the PRC government and commercial backs will not further increase down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. Nor can we assure you that such regulatory changes from time to time will not materially and adversely affect our business, financial condition and results of operations.

We face contractual and legal risks relating to the pre-sale of properties, including the risk that property developments may not be completed and the risk that changes in laws and regulations in relation to the pre-sales of properties may materially and adversely affect our business, cash flow, financial condition and results of operations.

We face contractual risks relating to the pre-sales of properties. For example, if we fail to meet the completion time as stated in the pre-sale contracts, purchasers of pre-sold units have the right to claim damages under the pre-sale contracts. If we still fail to deliver the properties to the purchasers within the grace period stipulated in the contract, the purchasers have the right of termination. If the actual GFA of a completed property delivered to purchasers deviates by more than 3% from the GFA originally stated in the pre-sale contracts, purchasers have the right of termination or the right to claim damages.

Proceeds from the pre-sales of our properties are an important source of funds for our property developments and have an impact on our liquidity position. On August 5, 2005, the PBOC recommended in a report entitled "2004 Real Estate Financing Report" that the practice of pre-selling uncompleted properties be discontinued, on the ground that it creates significant market risks and generates transactional irregularities. On July 24, 2007, an economy research group under the National Development and Reforming Commission ("NDRC") proposed to change the existing system for sale of forward delivery housing into one for sale of completed housing. While the recommendation has not been adopted by any PRC governmental authority and has no mandatory effect, we cannot assure you that the PRC governmental authority will not ban or impose material limitations on the practice of pre-selling of uncompleted properties in the future. Future implementation of any restrictions on our ability to pre-sell our properties, including any requirements to increase the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time required for recovery of our capital outlay and would force us to seek alternative means to finance the various stages of our property developments. This, in turn, could have a material and adverse effect on our business, cash flow, financial condition and results of operations.

Our land may be forfeited to the PRC government if we fail to comply with the terms of the land grant contracts.

Under PRC laws and regulations, if a developer fails to develop land according to the terms of the land grant contract, the relevant government authorities may issue a warning to, or impose a penalty on, the developer or require the developer to forfeit the land use rights. Any violation of the land grant terms may also restrict a developer's ability to participate, or prevent it from participating, in future land bidding. Specifically, if we fail to commence development for more than one year from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may serve a warning notice on us and impose an idle land fee of up to 20% of the land premium. If we fail to commence development for more than two years from the commencement date stipulated in the land grant contract, the land use rights are subject to forfeiture by the PRC government unless the delay in development is caused by government actions or force majeure. On September 21, 2010, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development issued a notice that prohibits real estate developers and their controlling shareholders from participating in biddings for land if they fail to commence development of land held by them as required by original land grant contracts for more than one year due to their own reasons or do not comply with land development requirements specified in land grant contracts.

As of the date of this offering memorandum, we have not been required to pay any idle land fees or penalties, and none of our land has been forfeited by the government. We cannot assure you that circumstances leading to forfeiture of land or delays in the commencement or completion of a property development will not arise in the future. If we are required to forfeit land, we will not be able to continue our property development on the forfeited land or recover the costs incurred for the initial acquisition of the forfeited land or recover development costs incurred up to the date of forfeiture.

Resettlement arrangements relating to our future and potential developments may be subject to negotiation and any failure to reach agreement may materially and adversely affect our ability to develop the relevant projects.

Under PRC law and regulations, in the event of a resettlement of residents of a development site to be cleared for construction, we are required to enter into a written agreement for resettlement with such residents and pay resettlement compensation prior to the commencement of construction, either directly or through the relevant government agencies. The compensation payable by the property developer is calculated in accordance with pre-set formulas provided by the relevant provincial authorities. However, there can be no assurance that these authorities will not change their compensation formulas. If they do, construction costs may be subject to a substantial increase which could materially and adversely affect our financial condition and results of operations. Even if we are not responsible for the demolition and removal, if the party responsible for the demolition and removal and the party subject to the demolition and removal fail to reach an agreement for compensation and resettlement, either of them may apply for a ruling from the relevant governmental authorities. If a party is not satisfied with the ruling, it may initiate proceedings in a PRC court within three months from the date of service of such ruling, which may cause delays to the development of projects. If the party subject to the demolition and removal refuses to move out within the time limits for demolishment after execution of the agreement for compensation and resettlement, any party may initiate an arbitration in the arbitration commission or initiate proceedings in the People's Court which may cause a delay to the development schedule for the project. Such proceedings and delays, if they occur, could materially and adversely affect our project development schedule and reputation. In addition, any such delays to our development projects will lead to an increase in the cost and a delay in the expected cash inflow resulting from pre-sales of the relevant project and the recognition of sales as revenue upon completion.

The land use of some of our property developments may differ from the original land use and the total GFA of some of our property developments may have exceeded the original authorized area.

When the PRC government grants the land use rights for a piece of land, it will specify in the land grant contract the use of the land and the total GFA that the developer may develop on this land. However, the actual land use may differ from the original land use and the actual GFA constructed may exceed the total GFA authorized in the land grant contract or construction permit due to factors such as subsequent planning and design adjustments. The adjusted land use and the amount of GFA in excess of the authorized amount are subject to approval when the relevant authorities inspect the properties after completion and the developer may be required to pay additional land premium and/or administrative fines or take corrective actions in respect of the adjusted land use and excess GFA before a Construction of Properties and Municipal Infrastructure Completed Construction Works Certified Report can be issued to the property development. The methodology for calculating the additional land premium is generally the same as the original land grant contract. We have in the past paid additional land premium and administrative fines for unauthorized changes in land use and for GFA that has exceeded the total GFA originally authorized as required by the relevant authorities. In relation to significant changes in land use and GFA, we generally seek to obtain approval of such changes and pay additional land premium and/or administrative fines prior to completion.

Our development plans of projects on certain land differ from the designated land uses. We will need to apply for changes of the designated uses for such land and will be required to pay additional land premium for the changes. However, the PRC government may not approve our applications to change the designated uses of such land and the additional land premium the PRC government imposes on us may differ from our estimates. In addition, there can be no assurance that the PRC government would not impose a penalty on us.

The total GFA of some of our existing developments have exceeded the total GFA originally authorized. We cannot assure you that local government authorities will not find that the total constructed GFA of our existing projects under development or any future property developments exceeds the relevant authorized GFA upon completion. Moreover, we cannot assure you that we would have sufficient funding to pay any required additional land premium or administrative fines or to pay for any corrective action that may be required in a timely manner, or at all. Any of these circumstances may materially and adversely affect our reputation, our business, results of operations and financial condition.

We may not successfully manage our growth.

We have been rapidly expanding our operations in recent years. As we continue to grow, we must continue to improve our managerial, technical and operational knowledge and allocation of resources, and to implement an effective management information system. In addition, we plan to strengthen our management control in our subsidiaries and associate companies. In order to fund our on-going operations and our future growth, we need to have sufficient internal sources of liquidity or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties. We will need to further strengthen our internal control and compliance functions to ensure that we will be able to comply with our legal and contractual obligations and minimize our operational and compliance risks. There can be no assurance that we will not experience issues such as capital constraints, construction delays, operational difficulties at new operational locations or difficulties in expanding existing business and operations and training an increasing number of personnel to manage and operate the expanded business. There can be no assurance that we will be able to successfully manage our growth or that our expansion plans will not adversely affect our existing operations and thereby have a material adverse effect on our business, financial condition, results of operations and future prospects.

We may be involved in legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result.

We are involved in disputes arising out of the ordinary course of our business with various parties involved in the development, sale and leasing of our properties, including government authorities, contractors, suppliers, partners, purchasers and lessees. For example, as most of our projects consist of multiple phases, purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the projects are perceived to be inconsistent with our representations and warranties made to such earlier purchasers. We may also be involved in disputes with various parties relating to our property management business including personal injury claims. These disputes may lead to legal or other proceedings, may result in substantial costs and diversion of resources and management's attention and may have a material and adverse effect on our reputation and our ability to market and sell our properties.

As at the date of this offering memorandum, we were involved in various legal proceedings. See "Business—Legal Proceedings." We believe that the plaintiffs' allegations have no merit and we intend to vigorously defend against the lawsuits. However, defending these lawsuits could be time-consuming and costly and could divert the attention of our senior management. In addition, PRC Courts may freeze our bank account or land use rights in legal proceedings. For example, the Intermediate People's Court of Luoyang City froze approximately RMB11.4 million in the bank account and land use rights of a parcel of land with a total area of 130,452.83 square meters of Guangzhou Ziyun Village Real Estate Company Limited. Such freeze may have a material adverse effect on our ability to develop and sell our projects. There can be no assurance that we will not be involved in a larger number of proceedings or that the outcome of these proceedings will not have a material adverse effect on our business, financial condition and results of operations or have a negative impact on our reputation or our brand. Further, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in pecuniary liabilities and cause delays to our property developments.

We may not be successful in expanding into each new city that we target or in developing each new business segment that we explore.

We started our property development in Guangzhou and the Pearl River Delta Region. Leveraging on our experience in Guangzhou, we have gradually expanded our operations into four provinces and three provincial level municipalities beyond Guangdong province, including into the Pan Bohai Rim and the Yangtze River Delta, with Guangzhou, Beijing, Tianjian and Shanghai as our core cities. When opportunities arise, we expect to continue to expand our operations both within and outside these regions. These new markets may differ from our existing markets in terms of level of economic development, topography, culture, regulatory practices, level of familiarity with contractors and business practices and customs, and customer tastes, behavior and preferences. In addition, when we enter into new markets, we will likely compete with developers who have an established local presence, are more familiar with local regulatory and business practices and have stronger relationships with local contractors, all of which may give them a competitive advantage over us. We cannot assure you that we will be able to enter into or operate in new markets successfully.

Further, our plans include projects that differ significantly from our past and current projects in terms of targeted customers and business segments. Our primary experience to date has been in developing high quality residential properties for sale, construction and decoration of those properties, management of residential developments, and hotel operation. We have plans to expand into the business of developing office buildings in other areas in the PRC for leasing to other companies. This is a relatively new business for us, and we cannot assure you that we will be successful in expanding into this area. We may not realize any revenue from this business, and even if revenue is realized, we cannot assure you that the market demand for office space will be sufficient to provide us with an adequate return on our investment.

Our expansion and the need to integrate operations arising from our expansion particularly into other fast growing cities in the PRC, may place a significant strain on our managerial, operational and financial resources and further contribute to an increase in our financing requirements.

The PRC government has implemented restrictions on the payment terms for land use rights.

On September 28, 2007, the Ministry of Land and Resources issued revised Rules on the Grant of State-owned Land Use Rights through Public Tender, Auction and Listing-for-sale, which provide that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate and commence development on the land. This regulation became effective on November 1, 2007. As a result, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for a land use rights certificate for the corresponding portion of land in order to commence development, which was the practice in many Chinese cities. On November 18, 2009, the PRC Ministry of Finance, the PRC Ministry of Land and Resources, the PBOC, the PRC Ministry of Supervision and the PRC National Audit Office issued the "Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant", which raises the minimum down payment on land premiums to 50% of the total premium and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. On March 8, 2010, the Ministry of Land and Resources issued the Circular on Strengthening Real Estate Land Supply and Supervision, under which the minimum price for a given land transfer is required to be equal to at least 70% of the benchmark price for land in the surrounding locality and the bidding deposit for such land transfer is required to be equal to at least 20% of the applicable minimum transfer price. Property developers are also required to pay 50% of the land premium (taking into account any deposits previously paid) as a down payment within one month of signing a land grant contract and the total amount of the land premium is to be paid in full within one year of the date of the land grant contract. Our past delays in paying the land premium have subjected us to administrative fines and future delays may subject us to further fines. In addition, the implementation of these regulations may increase land transfer prices and require property developers to maintain a higher level of working capital. We cannot assure you that we will be able to acquire land suitable for development at reasonable cost or that our cash flow position, financial condition or business plans will not be materially and adversely affected as a result of the implementation of these regulations or any administrative fines arising from delays in paying land premiums.

We may not have adequate funding resources to finance land acquisitions or property developments, or to service our financing obligations.

The property development business is capital intensive. We finance our property developments primarily through a combination of internal funding, borrowings from banks, capital markets financing (such as our initial public offering and listing on the main board of the Stock Exchange of Hong Kong in 1998, offering of our 2012 Notes and the issuance of our convertible bonds in February 2007) and pre-sales and sales proceeds. Further, purchasers who choose to pay the purchase price in full without taking out a mortgage may not pay the full purchase price on time and this may affect our cashflow position. We cannot assure you that we will have sufficient cash flow available for land acquisitions or property developments or that we will be able to achieve sufficient pre-sales and sales to fund land acquisitions or property developments. In addition, we cannot assure you that we will be able to secure external financing on terms acceptable to us or at all.

Our ability to arrange adequate financing for land acquisitions or property developments on terms that will allow us to earn reasonable returns depends on a number of factors that are beyond our control. The PRC government has in the past taken a variety of policy initiatives in the financial sector to tighten lending procedures for property developers. The PBOC issued the Circular on Further Strengthening the Management of Loans for Property Business on June 5, 2003 to specify the requirements for banks providing loans for the purposes of property development. These requirements include:

- that property loans by commercial banks to real estate enterprises may be granted only as property development loans and it is strictly forbidden to extend such loans as current capital loans for property development projects or other purposes. No lending of any type shall be granted to enterprises which have not obtained the relevant land use rights certificates, construction land permits, construction planning permit and construction work permits; and
- that commercial banks may not grant loans to property developers to finance land premium payments.

In addition, PBOC has raised the benchmark one-year lending rate several times between 2004 and 2008. The PBOC increased the reserve requirement ratio for commercial banks several times between 2006 and 2008 to curtail the overheating of the property sector. The reserve requirement refers to the amount of funds that banks must hold in reserve with the PBOC against deposits made by their customers. The increases in the bank reserve requirement ratio may negatively impact the amount of funds available to lend to businesses, including us, by commercial banks in China. Since the commencement of the global economic slowdown in the second half of 2008, the PRC government has adopted measures intended to stimulate economic development, including lowering benchmark lending rates and the reserve requirement ratio for commercial banks. However, the PBOC again increased benchmark lending rates twice and the reserve requirement ratio several times in 2010 in order to control the growth of the PRC economy. We cannot assure you that PBOC will not raise lending rates or reserve requirement ratios in the future, or that our business, financial condition and results of operations will not be materially and adversely affected as a result of these adjustments.

The fiscal and other measures adopted by the PRC government from time to time may limit our flexibility and ability to use bank loans to finance our property developments and therefore may require us to maintain a relatively high level of internally-sourced cash. In November 2009, the PRC government raised the minimum down payment on land premium to 50% of the total premium and requires the land premium to be fully paid within one year after the signing of a land contract, subject to limited exceptions. In March 2010, the PRC government further tightened this requirement by setting the minimum price for land transfer to be equal to at least 70% of the benchmark price for land in the surrounding locality and the bidding deposit to be equal to at least 20% of the applicable minimum land transfer price. Additionally, a land grant contract is required to be entered into within 10 working days after the land grant deal is closed and the down payment of 50% of the land premium (taking into account any deposits previously paid) is to be paid within one month of signing the land grant contract, with the remaining to be paid in full within one year of the date of the land grant contract in accordance with provisions of such land grant contract, subject to limited exceptions. These new requirements may constrain our cash otherwise available for additional land acquisition and construction. We cannot assure you that we will have adequate resources to fund land acquisitions (including any unpaid land premiums for past acquisitions), or property developments, or to service our financing obligations, and our business and financial condition may be materially and adversely affected. In addition, the increase of benchmark lending rates has led to higher interest rates for mortgage loans, which may depress the demand in the property market in general.

If we are unable to make scheduled payments in connection with our debt and other fixed payment obligations as they become due, we may need to renegotiate the terms and conditions of such obligations or to obtain additional equity or debt financing. We cannot assure you that our renegotiation efforts would be successful or timely or that we would be able to refinance our obligations on acceptable terms or at all. If financial institutions decline to lend additional funds to us or to refinance our existing loans when they mature as a result of our credit risk and we fail to raise financing through other means, our financial condition, cash flow position and our business prospects may be materially and adversely affected. We cannot assure you that we will be able to maintain the relevant financial ratios from time to time nor that we will not default. If we are unable to obtain forbearance or waiver arrangements with the relevant lenders and upon occurrence of any default, event of default or cross-default in the future, it could lead to, among other things, an acceleration in our debt financing obligations, which could in turn have a material and adverse effect on our financial condition.

We face risks relating to fluctuations of results of operations from period to period.

Our results of operations tend to fluctuate from period to period. The number of properties that we can develop or complete during any particular period is limited due to the substantial capital required for land acquisition, demolition and resettlement and construction, as well as limited land supplies and lengthy development periods before positive cash flows may be generated. For example, in the six months ended June 30, 2010, we had a net cash outflow from operating activities of HK$3,047.1 million (US$391.3 million) as a result of a significant increase in cash payments for acquisitions of certain land in Guangzhou, Beijing and Shanghai. In addition, in recent years, we have begun to develop larger scale property developments and, as a result, we develop properties in multiple phases over the course of several years. Typically, as the overall development moves closer to completion, the sales prices of the properties in such larger scale property developments tend to increase because a more established residential community is offered to purchasers. In addition, seasonal variations have caused fluctuations in our revenues and profits from quarter to quarter. For example, our revenue and profits, recognized upon the delivery of properties, in the first half of a year are often lower than in the second half, and we will continue to experience significant fluctuations in revenue and profits on an interim basis. As a result, our results of operations fluctuate and our interim results do not proportionally reflect our annual results.

The PRC tax authorities may increase land appreciation tax ("LAT") prepayment rate, settle the full amount of LAT or challenge the basis on which we calculate our LAT obligations.

Under PRC tax laws and regulations, our properties developed for sale are subject to LAT, which is collectible by the local tax authorities. All income from the sale or transfer of state-owned land use rights, buildings and their ancillary facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, which is calculated based on the proceeds from the sale of properties less deductible expenditures as provided in the relevant tax laws. Certain exemptions may be available for the sale of ordinary residential properties if the appreciation of land value does not exceed 20% of the total deductible items as provided in the relevant tax laws. However, sales of commercial properties are not eligible for this exemption. Real estate developers are required to prepay LAT monthly at rates set by local tax authorities after commencement of pre-sales or sales. In 2007, 2008 and 2009 and the six months ended June 30, 2010, we prepaid LAT at the rate of 1%-2% of our proceeds from pre-sales or sales of apartments and villas. In May 2010, the State Administration of Taxation ("SAT") issued the Notice on Strengthening the Collection of Land Appreciation Tax that requires the minimum LAT prepayment rate must be no less than 2% for provinces in the eastern region. As a result, the LAT prepayment rates applicable to us increased to approximately 2% in 2010. We cannot assure you that the local tax authorities will not further increase LAT prepayment rates in the future. In the event that the prepayment rates applicable to us increase, our cash flow and financial position will be adversely affected.

The SAT's Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises requires real estate developers to settle the final LAT payable in respect of their development projects that meet certain criteria, such as 85% of a development project having been pre-sold or sold. Local provincial tax authorities are entitled to formulate detailed implementation rules in accordance with this notice in consideration of local conditions. We cannot foresee when the PRC tax authorities will require us to settle the full amount of LAT applicable to us. If the implementation rules promulgated in the cities in which our projects are located require us to settle all unpaid LAT or if any or all of our LAT provisions are collected by the PRC tax authorities, our business, financial condition, results of operations and prospects could be materially and adversely affected.

In addition, we cannot assure you that the tax authorities will agree with our estimation or the basis on which we calculate our LAT obligations. In the event that the tax authorities assess us with LAT in excess of the provisions we have made for the LAT and we are unable to successfully challenge such assessments, our net profits after tax may be adversely affected. We cannot assure you that the LAT obligations we are to assess and provide for in respect of the properties that we develop will be sufficient to cover the LAT obligations which the local tax authorities ultimately impose on us.

We are subject to uninsured risks.

We carry third-party liability and fire insurance on certain completed developments in which we have an interest. Depending on our assessment of the requirement, we may or may not maintain public liability and assets insurance policies for our properties, the common facilities and the hotel operating areas of our properties. In addition, our property management subsidiaries also maintain property management liability insurance coverage in connection with their business operations. We generally assess the need to maintain insurance policies for projects under development based on the specific circumstances of each project and if any insurance is carried, the premium is borne by the contractors. However, we may purchase such insurance if required by our creditors in respect of properties pledged to them. In addition, there are certain types of losses, such as losses from forces of nature, that are generally not insured because they are either uninsurable or because insurance cannot be obtained on commercially reasonable terms. This practice is consistent with what we believe to be the industry practice in the PRC. Certain types of losses caused by war, civil disorder, acts of terrorism, earthquakes, typhoons, flooding, and other natural disasters are not covered. Should an uninsured loss or a loss in excess of insured limits occur, we could lose capital invested in our property and anticipated future revenue therefrom while we remain liable for any mortgage indebtedness or other financial obligations relating to the relevant property. Any such loss could materially and adversely affect our financial condition and results of operations.

Certain of our businesses are conducted through joint ventures.

We have investments in equity joint venture companies or cooperative joint venture companies formed to develop, own and/or manage property in the PRC. Although we have control over the day-to-day operations of all our joint ventures and have the ability to make business decisions that are in the ordinary course of their businesses, the passing of certain important shareholders' or board resolutions of some of these joint ventures requires the unanimous resolution of all the shareholders or directors (as applicable) of the joint venture companies. Although we have not experienced any significant problems with respect to our joint venture partners to date, should significant problems occur in the future they could have a material adverse effect on our business and prospects.

There is no assurance that certain current ancillary facilities will continue to provide services to the owners or users of our property developments.

The ancillary facilities within our residential communities enhance the value of our properties by improving the overall quality and value of the surrounding areas, thus offering a better living environment to the owners and users of our properties. However, we do not operate or manage some of the ancillary facilities, such as schools and hospitals. We cannot assure you that these facilities will continue to operate and provide services in our residential communities. In the event that these facilities cease to operate in our residential communities, our properties may become less attractive and competitive and this may adversely affect the value of our properties.

Potential liability for environmental problems could result in substantial costs.

We are subject to a variety of laws and regulations concerning environmental protection. The particular environmental laws and regulations that apply to any given development site vary greatly according to the site's location and environmental condition, the present and former uses of the site and the nature of the adjoining properties. Requirements under environmental laws and conditions may result in delays in development schedules, may cause us to incur substantial compliance and other costs and may prohibit or severely restrict project development activity in environmentally-sensitive regions or areas.

The PRC environmental regulations provide that each project developed by a property developer is required to undergo an environmental assessment and an environmental impact assessment report is required to be submitted to the relevant government authorities for approval before commencement of construction. If we fail to comply with these requirements, the local environmental authority may order us to suspend construction of the project until the development environmental impact assessment report is submitted to and approved by the local environmental authority. The local environmental authority may also impose on us a fine of up to RMB200,000 in respect of a project. For our completed projects and projects under development, we completed the environmental assessment procedures. We have also completed the environmental assessment procedures for some of our projects held for future development. We, however, cannot assure you that we will be able to complete environmental assessment procedures for our future projects and that the relevant environmental authorities will not order us to suspend construction of these projects or will not impose a fine on us. In the event that there is a suspension of construction or imposition of a fine, this may adversely affect our business and financial condition.

In addition, PRC law requires environmental facilities to be included in a property development to pass the inspection by the environmental authorities in order to obtain completion approval before commencing operations. Some of our residential and hotel property projects have environmental facilities that are subject to this requirement. If we fail to comply with this requirement, the local environmental authorities may order us to suspend construction or prohibit the use of the facilities, which may disrupt our operations and adversely affect our business. Environmental authorities may also impose on us a fine up to RMB100,000 in respect of a project which have environmental facilities. We are currently applying for the completion approval of environmental facilities, principally related to the treatment of water for some of our projects. We cannot assure you that we can obtain such approvals in a timely manner. In the event that such completion approvals cannot be obtained or if a fine is imposed on us, our business and our financial condition may be adversely affected.

Although the environmental investigations conducted by local environmental authorities to date have not revealed any environmental liability that we believe would have a material adverse effect on our business, financial condition or results of operations, it is possible that these investigations did not reveal all environmental liabilities and that there are material environmental liabilities of which we are unaware. We cannot assure you that a future environmental investigation will not reveal any material environmental liability. Also, we cannot assure you that the PRC government will not change the existing laws and regulations or impose additional or stricter laws or regulations, the compliance with which may cause us to incur significant capital expenditure. In addition, there is no assurance that we would be able to comply with any such laws and regulations.

The enforcement of the Labor Contract Law and other labor-related regulations in the PRC may adversely affect our business and our results of operations.

On June 29, 2007, the National People's Congress of China enacted the Labor Contract Law, which became effective on January 1, 2008. Compared to the Labor Law, the Labor Contract Law establishes more restrictions and increases the cost to employers to terminate employees, including specific provisions related to fixed-term employment contracts, temporary employment, probation, consultation with the labor union and employee general assembly, employment without a contract, dismissal of employees, compensation upon termination and overtime work, and collective bargaining. According to the Labor Contract Law, an employer is obligated to sign an "unlimited term labor contract" with an employee if the employer continues to employ the employee after two consecutive fixed-term labor contracts. The employer also has to pay compensation to employees if the employer terminates an "unlimited term labor contract." Unless an employee refuses to extend an expired labor contract, such compensation is also required when the labor contract expires. Further, under the Regulations on Paid Annual Leave for Employees, which became effective on January 1, 2008, employees who have served more than one year for an employer are entitled to a paid vacation ranging from 5 to 15 days, depending on their length of service. Employees who waive such vacation time at the request of employers shall be compensated at three times their normal salaries for each waived vacation day. As a result of these new protective labor measures, our labor costs may increase.

Our continuing success largely depends on our current management.

Our continued success depends heavily on our controlling shareholder and chairman, Mr. Chu Mang Yee, who has over 20 years' experience in construction, property investment and development and possesses know-how of all stages of the property development process. Mr. Chu Mang Yee has irrevocably undertaken to us that, for so long as he remains a controlling shareholder within the meaning of The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), he will not directly or indirectly engage in any trade, business, profession or venture which directly or indirectly competes with our business or any of our subsidiaries. The undertaking, however, does not cover any direct or indirect shareholding in a publicly listed company not exceeding 5% of the issued share capital of our company.

In addition, we depend on the continued service of our executive officers and other skilled managerial and technical personnel, including notably our designers and architects. Competition in our industry for qualified personnel is intense. Our business could suffer if we lose the services of a number of key personnel and are not able to recruit quality replacements. Furthermore, as our business continues to grow, we will need to recruit and train additional qualified personnel. If we fail to attract and retain qualified personnel, our business and prospects may be materially and adversely affected.

Our controlling shareholder is able to influence our corporate policies and direct the outcome of corporate actions requiring shareholders' approval.

Approximately 62.8% of our outstanding shares were beneficially owned by our controlling shareholder, Mr. Chu Mang Yee, as of June 30, 2010. The interests of our controlling shareholder may differ from our interests or the interests of our creditors, including the holders of the notes. Subject to compliance with the Listing Rules and applicable laws, by maintaining such ownership, Mr. Chu Mang Yee is able to influence our corporate policies, appoint our directors and officers and vote on corporate actions requiring shareholders' approval. In particular, the strategic goals of Mr. Chu Mang Yee may not be aligned with our strategy and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base. We cannot assure you that our controlling shareholder will act entirely in our interest or that any potential conflicts of interest will be resolved in our favor.

We are exposed to general risks associated with the ownership and management of real property.

Investment properties are generally illiquid, limiting the ability of an owner or a developer to convert property assets into cash on short notice and property assets may be required to be sold at a discount in order to ensure a quick sale. Such illiquidity also limits our ability to manage our portfolio in response to changes in economic or other conditions. Moreover, we may face difficulties in securing timely and commercially favorable financing in asset-based lending transactions secured by real estate due to the illiquidity.

Property investment is subject to risks incidental to the ownership and management of residential, office and retail properties including, among other things, competition for tenants, changes in market rents, inability to renew leases or re-let space as existing leases expire, inability to collect rent from tenants due to bankruptcy or insolvency of tenants or otherwise, inability to dispose of major investment properties for the values at which they are recorded in the financial statements, increased operating costs and the need to renovate, repair and re-let space periodically and to pay the associated costs.

Our branding and marketing strategy as well as our financial condition could be materially and adversely affected if owners of the projects that we have developed elect to stop using us to provide property management services.

We provide property management services in respect of properties primarily developed by us through our wholly-owned subsidiaries, Guangdong Esteem Property Services Limited and Beijing Zhujiang Century Property Management Limited. We believe that the provision of quality and value-added management services of an international standard enable us to enhance recognition of our brand and maintain our reputation as a developer of quality properties. We seek to provide comprehensive quality post-sales property management and post-sales services to purchasers of our properties, including services such as rental agency, security, maintenance, operation of clubhouse, cleaning of public areas, domestic assistance, gardening and landscaping and other services. Under PRC laws and regulations, property owners have a right to engage or dismiss a property management company with the consent of more than 50% of the owners who in the aggregate hold more than 50% of the total non-communal area of the building. If owners of the projects that we have developed elect to stop using us to provide property management services, our branding and marketing strategy as well as our revenue from the property management business would be materially and adversely affected.

We have limited experience in the hotel business.

We entered the hotel business in July 2004 when the Guangzhou Regal Riviera Hotel commenced operations, and we currently also have interests Beijing Plaza Royale Hotel, which commenced soft-run operations in April 2005, and Hyatt Regency Jingjin City, which commenced soft-run operations in September 2007. We have limited experience in operating and managing hotels and accordingly, there is no assurance that our hotel operations will be successful.

In addition, although Beijing Plaza Royale Hotel and Hyatt Regency Jingjin City are managed by professional hotel management companies, we could face considerable reputational and financial risks if the hotels are mismanaged or do not meet the expectations of customers. Because we will rely on hotel management companies to manage these two hotels, we may not be in a position to identify or resolve potential issues that may arise in relation to the hotels and this may have a material adverse effect on our reputation and results of operations.

We are subject to all of the risks common in the hotel industry.

The hotel business is sensitive to changes in the global and national economy in general. Since demand for hotel services is affected by economic growth, a global or regional recession could lead to a downturn in the hotel industry. There can be no assurance that an economic recession or a situation of prolonged difficulties in the hotel industry, tourism industry, or in international, national and local economies, will not have a material adverse effect on us.

The hotel sector may also be unfavorably affected by other factors such as government regulation, changes in local market conditions, competition in the industry, excess hotel supply or reduced international or local demand for hotel rooms and associated services, foreign exchange fluctuations, interest rate environment, the availability of finance and other natural and social factors.

Our hotel operations are affected by occupancy and room rates achieved by our hotels, our ability to manage costs (including changes in labor costs), the relative mix of owned, leased and managed properties and the success of our food and beverage operations. Additionally, our profitability could be adversely impacted by increases in wage levels, energy, healthcare, insurance and other operating expenses, resulting in lower operating profit margins.

Risks Relating to the PRC Real Estate Industry

Property development in the PRC is still at an early stage and lacks adequate infrastructural support.

Private ownership of property in the PRC is still in a relatively early stage of development. Although demand for private residential property in the PRC has been growing rapidly in recent years, such growth is often coupled with volatility in market conditions and fluctuation in property prices. It is extremely difficult to predict by how much and when demand will develop, as many social, political, economic, legal and other factors, most of which are beyond our control, may affect the development of the market. The level of uncertainty is increased by limited availability of accurate financial and market information as well as the overall low level of transparency in the PRC.

The lack of a liquid secondary market for residential property may discourage investors from acquiring new properties. In addition, the limited amounts and types of mortgage financing available to individuals, together with the lack of long-term security of legal title and enforceability of property rights, may also inhibit demand for residential property.

Furthermore, risk of property over-supply is increasing in parts of the PRC, where property investment, trading and speculation have become overly active. In the event of actual or perceived over-supply, property prices may fall significantly and our revenue and results of operations will be adversely affected.

If as a result of any one or more of these or similar factors as described above, demand for residential property or market prices decline significantly, our business, results of operations and financial condition may be materially and adversely affected.

Increasing competition in the PRC property market may adversely affect our profitability.

Our property development operations face competition from both international and local property developers with respect to factors such as location, facilities and supporting infrastructure, services and pricing. We compete with both local and international companies in capturing new business opportunities in the PRC.

In recent years, a large number of property developers have begun to undertake property development and investment projects in the PRC. These include overseas property developers (including a number of leading Hong Kong property developers) and local property developers in the PRC. Our existing and potential competitors include major domestic state-owned and private property developers in the PRC, and, to a lesser extent, property developers from Hong Kong and elsewhere in Asia. A number of our competitors have greater financial and other capital resources, marketing and other capabilities and/or name recognition than us. In addition, some local companies have extensive local knowledge and business relationships and/or a longer operational track record in the relevant local markets than us while international companies are able to capitalize on their overseas experience to compete in the PRC markets.

Intensified competition between property developers may result in increased costs for land acquisition and construction, oversupply of properties and a slowdown in the approval process for new property developments by the relevant government authorities, all of which may adversely affect our business. There can be no assurance that we will be able to compete successfully in the future against our existing or potential competitors or that increased competition with respect to our activities may not have a material adverse effect on our financial condition and results of operations.

In addition, the property markets in the PRC are rapidly changing. If we cannot respond to changes in market conditions or changes in customer preferences more swiftly or more effectively than our competitors, our business, results of operations and financial condition could be materially and adversely affected.

The PRC property market has experienced significant consolidation.

Consolidation in the PRC property market in recent years has resulted in smaller property developers merging or otherwise combining their operations in order to enjoy economies of scale and enhance their competitiveness. Any further consolidation in the property sector in the PRC may intensify competition among property developers and we may have to compete with competitors with increased financial and operational resources, such as land banks and management capabilities. Such consolidation could potentially place us under competitive pressure with respect to land or development negotiations, scale, resources and pricing of our properties.

Risks Relating to Conducting Business in the PRC

PRC economic, political and social conditions, as well as government policies, could affect our business.

Substantially all of our assets are located in the PRC, and all of our revenue is derived from within the PRC. Accordingly, our results of operations, financial position and prospects are significantly subject to the economic, political and legal developments of the PRC.

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to:

- structure;
- level of government involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

While the PRC economy has grown significantly in the past 20 years, growth has been uneven, both geographically and across the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect our operations.

For example, our financial condition and results of operations may be materially and adversely affected by the PRC government's control over capital investments and changes in tax regulations or foreign exchange controls that are applicable to us.

The PRC economy has been transitioning from a planned economy to a market-oriented economy. For the past two decades, the PRC government has implemented economic reform measures emphasizing the utilization of market forces in the development of the PRC economy. Although we believe these reforms will have a positive effect on our overall and long-term development, we cannot predict whether changes in the PRC's economic, political and social conditions, laws, regulations and government policies will have any material and adverse effect on our current or future business, results of operations or financial condition.

Governmental control of currency conversion may affect the value of your investment.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency to jurisdictions outside China. We receive substantially all of our revenue in Renminbi. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us or otherwise satisfy their foreign currency denominated or settled obligations, such as the notes. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of the State Administration of Foreign Exchange ("SAFE"), by complying with certain procedural requirements. However, approval from the appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted to a jurisdiction outside China to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access to foreign currencies for current account transactions in the future. If the PRC foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, our PRC subsidiaries may not be able to pay dividends in foreign currencies to us and we may not be able to service our debt obligations denominated or settled in foreign currencies, such as the notes.

There are significant uncertainties under the new PRC enterprise income tax law relating to the withholding tax liabilities of our PRC subsidiaries.

Under the Enterprise Income Tax Law of the PRC adopted in March 2007 and the State Council promulgated the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC adopted in December 2007 (collectively, the "New EIT Law"), the profits of a foreign invested enterprise generated in 2008 and onwards which are distributed to its immediate holding company outside the PRC will be subject to a withholding tax rate of 10.0% or a lower treaty rate. Pursuant to a special arrangement between Hong Kong and the PRC, such rate is lowered to 5.0% if a Hong Kong resident enterprise owns over 25% of a PRC company. Some of our PRC subsidiaries are currently wholly owned by Hong Kong subsidiaries. However, according to the Circular of State Administration of Taxation on Printing and Issuing the Administrative Measures for Non-resident Individuals and Enterprises to Enjoy the Treatment Under Taxation Treaties, which became effective on October 1, 2009, the 5% withholding tax rate does not automatically apply and approvals from competent local tax authorities are required before an enterprise can enjoy any benefits under the relevant taxation treaties. Moreover, according to a tax circular issued by SAT in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. The PRC tax authorities might not grant approvals on the 5% withholding tax rate on dividends received by our subsidiaries in Hong Kong from our PRC subsidiaries.

Under the New EIT Law, we may be classified as a "resident enterprise" of China. Such classification could result in unfavorable tax consequences to us and our non-PRC noteholders.

Under the New EIT Law, an enterprise established outside of China with "de facto management organization" located within China will be considered a "resident enterprise," and consequently will be treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. The implementing rules of the New EIT Law define "de facto management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. However, it is still unclear how the PRC tax authorities will determine whether an entity will be classified as a "resident enterprise." If the PRC tax authorities determine that we are a "resident enterprise" for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. We may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations. In our case, this would mean that income such as interest from any investment of any portion of the offering proceeds and other income sourced from outside the PRC would be subject to PRC enterprise income tax at a rate of 25%, whereas no direct tax is imposed on enterprises under the laws of Bermuda. Furthermore, as described in "Taxation—PRC," if we are considered a "resident enterprise," interest payable to certain "non-resident enterprise" holders on the Notes may be treated as income derived from sources within China and be subject to PRC withholding tax at a rate of 10%, or a lower rate for holders who qualify for the benefits of a double-taxation treaty with China, and capital gains realized by holders of Notes may be treated as income derived from sources within China and be subject to a 10% PRC tax. If we are required under the New EIT Law to withhold PRC tax on our interest payable to our non-resident noteholders who are "non-resident enterprises," we will be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Notes, as well as our profitability and cash flow. In addition to the uncertainty as to the application of the new "resident enterprise" classification, the PRC government could amend or revise the taxation laws, rules and regulations to impose stricter tax requirements, higher tax rates or apply the New EIT Law, or any subsequent changes in PRC tax laws, rules or regulations retroactively. As there may be different applications of the New EIT Law and any amendments or revisions, comparisons between our past financial results may not be meaningful and should not be relied upon as indicators of our future performance. If such changes occur or are applied retroactively, they could materially and adversely affect our results of operations and financial condition.

PRC regulations relating to the investment in offshore special purpose companies by PRC residents may subject our shareholders that are PRC residents to personal liability, limit our ability to contribute capital into or provide loans to our PRC subsidiary, limit our subsidiaries' ability to increase their registered capital, pay dividends or otherwise distribute profits to us, or otherwise adversely affect us.

SAFE has promulgated several regulations, including the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles, or Circular No. 75, issued on October 21, 2005, which require PRC residents and PRC corporate entities to register with local branches of SAFE in connection with their direct or indirect offshore investment activities.

Under these SAFE regulations, PRC residents who make, or have previously made, direct or indirect investments in offshore companies are required to register those investments with the local branch of SAFE. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local branch of SAFE, to reflect any material change involving that offshore company's round-trip investment, capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger, division, long-term equity or debt investment or creation of any security interest, and the PRC subsidiaries of the relevant offshore company are required to urge the PRC resident shareholders to do so. If any PRC shareholder fails to make the required initial SAFE registration or update the previously filed registration, the PRC subsidiaries of that offshore parent company may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be prohibited from injecting additional capital into its PRC subsidiaries.

Due to uncertainty concerning the reconciliation of these SAFE rules with other approval or registration requirements, it remains unclear how these rules, and any future legislation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant government authorities. We attempt to comply, and attempt to ensure that our shareholders who are subject to these rules comply, with the relevant requirements. However, we cannot assure you that all of our shareholders who are PRC residents, will comply with our request to make or update any applicable registrations or comply with other requirements required by these rules or other related rules. The failure or inability of our PRC resident shareholders to make any required registrations or comply with other requirements may subject such shareholders to fines and legal sanctions and may also limit our ability to contribute additional capital into or provide loans to (including using the proceeds from any equity or debt securities offerings) our PRC subsidiaries, limit our PRC subsidiaries' ability to increase their registered capital, pay dividends or otherwise distribute profits to us, or otherwise materially and adversely affect us.

Substantially all of our revenue is denominated in Renminbi and fluctuations in the exchange rate of Renminbi may materially and adversely affect our business, financial condition and results of operations.

Substantially all of our revenue is denominated in Renminbi and must be converted to pay dividends or make other payments in freely convertible currencies. Under the PRC's foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade, may be made in foreign currencies without prior approval, subject to certain procedural requirements. However, strict foreign exchange controls continue for capital account transactions, including repayment of loan principal and return of direct capital investments and investments in negotiable securities. See "Regulation—Foreign Exchange Controls." In the past, there have been shortages of US dollars or other foreign currency available for conversion of Renminbi in the PRC, and it is possible that such shortages could recur, or that restrictions on conversion could be re-imposed.

The value of RMB against other foreign currencies is subject to changes in the PRC government's policies and international economic and political developments. Under the current unified floating exchange rate system, the conversion of RMB into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC, which are quoted daily based on the previous day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. Since 1994, the official exchange rates for the conversion of RMB to Hong Kong and U.S. dollars have generally been stable. However, with effect from July 21, 2005, the PRC government reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. As a result, the RMB appreciated against the Hong Kong and U.S. dollars by approximately 2% on the same date. In September 2005, the PRC government widened the daily trading band for RMB against non-U.S. dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. The floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar was expanded from 0.3% to 0.5% around the central parity rate, effective in May 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 18.2% from July 21, 2005 to July 30, 2010. Any significant revaluation of the Renminbi may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable to us by our PRC subsidiaries. For example, an appreciation of the Renminbi against the U.S. dollar would make any new Renminbi denominated investments or expenditures more costly to us, to the extent that we need to convert U.S. dollars into Renminbi for such purposes.

Our investments in the PRC are subject to the PRC government's control over foreign investment in the property sector.

The PRC government has in the past imposed restrictions on foreign investment in the property sector to curtail the overheating of the property sector by, among other things, increasing the capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons. On May 23, 2007, the Ministry of Commerce ("MOFCOM") and SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC, which, among other things, provides that:

- foreign investment in the property sector in the PRC relating to high-end properties should be strictly controlled;

- prior to obtaining approval for the establishment of foreign-invested real estate enterprises, either (i) both the land use right certificates and housing title certificates should be obtained, or (ii) contracts for obtaining land use rights or housing titles should be entered into;
- foreign-invested real estate enterprises approved by local authorities shall immediately register with the MOFCOM through a filing made by the local authorities; and
- foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effect foreign exchange settlements of capital account items for those foreign-invested real estate enterprises which have not completed their filings with the MOFCOM or fail to pass the annual inspection.

In June 2008, to strengthen regulation of foreign-invested real estate enterprises, the MOFCOM issued the "Notice Regarding Completing the Filing of Foreign Investment in the Real Estate Sector." According to this notice, when a foreign-invested real estate enterprise is established or increases its registered capital, the commerce department at provincial level is required to verify all filing materials regarding such foreign-invested real estate enterprise and to make a filing with the MOFCOM. This notice also requires that each foreign-invested real estate enterprise undertakes only one approved property project. Further, on August 29, 2008, SAFE issued the "Circular on the Relevant Operating Issues Concerning Improving the Administration of Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises." Pursuant to this circular, Renminbi funds from the settlement of foreign currency capital of a foreign-invested enterprise must be used within the business scope of the enterprise as approved by the examination and approval department of the government, and cannot be used for domestic equity investment unless it is otherwise provided for in other regulations. In addition, any foreign-invested enterprise, other than foreign-invested real estate development enterprises, shall not purchase domestic real estate for purposes other than self-use purposes with Renminbi funds derived from its capital fund. As a result, we may not be able to increase the capital contribution to our project companies or equity investees and subsequently convert such capital contribution into Renminbi for equity investment or acquisitions in the PRC. These limitations on the flow of funds between us and our PRC subsidiaries could restrict our ability to act in response to changing market conditions and the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other amounts to us, or to satisfy their foreign currency denominated obligations.

Restrictions imposed by the PRC government on foreign investment in the property sector may affect our ability to make further investments in our PRC subsidiaries and as a result may limit our business growth and have a material adverse effect on our business, financial condition and results of operations.

PRC regulations relating to acquisitions of PRC companies by foreign entities may limit our ability to acquire PRC companies and materially and adversely affect the implementation of our strategy as well as our business and prospects.

The Provisions on the Acquisition of Domestic Enterprises by Foreign Investors (the "M&A Provisions") issued by six PRC ministries including the MOFCOM, effective from September 8, 2006 and further amended on June 22, 2009, provide the rules with which foreign investors must comply should they seek to purchase by agreement the equities of the shareholders of a domestic non-foreign-invested enterprise or subscribe to the increased capital of a domestic non-foreign-invested enterprise, and thus convert the domestic non-foreign-invested enterprise into a foreign invested enterprise to conduct asset merger and acquisition. It stipulates that the business scope upon acquisition of domestic enterprises must conform to the Foreign Investment Industrial Guidance Catalog issued by the NDRC and the MOFCOM, which restricts the scope of permitted foreign investment. It also provides the takeover procedures for equity interests in domestic companies.

Our PRC legal advisors have advised us that there are uncertainties as to how the M&A Provisions will be interpreted or implemented. If we decide to acquire a PRC company, we cannot assure you that we or the owners of such PRC company can successfully complete all necessary approval requirements under the M&A Provisions. This may restrict our ability to implement any acquisition strategy and materially and adversely affect our business and prospects.

The legal system in the PRC is less developed than in certain other countries and uncertainty with respect to the PRC legal system could affect our operations.

As substantially all of our businesses are conducted, and substantially all of our assets are located, in the PRC, our operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

The national and regional economies in the PRC and our prospects may be materially and adversely affected by natural disasters, acts of God, and occurrence of epidemics.

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC, including the cities in which we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome ("SARS"), H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1). For instance, a serious earthquake and its successive aftershocks hit Sichuan Province in May 2008 and resulted in tremendous loss of lives and destruction of assets in the region. Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in the PRC.

In addition, the outbreak of SARS or other virulent contagious diseases, such as the H5N1 avian flu or the human swine flu, could potentially disrupt our operations if any buyers or sellers in our markets are suspected to have contracted such diseases, and our markets are identified as a possible source of spreading the contagious disease infection. We may be required to quarantine tenants who are suspected of being infected. We may also be required to disinfect the affected markets and therefore suffer a temporary suspension of operations. Any quarantine of users or suspension of operations at any one of markets is likely to materially and adversely affect our business, financial condition and results of operations.

It may be difficult to enforce any judgments obtained from non-PRC courts against us, our directors or our senior management in the PRC.

Substantially all of our assets are located within the PRC. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with many countries, including Japan, the United States and the United Kingdom. Therefore, it may be difficult for you to enforce any judgments obtained from non-PRC courts against us, any of our directors or our senior management in the PRC.

We cannot guarantee the accuracy of facts, forecasts and other statistics derived from official government publications with respect to the PRC, the PRC economy and the PRC industries that affect our business, which are contained in this offering memorandum.

Facts, forecasts and other statistics in this offering memorandum relating to the PRC, the PRC economy and the PRC industries that affect our business have been derived from various official government publications generally believed to be reliable. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Manager or any of our or its affiliates or advisors and, therefore, none of them makes any representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between official government publications and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, they might not be stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts, forecasts or statistics.

Risks Relating to the Notes

The terms of the notes permit us to make investments in unrestricted subsidiaries and minority owned joint ventures.

In light of land prices, sizes of projects and other factors, we may from time to time consider developing property developments jointly with other PRC property developers. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be restricted subsidiaries under the indenture governing the notes. Although the indenture governing the notes restricts us and our restricted subsidiaries from making investments in unrestricted subsidiaries or minority joint ventures, these restrictions are subject to important exceptions and qualifications.

We are a holding company and payments with respect to the notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries that do not guarantee the notes.

We are a holding company with no material operations. We conduct our operations through our PRC subsidiaries. The notes will not be guaranteed by any current or future PRC subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries, which are held through our subsidiaries incorporated outside the PRC. On the date of issue of the notes, all the guarantors of the notes are subsidiaries incorporated outside the PRC. The guarantors do not have material operations. Accordingly, our ability to pay principal and interest on the notes and the ability of the guarantors to satisfy their obligations under their guarantees will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our subsidiaries.

Creditors, including trade creditors of non-guarantor subsidiaries and any holders of preferred shares in such entities, would have a claim on the assets of the non-guarantor subsidiaries that would be prior to the claims of holders of the notes. As a result, our payment obligations under the notes will be effectively subordinated to all existing and future obligations of our subsidiaries that do not guarantee the notes, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our non-guarantor subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the notes. As of June 30, 2010, our PRC subsidiaries had capital commitments and contingent liabilities arising from guarantees of HK$11,385.5 million (US$1,462.2 million) and HK$10,268.0 million (US$1,318.7 million), respectively. The notes and the indenture permit us, the guarantors and our non-guarantor subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any guarantor would have priority as to our assets or the assets of such guarantor securing the related obligations over claims of holders of the notes.

We have substantial indebtedness and may incur substantial additional indebtedness.

We now have, and will continue to have after the offering of the notes, a substantial amount of indebtedness. Our total borrowings, including both current and non-current borrowings, as of December 31, 2007, 2008, and 2009 and as of June 30, 2010 were HK$12,617.9 million, HK$16,593.0 million, HK$16,348.9 million (US$2,099.6 million) and HK$19,039.2 million (US$2,445.2 million), respectively. Our substantial indebtedness could have important consequences to you.

For example, it could;

- limit our ability to satisfy our obligations under the notes and other debt;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- limit our flexibility in planning for or reacting to changes in our business and the industry in which we operate;
- limit, along with the financial and other restrictive covenants of our indebtedness, our ability to borrow additional funds; and
- increase the cost of additional financing.

We may from time to time incur substantial additional indebtedness and contingent liabilities. Although the indenture restricts us and our Restricted Subsidiaries from incurring additional debt and contingent liabilities, these restrictions are subject to important exceptions and qualifications. If we or our subsidiaries incur additional debt, the risks that we face as a result of our existing indebtedness and leverage could intensify.

In addition, both the indenture governing the notes and the indenture governing our 2012 Notes prohibits us from incurring additional indebtedness unless (i) we are able to satisfy a certain financial ratio or (ii) we are able to incur such additional indebtedness pursuant to any of the exceptions to the financial ratio requirement, and meet any other applicable restrictions. Our ability to meet our financial ratio requirement may be affected by events beyond our control. We might not be able to meet this ratio. Certain of our financing arrangements also impose operating and financial restrictions on our business. See "Description of Other Material Indebtedness." Such restrictions in the notes, the 2012 Notes and our other financing arrangements may impair our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in our business. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the notes and other debt.

To meet our obligations under our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on and to refinance our indebtedness, including these notes, and to fund planned capital expenditures and project development will depend on our future performance and ability to generate cash. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. As of October 31, 2010, our bank borrowings amounted to RMB17,499.0 million (US$2,580.4 million). Our US$350 million aggregate principal amount of 2012 Notes mature in November 2012. See "Description of Other Material Indebtedness."

Our business might not generate cash flow from operations in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness, including the notes, on or before maturity. We might not be able to refinance any of our indebtedness on commercially reasonable terms or at all. If we are unable to service our indebtedness or obtain refinancing on terms acceptable to us, we may be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries.

We may depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments of such subsidiaries. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to us to make payments on the notes. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the notes and the guarantees for the notes.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends by the board of directors. In addition, since January 1, 2008, dividends paid by our PRC subsidiaries to their non-PRC parent companies are subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. In addition, according to PRC regulations issued by SAFE, our PRC subsidiaries are only permitted to declare and distribute dividends after the completion of a financial year. Also, pursuant to the articles of association of some of our PRC subsidiaries, dividends may only be declared and distributed annually. As a result of such limitations, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the notes or satisfy our obligations under the guarantees for the notes, and there could be restrictions on payments required to redeem the notes at maturity or as required for any early redemption.

Furthermore, in practice, the market interest rate that our PRC subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates on shareholders' loans paid by our subsidiaries, therefore, are likely to be lower than the interest rate for the notes. Our PRC subsidiaries are also required to pay a 10% or lower treaty rate withholding tax on our behalf on the interest paid under any shareholders' loans. PRC regulations require approval by SAFE prior to any of our non-PRC subsidiaries making shareholder loans in foreign currencies to our PRC subsidiaries and require such loans to be registered with SAFE. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries must present evidence of payment of the withholding tax on the interest payable on any such shareholder loan and evidence of registration with SAFE, as well as any other documents that SAFE or its local branch may require.

As a result of the foregoing, we might not have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy our obligations under the notes or the obligations of the guarantors under the guarantees.

Under PRC regulations, we may not be able to transfer to our PRC subsidiaries proceeds from this offering in the form of a loan, which could impair our ability to make timely payments of interest and principal under the notes.

According to PRC rules and regulations relating to supervision of foreign debt, loans by foreign companies to their subsidiaries in China, such as our PRC subsidiaries established as foreign-invested enterprises in China, are considered foreign debt, and such loans must be registered with the relevant local branches of SAFE. Such rules and regulations also provide that the total outstanding amount of such foreign debt borrowed by any foreign-invested enterprise may not exceed the difference between its total investment and its registered capital, each as approved by the relevant PRC authorities. In addition, in July 2007, SAFE issued the "Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment That Have Properly Filed with the MOFCOM." The notice stipulates, among other things, (i) that SAFE will no longer process foreign debt registrations or foreign debt applications for the settlement of foreign exchange submitted by real estate enterprises with foreign investments that obtained approval certificates from the commerce department of the local government and passed the procedures for registration with the MOFCOM on or after June 1, 2007 and (ii) that SAFE will no longer process foreign exchange registrations (or any change in such registrations) or applications for settlement and sale of foreign exchange submitted by real estate enterprises with foreign investment that obtained approval certificates from the commerce department of the local government on or after June 1, 2007 but that did not file with the MOFCOM. Foreign-invested enterprises include joint ventures and wholly foreign-owned enterprises established in China, such as most of our PRC subsidiaries. Therefore, the proceeds of the current offering that will be used for land acquisitions and developments in China may only be transferred to our PRC subsidiaries as equity investments and not as loans. We would therefore have to rely on dividend payments from our PRC subsidiaries, and we cannot assure you that dividend payments will be available on each interest payment date to pay the interest due and payable under the notes, on the maturity date to pay the principal of the outstanding notes, or at the time of the occurrence of any change of control to make purchases of outstanding notes.

In addition, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require approvals from the commerce department of the local government and filing with the MOFCOM and the local branch of SAFE, which may take considerable time and delay the actual contribution to the PRC subsidiaries. This may adversely affect the financial condition of the PRC subsidiaries and may cause delays to the development undertaken by such PRC subsidiaries. We cannot assure you that we have obtained or will obtain in a timely manner all relevant necessary approval certificates or filings for all our operating subsidiaries in the PRC to comply with this regulation.

Further, we cannot assure you that the PRC government will not introduce new policies that further restrict our ability to deploy in the PRC, or that prevent us from deploying in the PRC, the funds raised outside China. Therefore, we may not be able to use all or any of the capital that we may raise outside China to finance our projects in a timely manner or at all.

The insolvency laws of Bermuda and other local insolvency laws may differ from those of jurisdictions with which you are familiar.

Because we are incorporated under the laws of Bermuda, an insolvency proceeding relating to us, regardless of where they are brought, might involve Bermuda insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy laws of other jurisdictions. For example, under Bermuda insolvency laws, the claims of unsecured creditors are payable only to the extent that assets remain available and can be sold after the assets subject to the claims of secured creditors are sold and the proceeds applied to pay those secured creditor claims. In addition, each guarantor is incorporated either in the British Virgin Islands, Hong Kong or Samoa, and the insolvency laws of these jurisdictions may also differ from the laws of the other jurisdictions with which you are familiar.

We may be unable to obtain and remit foreign exchange.

Our ability to satisfy our obligations under the notes depends solely upon the ability of our PRC subsidiaries to obtain and remit sufficient foreign currency to pay dividends to us and, if applicable, to repay shareholder loans. Our PRC subsidiaries must present certain documents to SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of China, including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with SAFE. Prior to payment of interest and principal on any shareholder loan we make to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10% withholding tax or lower tax treaty rate on the interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on shareholder loans, which may affect our ability to satisfy our obligations under the notes.

We may not be able to repurchase the notes upon a change of control.

We must offer to purchase the notes upon the occurrence of a change of control and an accompanied rating decline, at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See "Description of the Notes." The source of funds for any such purchase would be our available cash or third-party financing. Our 2012 notes also include a similar requirement. However, we may not have enough available funds at the time of the occurrence of any change of control to make purchases of outstanding notes and 2012 notes. If an event constituting a change of control occurs at a time when we are prohibited from repurchasing the notes and the 2012 Notes, we may seek the consent of the lenders under such indebtedness to purchase the notes and the 2012 Notes or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, we may be unable to repurchase the notes or the 2012 Notes. Our failure to make the offer to purchase or purchase the outstanding notes would constitute an event of default under the notes. The event of default may, in turn, constitute an event of default under other indebtedness, including the 2012 Notes, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the notes and repay the debt.

Certain of the events constituting a change of control under the notes may also constitute an event of default under certain of our or our subsidiaries' debt instruments. Future debt of the issuer and the guarantor may also (1) prohibit us from purchasing notes in the event of a change of control; (2) provide that a change of control is a default; or (3) require repurchase of such debt upon a change of control. Moreover, the exercise by the noteholders of their right to require us to purchase the notes could cause a default under our or our subsidiaries other indebtedness, even if the change of control itself does not, due to the financial effect of the purchase on us and our subsidiaries.

In addition, the definition of change of control for purposes of the indenture does not necessarily afford protection for the holders of the notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations, although these types of transactions could increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of change of control for purposes of the indenture also includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or our assets taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the notes and the ability of a holder of the notes to require us to purchase its notes pursuant to the offer as a result of a highly-leveraged transaction or a sale of less than all of our assets may be uncertain.

If we are unable to comply with the terms of the indenture governing the notes and the indenture governing our 2012 Notes or our future debt agreements, there could be a default under those agreements, which could cause repayment of our debt to be accelerated.

If we are unable to comply with the terms in the indenture governing the notes, the indenture governing our 2012 Notes or our future debt obligations and other agreements, there could be a default under those agreements. If that occurs, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, the indenture governing the notes, the indenture governing our 2012 Notes contain, and our future debt agreements are likely to contain, cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the notes, or result in a default under our other debt agreements, including the indenture governing the notes, the indenture governing our 2012 Notes. If any of these events occur, our assets and cash flow might not be sufficient to repay in full all of our indebtedness and we might not be able to find alternative financing. Even if we could obtain alternative financing, it might not be on terms that are favorable or acceptable to us.

Our operations are restricted by the terms of the notes, which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase your credit risk.

The indenture governing the notes and the indenture governing our 2012 Notes include a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our restricted subsidiaries, to:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of restricted subsidiaries;
- guarantee indebtedness of restricted subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- engage in any business other than permitted business;
- enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates;
- effect a consolidation or merger; and
- engage in different business activities.

These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

A trading market for the notes may not develop, and there are restrictions on resale of the notes.

The notes are a new issue of securities for which there is currently no trading market. We have received approval in-principle of the listing of the notes on the SGX-ST and we cannot assure you that we will be able to maintain a listing on the SGX-ST and, even if listed, a liquid trading market might not develop. If no active trading market develops, you may not be able to resell your notes at their fair market value or at all. Future trading prices of the notes will depend on many factors, including prevailing interest rates, our operating results and the market for similar securities. We have been advised that the Manager intends to make a market in the notes, but the Manager is not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the notes are being offered pursuant to exemptions from registration under the U.S. Securities Act and, as a result, you will only be able to resell your notes in transactions that have been registered under the U.S. Securities Act or in transactions not subject to or exempt from registration under the U.S. Securities Act. See "Notice to Investors." We cannot predict whether an active trading market for the notes will develop or be sustained.

The ratings assigned to the notes may be lowered or withdrawn.

The notes have been assigned a rating of "   " by Standard and Poor's Ratings Services and "   " by Moody's Investors Service. The ratings address our ability to perform our obligations under the terms of the notes and credit risks in determining the likelihood that payments will be made when due under the notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. A rating might not remain for any given period of time and could be lowered or withdrawn entirely by the relevant rating agency. We have no obligation to inform holders of the notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the notes may adversely affect the market price of the notes.

Certain transactions that constitute "connected transactions" under the Listing Rules will not be subject to the "Limitation on Transactions with Shareholders and Affiliates" covenant.

Our shares are listed on the Hong Kong Stock Exchange and we are required to comply with its Listing Rules, which provide, among other things, that a "connected transaction" exceeding the applicable *de minimis* value thresholds will require prior approval of the independent shareholders of such listed company. However, the "Limitation on Transactions with Shareholders and Affiliates" covenant in the notes does not capture transactions between the company or any restricted subsidiary, on the one hand, and an affiliate of any restricted subsidiary, on the other hand. As a result, we are not required by the terms of the notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officer's certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the notes for any such transactions.

The liquidity and price of the notes following the offering may be volatile.

The price and trading volume of the notes may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and proposals for new investments, strategic alliances and acquisitions, interest rates and fluctuations in price for comparable companies could cause the price of the notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the notes.

There may be less publicly available information about us than is available in certain other jurisdictions.

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, the financial information in this offering memorandum has been prepared in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions, or other GAAPs, which might be material to the financial information contained in this offering memorandum. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between HKFRS and other GAAPs. In making an investment decision, you must rely upon your own examination of us, the terms of the offering and our financial information. You should consult your own professional advisers for an understanding of the differences between HKFRS and other GAAPs and how those differences might affect the financial information contained in this offering memorandum.

The notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the global notes representing the notes will trade in book-entry form only, and notes in definitive registered form will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of notes for purposes of the indenture. A common depositary for Euroclear and Clearstream will be the sole registered holder of the global notes. Accordingly, you must rely on the procedures of Euroclear or Clearstream, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of notes under the indenture.

Upon the occurrence of an event of default under the indenture, unless and until definitive registered notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the notes. See "Description of the Notes—Book-Entry; Delivery and Form."

We may be able to redeem the notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest in the event we are required to pay additional amounts as a result of being treated as a PRC "resident enterprise."

In the event we are treated as a PRC "resident enterprise" under the New EIT Law, we may be required to withhold PRC tax on interest payable to certain of our non-resident noteholders. In such case, we will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. As described under "Description of the Notes—Redemption for Taxation Reasons," in the event we are required to pay additional amounts as a result of certain changes in or interpretations of tax law, including any change or interpretation that results in our being required to withhold tax on interest payments as a result of our being treated as a PRC "resident enterprise," we may redeem the notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

Risks Relating to the Guarantees and the Collateral

The subsidiary guarantees may be challenged under applicable financial assistance, insolvency or fraudulent transfer laws, which could impair the enforceability of the subsidiary guarantees.

Under bankruptcy laws, fraudulent transfer laws, financial assistance, insolvency or unfair preference or similar laws in the British Virgin Islands, Hong Kong, Samoa or other jurisdictions where future subsidiary guarantors may be established, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by, or when it gives, its guarantee:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;
- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;
- received no commercial benefit;
- was insolvent or rendered insolvent by reason of such incurrence;
- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The measure of insolvency for purposes of the foregoing will vary depending on the law of the jurisdiction which is being applied. Under the laws of the British Virgin Islands, it would also be necessary for the directors to ensure that the guarantor is solvent immediately after entry into, and performance of any obligation under, the transaction, that is:

- it will be able to satisfy its liabilities as they become due in the ordinary course of its business; and
- the realizable value of the assets of the guarantor will not be less than the sum of its total liabilities other than deferred taxes, as shown in the books of account, and its capital.

In addition, in Samoa, under section 20 of the International Companies Act 1987, where the exercise by the directors of any power of the company does not advance the business of the company, is not in the best or commercial interest of the company or advances or assists the business of some other person at the expense or detriment of the company such exercise shall be a valid act on behalf of the company if the directors honestly believe that the exercise of such power will not result in the company being incapable of meeting its obligations to creditors as they fall due. In determining this the directors must take into account actual debts and any contingent liability which the directors believe on the balance of probabilities will require a disposition of an economic benefit of the international company at any future time to satisfy those debts.

The directors should also ensure that the issued capital of the guarantor is maintained and that, after this transaction, the guarantor would have sufficient net assets to cover the nominal value of its issued share capital.

In addition, a guarantee may be subject to review under applicable financial assistance, insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the guarantors. In such case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder was incurred for less than reasonably equivalent value or fair consideration.

In an attempt to limit the applicability of financial assistance, insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the subsidiary guarantors under the subsidiary guarantees will be limited to the maximum amount that can be guaranteed by the applicable subsidiary guarantor without rendering the guarantee, as it relates to such subsidiary guarantor, voidable under such applicable insolvency or fraudulent transfer laws.

If a court voided a subsidiary guarantee, subordinated such guarantee to other indebtedness of a subsidiary guarantor, or held the subsidiary guarantee unenforceable for any other reason, holders of the notes would cease to have a claim against that subsidiary guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) and any preferred stock of such subsidiary guarantor and would solely be creditors of our company and any subsidiary guarantor whose guarantee was not voided or held unenforceable. There can be no assurance that, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the notes.

The pledge of certain collateral may in certain circumstances be voidable.

The pledge of the collateral securing the notes may be voidable as a preference under insolvency or fraudulent transfer or similar laws of Bermuda, Hong Kong, the British Virgin Islands and Samoa at any time within six months of the perfection of the pledge or, under some circumstances, within a longer period. Pledges of capital stock of future subsidiary guarantors may also be voidable as a preference under relevant insolvency or fraudulent transfer or similar laws. In addition, the pledge of certain collateral may be voided based on the analysis set forth under "—The subsidiary guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the subsidiary guarantees." Moreover, as the pledge agreements will be governed by the laws of Hong Kong, to the extent a judgment is obtained in a Hong Kong court, there is no guarantee that such judgment can be enforced in Bermuda, the British Virgin Islands or Samoa.

The notes will not be guaranteed by existing or future PRC subsidiaries and the collateral securing the notes will not include the capital stock of these subsidiaries.

None of our current or future PRC subsidiaries, which are our operating subsidiaries, will provide a guarantee for the notes either upon issuance of the notes or at any time thereafter. No future subsidiaries that are organized under the laws of the PRC will provide a guarantee for the notes at any time in the future. As a result, the notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries and such non-guarantor subsidiaries. Moreover, the collateral securing the notes will not include the capital stock of our existing or future PRC subsidiaries and non-guarantor subsidiaries.

We cannot assure you that the initial guarantors or any subsidiaries that may become guarantors in the future will have the funds necessary to satisfy our financial obligations under the notes if we are unable to do so.

The realizable value of the collateral is unlikely to be sufficient to satisfy our obligations under the notes and other pari passu secured indebtedness.

The collateral will consist only of the capital stock of the guarantors owned by us or our subsidiaries. The security interest in respect of certain collateral may be released upon the disposition of such collateral and any proceeds from such disposition may be applied, prior to repaying any amounts due under the notes, to repay other debt or to make investments in properties and assets that will not be pledged as additional collateral. The ability of the trustee, on behalf of the holders of the notes, to foreclose on the collateral upon the occurrence of an event of default or otherwise will be subject in certain instances to perfection and priority status. Although procedures will be undertaken to support the validity and enforceability of the security interests, the trustee or holders of the notes might not be able to enforce the security interest.

The realizable value of the collateral in the event of a liquidation will depend upon market and economic conditions, the availability of buyers and similar factors. No independent appraisals of any of the collateral have been prepared by or on behalf of us in connection with this offering of the notes. Accordingly, the proceeds of any sale of the collateral following an acceleration of the notes might not be sufficient to satisfy amounts due and payable on the notes. By its nature, the collateral, which consists solely of the capital stock of privately owned companies, is likely to be illiquid and is unlikely to have a readily ascertainable market value. Likewise, the collateral might not be saleable or, if saleable, there could be substantial delays in its liquidation.

The collateral will be shared on a *pari passu* basis by the holders of the notes, the 2012 Notes and other indebtedness ranking *pari passu* with the notes that we may issue in the future. Accordingly, in the event of a default on the notes, the 2012 Notes or the other secured indebtedness and a foreclosure on the collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of such secured indebtedness. The value of the collateral securing the notes and the guarantees is unlikely to be sufficient to satisfy the full repayment on the notes and guarantees, and the collateral securing the notes, the 2012 Notes and the guarantees may be reduced or diluted under certain circumstances, including the issuance of additional notes or other *pari passu* indebtedness and the disposition of assets comprising the collateral, subject to the terms of the indenture.

Under the intercreditor agreement, the holders of the notes will be required to share recovery proceeds with other secured creditors and have certain limitations on their ability to enforce the security documents.

Security over the collateral for our and the guarantors' obligations under the notes, the guarantees and the indenture will not be granted directly to the holders of the notes but will be granted only in favor of the trustee. As a consequence, holders of the notes will not have direct security and will not be entitled to take enforcement action in respect of the security for the notes and the guarantees, except through the trustee. Subject to the intercreditor agreement, any proceeds of enforcement against the collateral shall be applied towards such obligations in accordance with the terms of the indenture and/or the relevant security agreements.

The indenture governing the notes provides that the collateral will be shared equally and ratably among the creditors under our 2012 Notes and any other obligors under all other permitted indebtedness which has been granted a lien on the collateral in accordance with the terms of the intercreditor agreement. Because the collateral will be shared equally and ratably with creditors under other financings, the full value of the collateral may not be available to satisfy noteholders' claims. Despite the sharing arrangements provided for in terms of ranking of security and recoveries on enforcement, each of the trustee and the trustee under the 2012 Notes will retain an independent right to take enforcement action (and control the subsequent enforcement process) in accordance with the terms of its respective indenture and corresponding security agreements.

The indenture governing the notes and the guarantees also permits us to enter into certain future financings, and creditors under those future financings may share the collateral *pari passu* with the trustee acting on behalf of the holders of the notes. See "Description of the Notes—Security to be Granted" for a further discussion on the collateral. If creditors under future financings opt to share the collateral under the intercreditor agreement, a smaller portion of the proceeds from the enforcement of the collateral will be available to satisfy noteholders' claims, which could have a material adverse effect on the ability of the noteholders to recover sufficient proceeds to satisfy their claims under the notes.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the financial statements and related notes included elsewhere in this offering memorandum. Those financial statements and related notes have been prepared in accordance with HKFRS. This discussion contains forward-looking statements and reflects our current view with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of factors such as those set forth under "Risk Factors" and elsewhere in this offering memorandum.

Overview

We are one of China's largest property developers as measured by land bank. We specialize in developing medium to high-end large-scale residential properties, and also develop commercial and hotel properties. We are also engaged in property management, property investment and hotel management. Our geographic focus is China's three principal economic zones—the Pearl River Delta, the Pan Bohai Rim and the Yangtze River Delta—with Guangzhou, Beijing, Tianjin and Shanghai as our core cities, where the property markets have grown significantly in recent years.

Our residential projects are typically large-scale developments in the urban area of a city, and incorporate a variety of comprehensive amenities and public facilities to meet the needs of a community. From time to time, we may also operate and manage public amenities and facilities. We typically seek to identify large sites in areas at their early stage of development but with significant long-term development potential and strategic importance and therefore are able to acquire land in such areas at relatively low costs. Due to the scale of our projects, we typically develop our projects in several phases over three to seven years. As of June 30, 2010, we had 65 property projects in various stages of development, of which 33 property developments are located in the Pearl River Delta, 19 property developments in the Pan Bohai Delta and 13 property developments in the Yangtze River Delta. The total saleable gross floor area of our land bank amounted to 29.76 million sq.m. as of June 30, 2010.

We derive substantially all of our revenue from the sale of properties that we develop. In 2009 and the six months ended June 30, 2010, revenue from property sales accounted for 94.5% and 93.5%, of our total revenues, respectively. Our revenues for a given period is dependent on the number of properties we sell to purchasers and the prices at which we make such sales, as well as the actual timing of completion of the sales agreements for the properties sold by us (which refers to the time when the relevant properties have been completed and delivered to purchasers pursuant to sales agreements). The number of properties we sell and deliver during any period is dependent on customer demand and the number of projects we have under development during that period and the progress we make on the construction of those projects.

Our principal expense is our cost of sales, which are primarily the costs we incur directly in the course of our property development activities such as land costs, construction costs, borrowing costs directly attributable to the construction of our properties and other direct costs.

We intend to continue to focus on property development as our core business. In addition to property development, we are also engaged in other ancillary property-related businesses such as property investment, property management and hotel operations. We derive rental fees from our investment property portfolio in Guangzhou and Shanghai, comprising primarily commercial, retail and car park spaces within the property projects developed by us. We derive management fees from the provision of property management services in respect of properties primarily developed by us. We have interests in three hotel properties in Guangzhou, Beijing and Tianjin. All of these facilities are located within property projects developed by us.

For the years ended December 31, 2007, 2008 and 2009, our revenue was HK$11,130.6 million, HK$10,774.6 million and HK$11,225.2 million (US$1,441.6 million), respectively, and our profit was HK$3,548.2 million, HK$1,949.0 million and HK$6,092.5 million (US$782.4 million), respectively. For the six months ended June 30, 2009 and June 30, 2010, our revenue was HK$3,902.3 million (US$501.2 million) and HK$4,667.9 million (US$599.5 million), respectively, and our profit was HK$903.3 million (US$116.0 million) and HK$1,495.8 million (US$192.1 million), respectively.

Factors Affecting our Results of Operations

Economic conditions and regulatory environment in China

The PRC property industry depends heavily on overall economic growth and the resultant demand for residential and commercial properties. Because we target middle and upper-middle income purchasers, we believe that private sector developments and urbanization in China are especially important to our operations. Developments in the private sector, urbanization and the resultant demand for residential properties in China have in the past increased the sales of our properties. These factors will continue to have a significant impact on our results of operations.

The regulatory and fiscal environment affecting the real estate development industry, including tax policies (including government grant and LAT policies), land grant policies, pre-sale policies, policies on interest rates and the availability of mortgages and other macro-economic policies designed to slow down the growth of the PRC property market, will continue to have a significant impact on our results of operations.

Revenue recognition, sales volume and pricing

Because we derive substantially all of our revenue from the sale of properties we develop, our results of operations are dependent on the number of properties we have available for sale, the market demand for those properties, the number of properties we sell, complete and deliver to purchasers, the time required to develop and sell our properties, and the prices we obtain for them.

Most of our projects are medium to high-end large-scale projects that require substantial time for completion. In addition, we are generally involved in a number of different projects at any given time, each of which may be at varying stages of completion. Accordingly, the number of properties that we have available for sale and the number of properties we complete and deliver to purchasers can vary significantly from period to period. Revenue in a particular period is also dependent on our ability to gauge the demand in the market and to deliver the properties sold in prior periods. In addition, since a significant source of our revenue consists of the proceeds from pre-sale of properties developed by us, and revenue from such properties are only recognized upon completion and delivery to purchasers, there is always a time lag between the receipt of pre-sale proceeds and the recognition of such proceeds as revenue.

The prices of our properties are determined by the market forces of supply and demand rather than by state guidance or state-prescribed pricing. We price our properties by reference to the market prices for similar types of properties at comparable locations and the market response to our property launches. The average price of our projects therefore depends on the location and mix of properties sold and delivered during each fiscal period. In addition, we generally develop and sell our residential projects in separate phases. For each development, we generally aim to price the subsequent phases higher than the initial launch, partly reflecting the landscaping, amenities and infrastructure that are completed in subsequent phases.

Risks and costs associated with construction

Our ability to recognize revenue and profits and the timing of such recognition in any period depends on our ability to complete and deliver properties to customers in the current period and our ability to pre-sell properties in the current or prior periods. All of the property developments undertaken by us typically require substantial capital expenditures during construction and it may take many months or years before such projects can be pre-sold and/or completed or can generate revenue. The time taken and the costs involved in completing the construction of a property development can be adversely affected by many factors including shortages of construction materials, equipment and labor shortages, natural disasters, disputes with labor or sub-contractors, accidents and other unforeseeable circumstances. Delays in obtaining the requisite licenses, permits or approvals from government agencies or authorities can also increase the cost, and delay or prevent the pre-sale or completion of a project. Although we have not experienced any significant construction delay in the past, construction delay in the future may result in the loss of revenue.

The major components of our cost of sales consist of costs we incur directly in the course of our property development activities, such as land costs, construction costs, borrowing costs directly attributable to the construction of our properties and other direct costs. Property developments require substantial capital outlay for land acquisition and construction and it may be many months or years before revenue can be generated.

Construction costs encompass all costs for the design and construction of a project, including payments to third-party contractors, costs of construction materials, foundation and substructure, fittings, facilities for utilities and related infrastructure such as roads and pipelines. Historically, construction material costs have been the principal driver of construction costs of our property developments, with the cost of third-party contractors remaining relatively stable. Construction costs may fluctuate as a result of the volatile price movement of construction materials such as steel and cement. We seek to reduce our exposure to short-term price fluctuations of construction materials and limit project cost overruns by outsourcing construction work of our property developments at fixed prices (including procurement of supplies). Nonetheless, we are still subject to longer term price movements of construction materials. In addition, in line with industry practice, we may be required by our construction contractors to re-negotiate existing construction contracts to take into account significant price movements of construction materials in order to provide them with sufficient incentives to complete our projects. Furthermore, price movements of other supplies in relation to property developments, including construction equipment and tools, ventilation systems, plant watering systems, elevators and interior decoration materials, may also increase our construction costs. Costs associated with foundation/substructure design and construction are another major component of our construction costs which vary not only according to the area and height of the buildings, but also to the geological conditions of the site. The foundation/substructure designs and construction process for developments in different localities and the respective costs incurred may vary significantly. Therefore, construction costs of a property development may be substantially higher if the conditions of the site require more complex designs and procedures or more expensive materials in order to provide the desired foundation support.

Construction costs also increased between RMB500 and RMB2,000 in the last two to three years on a per square meter basis due to increased fit-out costs as a result of our efforts to enhance the standards and average selling prices of our properties through improvements in material quality and increased consumer demand for more luxurious items such as brand name bathtubs and faucets.

Ability to acquire suitable land, land cost and resettlement costs

Our growth depends on our ability to secure quality land at competitive prices that can offer reasonable returns. As the PRC economy continues to grow at a relatively high rate and demand for residential properties remains relatively strong, we expect that competition among developers to acquire land that is suitable for property development will continue to intensify.

We pay land premium to the land bureau for the right to occupy, use and develop a particular parcel of land. The land bureau determines the actual land premium. The land bureau fixes the amount of land premium based on the following principal factors:

- the location of the land and the land premium of comparable sites in the vicinity;
- the national regulatory policies and local economic conditions;
- the expected GFA for the proposed development or plot ratio; and
- the intended category of use for the development, with commercial use attracting a higher charge compared to residential use.

The resettlement costs we pay involve the actual expenditure we incur for site clearing and relocation of the residents originally occupying the buildings on the site subject to demolition. We pay resettlement compensation to the original residents directly or through relevant government agencies. The PRC government has laid down some basic principles for determining the appropriate level of resettlement compensation, including:

- the replacement costs or market price of the property subject to demolition;
- the location of the property;
- the purpose and use of the property subject to demolition; and
- the GFA of the property to be demolished.

To date, we only have one project subject to resettlement requirements. See "Risk Factors—Risks Relating to Our Businesses—Resettlement arrangements relating to our future and potential developments may be subject to negotiation and any failure to reach agreement may materially and adversely affect our ability to develop the relevant projects." We may acquire additional land in the future which is subject to such requirements, in which case our resettlement costs will increase.

Access to and cost of financing

Pre-sales constitute an important source of our operating cash flow during the progress of our project developments. The amount and timing of cash flows from pre-sales are affected by a number of factors, including timing and other restrictions on pre-sales imposed by the PRC government, market demand for our properties and the number of properties we have available for pre-sale. Reduced cash flow from pre-sales of our properties would increase our reliance on external financing and affect our ability to repay project-specific loans. Bank borrowings and corporate bonds have been, and we expect will continue to be, an important source of funding for our property developments. Our outstanding bank and other borrowings and bonds amounted to HK$12,617.9 million as of December 31, 2007, HK$16,593.0 million as of December 31, 2008, HK$16,384.9 million (US$2,104.3 million) as of December 31, 2009 and HK$19,039.2 million (US$2,445.2 million) as of June 30, 2010, respectively. Increases in the PBOC benchmark lending rates increase the borrowing costs for our developments, as commercial banks in China link the interest rates on bank loans to these benchmark lending rates. In addition, increases in interest rates affect the attractiveness of mortgage financing to potential purchasers of our properties, which in turn affect the demand for our properties. Further, our access to capital and cost of financing will also be affected by restrictions imposed from time to time by the PRC government on bank lending for property development.

Fluctuation of results of operations

Our results of operations tend to fluctuate from period to period. The number of properties that we can develop or complete during any particular period is limited due to substantial capital requirements for land acquisition, demolishment, resettlement and construction, as well as limited land supplies and lengthy development periods before positive cash flows may be generated. We develop larger-scale property developments in multiple phases over the course of several years. Typically, the selling prices of properties in larger-scale projects tend to increase as the overall development comes closer to completion. Seasonal variations cause further fluctuations in our interim revenues and profits. For example, our revenue and profits, recognized upon the delivery of properties, in the first half of a year are often lower than in the second half, and we will continue to experience significant fluctuations in revenue and profits on an interim basis. As a result, our results of operations fluctuate and our interim results may not proportionally reflect our annual results.

Land appreciation tax

All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of the property, being the proceeds of sales of properties less deductible expenditures including cost of land and development and contribution expenditures. There are certain exemptions available for the sale of ordinary residential properties if the appreciated value does not exceed 20% of the total deductible items (as defined in the relevant tax laws). Sale of commercial properties is not eligible for such exemption. Since 2003, local tax bureaus in certain cities have required prepayment of LAT on the pre-sales or sales proceeds of development properties. In addition, according to the notice issued by the SAT, which came into effect on February 1, 2007, real estate developers are required to settle the final LAT payable in respect of their development projects that meet certain criteria, such as 85% of a development project having been pre-sold or sold. We make provisions for LAT based on the appreciation of land value, which is calculated based on the proceeds from the sale of properties less deductible expenditures, including lease charges of land use rights, borrowing costs and all property development expenditures. We have estimated our LAT liabilities according to our understanding of the requirements under the relevant PRC tax laws and regulations. Our final LAT liabilities are to be determined by the tax authorities after completion of our property development projects, which could be different from the amounts that we have estimated. If our assessment is incorrect and the amount of LAT that we are required to pay significantly exceeds what we have prepaid or made provision for, our obligation to pay such amount may materially and adversely affect our business, results of operations or financial condition.

Critical Accounting Policies

Our audited consolidated financial statements for fiscal years 2007, 2008, 2009 and unaudited condensed consolidated financial statements for the six months ended June 30, 2009 and 2010 have been prepared in accordance with the HKFRS. The preparation of financial statements in conformity with the HKFRS requires us to adopt accounting policies and make estimates and assumptions that affect amounts reported in our financial statements. In applying these accounting policies, we make subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Critical accounting judgments are those that require the application of management's most difficult, subjective or complex judgments, often involving matters that are inherently uncertain and may change in subsequent periods. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimate may differ significantly from management's current judgments. Accordingly, actual results could differ from those estimates.

Revenue recognition

We recognize revenue from the sale of properties in the ordinary course of business. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the date when the equitable interest in the property vests with the buyer upon handover of the respective property to the buyer.

We provide guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of our properties. These guarantees will expire when the relevant property ownership certificates are lodged with the various banks. In order to obtain mortgages, the purchasers settle certain percentage of the total contract amount in accordance with the related PRC regulations upon delivery of the properties. We believe that such settlements provide sufficient evidence of the purchasers' commitment to honor their contractual obligations of the bank loans. In addition, based on past experience, there have been no significant defaults of mortgage facilities by the purchasers resulting in execution of the bank guarantees. Accordingly, we believe that significant risks and rewards associated with ownership of the properties have been transferred to the purchasers.

Financial implication of regulations of idle land

Under the PRC laws and regulations, if a property developer fails to develop land according to the terms of a land grant contract, including the designated use of the land and the time of commencement and completion of the property development, the PRC government may regard the land as idle and issue a warning or impose a penalty on the developer or reclaim the land. Judgment is required in assessing whether these tracts of land will be subject to the penalty of idle land or may be reclaimed by the government and thereby resulting in any adverse financial impact to us. In making this judgment, we evaluate the extent of development of the whole tracts of land, status of negotiation with the government authorities as to the extension of time of commencement or revision of development plans.

Distinction between investment properties and owner-occupied properties

We determine whether a property qualifies as an investment property. In making our judgment, we consider whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), we account for the portions separately. If the portions cannot be sold separately, the property is accounted for investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. We consider each property separately in making our judgment.

Estimated impairment of properties and equipment and intangible assets

Properties and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets are reviewed for impairment at each balance sheet date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of properties and equipment and intangible assets have been determined based on value-in-use calculations, taking into account latest market information and past experience. These calculation and valuations require the use of judgments and estimates.

Estimated provision of properties under development for sale, completed properties for sale and related land costs

For the purpose of determining provision, land costs, properties under development and completed properties held for sale are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverability of the carrying amounts of these asset is assessed based on their fair value less costs to sell. The fair value is determined taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The assessment requires the use of judgment and estimates.

Estimate of fair value of completed investment properties and investment properties under development

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, we determine the amount within a range of reasonable fair value estimates. In making its judgment, we consider information from a variety of sources including:

- current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences, by reference to independent valuations; and
- recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices, by reference to independent valuations.

In the case of investment properties under development, their fair value reflects the expectations of market participants of the value of the properties when they are completed, less deductions for the costs required to complete the projects and appropriate adjustments for profit and risk. The valuation and all key assumptions used in the valuation should reflect market conditions at the balance sheet date. The key assumptions include value of completed properties, period of development, outstanding construction costs, finance costs, other professional costs, risk associated with completing the projects and generating income after completion and investors' return as a percentage of value or cost. The fair value is made by reference to independent valuation.

Current taxation and deferred taxation

We are subject to taxation in mainland China and Hong Kong. Judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation assets and taxation in the periods in which such estimate is changed.

Depreciation and amortization

We depreciate our hotel properties, buildings, furniture and office equipment and motor vehicles on a straight line basis over the estimated useful life of 28 to 50 years, 50 years, 5 years and 3 to 5 years, respectively, and after taking into account of their estimated residual value, commencing from the date the asset is placed into productive use. The estimated useful lives and dates that we place the properties and equipment into productive use reflect our estimate of the periods that we intend to derive future economic benefits from the use of our assets.

Acquisition of subsidiaries

The initial accounting on the acquisition of subsidiaries involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities. The fair values of investment properties and development properties held for sale are determined by reference to market prices or present value of expected net cash flows from the assets. Any changes in the assumptions used and estimates made in determining the fair values, and management's ability to measure reliably the contingent liabilities of the acquired entity will impact the carrying amount of these assets and liabilities, as well as the amount of goodwill and negative goodwill from the acquisition.

Certain Income Statement Items

Revenue

We consider the revenues generated for our business from both a business segments perspective and geographic area perspective. We have four business segments, including property development, property management, hotel operations and property investment. Each business segment can be further divided into four main geographical areas, namely Guangdong province (including Guangzhou, Huizhou, Zhongshan and Hong Kong), Beijing (including Beijing, Dalian, Taiyuan and Qinhuangdao), Shanghai (including Shanghai, Hangzhou and Ningbo) and Tianjin.

The following table sets forth our revenue derived from each of our business segments, both in an absolute amount and as a percentage of total revenues for the periods presented.

	Year ended December 31,							Six months ended June 30,				
	2007		2008		2009			2009		2010		
	HK$	%	HK$	%	HK$	US$	%	HK$	%	HK$	US$	%
	(in millions, except percentages)											
Property development	10,722	96.3	10,272	95.3	10,631	1,365	94.7	3,650	93.5	4,396	565	94.2
Property management	235	2.1	306	2.8	431	55	3.8	167	4.3	196	25	4.2
Hotel operations[1]	116	1.0	155	1.5	132	17	1.2	54	1.4	76	10	1.6
Property investment	58	0.6	42	0.4	31	4	0.3	31	0.8	32	—	0.7
Total	11,131	100	10,775	100	11,225	1,441	100	3,902	100	4,668	600	100

(1) The segment was classified as hotel and golf operations in 2007.

Revenue from property development represents proceeds from the sale of our properties, which accounted for 96.3%, 95.3%, 94.7% and 94.2% of our total revenue for the years ended December 31, 2007, 2008 and 2009 and for the six months ended June 30, 2010, respectively. Our revenue from property development is mainly dependent upon the type and GFA of the properties we have available for sale during that period, the market demand for those properties and the unit price we are able to obtain for such properties. Conditions in the property markets in which we operate change from period to period and are significantly affected by the general economic, political and regulatory developments in China.

Revenue from property management represents fees for property management services we provide to properties owners, which accounted for 2.1%, 2.8%, 3.8% and 4.2% of our total revenue for the years ended December 31, 2007, 2008 and 2009 and for the six months ended June 30, 2010, respectively.

Revenue from hotels operations accounted for 1.0%, 1.5%, 1.2% and 1.6% of our total revenue for the years ended December 31, 2007, 2008 and 2009 and for the six months ended June 30, 2010, respectively.

Revenue from property investment represents rentals from properties held by us for long-term rental yields or for capital appreciation or both. Revenue from property investment accounted for 0.6%, 0.4%, 0.3% and 0.7% of our total revenue for the years ended December 31, 2007, 2008 and 2009 and for the six months ended June 30, 2010, respectively.

The following table sets forth our revenue by business segments and geographical areas for the periods presented.

	Year ended December 31,				Six Months ended June 30,		
	2007	2008	2009		2009	2010	
	HK$	HK$	HK$	US$	HK$	HK$	US$
			(in millions)				
Property Development							
Guangdong	5,799.3	5,042.5	3,809.8	489.3	2,312.5	2,531.1	325.1
Shanghai	900.6	1,351.1	3,675.5	472.0	297.0	1,237.3	158.9
Beijing	3,459.2	3,576.8	2,681.0	344.3	1,000.8	415.9	53.4
Tianjin	563.2	300.9	464.9	59.7	39.7	211.0	27.1
Property Management	235.2	306.3	431.4	55.4	167.0	196.5	25.2
Hotel Operations							
Guangdong	8.1	25.4	24.6	3.2	8.9	14.5	1.9
Beijing	49.5	53.8	44.3	5.7	18.6	23.5	3.0
Tianjin	57.9	75.8	62.6	8.0	26.7	38.1	4.9
Property Investment							
Guangdong	41.6	41.9	31.2	4.0	31.2	—	—
Beijing	15.3	—	—	—	—	—	—
Shanghai	—	—	—	—	—	—	—
Tianjin	0.7	—	—	—	—	—	—
Total	11,130.6	10,774.5	11,225.3	1,441.6	3,902.4	4,667.9	599.5

Guangdong province (excluding the property management sector) continued to be our largest geographic market, accounting for 52.5%, 47.4%, 34.4% and 54.5% of our total revenue for the years ended December 31, 2007, 2008 and 2009 and for the six months ended June 30, 2010, respectively. Measuring our total revenues by geographic markets, Shanghai (excluding the property management sector) is our second largest market in recent years, accounting for 32.7% of our total revenue for the year ended in 2009, followed by Beijing (excluding the property management sector) accounted for 24.3% and Tianjin (excluding the property management sector) accounted for 4.7% in the same period. Property management revenue was mainly contributed by Guangdong province in the past few years.

Cost of sales

Our cost of sales consists primarily of costs we incur directly in the course of our property development activities, such as land costs, construction costs, borrowing costs directly attributable to the construction of our properties and other direct costs.

Land cost represents cost relating to acquisition of the rights to occupy, use and develop land, including land premiums, demolishment and resettlement costs, and other land-related taxes and government surcharges. Construction costs includes costs for the design and construction of a property project, consisting primarily of fees paid to our contractors, including contractors responsible for civil engineering construction, landscaping, equipment installation and interior decoration, as well as infrastructure construction costs and design costs. Our construction costs are affected by a number of factors such as price movements of construction materials, location and types of properties, choices of materials and investments in ancillary facilities. Substantially all of the costs of construction materials, whether procured by ourselves or by our contractors, are accounted for as part of the contractor fees upon settlement with the relevant contractors.

Fair value gains on investment properties

Fair value gains on an investment property represents the excess of the current estimated value over the carrying value of the investment property. Upward or downward fair value adjustments are unrealized capital gains or losses on an investment property as of the relevant balance sheet date. The amount of fair value gain or loss attributable to an investment property depends on the prevailing property market and such gains or losses are non-cash gains or losses which do not generate any cash inflow or outflow as long as we hold the relevant investment property.

Other Gains, Net

Other gains are comprised of excess of acquirer's interest over cost of acquisition, gain on disposal of subsidiaries, loss on disposal of certain equity interest in a subsidiary, dividend income from unlisted investments, government grants, fair value profit or loss on financial assets at fair value through profit or loss.

Selling and Marketing Costs

Our selling and administrative costs consist primarily of sales personnel expenses, advertising and promotion expenses, travel expenses and other expenses in relation to the sale of properties.

General and Administrative Expenses

Our general and administrative expenses mainly include staff costs, management expenses of our headquarters and regional offices and depreciation and amortization charges, partially offset by exchange gains.

Finance Costs

Our finance costs consist primarily of interest expenses for our bank loans, senior notes and convertible bonds, net of any capitalized interest. We capitalize our borrowing costs as part of the costs for a property development when there is evidence that the borrowing is used to finance such property development until the construction of the property development is completed. Since the development period for a property development does not necessarily coincide with the repayment period of the relevant loan, not all of the interest costs related to a property development can be capitalized. As a result, finance costs for a given period on its own may not reflect the level of our borrowings and tend to fluctuate, as a percentage of revenue, depending on the timing of capitalization.

Taxation

Our taxation expenses primarily consist of Hong Kong profits tax, PRC corporate income tax accrued by our operating subsidiaries and land appreciation tax. We are exempt from taxation in Bermuda until March 2016. Our subsidiaries in the British Virgin Islands were incorporated under the International Business Companies Act (now the BVI Business Companies Act, 2004) of the British Virgin Islands, or the BVI Business Companies Act, 2004 of the British Virgin Islands, and are not liable to pay any form of taxation in the British Virgin Islands.

PRC Enterprise Income Tax and PRC Withholding Income Tax

Most of our PRC subsidiaries were subject to PRC enterprise income tax of 33% prior to January 1, 2008 (consisting of 30% income tax for foreign-invested enterprises and 3% local income tax). Effective from January 1, 2008, this has been reduced to 25% pursuant to the new Enterprise Income Tax Law which adopts a uniform income tax rate of 25% on the taxable income of both domestic enterprises and foreign-investment enterprises. Under the new tax law, the preferential corporate income tax rate applicable to certain of our group companies established and operated before the promulgation of the new tax law will be gradually increased to 25% in a five-year transition period starting from January 1, 2008.

Since January 1, 2008, dividends paid by our PRC subsidiaries to their non-PRC parent companies are subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. We have established a number of subsidiaries in Hong Kong, to which our principal British Virgin Islands subsidiaries transferred their interests in our PRC subsidiaries. Pursuant to a double tax arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% (or more) interest in the PRC enterprise, such withholding tax rate may be lowered to 5%. Gains on disposal of an investment in the PRC by overseas holding companies may be subject to withholding tax of 10%.

Hong Kong Profits Tax

We are subject to Hong Kong profits tax at the rate of 16.5% on our assessable profit in Hong Kong.

Land Appreciation Tax

We estimate and make provisions for the full amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations, but only pay a portion of such provisions each year as required by the local tax authorities. We cannot assure you that our LAT provisions are sufficient to cover our LAT obligations or that the tax authorities will agree with the basis on which we calculate our LAT obligations. See "Risk Factors—Risks Relating to Our Business—The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations."

For the years ended December 31, 2007, 2008 and 2009, LAT charged to our income tax expenses was HK$761.6 million, HK$1,162.7 million and HK$858.9 million (US$110.3 million), respectively. For the same years, we made payments for provisional LAT in the amount of HK$86.8 million, HK$114.9 million and HK$186.2 million (US$23.9 million), respectively. Our LAT provision balance as of December 31, 2007, 2008 and 2009 totaled HK$1,587.8 million, HK$2,799.1 million and HK$3,485.6 million (US$447.6 million), respectively.

Non-controlling interests

Non-controlling interests represent our profit after taxation that is attributable to minority shareholders of our non-wholly owned subsidiaries.

Our Results of Operations

The following table sets forth, for the periods indicated, certain items derived from our consolidated income statements.

	Year ended December 31,				Six months ended June 30,		
	2007	2008	2009		2009	2010	
	HK$	HK$	HK$	US$	HK$	HK$	US$
			(in thousands)				
Revenues	11,130,643	10,774,624	11,225,246	1,441,629	3,902,317	4,667,928	599,490
Cost of sales	(6,669,998)	(5,915,976)	(6,557,985)	(842,225)	(2,293,962)	(2,984,818)	(383,332)
Gross profit	4,460,645	4,858,648	4,667,261	599,404	1,608,355	1,683,110	216,157
Fair value gains on investment properties	—	34,076	4,700,097	603,621	2,141	3,185	409
Other gains, net	1,493,717	265,395	734,033	94,270	532,191	974,278	(125,124)
Selling and marketing costs	(281,082)	(389,348)	(378,757)	(48,643)	(130,625)	(163,101)	(20,947)
General and administrative expenses	(510,672)	(690,877)	(995,041)	(127,790)	(500,355)	(415,793)	(53,399)
Operating profit	5,162,608	4,077,894	8,727,593	1,120,862	1,511,707	2,081,679	267,344
Finance income	50,394	12,376	13,551	1,740	4,452	9,134	1,173
Finance costs	(136,916)	(226,765)	(333,639)	(42,848)	(153,279)	(127,116)	(16,325)
Share of profit/(loss) of associates	(599)	(33)	(1,346)	(173)	(431)	4,145	532
Share of profit/(loss) of a jointly controlled entity	101,964	(1,710)	385,759	49,542	(1,539)	(2,565)	(329)
Profit before taxation	5,177,451	3,861,762	8,791,918	1,129,123	1,360,910	1,965,277	252,395
Taxation	(1,629,245)	(1,912,812)	(2,699,383)	(346,675)	(457,568)	(469,440)	(60,289)
Profit for the period	3,548,206	1,948,950	6,092,535	782,448	903,342	1,495,837	192,106
Attributable to:							
Equity holders of the Company	3,517,312	1,963,724	5,799,573	744,824	906,133	1,516,766	194,794
Non-controlling interest	30,894	(14,774)	292,962	37,624	(2,791)	(20,929)	(2,688)

Six Months ended June 30, 2009 and 2010

Revenue

Our revenue increased by 19.6% to HK$4,667.9 million (US$599.5 million) in the six month ended June 30, 2010 from HK$3,902.3 million (US$501.2 million) in the same period of 2009. This increase was primarily due to an increase in the average unit selling price and the delivery volume of the properties in line with the prevailing market trend.

Our delivery volume, in terms of GFA delivered by us, increased 5.5% to 354,200 sq.m. in the six months ended June 30, 2010 from 335,738 sq.m. in the six months ended June 30, 2009. Average selling price of delivered units increased by 12.6% to RMB10,794 (equivalent approximately to HK$12,393.6) per sq.m. from the same period last year. The average contracted selling price in various regions recorded growth when compared with the same period last year. In the six months ended June 30, 2010, the overall average contracted selling price grew by 67% over the same period last year.

Cost of sales

Our cost of sales increased by 30.1% to HK$2,984.8 million (US$383.3 million) in the six months ended June 30, 2010 from HK$2,294.0 million (US$294.6 million) in the six months ended June 30, 2009. The increase reflects primarily our increased construction costs.

Gross profit and gross margin

Our gross profit increased 4.6% to HK$1,683.1 million (US$216.2 million) in the six months ended June 30, 2010 from HK$1,608.4 million (US$206.6 million) in the six months ended June 30, 2009, due to the increase in revenue. Our gross profit margin decreased to 36.1% in the six months ended June 30, 2010 from 41.2% in the six months ended June 30, 2009. This was primarily attributable to the increase in cost of sales.

Fair value gains on investment properties

Our fair value gains on investment properties increased to HK$3.2 million (US$0.4 million) in the six months ended June 30, 2010 from HK$2.1 million (US$0.3 million) in the same period in 2009. This increase was primarily due to the fair value gains realized on two new investment properties in the second half of 2009.

Other gains, net

Our other gains increased 82.9% to HK$977.5 million (US$125.5 million) in the six months ended June 30, 2010 from HK$534.3 million (US$68.6 million) in the same period of 2009. Our other gains in 2010 mainly included (i) a gain of HK$958.2 million (US$123.1 million) from the disposal of subsidiaries; (ii) tax grants of HK$15.1 million (US$1.9 million) from PRC government authorities; (iii) fair value gains of HK$3.9 million (US$0.5 million) from listed investments and revaluation of investment properties and (iv) dividend income of HK$0.2 million (US$25,300) from investment in listed securities. This was primarily attributable to the increase in gains from disposal of subsidiaries.

Selling and marketing costs

Our selling and marketing costs increased 24.9% to HK$163.1 million (US$20.9 million) in the six months ended June 30, 2010 from HK$130.6 million (US$16.8 million) in the same period of 2009. The increase was primarily due to the rise in sales commission paid to sales agents in our newly launched projects for pre-sale in Beijing and the increased commissions paid to newly-appointed third party sales agents.

General and administrative expenses

Our general and administrative expenses decreased 16.9% to HK$415.8 million (US$53.4 million) in the six months ended June 30, 2010 from HK$500.4 million (US$64.3 million) in the six months ended June 30, 2009. The decrease reflected our continuous efforts to control our operating costs and improve our operational efficiency.

Operating profit

As a result of the foregoing, our operating profit increased 37.7% to HK$2,081.7 million (US$267.3 million) in the six months ended June 30, 2010 from HK$1,511.7 million (US$194.1 million) in the six months ended June 30, 2009. Operating profit as a percentage of revenue increased to 44.6% in the six months ended June 30, 2010 from 38.7% in the six months ended June 30, 2009.

Finance costs

Our gross interest expense before capitalization of the interest as a part of the cost of properties under development decreased 7.8% to HK$543 million (US$70 million) in the six months ended June 30, 2010 from

HK$589 million (US$76 million) in the same period in 2009. The decrease was primarily attributable to the repayment of the Renminbi denominated U.S. dollars settled zero coupon convertible bonds of RMB1,830 million in February 2010 and the decrease in the corresponding amortization of interest expense. The effective interest rate in respect of our borrowings was approximately 5.6% per annum in the six months ended June 30, 2010 compared to 7.1% in the same period in 2009.

Our finance costs decreased 17.1% to HK$127.1 million (US$16.3 million) in the six months ended June 30, 2010 from HK$153.3 million (US$19.7 million) in the same period of 2009. The decrease was primarily attributable to (i) the repayment of the Renminbi denominated U.S. Dollars settled zero coupon convertible bonds of RMB1,830.4 million (US$235.1 million) in February 2010, and (ii) the decrease in the corresponding amortization of interest expense.

Share of profit of a jointly controlled entity

Our share of loss of a jointly controlled entity increased 66.7% to a loss of HK$2.6 million (US$0.3 million) in the six months ended June 30, 2010 from a loss of HK$1.5 million (US$0.2 million) in the six months ended June 30, 2009, and represented our share of loss of HK$2.6 million from a jointly controlled entity located in Beijing.

Taxation

Our tax expenses increased 2.6% to HK$469.4 million (US$60.3 million) in the six months ended June 30, 2010 from HK$457.6 million (US$58.8 million) in the six months ended June 30, 2009. The increase primarily reflected the increase in profit before tax.

Profit attributable to equity holders

As a result of the foregoing, our profit for the six months ended June 30, 2010 increased 65.6% to $1,495.8 million (US$192.1 million) from $903.3 million (US$116.0 million) in the same period of 2009. Our profit attributable to equity holders increased 67.4% to HK$1,516.8 million (US$194.8 million) in the six months ended June 30, 2010 from HK$906.1 million (US$116.4 million) in the six months ended June 30, 2009. Our profit margin increased to a 32.5% in the six months ended June 30, 2010 from 23.2% in the six months ended June 30, 2009.

Fiscal Years 2009 and 2008

Revenue

Our revenue increased 4.2% to HK$11,225.2 million (US$1,441.6 million) in fiscal year 2009 from HK$10,774.6 million in fiscal year 2008. The increase was primarily due to an increase of our delivery volume. Our delivery volume, in terms of GFA of properties delivered by us, increased 20% to 896,934 sq.m. in fiscal year 2009 as compared to 750,286 sq.m. in fiscal year 2008, of which GFA delivered in Huizhou of Guangdong area, Shanghai and Tianjin increased by 544%, 114% and 67%, respectively, due to the delivery of new projects in these regions.

In 2009, the average selling price for delivered and completed properties dropped to RMB10,385 (equivalent approximately to US$1,531.4) per sq.m. as compared to RMB12,528 (equivalent approximately to US$1,847.4) per sq.m. in 2008 because we sold a larger number of relatively lower priced products during the year. In Shanghai, on the other hand, we were able to secure a 22% rise in average selling price due primarily to the delivery of three high-end projects, namely Hopson Dongjiao Villa, International Garden and Hopson Yuting Garden. Our contracted sales including sales secured by contracts for which we have yet to deliver completed properties increased by 58% to RMB15.1 billion (US$2.2 billion) in fiscal year 2009 from RMB9.5 billion (US$1.4 billion) in fiscal year 2008. Average contracted selling price also grew 17% to RMB13,041 (equivalent approximately to HK$14,973.6) per sq.m. in fiscal year 2009 from fiscal year 2008. Major contributors to our revenue for fiscal year 2009 were delivery of units of Beijing Regal Court, Hopson International City, Hopson Dongjiao Villa, Hopson International Garden and Gallopade Park-South Court, which were the top five properties we delivered in 2009 by GFA and contributed a total GFA of approximately 303,714 sq. m.

Cost of sales

Our cost of sales increased 10.9% to HK$6,558.0 million (US$842.2 million) in fiscal year 2009 from HK$5,916.0 million in fiscal year 2008. This increase was in line with the increased revenue from a larger number of properties delivered, primarily reflecting increased construction costs and financing costs capitalized from bank borrowings raised to finance an increased number of projects. As a percentage of revenue, cost of sales increased slightly to 58.4% in fiscal year 2009 from 54.9% in fiscal year 2008, due primarily to more sales of lower priced products with lower profit margin in 2009.

Gross profit and gross margin

Our gross profit decreased 3.9% to HK$4,667.3 million (US$599.4 million) in fiscal year 2009 from HK$4,858.6 million in fiscal year 2008. Our gross profit margin for fiscal year 2009 decreased to 41.6% from 45.1% for fiscal year 2008. The major reason for the slight drop was primarily attributable to the delivery of a considerable amount of lower price products in 2009 as compared with the higher price products delivered in 2008.

Fair value gains on investment properties

Our fair value gains on investment properties increased significantly to HK$4,700.1 million (US$603.6 million) in fiscal year 2009 from HK$34.1 million in fiscal year 2008. This increase was primarily due to the revaluation gain recognized for certain new investment properties in Shanghai and Guangzhou in 2009.

Other gains, net

Our other gains increased significantly to HK$734.0 million (US$94.3 million) in fiscal year 2009 from HK$265.4 million in fiscal year 2008. This increase was primarily because of a net gain of HK$621.9 million (US$79.9 million) from the disposal of equity interests in two subsidiaries. In addition, other gains in 2009 also consisted of (i) tax grants amounting to HK$81.5 million (US$10.5 million) from government authorities in the PRC; (ii) dividend income of HK$31.3 million (US$4.0 million); (iii) a fair value loss of HK$0.6 million (US$0.1 million) from investment in listed securities; and (iv) a loss of HK$0.1 million (US$17,500) from the disposal of our equity interest in a subsidiary.

Selling and marketing costs

Our selling and marketing costs decreased 2.7% to HK$378.8 million (US$48.6 million) in fiscal year 2009 from HK$389.3 million in fiscal year 2008. This decrease was primarily due to the continuing effect of the stringent cost and budgetary control measures we implemented starting from the fiscal year 2008 to decrease our selling and marketing expense. Selling and marketing costs as a percentage of revenue decreased to 3.4% in fiscal year 2009 from 3.6% in fiscal year 2008, reflecting our continuous efforts to control our operating costs and improve our operational efficiency.

General and administrative expenses

Our general and administrative expenses increased 44.0% to HK$995.0 million (US$127.8 million) in fiscal year 2009 from HK$690.9 million in fiscal year 2008. This increase was primarily due to a significant reduction in exchange gain. The decrease in exchange gain was attributable to the insignificant difference in movement of exchange rates between Renminbi and United States Dollars/Hong Kong Dollars in 2009.

Operating profit

As a result of the foregoing, including the HK$4,700.1 million (US$603.6 million) fair value gain on investment properties, our operating profit increased 114.0% to HK$8,727.6 million (US$1,120.9 million) in fiscal year 2009 from HK$4,077.9 million in fiscal year 2008. Operating profit as a percentage of revenue increased to 77.7% in fiscal year 2009 from 37.8% in fiscal year 2008.

Finance costs

Our gross interest before expense capitalization decreased 0.7% to HK$1,148.4 million (US$147.5 million) in fiscal year 2009 from HK$1,156.7 million in fiscal year 2008. The decrease was attributable to the lower average bank borrowings in 2009 than in 2008. The effective interest rate in respect of our borrowings was approximately 6.2% per annum in fiscal year 2009 as compared to 7.4% per annum in fiscal year 2008.

Our finance costs increased 47.1% to HK$333.6 million (US$42.8 million) in fiscal year 2009 from HK$226.8 million in fiscal year 2008. This increase was primarily due to the small amount of total borrowing costs incurred which was capitalized as a part of the cost of properties under development as a result of the repayment of the principal amounts under our shareholder loans in fiscal year 2009.

Share of profit/(loss) of a jointly controlled entity

Our share of profit/(loss) of a jointly controlled entity increased significantly to a profit of HK$385.8 million (US$49.5 million) in fiscal year 2009 from a loss of HK$1.7 million in fiscal year 2008. The increase was as a result of our investment in Beijing Dongfengwenhua International Properties Company Limited, a company with a property development project in Beijing. The significant increase in profit from this entity was mainly due to the completion and consequently the recognition of sale of the Beijing Dongfengwenhua commercial building during 2009. Pursuant to the joint venture agreement, the profit arising thereof was fully attributable to us.

Taxation

Our tax expenses increased 41.1% to HK$2,699.4 million (US$346.7 million) in fiscal year 2009 from HK$1,912.8 million in fiscal year 2008. The increase primarily reflected the increase in profit before tax.

Profit attributable to equity holders

As a result of the foregoing, including the HK$4,700.1 million (US$603.6 million) fair value gain on investment properties in fiscal year 2009, our profit attributable to equity holders increased 195.3% to HK$5,799.6 million (US$744.8 million) in fiscal year 2009 from HK$1,963.7 million in fiscal year 2008. Our profit increased by 212.6% to HK$6,092.5 million (US$782.4 million) in fiscal year 2009 from HK$1,949.0 million in fiscal year 2008. Our net profit margin increased to 54.3% in fiscal year 2009 from 18.1% in fiscal year 2008.

Fiscal Years 2008 and 2007

Revenue

Our revenue decreased 3.2% to HK$10,774.6 million in fiscal year 2008 from HK$11,130.6 million in fiscal year 2007. This decrease was primarily due to decreased delivery volume, partially offset by the growth in average selling price. Our delivery volume, in terms of GFA of properties delivered by us, decreased 33.5% to 750,286 sq.m. in fiscal year 2008 from 1,128,655 sq.m. in fiscal year 2007, while the average selling price for delivered and completed properties rose approximately 32.4% to RMB12,528 (equivalent approximately to US$1,847.4) per sq.m. in fiscal year 2008 from RMB9,459 (equivalent approximately to US$1,394.8) per sq.m. in fiscal year 2007. The decrease in GFA sold was primarily attributable to the relatively suppressed market as a result of the global economic crisis that began in the second half of 2008. Major contributors to our revenue for fiscal year 2008 were delivery of units with a total GFA of 394,391 sq.m. for our Hopson International Garden, Beijing Regal Court, Regal Riviera, Pleasant View Garden and Hopson Town developments, which contributed 16%, 15%, 13%, 9% and 6%, respectively, to our total revenue for the year.

The growth in average selling price was driven by a considerably large supply of high-end products and the continuing demand for quality homes from buyers. Beijing's a average selling price increased by 77% following the delivery of Città Eterna, Beijing Regal Court and Hopson International Garden, which were sold in the second half of 2007 when the property market was active.

Cost of sales

Our cost of sales decreased 11.3% to HK$5,916.0 million in fiscal year 2008 from HK$6,670.0 million in fiscal year 2007. This decrease was primarily due to (i) a decrease in the number of properties delivered and (ii) management's tighter cost control measures imposed in order to improve financial performance in a relatively suppressed market. As a percentage of total revenue, cost of sales decreased to 54.9% in fiscal year 2008 compared to 59.9% in fiscal year 2007, primarily attributable to more sales with higher profit margin recognized in 2008.

Gross profit and gross margin

Our gross profit increased 8.9% to HK$4,858.6 million in fiscal year 2008 from HK$4,460.6 million in fiscal year 2007. This was mainly due to the general rise in average selling prices, the increase in economies of scale and the delivery of some new high-end development projects with higher gross margins achieved in 2008. Our gross profit margin increased to 45.1% for fiscal year 2008 from 40.1% for fiscal year 2007.

Other gains, net

Our other gains decreased 82.2% to HK$265.4 million in fiscal year 2008 from HK$1,493.7 million in fiscal year 2007. Other gains in 2008 consist of: (i) HK$193.5 million from the recognition of the excess of interests acquired by us at fair value over the cost of acquisition paid for certain companies with land sites located in

Guangzhou, Shanghai and Qinhuangdao; (ii) HK$34.1 million from revaluation of certain investment properties; (iii) HK$80.0 million of tax grant from government authorities in the PRC; and (4) HK$8.0 million of fair value loss on investment in listed securities.

Selling and marketing costs

Our selling and marketing costs increased 38.5% to HK$389.3 million in fiscal year 2008 from HK$281.1 million in fiscal year 2007. This increase primarily reflected greater expenses on selling and promotional activities for new projects. As a result, as a percentage of revenue, selling and marketing costs increased to 3.6% in fiscal year 2008 from 2.5% in fiscal year 2007.

General and administrative expenses

Our general and administrative expenses increased 35.3% to HK$690.9 million in fiscal year 2008 from HK$510.7 million in fiscal year 2007. This increase primarily reflected increased benefits and compensation costs on senior management and staff as a result of our expansion of new projects, and the depreciation and other operating costs of Tianjin Jingjin Hyatt Hotel and golf course, partially offset by exchange gains.

Operating profit

As a result of the foregoing, our operating profit decreased 21.0% to HK$4,077.9 million in fiscal year 2008 from HK$5,162.6 million in fiscal year 2007. Our operating profit margin decreased to 37.8% in fiscal year 2008 from 46.4% in fiscal year 2007.

Finance costs

Our finance costs increased 65.6% to HK$226.8 million in fiscal year 2008 from HK$136.9 million in fiscal year 2007. The increase was primarily due to increased bank borrowings incurred by us to finance the development of existing projects and investment in new projects.

Our gross finance costs before capitalization increased 46.8% to HK$1,156.7 million in fiscal year 2008 from HK$787.5 million in fiscal year 2007. This increase was primarily due to increased bank borrowings incurred by us to finance a larger number of properties. The effective interest rate in respect of our borrowings was approximately 7.4% per annum in 2008 compared to 7.2% per annum in 2007.

Share of profit/(loss) of a jointly controlled entity

Our share of profit/(loss) of a jointly controlled entity decreased 98.3% to a loss of HK$1.7 million in fiscal year 2008 from a profit of HK$102.0 million in fiscal year 2007. Following the consolidation of Guangzhou Zhujiang Qiaodu Real Estate Limited into our accounts from September 2007, the share of loss from the remaining jointly controlled entity located in Beijing decreased significantly to HK$1.7 million in 2008 from HK$103.7 million compared with the prior year.

Taxation

Our tax expenses increased 17.4% to HK$1,912.8 million in fiscal year 2008 from HK$1,629.2 million in fiscal year 2007. Under the new PRC Corporate Income Tax law, which became effective from January 1, 2008, the applicable corporate income tax rate, or CIT rate, was reduced to 25% from 33%. The effective tax rate was increased to 49% in 2008 from 32% in 2007. The increase was mainly attributable to (i) the reversal of deferred tax liabilities arising from the effect of change in the CIT rate of approximately HK$123 million in 2007, and (ii) the increase in PRC's land appreciation tax of approximately HK$396 million due primarily to the sale and delivery of products with higher gross profit in 2008.

Profit attributable to equity holders

As a result of the foregoing, our profit attributable to equity holders decreased 44.2% to HK$1,963.7 million in fiscal year 2008 from HK$3,517.3 million in fiscal year 2007. Our profit decreased by 45.1% to HK$1,949.0 million from HK$3,548.2 million. Our net profit margin decreased to 18.1% in fiscal year 2008 from 31.9% in fiscal year 2007.

Liquidity and Capital Resources

Cash flows

We need cash primarily to fund working capital needs, including land acquisition, payment of construction costs and capital expenditures associated with our hotel investments. We fund these capital requirements through a variety of sources, including cash from operations (primarily from proceeds of property sales), short-and long-term lines of credit, and offerings of debt, equity or equity-linked securities. The availability of these sources of funding and our ability to fund our capital expenditure needs could be affected by our ability to sell our properties and the average selling prices achieved by us, which are largely dependent on the market conditions of the PRC residential property market, and our ability to control our construction schedule and deliver the properties sold by us in a timely manner.

The following table presents selected cash flow data from our consolidated cash flow statements for the periods indicated:

	Year ended December 31,				Six months ended June 30,		
	2007	2008	2009		2009	2010	
	HK$	HK$	HK$	US$	HK$	HK$	US$
			(in thousands)				
Net cash generated from (used in) operating activities	128,212	189,870	4,780,683	613,971	2,046,842	(3,047,108)	(391,332)
Net cash generated from (used in) investing activities	(4,136,825)	(1,457,501)	(2,324,483)	(298,527)	(58,902)	(908,491)	(116,675)
Net cash generated from (used in) financing activities	3,442,208	1,271,799	1,939,852	249,130	1,173,208	1,692,016	217,301
Cash and cash equivalents at end of the period	1,985,055	2,142,696	6,546,144	840,704	5,305,365	4,329,270	555,997

Operating activities

Our cash used in operations comprises principally the amounts required for our property development activities, which are reflected on our balance sheet as an increase in our property inventory and land use rights. Our cash from operations is generated principally from the proceeds from the sale of our properties, including pre-sale of properties under development and sale of completed properties, and is at times supplemented by an increase in our accruals and other payables, representing primarily of construction costs we have accrued but have yet to pay in connection with our properties under development.

Six Months ended June 30, 2010. Our net cash used in operating activities of HK$3,047.1 million (US$391.3 million) in 2010 was mainly attributable to a significant increase in cash payments for the acquisitions of land in Guangzhou, Beijing and Shanghai.

2009. Our net cash generated from operating activities of HK$4,780.7 million (US$614.0 million) in 2009 was mainly attributed to cash generated from operations of HK$6,251.9 million (US$802.9 million) and Hong Kong profits tax refunded of HK$2.7 million (US$0.3 million), partially offset by payment of the PRC's corporate income tax of HK$1,301.2 million (US$167.1 million) and payment of the PRC's land appreciation tax of HK$186.2 million (US$23.9 million). The sharp increase in our net cash generated between 2008 and 2009 was due to the increase in our deferred revenue i.e., cash deposits from our customers of HK$4,359.8 million (US$559.9 million). Cash generated from operations prior to changes in working capital was HK$3,477.1 million (US$446.6 million). Changes in working capital contributed to a net cash inflow of HK$2,774.9 million (US$356.4 million), comprising primarily (i) an increase in deferred revenue of HK$4,359.8 million (US$559.9 million) and (ii) an increase in accruals and other payables of HK$224.0 million (US$28.8 million), partially offset by (i) an increase in prepayments for acquisition of land of HK$1,003.4 million (US$128.9 million), (ii) an increase in land costs of HK$393.8 million (US$50.6 million), (iii) an increase in prepayments, deposits and other current assets of HK$249.7 million (US$32.1 million) and (iv) an increase in completed properties for sale of HK$169.7 million (US$21.8 million).

2008. Our net cash generated from operating activities of HK$189.9 million in 2008 was mainly attributable to cash generated from operations of HK$875.2 million, partially offset by the PRC's corporate income tax paid of

HK$580.8 million and the PRC's land appreciation tax paid of HK$114.9 million. Cash generated from operations prior to changes in working capital was HK$3,702.5 million. Changes in working capital contributed to a net cash outflow of HK$2,827.2 million, comprising primarily (i) an increase in properties for sale of HK$4,261.0 million, (ii) a decrease in deferred revenue of HK$874.4 million, (iii) an increase in prepayments, deposits and other current assets of HK$124.5 million, and (iv) decrease in land cost payables of HK$386.0 million, partially offset by (i) an increase in account payable of HK$1,888.5 million, (ii) a decrease in land cost of HK$864.9 million, (iii) due to a jointly controlled entity of HK$491.3 million and (iv) increases in accruals and other payables of HK103.7 million.

2007. Our net cash generated from operating activities of HK$128.2 million in 2007 was mainly attributable to cash generated from operations of HK$815.7 million and interest received of HK$50.4 million, partially offset by the PRC's corporate income tax paid of HK$660.7 million and the PRC's land appreciation tax paid of HK$86.8 million. Cash generated from operations prior to changes in working capital was HK$ 3,646.7 million. Changes in working capital contributed to a net cash outflow of HK$2,831.0 million, comprising primarily (i) an increase in prepayments, deposits and other current assets of HK$3,662.2 million, (ii) a decrease in land cost payables of HK$1,605.2 million, and (iii) a decrease in deferred revenue of HK$562.6 million, partially offset by (i) a decrease in land costs of HK$1,530.9 million, (ii) an increase in properties for sale of HK$1,016.5 million, (iii) an increase in accruals and other payables of HK$330.0 million and (iv) an increase in account payable of HK$108.2 million.

Investing activities

Six Months ended June 30, 2010. Net cash used in investing activities amounted to HK$908.5 million (US$116.7 million) in the six months ended June 30, 2010, compared with net cash used in investing activities of HK$58.9 million (US$7.6 million) in the six months ended June 30, 2009. Our net cash used in investing activities was primarily due to (i) cash used to inject capital into a jointly controlled entity of HK$275.4 million (US$35.4 million), and (ii) the decrease in other deposits such as land auction deposits, pledged bank deposits and other receivables totaling HK$592.6 million (US$76.1 million).

2009. Net cash used in investing activities in 2009 increased by 59.5% to HK$2,324.5 million (US$298.5 million), was primarily due to cash outflow for (i) payment for the purchase of properties and equipment of HK$857.0 million (US$110.1 million), (ii) payment for the purchase of available-for-sale financial assets of HK$1,112.2 million (US$142.8 million) which comprised our investment in 5.09% of the attributable equity interest in a PRC financial institution, (iii) payment for the purchase of investment properties under development of HK$342.6 million (US$44.0 million), and (iv) advanced payment for acquisition of land for a long-term investment of HK$266.9 million (US$34.3 million).

2008. Net cash used in investing activities decreased by HK$2,679.3 million, or 64.8%, in fiscal year 2008 compared to fiscal year 2007. Our net cash used in investing activities of HK$1,457.5 million in 2008 was primarily due to (i) payment for acquisition of subsidiaries of HK$801.1 million, (ii) advanced payments for acquisition of land for long-term investment of HK$550.9 million, partially offset by the decrease in deposit paid and additions of property and equipment of HK$278.0 million.

2007. Our net cash used in investing activities of HK$4,136.8 million in 2007 was primarily due to (i) advanced payments for acquisition of equity interests of HK$1,148.5 million, (ii) acquisition of subsidiaries of HK$903.5 million, (iii) the increase in other receivables of HK$654.2 million, (iii) additions of property and equipment of HK$562.1 million, (v) the decrease in deposit paid of HK$504.6 million, (vi) advanced payments for acquisition of land for long-term investment of HK$250.2 million and (vii) the increase in pledged or charged bank deposits of HK$107.8 million.

Financing activities

Six Months ended June 30, 2010. Net cash generated from financing activities amounted to HK$1,692.0 million (US$217.3 million) in the six months ended June 30, 2010, primarily due to cash received from new bank borrowings of HK$8,747.8 million (US$1,123.5 million), partially offset by cash outflow for (i) the repayment of borrowings of HK$6,204.8 million (US$796.9 million), and (ii) the repurchase of our shares of HK$270.3 million (US$34.7 million).

2009. We had net cash generated from financing activities of approximately HK$1,939.9 million (US$249.1 million) in 2009, primarily due to (i) new long-term bank loans of HK$6,411.2 million (US$823.4 million),

(ii) advances from a jointly controlled entity of HK$1,080.7 million (US$138.8 million) and (iii) proceeds from issuance of new shares of HK$1,579.7 million (US$202.9 million), partially offset by (i) repayments of long-term bank loans of HK$5,376.9 million (US$690.5 million), (ii) interest expense of HK$993.1 million (US$127.5 million), and (iii) dividends paid to our equity holders of HK$301.1 million (US$38.7 million).

2008. We had net cash generated from financing activities of approximately HK$1,271.8 million in 2008, primarily due to proceeds from (i) long-term bank loans of HK$6,661.2 million and (ii) new short-term bank loans of HK$950.8 million, partially offset by (i) repayments of long-term bank loans of HK$3,967.2 million and (ii) interest expense of HK$1,017.5 million.

2007. We had net cash generated from financing activities of approximately HK$3,442.2 million in 2007, primarily due to proceeds from (i) long-term bank loans of HK$4,939.3 million, (ii) issuance of convertible bonds of HK$1,790.8 million, and (iii) new short-term bank loans of HK$500.7 million, partially offset by (i) repayments of long-term bank loans of HK$2,520.1 million, (ii) payment of interest expenses of HK$674.5 million and (iii) dividends paid to our equity holders of HK$494.4 million.

Working capital, cash and indebtedness

We fund our working capital needs, including land acquisition, payment of construction costs and capital expenditures associated with our hotel investments through a variety of sources, including cash from operations (primarily from proceeds of property sales), short-and long-term lines of credit, and offerings of debt, equity or equity-linked securities. As of December 31, 2007, 2008 and 2009, and June 30, 2010, we had cash and cash equivalents of HK$1,985.1 million, HK$2,142.7 million, HK$6,546.1 million (US$840.7 million) and HK$4,329.3 million (US$556.0 million), respectively. There was an increase in cash and cash equivalents of HK$4,403.4 million (US$565.5 million), or 205.5%, as of December 31, 2009 compared to December 31, 2008, primarily due to increased net cash generated from operations as a result of sales proceeds received from new project developments located in Guangzhou, Beijing and Shanghai. There was an increase in cash and cash equivalents of HK$157.6 million, or 7.9%, as of December 31, 2008 compared to December 31, 2007, primarily due to a foreign currency translation effect.

Borrowings

The following table sets forth the borrowing from us and our consolidated subsidiaries (including the convertible bonds and the 2012 notes) as of December 31, 2007, 2008 and 2009 and June 30, 2010.

	As of December 31,				As of June 30,		
	2007	2008	2009		2009	2010	
	HK$	HK$	HK$	US$ (in thousands)	HK$	HK$	US$
Non-current							
Bank borrowings	5,291,810	7,644,772	7,439,901	955,487	8,665,827	14,537,510	1,867,015
Senior notes	2,674,717	2,663,312	2,676,697	343,761	2,668,876	2,690,368	345,517
Convertible bonds	1,752,471	2,022,127	—	—	—	—	—
Current							
Bank borrowings	2,898,895	4,262,798	4,062,575	521,746	2,692,318	1,811,345	232,626
Senior notes	—	—	—	—	—	—	—
Convertible bonds	—	—	2,169,685	278,647	2,093,680	—	—
Total borrowings	12,617,893	16,593,009	16,348,858	2,099,641	16,120,701	19,039,223	2,445,158

Bank borrowing: Our total borrowings from banks were HK$11,502.5 million (US$1,477.2 million) as of December 31, 2009 and HK$16,348.9 million (US$2,099.6 million) as of June 30, 2010. Long-term borrowings due more than one year from the respective dates were HK$7,439.9 million (US$955.5 million) and HK$14,537.5 million (US$1,867.0 million) as of December 31, 2009 and June 30, 2010, respectively, while the average interest rate was approximately 6.2% and 5.6% per annum as at the respective dates.

Our ratio of total bank borrowings to total equity including non-controlling interest was 40.8%, 52.8%, 37.7% and 47.0% as of December 31, 2007, 2008 and 2009 and June 30, 2010, respectively.

As of June 30, 2010, our banking borrowings were secured by:

- our land cost of approximately HK$86.9 million (US$11.2 million);
- our hotel properties of approximately HK$1,315.7 million (US$169.0 million);
- our properties under development for sale of approximately HK$7,457.3 million (US$957.7 million);
- our completed properties for sale of approximately HK$1,422.3 million (US$182.7 million); and
- our investment properties with an aggregate carrying amount of approximately HK$549.7 million (US$70.6 million).

Senior notes. In November 2005, we issued the 2012 Notes with an aggregate principal amount of US$350,000,000 (equivalent to approximately HK$2,730,000,000), for a total consideration of approximately HK$2,733,182,000. The 2012 Notes mature seven years from the date of issuance in November 2012 and are repayable at their principal amount of US$350,000,000. We will be entitled to redeem all or a portion of the senior notes on or after November 9, 2009.

The 2012 Notes are jointly and severally guaranteed by certain subsidiaries and are secured by the shares of our subsidiaries. The net assets of these subsidiaries were approximately HK$5,120,854,000 (US$657,657,998) as of June 30, 2010.

Convertible bonds. On February 2, 2007, we completed the issuance of RMB1,830,400,000 aggregate principal amount of US dollar settled Zero Coupon Convertible Bonds due 2010. The bonds mature in three years from the issued date at 104.59% of the nominal value or can be converted into ordinary shares of us on or after March 14, 2007 at a conversion price of HK$30.08 per share at a fixed exchange rate of RMB0.9958 to HK$1. On February 2, 2010, we repaid the bonds at approximately US$280,418,000 (equivalent to approximately RMB1,914,415,000).

Taking into account available banking facilities and cash flows from our operations, together with net cash generated from the proceeds of this offering, we believe we have sufficient working capital for our capital requirements and foreseeable debt repayment obligations for at least the next 12 months from the date of this offering memorandum.

We intend to continue to fund our future development and debt servicing from existing financial resources and cash generated from operations. We may also raise additional funds through debt or equity offerings or sales or other dispositions of assets in the future to finance all or a portion of our future development, for debt servicing or for other purposes. Our ability to incur additional debt in the future is subject to a variety of uncertainties, including, among other things, the amount of capital that other PRC entities may seek to raise in the domestic and foreign capital markets, economic and other conditions in the PRC that may affect investor demand for our securities and those of other PRC entities, the liquidity of PRC capital markets, restrictions on indebtedness imposed by our outstanding debt instruments, including our 2012 Notes, and our financial condition and results of operations. We intend to continue to utilize long-term debt.

Our borrowings have a range of maturities from less than one year to more than five years. The interest rates on our bank loans ranged from 4.86% to 10.35% during the year ended December 31, 2009.

The following table sets forth a summary of the maturity profile for our total borrowings as of the periods indicated.

	As of December 31,				As of June 30,		
	2007	2008	2009		2009	2010	
	HK$	HK$	HK$	US$	HK$	HK$	US$
				(in thousands)			
Within one year or on demand	2,898,895	4,262,798	6,232,260	800,393	4,785,998	1,811,345	232,626
Greater than one year	9,718,998	12,330,211	10,116,598	1,299,248	11,334,703	17,227,878	2,212,532
Total borrowings	12,617,893	16,593,009	16,348,858	2,099,641	16,120,701	19,039,223	2,445,158

Restricted Cash

Pursuant to relevant regulations, certain of our project companies are required to deposit a portion of proceeds from the pre-sales of properties into specific bank accounts. Before the completion of the pre-sold properties, the proceeds deposited in the escrow accounts may only be used for the restricted purposes of purchasing construction materials, equipment, making interim construction payments and paying taxes, with the prior approval of the relevant local authorities. As of December 31, 2007, 2008 and 2009, our restricted cash amounted to HK$124.5 million, HK$476.0 million and HK$825.0 million (US$106.0 million), respectively. In addition, as of December 31, 2009, our bank deposits of approximately HK$13.4 million (US$1.7 million) was restricted due to pending litigation.

Contractual Commitments

In addition to the payment obligations under our borrowings set forth above, we also have continuing obligations to make payments on land costs, our contract obligations with respect to construction fees, capital contributions to a joint controlled entity and other capital commitments.

The following table sets forth, as at the dates indicated, our consolidated capital commitments, which have not been provided for in our accounts:

	As of December 31, 2009		As of June 30, 2010	
	HK$	US$	HK$	US$
	(in thousands)			
Contracted but not provided for:				
—Property construction costs	879,839	112,995	706,508	90,735
—Acquisition of land and equity interest in certain Mainland China entities	169,562	21,776	694,651	89,212
—Capital contribution to a jointly controlled entity	258,400	33,186	—	—
	1,307,801	167,957	1,401,159	179,947
Authorized but not contracted for:				
—Land costs	66,332	8,519	131,837	16,931
—Property construction costs	3,530,730	453,442	5,593,421	718,349
—Acquisition of equity interests in a Mainland China entity	—	—	4,259,102	546,985
	3,597,062	461,961	9,984,360	1,282,265
Total	4,904,863	629,918	11,385,519	1,462,212

The following table sets forth, as at the dates indicated, our consolidated share of capital commitments of the jointly controlled entity not included in the above table:

	As of December 31, 2009		As of June 30, 2010	
	HK$	US$	HK$	US$
	(in thousands)			
Contracted but not provided for:				
—Property construction costs	879,839	112,996	706,508	90,736
Authorized but not contracted for:				
—Property construction costs	3,530,730	453,445	5,593,421	718,353
Total	4,410,569	566,441	6,299,929	809,089

In addition, we had operating lease commitments in respect of premises under various non-cancelable operating lease agreements. The following table sets forth our future aggregate minimum lease payments under non-cancellable operating leases as of the date indicated:

	As of December 31,				As of June 30,		
	2007	2008	2009		2009	2010	
	HK$	HK$	HK$	US$	HK$	HK$	US$
				(in thousands)			
Within one year or on demand	40,404	40,404	26,854	3,450	32,503	24,960	3,207
Between two to five years	116,382	116,382	76,077	9,774	79,356	74,462	9,566
Over five years	9,108	9,108	49,129	6,312	18,111	39,765	5,112
Total	165,894	165,894	152,060	19,536	129,970	139,187	17,885

Contingent Liabilities

As of June 30, 2010, guarantees we provided to our customers in relation to their purchase of our properties amounted to approximately HK$10,268 million (US$1,319 million).

The following table presents financial guarantee data from us and our consolidated subsidiaries not provided for in our consolidated financial statements for the periods indicated:

	Year ended December 31,				Six months ended June 30,		
	2007	2008	2009		2009	2010	
	HK$	HK$	HK$	US$	HK$	HK$	US$
				(in thousands)			
Guarantees given to banks for mortgage facilities granted to certain buyers of our properties	7,792,981	8,737,386	9,980,834	1,281,813	9,814,424	10,268,154	1,318,712
Guarantees given to banks for bank borrowings of subsidiaries	—	—	—	—	—	—	—
Guarantees given to banks for bank borrowings of a jointly controlled entity	—	—	567,930	72,938	—	572,830	73,567
Total amount	7,792,981	8,737,386	10,548,764	1,354,751	9,814,424	10,840,984	1,392,279

Off-balance Sheet Arrangement

Except as disclosed above under "—Contingent Liabilities," we do not have any outstanding off-balance sheet arrangements.

Capital Expenditures

Our capital expenditures related primarily to fixed assets and investment properties. We incurred capital expenditures of HK$934 million in the year ended December 31, 2007, HK$461 million in the year ended December 31, 2008, HK$1,519 million (US$195.1 million) in the year ended December 31, 2009 and HK$145 million (US$18.6 million) in the six months ended June 30, 2010. We expect our capital expenditures to increase in the future as we expand our business to implement our growth strategy.

Market Risks

Interest risk

We are exposed to interest rate risks resulting from fluctuations in interest rates on our bank deposits and borrowings from period to period. Bank deposits and borrowings issued at variable rates expose us to cash flow interest risk. Borrowings issued at fixed rates expose us to fair value interest rate risk. We have not used any derivative instruments to hedge our interest rate risk.

As of December 31, 2009, if interest rates had increased or decreased by one percentage and all other variables were held constant, our finance costs, net of amount capitalized in the properties under development and finance income, would increase or decrease our post-tax profit by approximately HK$49 million (US$6 million).

Foreign exchange risk

Foreign exchange risks as defined by HKFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency; differences resulting from the translation of financial statements into our presentation currency are not taken into consideration.

The majority of our subsidiaries operates in the PRC with most of the transactions denominated in Renminbi. Our exposure to foreign exchange risk is principally due to our U.S. dollars-dominated debt and our bank deposit balances dominated in Hong Kong dollars and U.S. dollars.

We recognize foreign exchange gain or loss on our income statement due to changes in value of assets and liabilities denominated in foreign currencies during the relevant accounting period. Appreciation of the Renminbi against the U.S. dollar generally results in a gain arising from our U.S. dollar-denominated debt and a loss arising from our bank deposits in Hong Kong dollars and U.S. dollars. A depreciation of the Renminbi against the U.S. dollar would have the opposite effect. In addition, a depreciation of Renminbi would negatively affect the value of dividends paid by our PRC subsidiaries, which may in turn affect our ability to service foreign currency-denominated debts.

Fluctuations in the foreign exchange rate have had and will continue to have an impact on our business, financial condition and results of operations. See “Risk Factors—Risks Relating to Conducting Business in the PRC—Substantially all of our revenue is denominated in Renminbi and fluctuations in the exchange rate of Renminbi may materially and adversely affect our business, financial condition and results of operations.” We currently do not engage and do not plan to engage in foreign exchange hedging activities.

Credit risk

Our credit risk is primarily attributable to deposits with banks and credit exposures to customers. For properties that are still under construction, we typically provide guarantees to banks in respect of mortgage loans extended by banks to our customers to finance their purchase of our properties. The principal amount of a mortgage loan typically does not exceed 70.0% of the total purchase price of the property. If a purchaser defaults on a mortgage payment during the term of the guarantee, the mortgagee bank may demand that we repay the outstanding amount under the loan and accrued interest. If we make payments under a guarantee, we will be entitled to sell the related property to recover any amounts paid by us to the bank. However, we may not be able to recover the full amount of our guarantee payments from the sale proceeds.

Inflation risk

According to the National Bureau of Statistics of China, China’s overall national inflation rate, as represented by the general consumer price index, was 4.8% in 2007, 5.9% in 2008. In the year ended December 31, 2009, China experienced deflation of approximately 0.7%. In September 2010, the consumer price index increased by 2.9% as compared to September 2009. We have not in the past been materially affected by inflation or deflation.

Recent HKFRS Pronouncements

The Hong Kong Institute of Certified Public Accountants has issued certain new or revised standards, amendments and interpretations which are not effective for accounting periods beginning on January 1, 2010, and we have not early adopted.

		Effective for accounting periods beginning on or after
New or revised standards, interpretations and amendments		
HKAS 32 Amendment	Classification of Right Issues	1 February 2010
HKFRS 1 Amendment	Limited Exemption from comparative HKFRS 7-Disclosures for First time Adopters	1 July 2010
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
HKAS 24 (Revised)	Related Party Disclosures	1 January 2011
HK(IFRIC)-Int 14 Amendment	Prepayments of a Minimum Funding Requirement	1 January 2011
HKFRS 7 Amendment	Financial Instruments: Disclosures—Disclosures—Transfers of Financial Assets	1 July 2011
HKFRS 9	Financial Instruments	1 January 2013
HK-Int 5	Presentation of Financial Statements—Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	Immediately effective
Annual improvement to HKFRS published in May 2010		
HKFRS 3 (Revised)	Business Combination	1 July 2010
HKAS 21	The Effects of Changes in Foreign Exchange rates	1 July 2010
HKAS 28	Investments in Associates	1 July 2010
HKAS 31	Interests in Joint Ventures	1 July 2010
HKAS 32	Financial Instruments: Presentation	1 July 2010
HKAS 39	Financial Instruments: Recognition and Measurement	1 July 2010
HKAS 1 (Revised)	Presentation of Financial Statement	1 January 2011
HKAS 27	Consolidated and Separate Financial Statements	1 January 2011
HKAS 34	Interim Financial Reporting	1 January 2011
HKFRS 7	Financial Instruments: Disclosure	1 January 2011
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards	1 January 2011
HK(IFRIC)-Int 13	Customer Loyalty Programmes	1 January 2011

We have commenced an assessment of the impact of these new or revised standards, amendments and interpretations, certain of which are relevant to our operation and will give rise to changes in accounting policies, disclosures or measurement of certain items in the financial statements. However, we are not yet in a position to ascertain their impact on our results of operations and financial position.

Overview

We are one of China's largest property developers as measured by land bank. We specialize in developing medium to high-end large-scale residential properties and also develop commercial and hotel properties. We are also engaged in property management, property investment and hotel management. Our geographic focus is China's three principal economic zones—the Pearl River Delta, the Pan Bohai Rim and the Yangtze River Delta—with Guangzhou, Beijing, Tianjin and Shanghai as our core cities, where the property markets have grown significantly in recent years.

Since 1995, we have been building a recognized brand name in the PRC for quality property developments through a concerted corporate strategy and business development model. From our origins in Guangzhou and the Pearl River Delta, we have expanded our operations into Beijing, Tianjin and Shanghai. In Guangzhou and Beijing, our "Regal Riviera," "Gallopade" and "Fairview" brands have become associated with quality product design, customer service and facilities that meet the diverse needs of our target customers.

Each of our property developments features a unique theme, such as leisure and tourism, to enhance its positioning and marketability and contribute to our overall corporate branding. Our residential projects are typically large-scale developments in the urban area of a city and incorporate a variety of comprehensive amenities and public facilities to meet the needs of a community. From time to time, we may also operate and manage public amenities and facilities. We typically seek to identify large sites in areas at their early stage of development but with significant long-term development potential and strategic importance and therefore are able to acquire land in such areas at relatively low costs. Due to the large scale of our projects, we typically develop our projects in several phases over a three to seven year period.

As of June 30, 2010, we had 65 property projects in various stages of development, of which 33 property developments were in the Pearl River Delta, 19 property developments in the Pan Bohai Rim and 13 property developments in the Yangtze River Delta. The total saleable GFA of our land bank amounted to approximately 29.76 million sq.m. as of June 30, 2010.

Although we intend to continue to focus on property development as our core business, in particular residential property development, we are also engaged in the following ancillary property-related businesses which are complementary to our core business:

- *Property investment:* we derive rental fees from our investment property portfolio in Guangzhou and Shanghai, comprising primarily commercial, retail and car park spaces within the property projects developed by us.
- *Property management:* we derive management fees from the provision of property management services in respect of properties primarily developed by us.
- *Hotel operations:* we have interests in three hotel properties in Guangzhou, Beijing and Tianjin. All of these hotel facilities are located within property projects developed by us.

For the years ended December 31, 2007, 2008 and 2009, our revenue was HK$11,130.6 million, HK$10,774.6 million and HK$11,225.2 million (US$1,441.6 million), respectively, and our profit was HK$3,548.2 million, HK$1,949.0 million and HK$6,092.5 million (US$782.4 million), respectively. For the six months ended June 30, 2009 and June 30, 2010, our revenue was HK$3,902.3 million (US$501.2 million) and HK$4,667.9 million (US$599.5 million), respectively, and our profit was HK$903.3 million (US$116.0 million) and HK$1,495.8 million (US$192.1 million), respectively.

Competitive Strengths

We believe our key strengths are:

Market leading position as one of China's largest property developers with an established presence in key geographic markets

We are one of the largest property developers in the PRC as measured by land bank with a focus on developing residential properties in the Pearl River Delta, the Pan Bohai Rim and the Yangtze River Delta areas, the PRC's three principal economic zones. Within these areas, we have established ourselves as a developer of quality medium- to high-end residential properties in the PRC's first-tier cities of Guangzhou, Beijing, Tianjin and Shanghai, where the property markets have grown significantly in recent years in tandem with economic growth. In addition, we have leveraged our reputation in our first-tier cities to expand into growing second-and third-tier cities surrounding our first-tier cities, which we believe positions us for growth opportunities arising from economic development in these areas and enhances the diversity of our product portfolio. Our strategy of developing properties in our target areas of the Pearl River Delta, the Pan Bohai Rim and the Yangtze River Delta have proven to be effective to date, as demonstrated by our revenue of HK$4,667.9 million (US$599.5 million) and total GFA sold of 354,200 sq.m. as of June 30, 2010 and HK$11,225.2 million (US$1,441.6 million) and total GFA sold of 896,934 sq.m. as of December 31, 2009. We believe we are well positioned to capitalize on the strong economic growth trend in our target areas and the resulting rising housing demand from the emerging middle-to upper middle-income households in these areas.

Sizable and low-cost land bank located in strategic locations

One of the most important resources for a property developer is to have a sizable land bank with properties acquired at a low-cost and located in strategic locations. We believe we have accumulated a significant land bank located in strategic locations, which will provide us with an attractive project development pipeline and is sufficient for us to continue our development activities for the next five to seven years. As of June 30, 2010, our total land bank amounted to a saleable GFA of approximately 29.76 million sq.m. A key factor to our success has been our ability to acquire sites in prime locations in our target cities at competitive prices, thereby enabling us to achieve a premium return on the properties we have developed and sold. Further, our land bank, which consists of many properties located in various locations throughout the Pearl River Delta, the Pan Bohai Rim and the Yangtze River Delta areas, enables us to diversify our product portfolio, which enhances our ability to generate a stable and growing cash flow from property sales and reduces our exposure to market fluctuations.

Access to multiple channels to acquire land bank

We obtain our land bank through multiple channels by participating in open bid processes, entering into joint venture arrangements and entering into agreements with local land bureaus. In addition, we participate in primary land development projects as a strategic ancillary business in collaboration with local governments. We believe our track record for building quality projects, good reputation among local governments and our experience participating in primary land development projects in collaboration with local governments give us a significant advantage in acquiring lank bank in prime development sites and allow us to maintain a sufficient project pipeline for our ongoing growth.

Experienced management team with proven track record and in-depth local knowledge

We are one of the largest property developers in the PRC with a proven track record of profitability. We have been engaged in property development in the PRC for more than 15 years since the early stages of commercial housing reform in the PRC. Our management team has extensive experience in the property development, property investment and construction industries in the PRC and has accumulated substantial knowledge of the PRC property market. In addition, we also have a large and experienced design and planning team, consisting of architects, planning experts, landscaping specialists, interior designers and engineers, which is focused on working with our marketing team to design our high quality property projects. Our in-depth knowledge of local markets enables us to understand market trends and the preferences of our target customers and identify fast growing areas at an early stage of development but with significant development potential, which has enabled us to acquire land in such areas at relatively low costs. For example, we acquired the site of Huanan New City in February 2000 before the commencement of the Guangzhou Government's expansion plan for Guangzhou in mid-2000s. The site was subsequently developed into the center of the residential area in new Guangzhou, with efficient public transport connection to other major areas of Guangzhou by the Southern Expressways, Xinaguang Expressway and Metro Lines No. 3 and 4, the construction of which were all commenced after our commencement of the development of this project, resulting in significant enhancement of the value of our project. We believe that our ability to identify and develop such large-scale high-quality projects in strategic locations allows us to charge a premium for our projects. In addition, we have been able to apply our experience in effectively controlling and managing the quality, schedule and costs of the design and construction of our projects in the PRC, thereby improving our operational efficiency.

Diversified service and product offering and growing portfolio of investment properties

We offer a diversified service and product offering, including the development of medium to high-end large-scale residential properties, commercial properties and hotels, as well as property management, property investment and hotel management. We take an integrated approach to our business and our various product offerings complement each other. For example, we develop commercial and other investment properties held for long-term investment, such as hotels, shopping arcades, office space, car parks, golf courses and schools, on our residential properties, and we provide comprehensive post-sales property management services to purchasers of our properties. We believe that our integrated approach to property development increases the selling prices of our residential properties, provides us with economies of scale and a strong negotiating position when dealing with contractors and materials suppliers and allows us to enhance the stability of our long-term investment revenue streams by increasing the portion of our earnings and cashflow from recurring hotel and rental income. In addition, we continue to grow our investment properties portfolio, which we believe will strengthen our resilience against market fluctuations in the residential property development market. As a result of our diversified service and product portfolio and our growing investment properties portfolio, we believe we are less susceptible to market fluctuations in any single property market segment in the PRC.

Access to multiple sources of capital

We have well-established relationships with leading banks in China which provide us with multiple financing channels to fund our business operations. Further, we have engaged in certain international capital raising transactions, including the issuance in November 2005 of our US$350,000,000 aggregate principal amount of our 2012 Notes and the issuance in February 2007 of RMB1,830,400,400 aggregate principal amount of US dollar settled zero coupon convertible bonds due 2010, which were subsequently repaid. We believe that our ability to access the global capital markets provides us with flexibility to fund our operations and enhances our liquidity position.

Strategy

Our key business objective is to focus on our core property development business and leverage our experience and position as a leading property developer in Guangzhou, Beijing, Tianjian and Shanghai to increase our market share and expand into other cities in the PRC. We intend to seek growth opportunities and enhance profitability by pursuing the following strategies:

Continue to focus on our core business of developing properties in our principal cities, while expanding into China's second and third tier cities

We intend to leverage our local knowledge and market reputation to continue to focus on developing residential properties in our geographic target areas of the Pearl River Delta, the Pan Bohai Rim and the Yangtze River Delta, including in the city centers and city boundaries of our first-tier cities, Guangzhou, Beijing, Tianjin and Shanghai. In addition, we intend to enhance our expansion into newly urbanized city centers of the PRC's second- and third-tier cities, such as Dalian, Taiyuan, Qinhuangdao, Hangzhou, Ningbo, Huizhou and Zhongshan. We believe that this growth strategy should help us in continuing to benefit from the PRC's urbanization trend of expanding into the existing urban boundaries of major cities and creating new urban centers within second- and third-tier cities and complements our strategy of acquiring land in strategic locations and at a competitive cost. We believe that our geographical diversification strategy should help enable us to strengthen our regional property portfolio, help enhance our resilience against market fluctuation and help us to secure a long-term and stable stream of revenue.

Continue to pursue product diversification while maintaining high quality standards across product lines

We intend to continue to diversify our service and product offering, including to expand into the hotel, office and retail sectors in the PRC to diversify our sources of income and achieve greater stability of future cash flows through recurrent rental income while capturing the long-term capital appreciation of these properties. In our hotel management business, we have appointed internationally renowned hotel groups, Hyatt Group and Howard Johnson, to manage our hotels in Tianjin and Beijing, which we believe has allowed us to benefit from their global reputation, hotel operation expertise, as well as their integrated marketing services, reservation systems and employee training programs. We intend to develop additional hotels to be operated by reputable international hotel management groups. In relation to our retail and commercial properties, we intend to focus on developing and holding for long-term investment high quality properties in central and growing commercial areas in major cities, such as in the Industrial Park of Majuqiao town in Tongzhou District of Beijing, where we plan to develop 38 office buildings. Due to the continuing economic growth in the PRC, rental prices for retail and commercial properties have increased significantly in recent years and we believe this trend will continue.

Further strengthen our brand name

To enhance our competitive position in our targeted geographic and demographic markets, we intend to continue to strengthen our leading position and the "Hopson" brand to represent high quality property projects. We aim to achieve this by developing our properties to a high standard, including to provide attractive design, high quality of materials and finishing. We intend to enhance the quality of our property developments by providing after-sales support and property management services which provide our customers with a comfortable modern living experience. We believe that the high quality of our developments, combined with effective after-sales service, should continue to help build our brand name and reputation and encourage customers to purchase, or recommend others to purchase, properties that we develop.

Pursue prudent and timely land bank replenishment

We have a successful track record of identifying and acquiring land sites in the early stages of development but with significant development potential at competitive prices. We intend to leverage our in-depth understanding of local markets and market trends and make acquisitions which meet our expansion targets. At the same time, we intend to make prudent acquisition decisions based on established procedures. Development plans and land acquisition proposals prepared by our development teams are reviewed and approved by our investment committee, which reports directly to our board of directors. In the review process, both internal and external experts are involved and the acquisition of a site must satisfy the cost and profitability parameters established by our investment committee, the experts and the development teams. We believe that this land acquisition strategy should help allow us to enter new markets in a timely manner and purchase development sites which are currently in prime locations, or which we expect be in prime locations in the future, at competitive prices. We also believe this strategy should help allow us to achieve a balance between growing our project pipeline and preserving capital efficiency.

Maintain prudent financial management policies and enhance operational efficiency

We intend to follow a prudent financial management policy which includes monitoring our cash position, controlling costs and improving operational efficiency. Construction costs constitute the largest component of our cost of sales. We seek to manage our construction costs by outsourcing our construction via a negotiated tender process to third-party contractors. We have traditionally outsourced our construction work to two third-party contractors which have consistently provided us with competitive quotations and established a proven execution track record. In order to better control our construction quality and costs, we also actively participate in, and closely monitor, the selection of suppliers of key construction materials, such as cement and steel, by our main contractors. In addition, we seek to mitigate the risk of short-term fluctuations in material costs by requesting our main contractors to contract on an all-inclusive and fixed-price basis. Also, we will continue to review our operations with a view to further enhancing our operational efficiency. We believe that by adhering to a prudent financial management policy, we expect to be able to more efficiently use our working capital, which we believe should help to maintain our profit margins.

Business Activities

Our core business is the development and sale of quality medium to high-end residential properties. We also develop and construct commercial properties used as shopping arcades, office space, car parks and hotels. In addition, we are engaged in ancillary property-related businesses such as property investment, property management and hotel operations.

The following tables set forth the contribution to revenue from our principal businesses for the periods indicated.

	Year ended December 31,							Six months ended June 30,				
	2007		2008		2009			2009		2010		
	HK$	%	HK$	%	HK$	US$	%	HK$	%	HK$	US$	%
	(in millions, except percentages)											
Property development	10,722	96.3	10,272	95.3	10,631	1,365	94.7	3,650	93.5	4,396	565	94.2
Property management	235	2.1	306	2.8	431	55	3.8	167	4.3	196	25	4.2
Hotel operations[1]	116	1.0	155	1.5	132	17	1.2	54	1.4	76	10	1.6
Property investment	58	0.6	42	0.4	31	4	0.3	31	0.8	32	—	0.7
Total	11,131	100	10,775	100	11,225	1,441	100	3,902	100	4,668	600	100

(1) The segment was classified as hotel and golf operations in 2007.

Our geographic focus is China's three principal economic zones—the Pearl River Delta, the Pan Bohai Rim and the Yangtze River Delta—with Guangzhou, Huizhou, Beijing, Tianjin and Shanghai as our core cities, where the property markets have grown significantly in recent years. In addition, we are exploring the development potential of certain second and third tier cities surrounding these core cities. We believe the development in these second and third tier cities will begin to contribute more to our results in the future and enhance the diversity of our product portfolio.

Property Development

Overview

We are primarily engaged in the development and sale of quality private residential properties to the middle-to upper middle-income households in the Pearl River Delta, the Pan Bohai Rim and the Yangtze River Delta. We will continue to focus on the property market in Guangzhou, Huizhou, Beijing, Tianjin and Shanghai, which are rapidly growing major cities in the PRC, and pursue quality business opportunities in other second and third tier cities in the Pan Bohai Rim, the Yangtze River Delta and the Pearl River Delta surrounding the major cities.

Property development has been and will continue to be our largest source of revenue. For the six months ended June 30, 2009 and 2010, revenue from property development amounted to HK$3,650.0 million (US$468.8 million) and HK$4,396 million (US$564.6 million), respectively, amounting to 93.5% and 94.2%, respectively, of our revenue. For the years ended December 31, 2007, 2008 and 2009, revenue from property development amounted to HK$10,722 million, HK$10,272 million and HK$10,631 million (US$1,365.3 million), respectively, amounting to 96.3%, 95.3% and 94.7%, respectively, of our revenue.

We focus on the development and sale of large-scale high-quality residential projects, targeting middle-to upper middle-income households, in each of our regions of operation. Our residential properties are typically large-scale developments in the urban area of a city, which are designed with a variety of comprehensive amenities and public facilities to meet the needs of a self-contained community. We typically seek to identify large sites in areas at their early stage of development but with significant long-term development potential and strategic importance and therefore are able to acquire land in such areas at relatively low costs.

As of June 30, 2010, we had 65 projects at various stages of development, of which 33 property developments were located in the Pearl River Delta, 19 property developments in the Pan Bohai Rim and 13 property developments in the Yangtze River Delta. We divide our property developments into three categories: (i) completed property developments; (ii) properties under development; and (iii) properties held for future development. As our projects typically comprise multiple-phase developments which are developed on a rolling basis, one project may include different phases that are at various stages of completion, under development or held for future development. As of June 30, 2010, our total land bank amounted to a saleable GFA of approximately 29.76 million sq.m., including completed property developments of an aggregate unsold saleable GFA of approximately 1.42 million sq.m., properties under development of an aggregate saleable GFA of approximately 7.16 million sq.m. and properties held for future development of an aggregate saleable GFA of approximately 21.18 million sq.m.

The site area information for a property development project is based on the relevant land use rights certificates we receive from the relevant construction authorities. The aggregate GFA of an a property development project is calculated by multiplying the site area by the maximum permissible plot ratio as specified in the relevant land grant contracts or other approval documents from the local governments relating to the project or such lower plot ratio that we reasonably expect to be able to develop for such project. Unlike above-ground and semi-underground car parks, underground car parks generally are not included in a project's total GFA. The aggregate GFA of a project includes both saleable and non-saleable GFA. Saleable GFA refers primarily to residential units (including internal floor area and shared areas in the building that are exclusively allocated to such residential units) and retail shops. Non-saleable GFA refers to certain communal facilities, including, among others, club houses and schools.

Generally, the development of a property is considered completed when we have received completion certificates from the relevant construction authorities. These certificates are typically issued when we have obtained approvals from the bureaus which manage zoning, fire services and environmental protection, signed guarantees of construction quality from contractors and other documents required by applicable laws and regulations. A property is considered to be under development after we have issued an approved schedule for foundation construction with respect to the property and before the completion of the property. Typically, we issue the notice to proceed with engineering project to our contractors to commence the construction work after we have applied for and received approval for the construction of the property from the local authorities. A property is considered to be sold after we have executed a purchase contract with a customer and delivered the property to the customer. A property is considered to be pre-sold when we have executed a purchase contract with a customer but have not yet delivered the property to the customer. Properties held for future development comprise property projects with respect to which we had obtained the land use rights certificates but had not, as of December 31, 2009, obtained the requisite construction permits or approval letters for early construction.

The figures for completed GFA in this offering memorandum are taken from figures provided in the relevant government documents. The following information in this offering memorandum is based on our internal records and estimates: (a) figures for GFA of projects under development, GFA of projects for future development, GFA sold, GFA pre-sold, saleable/leasable GFA, and (b) information regarding total development cost (mainly including land cost, construction costs and capitalized finance costs), outstanding cost for each project, planned construction period and average selling price. The information setting out the construction period for the completed blocks or phases of our projects in this offering memorandum is based on relevant government documents or our own internal records.

The table below sets forth the information of our 65 projects as of June 30, 2010.

No	Project Name	Location	Aggregate GFA for Entire Project	Completed Property Developments: GFA Completed	Completed Property Developments: Total Completed Saleable GFA	Completed Property Developments: Total Saleable GFA Sold	Properties Under Development: GFA Under Development	Properties Under Development: Total Saleable GFA Under Development	Properties Under Development: Total Saleable GFA Pre-sold	Properties Held for Future Development: GFA Held for Future Development	Properties Held for Future Development: Total Saleable GFA Held for Future Development	Interest attributable to the Company
			(in thousands of sq.m.)									
Pan Bohai Rim												
1.	Beijing Regal Court	Beijing	1,104	799	699	582	—	—	—	305	249	100%
2.	Città Eterna	Beijing	498	492	410	379	7	—	—	—	—	100%
3.	Beijing Hopson International Garden	Beijing	203	203	185	179	—	—	—	—	—	100%
4.	No. 8 Royal Park	Beijing	840	—	—	—	479	438	78	361	281	80.0%
5.	Beijing Dongfangwenhua Project	Beijing	143	54	54	—	89	87	—	—	—	88.56%
6.	Beijing Desheng Building . . .	Beijing	58	—	—	—	58	54	—	—	—	100%
7.	Kylin Zone	Beijing	151	—	—	—	151	141	60	—	—	100%
8.	Dreams World	Beijing	634	—	—	—	248	231	111	386	347	100%
9.	Times Regal	Beijing	169	—	—	—	—	—	—	169	138	100%
10.	Fresh Life Garden	Beijing	442	442	405	387	—	—	—	—	—	100%
11.	Yuhe Project	Beijing	14	—	—	—	—	—	—	14	10	100%
12.	Tongzhou Yongshun Project	Beijing	334	—	—	—	—	—	—	334	334	100%
	Subtotal		**4,590**	**1,990**	**1,753**	**1,527**	**1,032**	**951**	**249**	**1,599**	**1,359**	
13.	Jingjin New Town	Tianjin	4,009	727	714	457	270	253	84	3,013	2,997	92.29%
14.	Hyatt Regency Jingjin City	Tianjin	165	110	108	—	55	55	—	—	—	70.0%
15.	Tianjin Hopson International Tower	Tianjin	135	—	—	—	—	—	—	135	135	98.90%
16.	Tianjin Hopson International Mansion	Tianjin	137	—	—	—	—	—	—	137	137	100%
	Subtotal		**4,446**	**837**	**822**	**457**	**325**	**308**	**84**	**3,285**	**3,269**	
17.	Dalian Hopson Regal Seashore	Dalian	507	31	22	20	112	102	15	364	349	100%
	Subtotal		**507**	**31**	**22**	**20**	**112**	**102**	**15**	**364**	**349**	

No	Project Name	Location	Aggregate GFA for Entire Project	Completed Property Developments: GFA Completed	Completed Property Developments: Total Completed Saleable GFA	Completed Property Developments: Total Saleable GFA Sold	Properties Under Development: GFA Under Development	Properties Under Development: Total Saleable GFA Under Development	Properties Under Development: Total Saleable GFA Pre-sold	Properties Held for Future Development: GFA Held for Future Development	Properties Held for Future Development: Total Saleable GFA Held for Future Development	Interest attributable to the Company
			(in thousands of sq.m.)									
18.	Shanxi Taiyuan Tongye Project	Taiyuan	416	—	—	—	—	—	—	416	334	100%
	Subtotal		**416**	**—**	**—**	**—**	**—**	**—**	**—**	**416**	**334**	
19.	Qinhuangdao Tiandaihe Project	Qinhuangdao	908	—	—	—	63	55	—	845	844	51.0%
	Subtotal		**908**	**—**	**—**	**—**	**63**	**55**	**—**	**845**	**844**	
Yangtze River Delta Economic Zone												
20.	Hopson Town	Shanghai	620	410	392	362	210	193	53	—	—	100%
21.	Hopson Golf Mansion	Shanghai	59	—	—	—	59	58	—	—	—	100%
22.	Sheshan Dongziyuan	Shanghai	128	48	48	15	80	79	—	—	—	100%
23.	Hopson Lantern Villa	Shanghai	124	124	124	119	—	—	—	—	—	100%
24.	International Garden	Shanghai	129	120	118	83	9	9	—	—	—	94.0%
25.	Hopson Dongjiao Villa	Shanghai	63	25	24	22	38	38	1	—	—	100%
26.	Hopson Yuting Garden	Shanghai	128	33	33	26	85	84	—	9	9	100%
27.	Hopson International Plaza	Shanghai	365	—	—	—	365	360	—	—	—	100%
28.	Shanghai Hopson Fortune Plaza	Shanghai	54	—	—	—	54	53	—	—	—	100%
	Subtotal		**1,670**	**760**	**739**	**627**	**900**	**874**	**54**	**376**	**9**	
29.	Kunshan Hopson Yuting	Suzhou	626	—	—	—	—	—	—	626	613	100%
	Subtotal		**626**	**—**	**—**	**—**	**—**	**—**	**—**	**626**	**613**	
30.	Hangzhou Hopson Guomao Centre	Hangzhou	92	—	—	—	92	92	—	—	—	95.0%
	Subtotal		**92**	**—**	**—**	**—**	**92**	**92**	**—**	**—**	**—**	
31.	Hopson International City	Ningbo	550	115	112	111	435	397	44	—	—	100%
32.	Ningbo Cixi Hangzhou Bay Project	Ningbo	2,739	—	—	—	2,739	2,690	—	—	—	100%
	Subtotal		**3,289**	**115**	**112**	**111**	**3,174**	**3,087**	**44**	**—**	**—**	

No	Project Name	Location	Aggregate GFA for Entire Project	Completed Property Developments: GFA Completed	Completed Property Developments: Total Completed Saleable GFA	Completed Property Developments: Total Saleable GFA Sold	Properties Under Development: GFA Under Development	Properties Under Development: Total Saleable GFA Under Development	Properties Under Development: Total Saleable GFA Pre-sold	Properties Held for Future Development: GFA Held for Future Development	Properties Held for Future Development: Total Saleable GFA Held for Future Development	Interest attributable to the Company
			(in thousands of sq.m.)									
Pearl River Delta Economic Zone												
33.	Gallopade Park	Guangzhou	847	408	389	384	—	—	—	439	439	95.0%
34.	Pleasant View Garden[(1)]	Guangzhou	917	839	804	749	23	69	—	55	—	[(1)]
35.	Huanan New City	Guangzhou	870	763	674	603	62	58	1	45	41	100%
36.	Panyu Zhujiang	Guangzhou	1,424	—	—	—	—	—	—	1,424	1,302	100%
37.	Gallopade Park—South Court	Guangzhou	867	735	710	672	33	33	23	99	92	95.0%
38.	Jinan Garden	Guangzhou	116	116	116	108	—	—	—	—	—	100%
39.	Guangzhou Qianjin Road Project	Guangzhou	244	—	—	—	—	—	—	244	244	100%
40.	Grandview Place	Guangzhou	67	67	67	67	—	—	—	—	—	100%
41.	Regal Court	Guangzhou	254	254	242	223	—	—	—	—	—	100%
42.	Huangjing New City	Guangzhou	859	859	817	774	—	—	—	—	—	100%
43.	Fairview South Court	Guangzhou	169	169	156	154	—	—	—	—	—	70.0%
44.	Fairview Garden	Guangzhou	190	190	183	161	—	—	—	—	—	90.0%
45.	Regal Riviera	Guangzhou	1,696	876	828	755	183	177	—	637	629	99.5%
46.	Regal Palace	Guangzhou	103	103	100	93	—	—	—	—	—	100%
47.	Yujing Huayuan	Guangzhou	187	120	111	88	60	58	24	7	—	100%
48.	Guangzhou Zhujiang International Tower	Guangzhou	103	103	98	—	—	—	—	—	—	100%
49.	Yunshan Xijing	Guangzhou	148	116	110	98	32	29	13	—	—	70.0%
50.	Regal Villa	Guangzhou	152	50	47	39	38	38	—	64	60	100%
51.	Junjing Bay	Guangzhou	761	144	139	135	187	175	—	430	415	100%
52.	Guangzhou Jiahe Commercial City	Guangzhou	260	—	—	—	79	55	—	182	171	75.0%
53.	Hopson Yujing Mid-level	Guangzhou	1,223	—	—	—	—	—	—	1,223	1,195	95.5%
54.	Guangzhou Jiufo Machao Project	Guangzhou	194	—	—	—	—	—	—	194	194	55.0%
55.	Guangzhou Nam Fong Garden Project	Guangzhou	107	—	—	—	107	103	—	—	—	100%
56.	Wangxiangying Project	Guangzhou	1,384	—	—	—	—	—	—	1,384	1,384	100%
57.	Hushan Guoji Villa	Guangzhou	1,501	197	177	139	14	14	—	1,290	1,251	100%
	Subtotal		**14,643**	**6,109**	**5,768**	**5,242**	**878**	**809**	**61**	**7,717**	**7,418**	

No	Project Name	Location	Aggregate GFA for Entire Project	Completed Property Developments: GFA Completed	Completed Property Developments: Total Completed Saleable GFA	Completed Property Developments: Total Saleable GFA Sold	Properties Under Development: GFA Under Development	Properties Under Development: Total Saleable GFA Under Development	Properties Under Development: Total Saleable GFA Pre-sold	Properties Held for Future Development: GFA Held for Future Development	Properties Held for Future Development: Total Saleable GFA Held for Future Development	Interest attributable to the Company
							(in thousands of sq.m.)					
58.	Huizhou Golf Manor	Huizhou	2,257	34	29	28	209	205	7	2,014	1,973	100%
59.	Huizhou Regal Riviera Bay	Huizhou	756	342	312	210	413	401	—	—	—	100%
60.	Hopson International New City	Huizhou	1,322	257	250	197	101	98	—	964	937	100%
61.	Daya Bay Xiangshuihe Project	Huizhou	1,507	—	—	—	50	41	—	1,457	1,409	100%
62.	Daya Bay Binhai New City	Huizhou	1,691	37	37	—	100	95	—	1,553	1,522	100%
	Subtotal		**7,533**	**670**	**628**	**435**	**873**	**840**	**7**	**5,988**	**5,841**	
63.	Regal Court	Zhongshan	216	43	40	34	88	83	17	85	78	100%
64.	Zhongshan Dongkeng Project	Zhongshan	537	—	—	—	—	—	—	537	537	100%
65.	Zhongshan Rainbow Project	Zhongshan	479	—	—	—	—	—	—	479	479	100%
	Subtotal		**1,232**	**43**	**40**	**34**	**88**	**83**	**17**	**1,101**	**1,094**	
	Total		**39,952**	**10,555**	**9,884**	**8,453**	**7,477**	**7,201**	**531**	**22,287**	**21,130**	

(1) Pleasant View Garden is being developed by Guangdong Hopson Leijing Real Estate Co. Limited, our wholly-owned subsidiary, Guangzhou Hopson Cuijing Real Estate Limited, a project company in which we hold a 97% equity interest, Guangzhou Hopson Yijing Real Estate Limited, a project in which we hold a 99.5% equity interest, and Guangdong New Tai An Real Estate Limited, our wholly-owned subsidiary.

The follow map shows the cities where our 65 projects are located as of June 30, 2010.

The following is a brief description of our major development projects as of June 30, 2010.

Beijing Regal Court (北京珠江帝景)

Beijing Regal Court is located at West Dawang Road, Chaoyang District, Beijing. It is being developed by Beijing Hopson Beifang Real Estate Development Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 254,921 sq.m. and has an expected aggregate saleable GFA of approximately 948,308 sq.m.

As of June 30, 2010, completed properties occupied an aggregate site area of approximately 194,593 sq.m. and had an expected aggregate saleable GFA of approximately 699,465 sq.m. The completed properties comprised 3,786 residential flats with an aggregate saleable GFA of approximately 541,984 sq.m. As of June 30, 2010, 3,759 residential flats with an aggregate saleable GFA of approximately 535,138 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 27 residential flats with an aggregate saleable GFA of approximately 6,846 sq.m. As of June 30, 2010, properties held for future development occupied an aggregate site area of approximately 60,328 sq.m. and had an expected aggregate saleable GFA of approximately 248,843 sq.m.

This project offers buildings for residential, shopping arcade, office and carparking purposes. It also includes a shopping arcade and a club house. We have a 100% interest in this project.

Città Eterna (羅馬嘉園)

Città Eterna is located at Chaoyang Bei Road, Chaoyang District, Beijing. It was developed by Beijing Hopson Yujing Property Development Company Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 122,097 sq.m. and has a saleable GFA of approximately 410,050 sq.m. As of June 30, 2010, this project had been completed.

The completed properties comprised 2,951 residential flats with an aggregate saleable GFA of approximately 375,677 sq.m. As of June 30, 2010, 2,937 residential flats with an aggregate saleable GFA of approximately 374,218 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 14 residential flats with an aggregate saleable GFA of approximately 1,459 sq.m.

This project offers buildings for residential purposes. It also includes ancillary facilities such as a club house and a primary school. We have a 100% interest in this project.

Beijing Hopson International Garden (北京合生國際花園)

Hopson International Garden is located at Guangqumenwaida Street, Chaoyang District, Beijing. It was developed by Beijing Hopson Lu Zhou Real Estate Development Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 60,518 sq.m. and has a saleable GFA of approximately 184,852 sq.m. As of June 30, 2010, this project had been completed.

The completed properties comprised 1,419 residential flats with an aggregate saleable GFA of approximately 167,586 sq.m., all of which had been sold and delivered.

This project offers buildings for residential purposes. It also includes a shopping arcade and a club house. We have a 100% interest in this project.

No. 8 Royal Park (合生霄雲路 8 號)

No. 8 Royal Park is located at Xiaoyun Road, Chaoyang District, Beijing. It is being developed by Beijing Xingjingrun Property Co., Ltd., a project company in which we hold an 80% equity interest. This development occupies an aggregate site area of approximately 200,000 sq.m. and has an expected aggregate saleable GFA of approximately 718,752 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 64,314 sq.m. and had an expected aggregate saleable GFA of approximately 337,639 sq.m. As of June 30, 2010, 177 residential flats with an aggregate saleable GFA of approximately 78,462 sq.m. had been pre-sold.

As of June 30, 2010, properties held for future development occupied an aggregate site area of approximately 135,686 sq.m.

This project offers buildings for residential purposes. It also includes a club house. We have an 80% interest in this project.

Beijing Dongfangwenhua Project (北京東方文華項目)

Beijing Dongfangwenhua Project is located at Dongsi Redevelopment Area, Dongcheng District, Beijing. It is being developed by Beijing Dongfangwenhua International Properties Limited, a project company with which we plan to derive 100% of the revenue generated from its office businesses and 45% of the revenue generated from its hotel operation.

This development occupies an aggregate site area of approximately 15,835 sq.m. and has an expected aggregate saleable GFA of approximately 141,343 sq.m. As of June 30, 2010, properties under development occupied an aggregate site area of approximately 10,169 sq.m. and had an expected aggregate saleable GFA of approximately 87,437 sq.m.

This project offers a hotel and office space.

Beijing Desheng Building (北京德勝大廈)

Beijing Desheng Building is located at De Wai Guan Xiang, Xicheng District, Beijing. It is being developed by Beijing Hopson Xing Ye Real Estate Development Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 9,459 sq.m. and has an expected aggregate saleable GFA of approximately 53,542 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 9,459 sq.m. and had an expected aggregate saleable GFA of approximately 53,542 sq.m.

This project offers office space, a shopping arcade and apartment buildings. We have a 100% interest in this project.

Kylin Zone (麒麟社)

Kylin Zone is located at Interchange of Wanjing Street and Futong Xida Street, Wangjing, Beijing. It is being developed by Beijing Hopson Wang Jing Real Estate Development Company Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 31,140 sq.m. and has an expected aggregate saleable GFA of approximately 140,866 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 31,140 sq.m. and had an expected aggregate saleable GFA of approximately 140,866 sq.m. Upon completion, there are expected to be 1,032 residential flats with an aggregate saleable GFA of approximately 140,866 sq.m. As of June 30, 2010, 614 residential flats with an aggregate saleable GFA of approximately 60,046 sq.m. had been pre-sold.

This project offers buildings for residential purposes and a shopping arcade. We have a 100% interest in this project.

Dreams World (世界村)

Dreams World is located at Majuqiao Town, Liangshui River south, Yizhuang, Tongzhou District, Beijing. It is being developed by Beijing Hopson Beifang Real Estate Development Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 129,070 sq.m. and has an expected aggregate saleable GFA of approximately 578,325 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 52,690 sq.m. and had an expected aggregate saleable GFA of approximately 230,798 sq.m. Upon completion, there are expected to be 1,443 residential flats with an aggregate saleable GFA of approximately 181,995 sq.m. As of June 30, 2010, 1,107 residential flats with an aggregate saleable GFA of approximately 110,668 sq.m. had been pre-sold.

As of June 30, 2010, properties held for future development occupied an aggregate site area of approximately 76,380 sq.m. and had an expected aggregate saleable GFA of approximately 347,527 sq.m.

This project offers buildings for residential purposes and a shopping arcade. We have a 100% interest in this project.

Times Regal (時代帝景)

Times Regal Project is located at West Dawang Road, Chaoyang District, Beijing. It is being developed by Beijing Hopson Yujing Property Development Company Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 47,285 sq.m.

As of June 30, 2010, properties of this project remained held for future development.

This project is expected to offer buildings for office and retail shop purposes. We have a 100% interest in this project.

Fresh Life Garden (綠洲家園)

Fresh Life Garden is located at Guangqumenwaida Street, Chaoyang District, Beijing. It was developed by Beijing Hopson Lu Zhou Real Estate Development Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 87,640 sq.m. and has a saleable GFA of approximately 404,913 sq.m.

As of June 30, 2010, this project had been completed. The completed properties comprised 2,520 residential flats with an aggregate saleable GFA of approximately 386,291 sq.m. As of June 30, 2010, 2,496 residential flats with an aggregate saleable GFA of approximately 382,124 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 24 residential flats with an aggregate saleable GFA of approximately 4,167 sq.m.

This project offers buildings for residential purposes and a shopping arcade. It also includes club houses and a kindergarten. We have a 100% interest in this project.

Yuhe Project (玉河項目)

Yuhe Project is located at Southern District of Yuhe Wenbao Area, Dongcheng District, Beijing. It is being developed by Beijing Derun Fengtai Asset Management Company Limited, Beijing Tingyi Langxuan Investment Consultants Company Limited, Beijing Jianing Meitian Arts and Culture Company Limited, Beijing Jiasheng Chuangyi Culture and Media Company Limited, Beijing Ruihua Shiji Advertising Company Limited, Beijing Tianhe Yitai Arts and Culture Company Limited, and Beijing Zhuozhan Dekai Advertising Company Limited. The project companies acquired and upgraded an old Siheyyuan, a historical type of residence, for future resale. This project occupies an aggregate site area of approximately 11,770 sq.m. and has an expected aggregate saleable GFA of approximately 10,000 sq.m.

This project offers buildings for residential purposes. We have a 100% interest in this project.

Tongzhou Yongshun Project (通州永順項目)

Tongzhou Yongshun Project is located at Qiaozhuang Village, Yongshun Town, Tongzhou District, Beijing. It is being developed by Beijing Hopson Lu Zhou Real Estate Development Limited, another wholly-owned project company of ours. This development occupies an aggregate site area of approximately 116,445 sq.m. and has an expected aggregate saleable GFA of approximately 334,197 sq.m.

As of June 30, 2010, properties of this project remained held for future development.

This project offers buildings for residential purposes. We have a 100% interest in this project.

Jingjin New Town (京津新城)

Jingjin New Town is located at Zhujiang South Road, Zhouliangzhuang Town, Baodi District, Tianjin. It is being developed by Tianjin Hopson Zhujiang Real Estate Development Limited, a project company in which we hold a 92.29% equity interest. This development occupies an aggregate site area of approximately 14,031,528 sq.m. and has an expected aggregate saleable GFA of approximately 3,963,977 sq.m.

As of June 30, 2010, completed properties occupied an aggregate site area of approximately 3,355,030 sq.m. and had an aggregate saleable GFA of approximately 713,754 sq.m. The completed properties comprised 1,865 residential flats with an aggregate saleable GFA of approximately 640,787 sq.m. As of June 30, 2010, 1,678 residential flats with an aggregate saleable GFA of approximately 454,720 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 187 residential flats with an aggregate saleable GFA of approximately 186,067 sq.m.

As of June 30,2010, properties under development occupied an aggregate site area of approximately 1,094,963 sq.m. and had an expected aggregate saleable GFA of approximately 253,348 sq.m. and properties held for future development occupied an aggregate site area of approximately 9,581,536 sq.m.

This project primarily offers buildings for residential purposes. It also includes a shopping arcade and ancillary facilities such as a luxury hotel, an international standard golf course. We have a 92.29% interest in this project.

Hyatt Regency JingJin City (天津凱悅酒店)

Hyatt Regency JingJin City Project is located at Zhujiang South Road, Zhouliangzhuang Town, Baodi District, Tianjin. It is being developed by Plaza Royale Water Palace Convention Hotel Tianjin Co., Limited, a project company in which we hold a 70% equity interest. This development occupies an aggregate site area of approximately 265,666 sq.m. and has an expected aggregate saleable GFA of approximately 163,206 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 129,331 sq.m. and had an expected aggregate saleable GFA of approximately 108,073 sq.m. Upon completion, there are expected to be 206 residential flats with an aggregate saleable GFA of approximately 18,669 sq.m. As of June 30, 2010, none of the properties had been pre-sold.

This project offers residential and hotel. We have a 70% interest in this project.

Tianjin Hopson International Tower (天津合生國際大廈)

Tianjin Hopson International Tower is located at Interchange of Fuan Main Street and Xingan Road, Heping District, Tianjin. It is being developed by Tianjin Hopson Binhai Real Estate Development Company Limited, a project company in which we hold a 98.9% equity interest. This development occupies an aggregate site area of approximately 20,700 sq.m. and has an expected aggregate saleable GFA of approximately 134,550 sq.m.

As of June 30, 2010, properties of this project remained held for future development.

This project is expected to offer buildings for residential purposes. We have a 98.9% interest in this project.

Tianjin Hopson International Mansion (天津合生國際公寓)

Tianjin Hopson International Mansion is located at Interchange of Weijin South Road and Shuishang North Road, Nankai District, Tianjin. It is being developed by Tianjin Babo Real Estate Development Company Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 15,989 sq.m. and has an expected aggregate saleable GFA of approximately 137,120 sq.m.

As of June 30, 2010, properties of this project remained held for future development.

This project is expected to offer buildings for residential purposes. We have a 100% interest in this project.

Dalian Hopson Regal Seashore (大連合生江山帝景)

Dalian Hopson Regal Seashore Project is located at Yanbei Road, Tieshan Town, Lvshunkou District, Dalian. It is being developed by Dalian Hopson Xing Ye Real Estate Development Company Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 233,598 sq.m. and has an expected aggregate saleable GFA of approximately 473,273 sq.m.

As of June 30, 2010, completed properties occupied an aggregate site area of approximately 12,871 sq.m. and had an aggregate saleable GFA of approximately 22,004 sq.m. The completed properties comprised 112 residential flats with an aggregate saleable GFA of approximately 22,004 sq.m. As of June 30, 2010, 107 residential flats with an aggregate saleable GFA of approximately 20,420 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 5 residential flats with an aggregate saleable GFA of approximately 990 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 52,923 sq.m. and had an expected aggregate saleable GFA of approximately 101,553 sq.m. Upon completion, there are expected to be 180 residential flats with an aggregate saleable GFA of approximately 91,190 sq.m. As of June 30, 2010, 169 residential flats with an aggregate saleable GFA of approximately 14,391 sq.m. had been pre-sold.

As of June 30, 2010, properties held for future development occupied an aggregate site area of approximately 167,382 sq.m. and had an expected aggregate saleable GFA of approximately 348,944 sq.m.

This project is expected to offer buildings for residential purposes. We have a 100% interest in this project.

Shanxi Taiyuan Tongye Project (山西太原銅業項目)

Shanxi Taiyuan Tongye Project is located at West of Bingzhou Road, East of Tiyu Road and North of Eryingpan Street, Taiyuan, Shanxi. It is being developed by Shanxi Hopson Dijing Construction Company Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 92,564 sq.m. and has an expected aggregate saleable GFA of approximately 333,666 sq.m.

As of June 30, 2010, properties of this project remained held for future development.

This project is expected to offer buildings for residential purposes and a shopping arcade. It will also include hotel and club houses. We have a 100% interest in this project.

Qinhuangdao Tiandaihe Project (秦皇島天戴河項目)

Qinhuangdao Tiandaihe Project is located at the intersection of Hebei and Liaoning Provinces, Northwestern coast of Liaodong Bay. It is being developed by Suizhong Haisheng Tourism Development Corporation, a project company in which we hold a 51% equity interest. This development occupies an aggregate site area of approximately 669,755 sq.m. and has an expected aggregate saleable GFA of approximately 898,941 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 93,158 sq.m. and had an expected aggregate saleable GFA of approximately 55,497 sq.m. Upon completion, there will be an aggregate saleable GFA of approximately 55,497 sq.m. As of June 30, 2010, none of the properties had been pre-sold.

As of June 30, 2010, properties held for future development occupied an aggregate site area of approximately 576,597 sq.m.

This project offers buildings for residential purposes. It will also include a shopping arcade and club houses. We have a 51% interest in this project.

Hopson Town (合生城邦)

Hopson Town is located at Anning Road, Minhang District, Shanghai. It is being developed by Shanghai Lung Meng Real Estate Development Company Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 517,475 sq.m. and has an expected aggregate saleable GFA of approximately 584,475 sq.m.

As of June 30, 2010, completed properties occupied an aggregate site area of approximately 408,306 sq.m. and had an aggregate saleable GFA of approximately 391,685 sq.m. The completed properties comprised 2,184 residential flats with an aggregate saleable GFA of approximately 343,886 sq.m. As of June 30, 2010, 2,164 residential flats with an aggregate saleable GFA of approximately 339,332 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 20 residential flats with an aggregate saleable GFA of approximately 4,554 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 109,169 sq.m. and had an expected aggregate saleable GFA of approximately 192,790 sq.m. Upon completion, there will be 1,729 residential flats with an aggregate saleable GFA of approximately 163,757 sq.m. As of June 30, 2010, 538 residential flats with an aggregate saleable GFA of approximately 53,207 sq.m. had been pre-sold.

This project offers terraced houses and high-rise apartment buildings. It also includes kindergarten. We have a 100% interest in this project.

Hopson Golf Mansion (合生高爾夫公寓)

Hopson Golf Mansion is located at Jiangpu Road, Yangpu District, Shanghai. It is being developed by Shanghai Hopson Property Development Company Limited, a wholly-owned project company. This development occupies an aggregate site area of approximately 23,474 sq.m. and has an expected aggregate saleable GFA of approximately 57,949 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 23,474 sq.m. and had an expected aggregate saleable GFA of approximately 57,949 sq.m. Upon completion, there are expected to be 445 residential flats with an aggregate saleable GFA of approximately 49,283 sq.m.

This project offers low-rise apartment buildings and high-rise apartment buildings. We have a 100% interest in this project.

Sheshan Dongziyuan (佘山東紫園)

Sheshan Dongziyuan is located at Linhu Road, Shanghai Sheshan National Holiday Resort, Shanghai. It is being developed by Shanghai Long Jia Properties Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 443,726 sq.m. and has an expected aggregate saleable GFA of approximately 127,038 sq.m.

As of June 30, 2010, completed properties occupied an aggregate site area of approximately 128,348 sq.m. and had an aggregate saleable GFA of approximately 47,965 sq.m. The completed properties comprised 50 residential flats with an aggregate saleable GFA of approximately 47,965 sq.m. As of June 30, 2010, 21 residential flats with an aggregate saleable GFA of approximately 15,086 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 29 residential flats with an aggregate saleable GFA of approximately 32,879 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 95,001 sq.m. and had an expected aggregate saleable GFA of approximately 79,073 sq.m. Upon completion, there are expected to be 40 residential flats with an aggregate saleable GFA of approximately 33,270 sq.m. As of June 30, 2010, none of the properties had been pre-sold.

This project offers villa buildings. We have a 100% interest in this project.

Hopson Lantern Villa (合生朗廷園)

Hopson Lantern Villa is located at Zhenle Road, Zhaoxiang New City, Qingpu District, Shanghai. It was developed by Shanghai Son Xiang Real Estate Development Company Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 126,185 sq.m. and has a saleable GFA of approximately 123,772 sq.m.

As of June 30, 2010, the project had been completed. The completed properties comprised 462 residential flats with an aggregate saleable GFA of approximately 121,503 sq.m. As of June 30, 2010, 451 residential flats with an aggregate saleable GFA of approximately 118,766 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 11 residential flats with an aggregate saleable GFA of approximately 2,737 sq.m.

This project offers villa buildings. We have a 100% interest in this project.

International Garden (合生國際花園)

International Garden is located at East Changxing Road, Dongjing, Songjiang District, Shanghai. It is being developed by Shanghai Ze Yu Properties Limited, a project company in which we hold a 94% equity interest. This development occupies an aggregate site area of approximately 178,843 sq.m. and has an expected aggregate saleable GFA of approximately 126,873 sq.m.

As of June 30, 2010, completed properties occupied an aggregate site area of approximately 164,009 sq.m. and had an aggregate saleable GFA of approximately 117,846 sq.m. The completed properties comprised 356 residential flats with an aggregate saleable GFA of approximately 115,026 sq.m. As of June 30, 2010, 211 residential flats with an aggregate saleable GFA of approximately 80,778 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 145 residential flats with an aggregate saleable GFA of approximately 34,248 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 14,745 sq.m. and had an expected aggregate saleable GFA of approximately 9,027 sq.m. Upon completion, there are expected to be 30 residential flats with an aggregate saleable GFA of approximately 7,283 sq.m.

This project offers villa buildings. It also includes a shopping arcade and a chamber. We have a 94% interest in this project.

Hopson Dongjiao Villa (合生東郊別墅)

Hopson Dongjiao Villa is located at Cuibai Road, Pudong New Area, Shanghai. It is being developed by Shanghai Yu Tai Real Estate Development Company Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 93,089 sq.m. and has an expected aggregate saleable GFA of approximately 62,173 sq.m.

As of June 30, 2010, completed properties occupied an aggregate site area of approximately 10,657 sq.m. and had an aggregate saleable GFA of approximately 24,325 sq.m. The completed properties comprised 30 residential flats with an aggregate saleable GFA of approximately 24,325 sq.m. As of June 30, 2010, 27 residential flats with an aggregate saleable GFA of approximately 21,710 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 3 residential flats with an aggregate saleable GFA of approximately 2,615 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 16,440 sq.m. and had an expected aggregate saleable GFA of approximately 37,847 sq.m., none of which had been pre-sold.

This project offers villa buildings. We have a 100% interest in this project.

Hopson Yuting Garden (合生御廷園)

Hopson Yuting Garden is located at Xiangju Road, Zhaoxiang Town, Qingpu District, Shanghai. It is being developed by Shanghai Zhengze Real Estate Development Company Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 115,827 sq.m. and has an expected aggregate saleable GFA of approximately 126,677 sq.m.

As of June 30, 2010, completed properties occupied an aggregate site area of approximately 32,577 sq.m. and had an aggregate saleable GFA of approximately 33,415 sq.m. The completed properties comprised 114 residential flats with an aggregate saleable GFA of approximately 33,415 sq.m. As of June 30, 2010, 89 residential flats with an aggregate saleable GFA of approximately 26,016 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 25 residential flats with an aggregate saleable GFA of approximately 7,399 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 71,098 sq.m. and had an expected aggregate saleable GFA of approximately 83,931 sq.m. Upon completion, there are expected to be 704 residential flats with an aggregate saleable GFA of approximately 77,778 sq.m., none of which had been pre-sold as of June 30, 2010.

As of June 30, 2010, properties held for future development occupied an aggregate site area of approximately 12,152 sq.m. and had an expected aggregate saleable GFA of approximately 9,331 sq.m.

This project offers villa buildings. We have a 100% interest in this project.

Hopson International Plaza (合生國際廣場)

Hopson International Plaza is located at Yangpu District, Shanghai. It is being developed by Shanghai Dazhan Investment Management Company Limited and Zhongxian International Company Limited, our wholly-owned project companies. This development occupies an aggregate site area of approximately 48,132 sq.m. and has an expected aggregate saleable GFA of approximately 360,147 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 48,132 sq.m. and had an expected aggregate saleable GFA of approximately 360,147 sq.m.

This project offers office space and a shopping arcade. We have a 100% interest in this project.

Shanghai Hopson Fortune Plaza (上海合生財富廣場)

Shanghai Hopson Fortune Plaza is located at Feihong Road, Hongkou District, Shanghai. It is being developed by Shanghai Shangzhi Haiyun Properties Company Limited, our wholly-owned project. This development occupies an aggregate site area of approximately 9,894 sq.m. and has an expected aggregate saleable GFA of approximately 53,357 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 9,894 sq.m. and had an expected aggregate saleable GFA of approximately 53,357 sq.m.

This project offers office space and a shopping arcade. We have a 100% interest in this project.

Kunshan Hopson Yuting Garden (昆山合生御庭)

Kunshan Hopson Yuting Garden is located at Zhoushi Town, Kunshan, Greater Suzhou, Jiangsu Province. It is being developed by Kunshan Hopson Property Development Company Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 292,140 sq.m. and has an expected aggregate saleable GFA of approximately 612,846 sq.m.

As of June 30, 2010, properties under this project remained held for future development.

This project is expected to offer buildings primarily for residential purposes. It also includes a kindergarten. We have a 100% interest in this project.

Hangzhou Hopson Guomao Centre (杭州合生國貿中心)

Hangzhou Hopson Guomao Centre is located at Tianmushan Road, Xihu District, Hangzhou. It is being developed by Zhejiang Ke Hua Digital Plaza Company Limited, a project company in which we hold a 95% equity interest. This development occupies an aggregate site area of approximately 31,810 sq.m. and has an expected aggregate saleable GFA of approximately 92,418 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 31,810 sq.m. and had an expected aggregate saleable GFA of approximately 92,418 sq.m.

This project offers office space and a shopping arcade. We have a 95% interest in this project.

Hopson International City (合生國際城)

Hopson International City is located at Zhongbao Road, Zhenhai New City, Ningbo, Zhejiang Province. It is being developed by Shanghai Hopson Property Development Company Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 300,377 sq.m. and has an expected aggregate saleable GFA of approximately 509,452 sq.m.

As of June 30, 2010, completed properties occupied an aggregate site area of approximately 154,610 sq.m. and had an aggregate saleable GFA of approximately 112,449 sq.m. The completed properties comprised 404 residential flats with an aggregate saleable GFA of approximately 112,449 sq.m. As of June 30, 2010, 400 residential flats with an aggregate saleable GFA of approximately 111,473 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 4 residential flats with an aggregate saleable GFA of approximately 977 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 145,767 sq.m. and had an expected aggregate saleable GFA of approximately 397,003 sq.m. Upon completion, there are expected to be 2,437 residential flats with an aggregate saleable GFA of approximately 348,584 sq.m. As of June 30, 2010, 364 residential flats with an aggregate saleable GFA of approximately 43,654 sq.m. had been pre-sold.

This project offers town houses, terraced houses, semi-detached and detached houses. It also includes a shopping arcade, a chamber and a kindergarten. We have a 100% interest in this project.

Ningbo Cixi Hangzhou Bay Project (寧波慈溪, 杭州灣項目)

Ningbo Cixi Hangzhou Bay Project is located in the northwestern region of Hangzhou Bay New District, Cixi, Ningbo, Zhejiang Province. It is being developed by Ningbo Hopson Kam City Real Estate Company Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 1,530,593 sq.m. and has an expected aggregate saleable GFA of approximately 2,690,463 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 1,530,593 sq.m. and had an expected aggregate saleable GFA of approximately 2,690,463 sq.m.

This project offers buildings for residential purposes. It will also include a shopping arcade and a chamber. We have a 100% interest in this project.

Gallopade Park (駿景花園)

Gallopade Park is located at Zhongshan Avenue, Tianhe District, Guangzhou. It is being developed by Guangzhou Hopson Keji Garden Real Estate Limited, a project company in which we hold a 95% equity interest. This development occupies an aggregate site area of approximately 179,667 sq.m. and has an expected aggregate saleable GFA of approximately 828,609 sq.m.

As of June 30, 2010, the completed properties comprised 3,439 residential flats with an aggregate saleable GFA of approximately 371,615 sq.m. As of June 30, 2010, 3,430 residential flats with an aggregate saleable GFA of approximately 370,609 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 9 residential flats with an aggregate saleable GFA of approximately 1,006 sq.m.

As of June 30, 2010, the properties held for future development occupied an aggregate site area of approximately 59,700 sq.m.

This project offers buildings for residential, commercial, retail and carparking purposes. It also includes retail shops and ancillary facilities such as a club house, a kindergarten and a middle school. We have a 95% interest in this project.

Pleasant View Garden (逸景翠園)

Pleasant View Garden is located at Guangzhou Avenue South, Haizhu District, Guangzhou. It is being developed by Guangdong Hopson Lejing Real Estate Co. Limited, a project company in which we have a 100% interest, Guangzhou Hopson Cuijing Real Estate Limited, a project company in which we hold a 97% equity interest, Guangzhou Hopson Yijing Real Estate Limited, a project company in which we hold a 99.5% equity interest, and Guangdong New Tai An Real Estate Limited, our wholly-owned subsidiary. This development occupies an aggregate site area of approximately 275,699 sq.m. and has an expected aggregate saleable GFA of approximately 872,886 sq.m.

As of June 30, 2010, completed properties occupied an aggregate site area of approximately 220,691 sq.m. and had an aggregate saleable GFA of approximately 803,982 sq.m. The completed properties comprised 5,592 residential flats with an aggregate saleable GFA of approximately 665,588 sq.m. As of June 30, 2010, 5,569 residential flats with an aggregate saleable GFA of approximately 661,032 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 23 residential flats with an aggregate saleable GFA of approximately 4,556 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 23,287 sq.m. and had an expected aggregate saleable GFA of approximately 80,965 sq.m. Upon completion, there will be 632 residential flats with an aggregate saleable GFA of approximately 68,298 sq.m. As of June 30, 2010, 390 residential flats with an aggregate saleable GFA of approximately 41,396 sq.m. had been pre-sold.

As of June 30, 2010, properties held for future development occupied an aggregate site area of approximately 31,720 sq.m.

This project offers buildings for residential, commercial, retail and carparking purposes. It also includes retail shops and ancillary facilities such as a club house, a kindergarten and two schools.

Huanan New City (華南新城)

Huanan New City is located at Xingnan Avenue, Panyu District, Guangzhou. It is being developed by Guangdong Huanan New City Real Estate Limited. This development occupies an aggregate site area of approximately 729,870 sq.m. and has an expected aggregate saleable GFA of approximately 772,771 sq.m.

As of June 30, 2010, completed properties occupied an aggregate site area of approximately 508,017 sq.m. and had an aggregate saleable GFA of approximately 673,533 sq.m. The completed properties comprised 4,104 residential flats with an aggregate saleable GFA of approximately 605,876 sq.m. As of June 30, 2010, 4,047 residential flats with an aggregate saleable GFA of approximately 586,399 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 57 residential flats with an aggregate saleable GFA of approximately 19,478 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 33,178 sq.m. and had an expected aggregate saleable GFA of approximately 57,793 sq.m. Upon completion, there will be 249 residential flats with an aggregate saleable GFA of approximately 31,579 sq.m., none of which had been presold as of June 30, 2010.

As of June 30, 2010, properties held for future development occupied an aggregate site area of approximately 28,831 sq.m. and had an expected aggregate saleable GFA of approximately 41,444 sq.m.

This project offers villa buildings. It also includes retail shops and ancillary facilities such as a club house, a kindergarten and two schools. We have a 100% interest in this project.

Panyu Zhujiang (番禺珠江)

Panyu Zhujiang Project is located at Xingnan Avenue, Panyu District, Guangzhou. It is being developed by Guangzhou Panyu Zhujiang Real Estate Limited, a project company in which we hold a 100% equity interest. This development occupies an aggregate site area of approximately 1,076,960 sq.m. and has an expected aggregate saleable GFA of approximately 1,301,637 sq.m.

As of June 30, 2010, properties under this project remained held for future development.

This project is expected to offer buildings primarily for residential purposes. We have a 100% interest in this project.

Gallopade Park—South Court (駿景南苑)

Gallopade Park—South Court located to the East of Tianhe Park on the site of the Asian Games Guangzhou, which is located in the heart of Eastern Tianhe. It is being developed by Guangzhou Hopson Junjing Real Estate Limited, a project company in which we hold a 95% equity interest. This development occupies an aggregate site area of approximately 222,040 sq.m. and has an expected aggregate saleable GFA of approximately 834,995 sq.m.

As of June 30, 2010, completed properties occupied an aggregate site area of approximately 192,846 sq.m. and had an aggregate saleable GFA of approximately 709,678 sq.m. The completed properties comprised 4,722 residential flats with an aggregate saleable GFA of approximately 624,411 sq.m. As of June 30, 2010, 4,706 residential flats with an aggregate saleable GFA of approximately 621,256 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 16 residential flats with an aggregate saleable GFA of approximately 3,155 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 8,048 sq.m. and had an expected aggregate saleable GFA of approximately 32,679 sq.m. Upon completion, there will be 168 residential flats with an aggregate saleable GFA of approximately 29,383 sq.m. As of June 30, 2010, 133 residential flats with an aggregate saleable GFA of approximately 23,190 sq.m. had been pre-sold.

As of June 30, 2010, properties held for future development occupied an aggregate site area of approximately 21,147 sq.m.

This project offers buildings for residential purposes. It also includes retail shops and ancillary facilities such as a club house, a kindergarten and a primary school. We have a 95% interest in this project.

Jinan Garden (暨南花園)

Jinan Garden is located on the south side of Zhongshan Avenue Tianhe District, Guangzhou. It is being developed by Guangdong Jinan Real Estate Limited, a project company in which we hold a 100% equity interest. This development occupies an aggregate site area of approximately 33,747 sq.m. and has an expected aggregate saleable GFA of approximately 116,148 sq.m.

As of June 30, 2010, this project had been completed. The completed properties comprised 763 residential flats with an aggregate saleable GFA of approximately 82,677 sq.m. As of June 30, 2010, 746 residential flats with an aggregate saleable GFA of approximately 82,469 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 17 residential flats with an aggregate saleable GFA of approximately 208 sq.m.

This project offers buildings for residential, commercial, retail and carparking purposes. We have a 100% interest in this project.

Qianjin Road Project (前進路項目)

Qianjin Road Project is located at Qianjin Road, Haizhu District, Guangzhou. It is being developed by Guangzhou Hopson Shengjing Real Estate Company Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 54,286 sq.m. and has an expected aggregate saleable GFA of approximately 244,300 sq.m.

As of June 30, 2010, properties of this project remained held for future development. We have a 100% interest in this project.

Grandview Place (鴻景園)

Grandview Place is located at Longkou East Road, Tianhe District, Guangzhou. It is being developed by Guangzhou Hopson Qinghui Real Estate Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 6,204 sq.m. and has an expected aggregate saleable GFA of approximately 67,049 sq.m.

As of June 30, 2010, completed properties occupied an aggregate site area of approximately 6,204 sq.m. and had an aggregate saleable GFA of approximately 67,049 sq.m. The completed properties comprised 432 residential flats with an aggregate saleable GFA of approximately 46,597 sq.m. As of June 30, 2010, 432 residential flats with an aggregate saleable GFA of approximately 46,597 sq.m. had been sold and delivered.

This project offers buildings for residential, commercial, retail and carparking purposes. We have a 100% interest in this project.

Regal Court (帝景苑)

Guangzhou Regal Court is located at East side of Longkou West Road, Tianhe District, Guangzhou. It is being developed by Guangzhou Hopson Yihui Real Estate Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 36,210 sq.m. and has an expected aggregate saleable GFA of approximately 241,630 sq.m.

As of June 30, 2010, this project had been completed. The completed properties comprised 1,368 residential flats with an aggregate saleable GFA of approximately 194,024 sq.m. As of June 30, 2010, 1,366 residential flats with an aggregate saleable GFA of approximately 193,594 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 2 residential flats with an aggregate saleable GFA of approximately 430 sq.m.

This project offers buildings for residential, commercial, retail and carparking purposes. It also includes retail shops and ancillary facilities such as a club house, a kindergarten and a middle school. We have a 100% interest in this project.

Huajing New City (華景新城)

Huajing New City is located at 105 Zhongshan Avenue, Tianhe District, Guangzhou. It is being developed by Guangdong Huajingxincheng Real Estate Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 156,150 sq.m. and has an expected aggregate saleable GFA of approximately 817,472 sq.m.

As of June 30, 2010, this project had been completed. The completed properties comprised 6,602 residential flats with an aggregate saleable GFA of approximately 684,566 sq.m. As of June 30, 2010, 6,597 residential flats with an aggregate saleable GFA of approximately 684,963 sq.m. had been sold and delivered.

This project offers buildings for residential, commercial, retail and carparking purposes. It also includes retail shops and ancillary facilities such as a club house, a kindergarten and a primary school. We have a 100% interest in this project.

Fairview South Court (愉景南苑)

Fairview South Court is located at 212 Xingang West Road, Haizhu District, Guangzhou. It is being developed by Guangzhou Hopson Yujing Real Estate Limited. This development occupies an aggregate site area of approximately 48,290 sq.m. and has an expected aggregate saleable GFA of approximately 155,627 sq.m.

As of June 30, 2010, this project had been completed. The completed properties comprised 1,227 residential flats with an aggregate saleable GFA of approximately 136,367 sq.m. As of June 30, 2010, 1,227 residential flats with an aggregate saleable GFA of approximately 136,367 sq.m. had been sold and delivered.

This project offers buildings for residential, commercial, retail and carparking purposes. It also includes retail shops and ancillary facilities such as a club house and a kindergarten. We have a 70% interest in this project.

Fairview Garden (愉景雅苑)

Fairview Garden is located at 238 Xingang West Road, Haizhu District, Guangzhou. It is being developed by Guangdong Hopson Minghui Real Estate Limited. This development occupies an aggregate site area of approximately 41,828 sq.m. and has an expected aggregate saleable GFA of approximately 182,922 sq.m.

As of June 30, 2010, this project had been completed. The completed properties comprised 1,567 residential flats with an aggregate saleable GFA of approximately 153,381 sq.m. As of June 30, 2010, 1,567 residential flats with an aggregate saleable GFA of approximately 153,299 sq.m. had been sold and delivered.

This project offers buildings for residential, commercial, retail and carparking purposes. It also includes retail shops and ancillary facilities such as a club house and a kindergarten. We have a 90% interest in this project.

Regal Riviera (珠江帝景)

Regal Riviera is located at Haojing Street, Yizhou Road, Haizhu District, the new city center of Guangzhou. It is being developed by Guangzhou Zhujiang Qiaodu Real Estate Limited, a project company in which we hold a 99.5% interest. This development occupies an aggregate site area of approximately 424,667 sq.m. and has an expected aggregate saleable GFA of approximately 1,634,430 sq.m.

As of June 30, 2010, completed properties occupied an aggregate site area of approximately 237,658 sq.m. and had an aggregate saleable GFA of approximately 828,472 sq.m. The completed properties comprised 4,226 residential flats with an aggregate saleable GFA of approximately 702,230 sq.m. As of June 30, 2010, 4,162 residential flats with an aggregate saleable GFA of approximately 681,707 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 64 residential flats with an aggregate saleable GFA of approximately 20,523 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 41,178 sq.m. and had an expected aggregate saleable GFA of approximately 176,874 sq.m. Upon completion, there will be 720 residential flats with an aggregate saleable GFA of approximately 113,160 sq.m., none of which had been pre-sold as of June 30, 2010.

As of June 30, 2010, properties held for future development occupied an aggregate site area of approximately 94,284 sq.m.

This project offers buildings for residential, commercial, retail and carparking purposes. It also includes retail shops and ancillary facilities such as a hotel, a club house, a kindergarten and a primary school. We have a 99.5% interest in this project.

Regal Palace (帝景華苑)

Regal Palace is located in the vicinity of the new consulate district in Chigang, Guangzhou, opposite Zhujian New City. It was developed by Hopson (Guangzhou) Industries Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 28,600 sq.m. and has a saleable GFA of approximately 99,609 sq.m.

As of June 30, 2010, this project had been completed. The completed properties comprised 516 residential flats with an aggregate saleable GFA of approximately 86,670 sq.m. As of June 30, 2010, 508 residential flats with an aggregate saleable GFA of approximately 85,494 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 8 residential flats with an aggregate saleable GFA of approximately 1,175 sq.m.

This project offers buildings for residential, commercial, retail and carparking purposes. It also includes retail shops and ancillary facilities such as a swimming pool and a business center. We have a 100% interest in this project.

Yujing Huayuan (頤景華苑)

Yujing Huayuan is located at Dongxiaonan Road South, Haizhu District, Guangzhou. It is being developed by Guangzhou Yiming Real Estate Development Company Limited, a project company in which we hold a 100% equity interest. This development occupies an aggregate site area of approximately 56,440 sq.m. and has an expected aggregate saleable GFA of approximately 168,768 sq.m.

As of June 30, 2010, completed properties occupied an aggregate site area of approximately 35,198 sq.m. and had an aggregate saleable GFA of approximately 110,966 sq.m. The completed properties comprised 732 residential flats with an aggregate saleable GFA of approximately 88,890 sq.m. As of June 30, 2010, 682 residential flats with an aggregate saleable GFA of approximately 83,279 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 50 residential flats with an aggregate saleable GFA of approximately 5,611 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 19,169 sq.m. and had an expected aggregate saleable GFA of approximately 57,802 sq.m. Upon completion, there will be 502 residential flats with an aggregate saleable GFA of approximately 42,293 sq.m. As of June 30, 2010, 278 residential flats with an aggregate saleable GFA of approximately 23,648 sq.m. had been pre-sold.

As of June 30, 2010, properties held for future development occupied an aggregate site area of approximately 2,072 sq.m. and is expected to include the development for a middle-school.

This project offers buildings for residential, commercial, retail and carparking purposes. It also includes retail shops and ancillary facilities such as a kindergarten and a middle school. We have a 100% interest in this project.

Guangzhou Zhujiang International Tower (廣州珠江國際大廈)

Guangzhou Zhujiang International Tower is located at Yuehua Road, Yuexiu District, Guangzhou. It was developed by Guangdong Hopson Yuehua Real Estate Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 6,560 sq.m. and has a saleable GFA of approximately 97,975 sq.m.

As of June 30, 2010, all properties in this project had been completed.

This project offers office and retail space. We have a 75% interest in this project.

Yunshan Xijing (雲山熹景)

Yunshan Xijing is located at Guangzhou Avenue North, Baiyun District, Guangzhou. It is being developed by Value-Added Guangzhou Limited, a project company in which we hold a 70% equity interest. This development occupies an aggregate site area of approximately 55,633 sq.m. and has an expected aggregate saleable GFA of approximately 139,648 sq.m.

As of June 30, 2010, completed properties occupied an aggregate site area of approximately 41,436 sq.m. and had an aggregate saleable GFA of approximately 110,420 sq.m. The completed properties comprised 678 residential flats with an aggregate saleable GFA of approximately 95,854 sq.m. As of June 30, 2010, 667 residential flats with an aggregate saleable GFA of approximately 93,393 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 11 residential flats with an aggregate saleable GFA of approximately 2,416 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 14,197 sq.m. and had an expected aggregate saleable GFA of approximately 29,227 sq.m. Upon completion, there will be 150 residential flats with an aggregate saleable GFA of approximately 14,679 sq.m. As of June 30, 2010, 135 residential flats with an aggregate saleable GFA of approximately 13,397 sq.m. had been pre-sold.

This project offers buildings for residential, commercial, retail and carparking purposes. It also includes ancillary facilities such as a kindergarten. We have a 70% interest in this project.

Regal Villa (帝景山莊)

Regal Villa is located at the mid-levels of Guangyuan East Road, Tianhe Dongpu, Guangzhou. It is being developed by Guangzhou Hopson Dongyu Real Estate Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 235,334 sq.m. and has an expected aggregate saleable GFA of approximately 145,130 sq.m.

As of June 30, 2010, completed properties occupied an aggregate site area of approximately 72,379 sq.m. and had an aggregate saleable GFA of approximately 47,257 sq.m. The completed properties comprised 132 residential flats with an aggregate saleable GFA of approximately 42,259 sq.m. As of June 30, 2010, 122 residential flats with an aggregate saleable GFA of approximately 38,752 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 10 residential flats with an aggregate saleable GFA of approximately 3,507 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 45,950 sq.m. and had an expected aggregate saleable GFA of approximately 38,081 sq.m. Upon completion, there will be 86 residential flats with an aggregate saleable GFA of approximately 38,081 sq.m., none of which had been pre-sold as of June 30, 2010.

As of June 30, 2010, properties held for future development occupied an aggregate site area of approximately 100,960 sq.m. and had an expected aggregate saleable GFA of approximately 59,791 sq.m.

This project offers residential and retail space. It also includes ancillary facilities such as a kindergarten and a primary school. We have a 100% interest in this project.

Junjing Bay (君景灣)

Junjing Bay is located at Huangqi Beicun Avenue, Dali, Nanhai District, Foshan, Guangdong. It is being developed by Guangdong Hopson Hong Jing Real Estate Company Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 211,287 sq.m. and has an expected aggregate saleable GFA of approximately 728,628 sq.m.

As of June 30, 2010, completed properties occupied an aggregate site area of approximately 76,537 sq.m. and had an aggregate saleable GFA of approximately 138,983 sq.m. The completed properties comprised 1,208 residential flats with an aggregate saleable GFA of approximately 136,394 sq.m. As of June 30, 2010, 1,183 residential flats with an aggregate saleable GFA of approximately 134,162 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 25 residential flats with an aggregate saleable GFA of approximately 2,232 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 52,936 sq.m. and had an expected aggregate saleable GFA of approximately 175,347 sq.m. Upon completion, there will be 1,428 residential flats with an aggregate saleable GFA of approximately 109,429 sq.m., none of which had been pre-sold as of June 30, 2010.

As of June 30, 2010, properties held for future development occupied an aggregate site area of approximately 81,814 sq.m.

This project offers residential and retail space. It also includes facilities such as a club house and a kindergarten. We have a 100% interest in this project.

Guangzhou Jiahe Commercial City (廣州嘉和商業城)

Guangzhou Jiahe Commercial City is located at Guangzhou Avenue South, Haizhu District, Guangzhou. It is being developed by Guangzhou Yi Cheng Real Estate Development Limited, a project company in which we have a 100% interest, and Guangzhou Yi Hui Real Estate Development Limited, a project company in which we hold a 75% equity interest. This development occupies an aggregate site area of approximately 64,668 sq.m. and has an expected aggregate saleable GFA of approximately 226,340 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 45,101 sq.m. and had an expected aggregate saleable GFA of approximately 54,689 sq.m. As of June 30, 2010, properties held for future development occupied an aggregate site area of approximately 19,567 sq.m. and had an expected aggregate saleable GFA of approximately 171,651 sq.m.

This project offers office and retail space. We have a 100% interest in this project.

Hopson Yujing Mid-level (合生御景半山)

Hopson Yujing Mid-Level is located at Honbenggang Reservoir, Shiling Town, Huadu District, Guangzhou. It is being developed by Guangzhou Xin Chang Jiang Development Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 455,778 sq.m. and has an expected aggregate saleable GFA of approximately 1,194,880 sq.m.

As of June 30, 2010, all properties in this project were held for future development.

This project offers residential and retail space. It will also include ancillary facilities such as a club house, a kindergarten and a hospital. We have a 100% interest in this project.

Guangzhou Jiufo Machao Project (廣州九佛馬潮項目)

Guangzhou Jiufo Machao Project is located at Jiufo Machao Industry Town, Guangzhou. It is being developed by Malaysian Teoghew Industrial Estate Development (Guangzhou) Ltd., a project company in which we hold a 55% equity interest. This development occupies an aggregate site area of approximately 248,010 sq.m. and has an expected aggregate saleable GFA of approximately 193,513 sq.m.

As of June 30, 2010, all properties in this project were held for future development. We have a 55% interest in this project.

Guangzhou Nam Fong Garden Project (廣州南方花園項目)

Guangzhou Nam Fong Garden Project is located at Canggang Mid Road, Haizhu District, Guangzhou. It is being developed by Guangzhou Jian Nan Property Development Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 24,455 sq.m. and has an expected aggregate saleable GFA of approximately 103,151 sq.m.

As of June 30, 2010, all the properties in this project were under development. Upon completion, there are expected to be 606 residential flats with an aggregate saleable GFA of approximately 60,352 sq.m. As of June 30, 2010, none of the properties had been pre-sold.

This project offers residential and retail space. We have a 100% interest in this project.

Wangxiangying Project (萬想營項目)

Wangxiangying Project is located at Taipingxu, Taiping Village, Licheng Street, Zengcheng City, Guangdong province. It is being developed by Guangzhou Wanxiangying Real Estate Company Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 395,519 sq.m. and has an expected aggregate saleable GFA of approximately 1,383,667 sq.m.

As of June 30, 2010, all properties in this project were held for future development. We have a 100% interest in this project.

Hushan Guoji Villa (湖山國際)

Hushan Guoji Villa is located at Yuanzhang Avenue, XintangTown, Zengcheng City, Guangdong province. It is being developed by Guangzhou Ziyun Village Real Estate Company Limited, our-wholly owned project company. This development occupies an aggregate site area of approximately 443,622 sq.m. and has an expected aggregate saleable GFA of approximately 1,442,654 sq.m.

As of June 30, 2010, completed properties occupied an aggregate site area of approximately 58,367 sq.m. and had an aggregate saleable GFA of approximately 177,226 sq.m. The completed properties comprised 1,045 residential flats with an aggregate saleable GFA of approximately 177,226 sq.m. As of June 30, 2010, 847 residential flats with an aggregate saleable GFA of approximately 139,044 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 198 residential flats with an aggregate saleable GFA of approximately 38,182 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 4,029 sq.m. and had an expected aggregate saleable GFA of approximately 13,629 sq.m. Upon completion, there are expected to be 40 residential flats with an aggregate saleable GFA of approximately 13,629 sq.m. As of June 30, 2010, none of the residential flats under development had been pre-sold.

As of June 30, 2010, properties held for future development occupied an aggregate site area of approximately 381,226 sq.m.

This project offers residential and retail space. It also includes ancillary facilities such as a club house, a kindergarten and two schools. We have a 100% interest in this project.

Huizhou Golf Manor (合生高爾夫莊園)

Huizhou Golf Manor is located at Longhe Road, Shuikou Town, Huizhou, Guangdong province. It is being developed by Huizhou Yapai Real Estate Company Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 709,077 sq.m. and has an expected aggregate saleable GFA of approximately 2,206,387 sq.m.

As of June 30, 2010, completed properties occupied an aggregate site area of approximately 9,026 sq.m. and had an aggregate saleable GFA of approximately 28,731 sq.m. The completed properties comprised 108 residential flats with an aggregate saleable GFA of approximately 28,731 sq.m. As of June 30, 2010, 106 residential flats with an aggregate saleable GFA of approximately 28,058 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 2 residential flats with an aggregate saleable GFA of approximately 673 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 67,306 sq.m. and had an expected aggregate saleable GFA of approximately 205,234 sq.m. Upon completion, there are expected to be 1,050 residential flats with an aggregate saleable GFA of approximately 205,234 sq.m. As of June 30, 2010, 29 residential flats with an aggregate saleable GFA of approximately 6,753 sq.m. had been pre-sold.

As of June 30, 2010, properties held for future development occupied an aggregate site area of approximately 632,745 sq.m.

This project offers buildings for residential purposes, including town houses. We have a 100% interest in this project.

Huizhou Regal Riviera Bay (惠州帝景灣)

Huizhou Regal Riviera Bay is located at Wenchangyi Road, Jiangbei District, Huizhou, Guangdong province. It is being developed by Guangdong Hopson Dijing Real Estate Co. Ltd., a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 206,282 sq.m. and has an expected aggregate saleable GFA of approximately 712,783 sq.m.

As of June 30, 2010, completed properties occupied an aggregate site area of approximately 101,857 sq.m. and had an aggregate saleable GFA of approximately 312,159 sq.m. The completed properties comprised 1,092, residential flats with an aggregate saleable GFA of approximately 273,807 sq.m. As of June 30, 2010, 903 residential flats with an aggregate saleable GFA of approximately 205,396 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 189 residential flats with an aggregate saleable GFA of approximately 68,411 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 104,425 sq.m. and had an expected aggregate saleable GFA of approximately 400,624 sq.m. Upon completion, there are expected to be 490 residential flats with an aggregate saleable GFA of approximately 173,113 sq.m., none of which had been pre-sold as of June 30, 2010.

This project offers buildings for residential purposes, including town houses. It also includes a shopping arcade and ancillary facilities such as a hotel. We have a 100% interest in this project.

Hopson International New City (合生國際新城)

Hopson International New City is located at Yaxin Garden, Lianhe Village, Shuikou Town, Huizhou, Guangdong province. It is being developed by Huizhou Yaxin Real Estate Company Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 623,046 sq.m. and has an expected aggregate saleable GFA of approximately 1,284,870 sq.m.

As of June 30, 2010, completed properties occupied an aggregate site area of approximately 234,740 sq.m. and had an aggregate saleable GFA of approximately 250,140 sq.m. The completed properties comprised 930 residential flats with an aggregate saleable GFA of approximately 222,369 sq.m. As of June 30, 2010, 789 residential flats with an aggregate saleable GFA of approximately 188,890 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 141 residential flats with an aggregate saleable GFA of approximately 33,479 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 32,161 sq.m. and had an expected aggregate saleable GFA of approximately 97,636 sq.m. Upon completion, there are expected to be 544 residential flats with an aggregate saleable GFA of approximately 89,478 sq.m., none of which had been pre-sold as of June 30, 2010.

As of June 30, 2010, properties held for future development occupied an aggregate site area of approximately 356,145 sq.m. and had an expected aggregate saleable GFA of approximately 937,094 sq.m.

This project offers buildings for residential purposes, including town houses. It also includes shopping arcade. We have a 100% interest in this project.

Daya Bay Xiangshuihe Project (大亞灣響水河項目)

Daya Bay Xiangshuihe Project is located at Xiangshuihe South, West side of Daya Bay, Guangdong province. It is being developed by Huizhou Hopson Xin Neng Properties Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 1,812,078 sq.m. and has an expected aggregate saleable GFA of approximately 1,449,573 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 60,482 sq.m. and had an expected aggregate saleable GFA of approximately 41,146 sq.m. Upon completion, there are expected to be 306 residential flats with an aggregate saleable GFA of approximately 41,146 sq.m., none of which had been pre-sold as of June 30, 2010.

As of June 30, 2010, properties held for future development occupied an aggregate site area of approximately 1,751,596 sq.m.

This project offers buildings for residential purposes, including town houses. It will also include a shopping arcade, a hotel, a club house and a kindergarten. We have a 100% interest in this project.

Daya Bay Binhai New City (大亞灣濱海新城項目)

Daya Bay Binhai New City is located at Houzaiwan, Aotou, Daya Bay Area, Guangdong province. It is being developed by Huizhou Hopson Xieyuan Real Estate Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 519,803 sq.m. and has an expected aggregate saleable GFA of approximately 1,653,761 sq.m.

As of June 30, 2010, completed properties occupied an aggregate site area of approximately 11,320 sq.m. and had an aggregate saleable GFA of approximately 36,820 sq.m. The completed properties comprised 134 residential flats with an aggregate saleable GFA of approximately 36,820 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 13,203 sq.m. and had an expected aggregate saleable GFA of approximately 94,722 sq.m. Upon completion, there are expected to be 194 residential flats with an aggregate saleable GFA of approximately 33,391 sq.m., none of which had been pre-sold as of June 30, 2010.

As of June 30, 2010, properties held for future development occupied an aggregate site area of approximately 495,279 sq.m. and had an expected aggregate saleable GFA of approximately 1,522,219 sq.m.

This project offers buildings for residential purposes, including town houses. It will also include a shopping arcade, a hotel, a club house and a kindergarten. We have a 100% interest in this project.

Regal Court (火炬項目)

Regal Court is located at Linggang District, Huoju Development Zone, Zhongshan, Guangdong province. It is being developed by Zhongshan Hopson Hong Jing Real Estate Company Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 69,708 sq.m. and has an expected aggregate saleable GFA of approximately 200,585 sq.m.

As of June 30, 2010, completed properties occupied an aggregate site area of approximately 13,747 sq.m. and had an aggregate saleable GFA of approximately 39,852 sq.m. The completed properties comprised 166 residential flats with an aggregate saleable GFA of approximately 35,839 sq.m. As of June 30, 2010, 146 residential flats with an aggregate saleable GFA of approximately 31,937 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 20 residential flats with an aggregate saleable GFA of approximately 3,902 sq.m.

As of June 30, 2010, properties under development occupied an aggregate site area of approximately 28,264 sq.m. and had an expected aggregate saleable GFA of approximately 82,854 sq.m. Upon completion, there are expected to be 268 residential flats with an aggregate saleable GFA of approximately 61,418 sq.m. As of June 30, 2010, 70 residential flats with an aggregate saleable GFA of approximately 17,252 sq.m. had been pre-sold.

As of June 30, 2010, properties held for future development occupied an aggregate site area of approximately 27,697 sq.m. and had an expected aggregate saleable GFA of approximately 77,879 sq.m.

This project offers residential and retail space. It also includes a shopping arcade and a kindergarten. We have a 100% interest in this project.

Zhongshan Dongkeng Project (中山東坑項目)

Zhongshan Dongkeng Project is located at Dongkeng, South District, Zhongshan, Guangdong province. It is being developed by Zhongshan Hopson Xi Jing Real Estate Company Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 164,414 sq.m. and has an expected aggregate saleable GFA of approximately 537,257 sq.m.

As of June 30, 2010, all of the properties in this project were held for future development.

This project is expected to offer residential and retail space. We have a 100% interest in this project.

Zhongshan Rainbow Project (中山彩虹項目)

Zhongshan Rainbow Project is located at Dongkeng, South District, Zhongshan, Guangdong province. It is being developed by Zhongshan Hopson Hao Jing Real Estate Company Limited, a project company in which we have a 100% interest. This development occupies an aggregate site area of approximately 139,755 sq.m. and has an expected aggregate saleable GFA of approximately 479,499 sq.m.

As of June 30, 2010, all of the properties in this project were held for future development.

This project is expected to offer buildings for residential and retail purposes. We have a 100% interest in this project.

Land Bank

As of June 30, 2010, the total saleable gross floor area of our land bank amounted to approximately 29.76 million sq.m., of which 71.0% has yet to be developed, while unsold completed properties and properties under development accounted for 4.8% and 24.2%, respectively, of our land bank.

While Guangzhou, Huizhou, Beijing, Tianjin and Shanghai will continue to be our core location of operations, we plan on increasing our presence in other cities in the future. As of June 30, 2010, approximately 24.4%, 32.2%, 14.1%, 13.2%, 14.8% and 1.3% of our land bank was located in Guangzhou, Huizhou,, Beijing, Tianjin, Shanghai and Ningbo, respectively.

The following table sets forth a breakdown of our land bank in terms of saleable area by usage and location as of June 30, 2010:

	Pearl River Delta	Pan Bohai Rim	Yangtze River Delta	Total
		(in million sq.m.)		
Residential	12.80	6.73	3.15	22.68
Shopping arcade	0.94	0.38	0.59	1.91
Office	0.19	0.28	0.17	0.64
Carparks	2.67	0.32	0.84	3.83
Hotels	0.22	0.44	0.04	0.7
Total	16.82	8.15	4.79	29.76

The following table sets forth a breakdown of our land bank in terms of saleable area by development status and location as of June 30, 2010:

	Pearl River Delta	Pan Bohai Rim	Yangtze River Delta	Total
		(in million sq.m.)		
Completed properties	0.73	0.58	0.11	1.42
Properties under development	1.68	1.42	4.06	7.16
Properties to be developed	14.41	6.15	0.62	21.18
Total	16.82	8.15	4.79	29.76

The following table sets forth a breakdown of our land bank in terms of saleable area by development status and usage as of June 30, 2010:

	Residential	Shopping arcade	Office	Carparks	Hotel	Total
			(in million sq.m.)			
Completed properties	0.54	0.31	0.13	0.28	0.16	1.42
Properties under development	4.80	0.76	0.25	1.08	0.27	7.16
Properties to be developed	17.34	0.84	0.26	2.47	0.27	21.18
Total	22.68	1.91	0.64	3.83	0.70	29.76

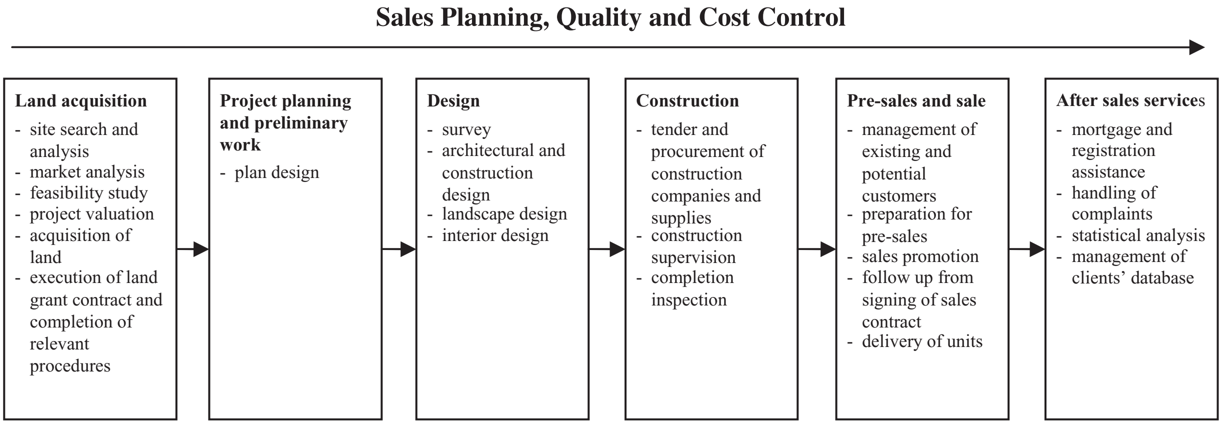
The following table sets forth a breakdown of our land bank in terms of saleable area by title status and location as of June 30, 2010:

	Pearl River Delta	Pan Bohai Rim	Yangtze River Delta	Total
		(in million sq.m.)		
Land use rights certificates and construction works planning permits obtained	5.83	2.00	4.17	12.00
Land use rights certificates but without construction works planning permits obtained	5.32	2.16	0.01	7.49
Construction land use planning permits obtained	2.41	0.72	—	3.13
Major approvals and certificates not yet obtained	3.26	3.27	0.61	7.14
Total	16.81	8.16	4.79	29.76

We have implemented an integrated land reserve acquisition strategy which takes into account our short, medium and long-term development needs. We have entered into various agreements and letters of intent for property developments in various locations and have commenced land acquisition for certain additional projects. In June 2010, we entered into contracts to acquire a parcel of land located at Tianjin Port Bulk Cargo Logistics Center through acquisition of the share capital of the land use rights holder for a consideration of approximately RMB441.1 million (US$65.0 million). This parcel of land has a GFA, of approximately 183,754.7 sq.m. and is designated to be used for residential use. On September 7, 2010, we entered into a land use rights grant contract to acquire a parcel of land located in the north-western part of Songjiang New District, Shanghai, for a consideration of approximately RMB1,246.2 million (US$183.8 million). This parcel of land is with a site area of approximately 94,476 square meters and is designated for residential use. On September 8, 2010, we entered into a land use rights grant contract to acquire a parcel of land located at the north-western end of Sanlin Ji Zhen, Pudong New District, Shanghai, for a consideration of approximately RMB1,451.1 million (US$214.0 million). This parcel of land is with a site area of approximately 40,900.9 square meters and is designated for residential use. In November 2010, we entered into a land use rights grant contract to acquire a parcel of land located on the west side of Hangzhou Bay Avenue, Jinshan New District, Shanghai, for a consideration of RMB1,558.9 million (US$229.9 million). This parcel of land is with a site area of approximately 88,448.7 square meters and is designated for residential and commercial use.

Property Development and Project Management Procedure

The development of our properties usually entails six phases: land acquisition, project planning and preliminary work, design, project construction, pre-sales and sales, and after-sales services. The following diagram illustrates the stages of the property development cycle in the PRC:



The typical development cycle for vacant land in the PRC is approximately 18 to 30 months, whereas the development cycle for urban property projects can be longer, particularly for project sites that are not vacant at the time of acquisition. Depending on the size of a development and other factors, however, the entire development period may be substantially longer. As we focus on large-scale property developments, we typically develop our projects in phases over a three to seven year period. Our pace of property development is determined by selling prices, sales volume and the level of our land reserves. As a result, we may obtain multiple governmental approvals and permits, including land use rights certificates, from the relevant authorities for a group of property developments that we view as a single property development for business purposes.

The relevant authorities will not generally issue the formal land use rights certificate in respect of a piece of land until the construction land use approval and the land planning permit have been obtained by the developer, the land premium is paid in full and the resettlement process is completed. As a result, in order to adjust to the pace of development, the land for a property development may be divided into one or more parcels for which multiple land use rights certificates were granted at different stages of development. Before we can deliver these properties to our purchasers, however, we need to have obtained the general property ownership certificates evidencing both the land use rights and the ownership interests in the buildings erected on the land.

We design and develop land according to the preliminary development plan, including the total GFA that may be built, in our land grant contracts. The actual GFA constructed, however, may exceed the total GFA authorized in the land grant contracts due to factors such as subsequent planning and design adjustments. The total GFA of some of our existing developments may have exceeded the original authorized area. This excess GFA is subject to governmental approval and may result in us paying additional land premiums and/or a penalty.

We are actively involved in all of the different stages of the development process in order to control the costs, schedule and quality of our projects. Except for the construction work which is contracted to third-party construction companies, we oversee and largely perform all aspects of our development operations, including to select and purchase the sites, prepare the feasibility studies, obtain government approvals, design the development project, supervise construction, and market and manage completed projects.

Site Selection and Product Positioning

We place a strong emphasis on the site selection process and consider it fundamental to the success of a property development project. We conduct an in-depth market analysis in order to understand the trends of the property market and market prices before commencing or launching a property development. The major site selection criteria that we apply are:

- development plans of the government for the relevant site;
- cost, investment and financial return ratios;
- site area;
- accessibility of the site and available infrastructural support;
- consumer demand for properties in the area;
- competition from other developments in the area; and
- convenience and the amenities close to the site (such as natural parks, greenery, schools, rivers and commercial facilities).

Land Acquisition

We have obtained substantially all of our land use rights from state-owned and private enterprises either by direct purchases or as part of a joint venture arrangement or from the local land bureau by agreement.

In 2002, the Ministry of Land and Resources issued The Rules Regarding the Grant of State- Owned Land Use Rights by Way of Tender, Auction and Listing-for-sale which provided that, commencing from July 1, 2002, with limited exemptions, state-owned land use rights for the purposes of commercial use, tourism, entertainment and commodity residential properties in the PRC can only be granted by the government through public tender, auction or listing-for-sale. In deciding to whom the land use rights should be awarded, the local government considers not only the tender price, but also the credit and qualification of the tendering party and the tender proposal. We believe these measures result in a more transparent land grant process, which enable developers to compete more effectively. We obtain most of our land use rights through public tender, auction, listing-for-sale, joint developments and acquisitions.

Under current regulations, grantees of land use rights are generally permitted to sell, assign or transfer the land use rights granted to them in secondary markets, unless the transferor is a state-owned enterprise or a collectively owned enterprise or the land use right is obtained by way of allocation. Where transfers of land use rights in the secondary markets are not permitted, the land must be transferred through public tenders, auction or listing-for-sale. In order to acquire land in strategic locations at competitive prices, we intend to acquire land use rights though each of these venues, including through cooperative arrangements with third parties in the secondary markets or through acquisitions of corporate entities. The availability of privately held land will, however, remain limited and subject to uncertainties.

Since November 2007, a regulation issued by the Ministry of Land and Resources requires property developers to pay the land premium in full for the entire parcel of land under the land grant contract before they can receive a land use rights certificate. As a result, property developers are not permitted to bid for a large piece of land on which they only make a partial land premium payment, then subsequently apply for a land use rights certificate for a portion of land in order to commence development, which had been common practice by many developers in the PRC. In March 2010, the Ministry of Land and Resources issued a circular imposing more stringent requirements on the payment of land premium by property developers. The implementation of the regulation requires property developers to maintain a higher level of working capital than was previously required. As a result, under this regulation, larger property developers are generally in a better position to bid for large parcels of land due to their stronger financial condition. We cannot assure you that we will continue to be able to obtain a sufficient number of sites or retain suitable for property developments.

Financing of Land Premiums and Property Developments

We have three main sources of funding for our property developments: internal resources, bank loans and proceeds from pre-sales. Our financing method varies from property to property, although we are required by the PRC government to fund a substantial portion of our property developments with internal resources. Nevertheless, our policy is to finance property developments with external sources of financing, to the extent practicable, and pre-sell the development where we have satisfied the regulatory requirements for pre-sales and where market conditions allow in order to maximize our capital efficiency and the return-on-equity of our projects. We supplement external financing of our property developments with internal resources to satisfy the regulatory requirements.

Prior to June 2003, we financed our payments of land premiums through a combination of borrowings from banks and proceeds from the sales and pre-sales of properties. Since June 2003 commercial banks have been prohibited under PBOC guidelines from advancing loans to fund the payment of land premium. As a result, we use our proceeds from the sales of properties and sources other than bank borrowings to pay for land premiums. In addition, the local bureaus of land resources and housing management abolished the installment payment method in connection with the transfer of state-owned land use rights. As a result, property developers are generally required to make a lump sum payment for the land premium within the period stipulated in the land grant contracts. In December 2009 and January 2010, the PRC government adjusted certain policies in order to enhance the regulation of the property market, including imposing more stringent requirements on the payment of land premiums.

In addition to restrictions on land premium financing, the PRC government also limits the extent to us property developers may fund their property projects by external sources of funding. Under guidelines jointly issued by the MOC and other PRC government authorities in May 2006, commercial banks in China are not permitted to lend funds to property developers with an internal capital ratio, calculated by dividing the internal funds available by the total project capital required for the project, of less than 35%, an increase of five percentage points from 30% as previously required. In May 2009, as part of its measure to mitigate the impact of the recent global economic downturn, the PRC government lowered this ratio to 20% for affordable housing projects and ordinary commodity housing projects and to 30% for other property projects to stimulate property developments in China. The PRC government has recently announced a series of measures curtail the overheating of the PRC property market. As a result, property developers, including ourselves, must now fund at 35% of property developments with internal sources of funds. As such, we may not be able to secure adequate finding resources to fund our property development. See "Risk Factor—We may not have adequate finding resources to finance land acquisitions or property developments, or service our financing obligations."

We typically use internal funds and project loans from PRC banks to finance the initial construction cost of our property developments. We use additional cash generated from pre-sales of properties when they meet the requirements of pre-sale under the national and local regulations. Such proceeds from pre-sales, together with the project loans, are our major sources of financing for the construction of our projects. When developers utilize bank loans to fund property developments, banks typically require guarantees from the developers' affiliates, security over bank deposits and/or mortgages over the assets of such developer and its subsidiaries. As of June 30, 2010, our outstanding borrowings from domestic banks in connection with development projects amounted to HK$16,348 million (US$2,100 million).

Project Management

We have implemented a three-tier organization structure to manage our projects.

Headquarters

We oversee and control the major milestones of all of our developments, including strategic planning, project identification, site acquisition, financing and budget control, from our headquarters, located in Beijing. Our headquarters include, among others, our sales and marketing division, design and planning division, land acquisition and development division, and project management division.

Regional Offices

In order to enhance the management and coordination of our projects, we organize our projects under five regional offices in each of Guangzhou, Huizhou, Beijing, Shanghai and Tianjin. Senior management staff with local knowledge are appointed as regional heads. Each of the regional offices is responsible for overseeing the marketing, financing, technology, human resources and construction management of the projects located in its region within a budget set by our headquarters and within our overall strategic goals. Each regional head reports to our chairman and chief executive officer, who oversee our business operations as a whole.

Project Companies

In addition to project management from our headquarters and regional offices, we also have direct management control over our projects through the general managers of our project companies. All of the general managers are appointed by us and are responsible for the day-to-day operations and project management of each individual project. Each individual project company is responsible for implementing infrastructure, engineering and supervision of day-to-day construction work. Each general manager reports to regional chief manager.

We seek to control the cost of development from an early stage of the project development process. Feasibility studies, which include market analyses of prospective projects and assist our management in deciding whether to develop a particular site, are prepared by our project companies and approved by our headquarters. During the construction phase, our project companies are responsible for managing site progress. They work closely with the contractors to control costs and to ensure the quality of the construction work. We believe that by actively supervising the construction of our projects, we can enhance the quality while controlling the cost of our projects.

We seek to control development costs at an early stage of the project development process. We believe that by actively supervising construction works, we can enhance the quality while maintaining the costs of our projects.

Design

The project design work for our property developments is typically conducted by reputable domestic architectural and interior design firms under contract with the assistance of our internal design team, which plan the architectural, landscape and interior designs of the relevant property development in accordance with our requirements. Our internal design team comprises architects, planning experts, landscaping specialists, interior designers as well as structural, mechanical, electrical and plumbing engineers.

The design companies become involved in planning research and preliminary design work for a development project at the site selection and land acquisition stages. When determining the design of a particular property development, the designers and engineers generally consider the recommendations of our marketing and sales center regarding product mix, project location and market conditions, as well as the regulatory requirements regarding the design. Involving the design companies at an early stage allows for the formulation of a preliminary design when we are negotiating with the government, enabling us to commence construction shortly after the requisite approval to develop a parcel of land has been granted. The overall time needed to complete the development is therefore reduced.

Contracting

We engage third-party contractors to provide various services, including construction, piling and foundation, building and property fitting-out work, interior decoration, installation of air-conditioning units and elevators, and landscaping and gardening services. We have traditionally engaged A-class domestic contractors, such as Guangdong Hanjiang Construction Installation Project Limited ("Guangdong Hanjiang"), China State Construction Group and Fujian Bajian Construction Engineering Co., Ltd., as the main contractors in respect of our development projects. We select contractors through a negotiated tender process on the basis of the quality of their work, pricing and completion schedule. The tender procedures must comply with the relevant local regulations. We do not directly engage suppliers, although we participate in, and closely monitor, the selection of suppliers of key construction materials, such as cement and steel, by our main contractors. The total contractor fee we pay our contractors takes into account the costs of these supplies and our construction contract with our contractors typically allows adjustment to the total contractor fees if at the time of purchasing supplies, the prices of materials have fluctuated beyond the range stipulated in the construction contract. For a description of our relationship with Guangdong Hanjiang, see "Related Party Transactions."

The construction contracts contain warranties from construction companies in respect of quality and timely completion of the construction. We require construction companies to comply with PRC laws and regulations on the quality of construction products as well as our own standards and specifications. Contractors are also subject to our quality control procedures, including examination of materials and supplies, on-site inspection and production of progress reports. Payments for construction work determined primarily on the basis of the estimated labor and material costs and fitting requirements and are usually computed on a per square meter basis.

Contractor's fees are paid in installments in accordance with the progress of construction. The first installment typically represents 20% of the contractor's fees and is usually paid when construction is 30% complete. The second installment typically represents an additional 20% of the contractor's fees and is usually paid when construction is 50% complete. The third installment typically represents an additional 30% of the contractor's fees and is usually paid when construction is 80% complete. The fourth installment typically represents an additional 25% of the contractor's fee and is usually paid when construction is fully complete. The remaining balance of the contractor's fee is withheld by us as a retention fund for three years. In the event of a delay in construction or unsatisfactory workmanship, we may withhold construction payments or require the construction companies to pay a penalty or provide other remedies under PRC law and our contracts to recover any loss. For the years ended 2007, 2008 and 2009 and the six months ended June 30, 2010, construction fees of HK$2,862 million, HK$2,180 million, HK$1,900 million (US$244 million) and HK$644 million (US$82.7 million), respectively, were paid or made payable to Guangdong Zhujiang and Guangdong Hanjiang.

We have not had any major disputes with any of our construction contractors. All payments are made in Renminbi.

Installation and Decoration Work

The final stage of most of our projects includes installation and decoration in accordance with the standards set out in our design specifications for the project. Hanjiang Group, the branch office of China State Construction Engineering Group, provides most of the installation and decoration services for our projects. We also outsource some components of the installation and decoration work to independent third parties through a tender process.

Quality Management System

We place a strong emphasis on quality control to ensure that the quality of our residential developments and services complies with relevant regulations and meets market standards. Quality control procedures are in place in our various functional departments, as well as in each of our project companies. For each property development project, quality inspections and regulatory compliance reviews are carried out by the construction company, construction supervisory companies and our project management department. Although we outsource all of our construction work to third-party contractors, we maintain a team of engineers that supervises the construction works of each development project.

In accordance with the PRC regulations, we engage the services of PRC-qualified third-party construction supervisory companies to supervise the construction of our property developments. These construction supervisory companies oversee, under a construction supervision contract, the progress and quality of the construction work of a property development throughout the construction phase. We select construction supervisory companies through a tender process. In the past, we have often engaged Guangzhou Pearl River Engineering Construction Supervision Co., Ltd. to supervise our property developments.

Internal guidelines have been established and are monitored to ensure control over documentation, record-keeping, internal audit, service standards, remedial actions, preventive actions, management control, construction standards, staff quality, recruitment standards, staff training, construction supervision, supervisory inspection, monitoring and surveillance, information exchange and data analysis.

Payment Method and Mortgage Financing

Purchasers may pay for our properties by way of lump sum payment or payment in installments or payments with mortgage facilities, with the first installment comprising in general at least 30% of the purchase price.

We make arrangements with various domestic banks to provide mortgage facilities to purchasers of our properties. In accordance with current market practice, we continue to provide guarantees to mortgagee banks in respect of all mortgages offered to our customers, but only from the date of the relevant mortgage up to the date of submission of the relevant real estate ownership certificates and certificates of other interests in the property by us to the mortgagee bank and completion of the registration of the mortgage with the relevant local authority (which generally occurs after vacant possession has been delivered to the purchaser). In our experience, the period of such pre-registration guarantees typically ranges from 20 to 36 months. If, during the guarantee period, a borrower defaults on its repayment obligations, we will be liable to pay to the mortgagee bank the amount owing to them from the purchaser, but we will have the right to take possession and re-sell the mortgaged property. Accordingly, the period in which we actually bear the credit risk of our customers starts from the date we deliver vacant possession to the purchaser. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As of June 30, 2010, the outstanding guarantees over the mortgage loans of our customers amounted to HK$10,268 million (US$1,318.17 million). We have not experienced any default by a material portion of such customers under the pre-registration guarantees. We, however, cannot assure you that this will continue. See "Risk Factor—We have provided guarantees to secure obligations of our properties for repayment. A default by a significant number of purchasers would adversely affect our financial condition."

Pre-Sales

Our policy is to pre-sell a property (i.e. sell property in advance of our completing its construction) as soon as the development has reached the stage when pre-sales are permitted under PRC laws. The majority of our properties are sold on a pre-sale basis.

We must apply to the relevant government authorities for pre-sale permits before commencing with the pre-sale of our properties. Under the PRC Law of the Administration of Urban Real Estate and the Administrative Measures Governing the Pre-sale of Urban Real Estate, we must meet the following conditions before the pre-sale of a particular property can commence:

- the land premium must have been paid in full and the relevant land use rights certificate must have been obtained;
- the construction planning permit and the construction permit must have been obtained;
- the funds earmarked for the development of a property must not be less than 25% of the total amount to be invested in the project and the progress and the expected completion date of the construction work must have been confirmed; and
- the pre-sale permit must have been issued.

Local governments have also implemented regulations relating to pre-sales of properties, some of which contain stricter requirements than the central government regulations. We are subject to these local regulations in areas where we have property developments.

Pre-sales are conducted in accordance with the terms of the land bureau of the local authority. Typical regulations on pre-sales include delivery times, termination events and guaranteed GFA of the unit sold. We are typically required to provide warranties with respect to minimum GFA for a unit, repairs and maintenance for one to three years, construction in accordance with approved plans, satisfactory inspection upon completion of the unit and approval of all necessary land use rights. If any buyer fails to pay the balance of the purchase price, we are entitled to resell the property and retain the pre-sale proceeds previously received in respect of that property.

Under PRC law, the proceeds from the pre-sales of our properties must be deposited in escrow accounts. Before the completion of the pre-sold properties, the monies deposited in these escrow accounts may only be used to purchase construction materials and equipment, make interim construction payments and pay taxes, subject to prior approval from the relevant local authorities. As of December 31, 2007, 2008 and 2009, our total deposited proceeds from pre-sales was approximately HK$124.5 million, HK$476.0 million and HK$825.0 million (US$106.0 million), respectively.

Sales and Marketing

As of June 30, 2010, we had a sales and marketing team of approximately 1,107 people. Our sales force is distributed throughout our nationwide network. Overall sales and marketing coordination is located at our headquarters in Beijing.

Our customer base is predominantly PRC individuals. Our sales and marketing team formulates our marketing strategy, such as the production of videos, project brochures, sales documents, price lists, payment terms, floor plans and project models. We also market through advertising campaigns in newspapers and on television to increase public awareness of our "Regal Riviera," "Gallopade" and "Fairview" brands and new development projects. Currently all of our property sales are conducted through our own sales force. Only one property development in our operating history, namely Fairview South Court, was sold through the assistance of an outside real estate agent. In order to further develop our brand name recognition, we introduced Hopson Club in

June 2001, which is an interface between us and our customers. Customers who enroll in Hopson Club are entitled to receive updates on our latest developments and discounts at various designated shops and restaurants. In addition, we also organize customer events and product exhibitions to improve customer relations and enhance their confidence in our properties.

Our marketing and sales team is involved in our property development beginning from an early stage and provides input at key steps. During project evaluation and before commencement of construction, our sales and marketing team usually carries out substantial market research for particular projects, including to identify property trends, prospects and market potential. By identifying the potential demand for, and strengths and weaknesses of, a project at an early stage, we are able to formulate our marketing and promotion strategies at the planning stage of each project and target our sales efforts at potential classes of purchasers for the project throughout its development. During the project design and construction stage, our marketing and sales team also works closely with our project design team to formulate, modify and execute a design plan according to consumer preferences and market feedback. Our sales team regularly provides customer feedback to our design team and other departments in order to make continuous improvements.

Our sales representatives are remunerated by a combination of a fixed base salary and a variable commission. Each member of the sales force is allocated annual sales targets, and upon achievement of each sales target, the sales force member is compensated with a commission at a pre-determined percentage of sales volume. Sales targets vary by geographic location, depending on the average sales price of property in the region.

After-Sales Services

We assist our customers by arranging for and providing information relating to financing, including information on potential mortgagee banks and the mortgage terms that they offer. We also assist our customers in various title registration procedures relating to the properties. We maintain a client relationship management system to foster customer relationships. Members of the Customer Services Department carry out customer surveys with the purchasers normally one year after delivery of possession to seek customer feedback on the design and quality of the properties and the quality of our customer and management services. Such data is then taken into account when developing and planning new projects. We also have a subdivision devoted to handling customer complaints and maintenance and repair requests. We believe that such services promote customer confidence and are effective in enhancing our brand name and encouraging customers to purchase, or recommend others to purchase, properties that we develop.

Property Investment

Our investment property portfolio comprises completed commercial and retail properties and car park spaces held for long-term investment. Such properties are typically developed by us and are located within our developed properties. Notwithstanding that such properties are classified as investment properties, we evaluate offers from potential purchasers and from time to time consider disposing of certain of our investment properties if the price offered to us is competitive. From time to time, we also generate rental income from unsold properties that are not intended to be held for investment purposes.

For the six months ended June 30, 2009 and 2010, revenue from property investment (including rental income from non-investment properties) amounted to HK$31.2 million (US$4.0 million) and HK$32.1 million (US$4.1 million), respectively, amounting to 0.8% and 0.7%, respectively, of our revenue. For the years ended December 31, 2007, 2008 and 2009, revenue from property investments amounted to HK$57.5 million, HK$42.0 million and HK$31.2 million (US$4.0 million), respectively, amounting to 0.6%, 0.4% and 0.3%, respectively, of our consolidated revenue.

The following table sets forth certain information relating to our investment properties as at June 30, 2010.

Project Name	Location	Ownership	Existing use	Approximate GFA (sq.m.)
Guangzhou Jiahe Commercial City	Guangzhou Avenue South, Haizhu District, Guangzhou Guangdong Province	75%	Commercial, office, retail and car parking	260,298
Hopson International Plaza	292 Jiefang, Yangpu District, Shanghai	100%	Commercial, office, retail and car parking	353,300

Our rents are generally quoted per square meter of rentable area. In most cases, the rents that we quote do not include property management charges and other charges payable by our tenants. Commercial and retail leases are typically entered into for two to three year terms, some of which have an option to renew. Tenancy agreements for longer term leases usually contain rent review clauses or rent adjustment provisions.

Property Management

We provide property management services in respect of properties primarily developed by us through our wholly-owned subsidiaries, Guangdong Esteem Property Services Limited and Beijing Zhujiang Century Property Management Limited. We believe that the provision of quality and value-added management services of an international standard enable us to enhance recognition of our brand and maintain our reputation as a developer of quality properties. We seek to provide comprehensive quality post-sales property management and post-sales services to purchasers of our properties, including services such as rental agency, security, maintenance, operation of clubhouse, cleaning of public areas, domestic assistance, gardening and landscaping and other services.

Our property management companies generally enter into property management agreements with the property owners. The property management contract sets forth the scope and the quality requirements of the services provided by our property management companies. We are not allowed to assign the management responsibilities to a third party. However, we can outsource some of the responsibilities, such as cleaning and security services, to independent third parties. We are responsible for establishing the property management procedures and preparing maintenance and renovation plans with respect to the properties and public facilities. The property management contracts also establish the payment arrangements of management fees, which cannot be increased without the prior consent of the property owners. Under PRC laws and regulations, property owners have a right to engage or dismiss a property management company with the consent of more than 50% of the owners who in the aggregate hold more than 50% of the total non-communal area of the building.

For the six months ended June 30, 2009 and 2010, revenue from property management amounted to HK$167.0 million (US$21.4 million) and HK$196.5 million (US$25.2 million), respectively, amounting to 4.3% and 4.2%, respectively, of our revenue. For the years ended December 31, 2007, 2008 and 2009, revenue from property management amounted to HK$235.2 million, HK$306.3 million and HK$431.4 million (US$55.4 million), respectively, amounting to 2.1%, 2.8% and 3.8%, respectively, of our revenue.

Hotel Operations

We engage in hotel development and operations to complement our residential property development business. While we have historically derived a substantial majority of our revenue from residential property development, we expect revenue contribution from our hotel operations to steadily increase with the completion of new hotels currently under development in the next few years. Our first hotel, Guangzhou Regal Riviera Hotel, commenced operations in July 2004. Beijing Plaza Regal Riviera Plaza Hotel commenced operations with a soft-opening in April 2005. We also plan to develop a hotel in Huizhou City. Hyatt Regency Jingjin City is managed by Hyatt Group, an internationally renowned hotel group, and commenced its soft opening in September 2007. We believe that by engaging Hyatt Group to operate our hotel in Tianjin, we will be able to benefit from its hotel operation expertise, as well as its integrated marketing services, reservation systems and employee training programs. They will also enable us to leverage its internationally recognized brand name to enhance our reputation and corporate image.

For the six months ended June 30, 2009 and 2010, revenue from our hotel operations amounted to HK$54.1 million (US$6.9 million) and HK$76.1 million (US$9.8 million), respectively, amounting to 1.4% and 1.6%, respectively, of our revenue. For the years ended December 31, 2007, 2008 and 2009, revenue from our hotel operations amounted to HK$115.5 million, HK$155.0 million and HK$131.6 million (US$16.9 million), respectively, amounting to 1.0%, 1.5% and 1.2%, respectively, of our revenue.

Primary Land Development

In collaboration with local governments, we participate in primary land development projects as a strategic ancillary business to help increase opportunities to acquire land with good potential for property development. Primary land development projects generally involve carrying out certain land clearing and site preparation activities with respect to state-owned land under government contracts before the government grants the land for property development or other purposes. For example, these activities include resettlement of residents in the affected area, demolition of existing buildings and structures, construction of public facilities and construction of infrastructure and public utilities pipes and other networks. We identify and evaluate primary land development opportunities generally by conducting a comprehensive study of the local market trends and conditions and analyzing, among other things, the government plan, if any, on the future use of the land and the estimated return on investment of the primary land development project. As local governments generally engage property development companies with extensive experience in property development in the local markets, we believe that our substantial capital resources and good reputation in property development will help us to secure primary land development opportunities with a healthy return on investment and value to our land acquisition strategy.

The following table sets forth certain information relating to our primary land development projects as of June 30, 2010.

Project Name	Location	Project Companies	Prepaid expenses (RMB, in thousands)	Intended use	Approximate GFA (sq.m.)
Daya Bay Xiangshuihe Project	Xiangshuihe South, West side of Daya Bay, Guangdong Province	Huizhou Hopson Xin Neng Properties Limited	50,000	Residential	1,900,000
Daya Bay Houzaiwan Project	Houzaiwan, Aotou, Daya Bay Area, Guangdong Province	Huizhou Daya Bay New Coastal City Development and Investment Co. Ltd	500,000	Residential	4,140,000
Guangdong Qianjin Road Project	Qianjin Road, Haizhou District, Guangzhou, Guangdong Province	Guangzhou Hopson Shengjing Real Estate Company Limited	180,636	Residential	54,286

Competition

We believe that the property market in the PRC is fragmented and that there is no single dominant market player. Competition is primarily based on factors such as location, types of properties offered, brand recognition, quality, facilities and supporting infrastructure, services and pricing. Our existing and potential competitors include major domestic state-owned and private property developers in the PRC, and, to a lesser extent, property developers from Hong Kong and elsewhere in Asia. A number of our competitors have greater financial and other capital resources, marketing and other capabilities and/or name recognition than us. In addition, some local companies have extensive local knowledge and business relationships and/or a longer operational track record in the relevant local markets than us while international companies are able to capitalize on their overseas experience to compete in the PRC markets. Intensified competition between property developers may result in increased costs for land acquisition, oversupply of properties and a slowdown in the approval process for new property developments by the relevant government authorities.

Employees

As of December 31, 2007, 2008 and 2009 and June 30, 2010, we had 7,721, 7,884, 6,816 and 6,904 employees, respectively. The following table provides a breakdown of our employees by responsibility as of June 30, 2010.

Administration and Human Resources Management	1,623
Marketing and Sales	1,107
Property Project Management	3,673
Construction and Decoration Management	445
Others	56
	6,904

We place great emphasis on the training and development of our employees and provide a wide range of training programs for them. In addition to providing internal courses, we also engage outside professionals and consultants to organize seminars and training courses to equip our employees with new knowledge in the industry. We also sponsor our employees to attend external training programs organized by various institutions to acquire advanced knowledge and skills. The remuneration package of our employees includes salary, bonus and other cash subsidies. In general, we determine employee salaries based on each employee's qualification, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our determination on salary raise, bonus and promotion. We are subject to social insurance contribution plans organized by governments. All of our Hong Kong employees have joined a Mandatory Provident Fund Scheme (the "MPF Scheme"), which is a defined contribution scheme managed by an independent trustee. Under the MPF scheme, each of us and our employees make a minimum monthly contribution to the scheme of 5% of the employees' relevant income as defined under the Mandatory Provident Fund legislation. In addition, as stipulated by the rules and regulations in the PRC, we and our employees are required to make monthly contributions to state-sponsored social labor insurance plans and housing reserve funds for the benefit of our employees in the PRC. The amounts of such contributions depend on local laws and regulations. We have no further obligations in respect of the actual payment of pensions beyond these contributions. The state-sponsored plans are responsible for the entire pension obligations payable to retired employees. For the year ended December 31, 2009, the aggregate amount of employer contributions made by us amounted to approximately HK$54.8 million (US$7.0 million).

Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. We believe our relationship with our employees is good. We have not experienced significant labor disputes which adversely affected or are likely to have an adverse effect on the operations of our business had occurred.

Legal Proceedings

We are involved in various legal proceedings arising out of the ordinary course of our business with various parties involved in the development, sale and leasing of our properties, including contractors, suppliers, partners, purchasers and lessees.

Below is a summary of the material legal proceeding in which we are involved as of the date of this offering memorandum.

- In December 2004, YTO Group Corporation ("YTO Group") and Guangzhou Laureland Property Co., Ltd. ("Laureland Co") entered into an agreement under which Laureland Co agreed to provide a counter-guarantee in the form of a pledge over its seven villas as security for the repayment of RMB127,138,320 owed to YTO Group in respect of a bank loan given by YTO to Henan Jian Ye Company. RMB93,138,320 of the RMB127,138,320 owed by Laureland Co to YTO Group is overdue. On June 21, 2007, YTO Group, as plaintiff, instituted a proceeding against Laureland Co, as defendant, in the Intermediate People's Court of Luoyang City, claiming payment of the RMB93,138,320. On July 25, 2007, the plaintiff submitted supplementary pleadings claiming that Laureland Co and our subsidiary, Guangzhou Ziyun Village Real Estate Company Limited ("Ziyun Co"), maliciously colluded to transfer assets at a price below market value and infringed the legal rights of the YTO Group, and added Ziyun Co as a co-defendant in the claim. YTO Group pleaded that the transfer at below market value be declared void and an order that the co-defendant be required to repay the balance of RMB93,138,320. On August 7, 2007, the Intermediate People's Court of Luoyang City made an injunction to freeze the sum of RMB11,446,100 in the bank account of Ziyun Co and the land use rights of a parcel of land situated in Nanan Village, Zengcheng Xintang Town, Guangdong Province, with a total area of 130,452.83 sq.m. On March 18, 2008, the Intermediate People's Court of Luoyang City released this land but froze the land use rights of another parcel of land situated in the same area, with a total area of 239,498.29 sq.m. On the basis of the damages arising from the bank account and the land use rights being frozen, Ziyun Co instituted a proceeding in the Intermediate People's Court of Guangdong Province against YTO Group and Laureland Co, pleading that the co-defendants be enjoined from infringing the rights of Ziyun Co and to compensate Ziyun Co for its economic loss of RMB20,000,200. The Intermediate People's Court of Luoyang City heard the proceedings in relation to YTO Group's claims in May 2008. The court ordered Laureland Co to repay the sum of RMB93,138,320 owed to YTO Group and concluded that YTO Group has priority in sums recovered by auction or sale of the mortgaged properties. The court further found that Ziyun Co was liable for sums which Laureland Co may be unable to settle. Ziyun Co appealed the decision and applied to set aside the judgment on the basis that Ziyun Co should not be liable for the settlement of the sums. On August 13, 2010, the Higher People's

Court of Henan Province upheld the decision of the Intermediate People's Court of Luoyang City. Although the judgment of the Higher People's Court of Henan Province is final, we are entitled to apply for leave to appeal to the Supreme People's Court of the PRC for a retrial under the PRC laws. As of the date of this offering memorandum, Ziyun Co is in the process of appealing the judgment.

We believe the ultimate outcome of our legal proceedings would not, individually or in aggregate, have a material adverse effect on our financial position, results of operations or cash flow. However, there can be no assurance that we will not be involved in a larger number of proceedings or that the outcome of these proceedings will not materially and adversely affect our financial position, results of operations or cash flow.

Insurance

We carry third-party liability and fire insurance on certain completed developments in which we have an interest. We maintain public liability and assets insurance policies for our properties, the common facilities and the hotel operating areas of our properties. In addition, our property management subsidiaries also maintain property management liability insurance coverage in connection with their business operations. We generally do not maintain any insurance for our projects under development as it is a standard term in construction contracts in the PRC that the contractors bear the risk associated with the construction of the project. However, we may purchase such insurance if required by our creditors in respect of properties pledged to them. In addition, there are certain types of losses, such as losses from forces of nature, that are generally not insured because they are either uninsurable or because insurance cannot be obtained on commercially reasonable terms. This practice is consistent with what we believe to be the industry practice in the PRC.

Environmental Matters

We are subject to PRC national environmental laws and regulations as well as environmental regulations promulgated by local governments. These include regulations relating to air pollution, noise emissions and water and waste discharge. Each of our property developments is required to undergo environmental assessments and submit the related environmental impact assessment document to the relevant government authorities for approval prior to the commencement of property development. Although we have not submitted the environmental impact assessment documents with the local authorities with respect to certain projects, we have nonetheless obtained the relevant government approvals to commence the development of these projects. We do not believe that such failure to submit the environmental impact assessment documents has resulted in any, nor do we believe that it will result in any, material impact on these projects. On the completion of each property development, the relevant government authorities inspect the site to ensure that applicable environmental standards have been complied with, and the resulting report is then presented together with other specified documents to the local construction administration authorities for their record. We believe that our operation is in compliance with currently applicable national and local environmental regulations in all material respects.

Health and Safety Matters

We outsource all construction work to independent construction contractors and require them to comply with the required safety standards in accordance with written agreements. The contractors are required to comply with the environmental impact assessment and the conditions of the subsequent approval granted by the relevant government authority.

Under PRC law, we, as a property developer, are subject to very limited potential liability to the workers on and visitors to our construction sites, as the construction contractor assumes responsibility for the safety of the construction site. The main contractor takes overall responsibility for the site and the subcontractors are required to comply with the protective measures adopted by the main contractor. A contractor is required to adopt effective occupational injuries control measures, to provide workers with necessary protective devices, and to offer regular physical examinations and training to workers who are exposed to the risk of occupational injuries.

Our measures have been sufficient to meet the applicable safety standards, and we have not encountered any serious construction-related accidents or been charged for violations of safety standards.

RELATED PARTY TRANSACTIONS

The following is a summary of material transactions we have engaged in with our direct and indirect shareholders, affiliates of our shareholders and other related parties, including those in which we or our management have a significant equity interest. We believe each of these arrangements as described below have been entered into on arm's length terms or on terms that we believe have been at least as favorable to us as similar transactions with non-related parties. For a further discussion of related party transactions, see note 41 to our audited consolidated financial statements for the year ended December 31, 2009, note 41 to our audited consolidated financial statements for the year ended December 31, 2008, and note 24 to our unaudited condensed consolidated financial information for the period ended June 30, 2010, each of which is included elsewhere in this offering memorandum.

Sales and Purchase of Goods and Services with Related Parties

From time to time, we engage in the sale and purchase of goods and services with minority shareholders of certain subsidiaries of our company and subsidiaries of these minority shareholders.

For the fiscal years 2007, 2008 and 2009 and the six months ended June 30, 2010, we provided services, including property management services and/or property design services to the related parties amounting to approximately HK$1.9 million, HK$2.3 million, HK$33.8 million (US$4.3 million) and HK$14.2 million (US$1.8 million), respectively.

For the fiscal years 2007, 2008 and 2009 and the six months ended June 30, 2010, we received goods and services from the related parties amounting to approximately HK$2,941.6 million, HK$2,295.2 million, HK$2,035.4 million (US$261.4 million) and HK$722.1 million (US$92.7 million), respectively. Such goods and services include, for example, decoration services, property construction services, property design services and construction supervision services.

Key Management Compensation

See "Management—Compensation of Directors and Senior Management."

Amounts Due from/to Related Parties

As of December 31, 2007, 2008 and 2009 and June 30, 2010, amounts due from related parties were approximately HK$39.7 million, HK$33.5 million, HK$43.0 million (US$5.5 million) and HK$44.1 million (US$5.7 million), respectively.

As of December 31, 2007, 2008 and 2009 and June 30, 2010, amounts due to our related parties, including our associates, jointly-controlled entities, subsidiaries of minority shareholders of certain of our subsidiaries, in respect of property construction fees, amounted to approximately HK$374.7 million, HK$940.6 million, HK$2,022.3 million (US$259.7 million), HK$1,966.3 million (US$252.5 million).

As of December 31, 2007, 2008 and 2009 and June 30, 2010, we had accounts payable of approximately HK$70.7 million, HK$1,434.5 million, HK$2,471.8 million (US$317.4 million) and HK$2,558.0 million (US$328.5 million) due to subsidiaries of minority shareholders of certain subsidiaries of the Company in respect of property construction fees.

As of June 30, 2010, all outstanding balances with related companies, associates and a jointly controlled entity were unsecured, non-interest bearing and without pre-determined repayment terms.

The following is a brief description of our major on-going related party transactions:

Appointment of Guangdong Hanjiang as our main contractor

We may, from time to time, appoint Guangdong Hanjiang Construction Installation Project Limited ("Guangdong Hanjiang") as our main contractor in respect of construction works to be carried out on our property development projects. The appointment of Guangdong Hanjiang as our main contractor will be on normal commercial terms conducted at arm's length between the parties and in the ordinary and usual course of our business; and will be fair and reasonable so far as our shareholders are concerned. Further, individual construction contracts will only be awarded to Guangdong Hanjiang if the terms offered by it are not less favorable than those offered by other contractors. Guangdong Hanjiang is owned 90% by Mr. Chu Hing Yee, the brother of Mr. Chu Mang Yee, our Chairman and one of our Executive Directors, and 10% by Mr. Chu Fan, the brother-in-law of Mr. Chu Mang Yee. Mr. Chu Hing Yee and Mr. Chu Fan are connected persons of our under the Listing Rules. Accordingly, Guangdong Hanjiang being an associate of Mr. Chu Hing Yee is also a connected person of ours. During the year ended December 31, 2009 and the six months ended June 30, 2010, construction fees paid/payable to Guangdong Hanjiang amounted to approximately HK$1,900 million (US$244 million) and HK$644 million (US$83 million), respectively.

Appointment of Shanghai Hopson Property Management Limited as our Property Management Company

We may appoint Shanghai Hopson Property Management Limited ("Shanghai Hopson") to manage our unsold units located in Shanghai in return for management fees equal to those charged to owners of individual units of the sold properties. Shanghai Hopson is owned 40% by GD Zhujiang and 60% by Shanghai Zhujiang Investment Limited which is in turn owned 60% by GD Zhujiang and 40% by Guangdong Zhujiang. Shanghai Hopson is a subsidiary of GD Zhujiang which is a connected person of ours under the Listing Rules. Accordingly, Shanghai Hopson constitutes a connected person of ours under the Listing Rules. During the year ended December 31, 2009 and the six months ended June 30,2010, management fees paid/payable to Shanghai Hopson were immaterial.

The following is a brief description of our major related party transactions:

Acquisition of Sun Excel

On November 3, 2010 and December 13, 2010, we entered into a share purchase agreement and a supplemental agreement with Farrich Investments Limited ("Farrich"), a company incorporated in the British Virgin Islands. Pursuant to these agreements, we have agreed to purchase the entire issued share capital of Sun Excel Investments Limited ("Sun Excel"), a limited company incorporated in the British Virgin Islands, with a purchase price of RMB6,605,066,000 (US$973,983,042). We will pay the purchase price for Sun Excel in 16 installments at different stages of the construction of the Project, RMB2,313,787,000 (US$341,191,034) in cash and RMB4,291,279,000 (US$632,792,008) by issuing 523,246,625 new ordinary shares of our company at an issue price of HK$9.5 per share ("Consideration Shares"), of which we will pay 395,246,625 Consideration Shares to Farrich and 128,000,000 Consideration Shares to Sounda. The purchase price for Sun Excel was agreed between Farrich and us based on arm's length negotiations with a reference to the fair value of the assets of Sun Excel. The purchase of Farrich is subject to certain conditions being satisfied. Farrich is an investment company indirectly wholly-owned by Mr. Chu Yat Hong, the son of Mr. Chu Mang Yee, who is our controlling shareholder (through Sounda), executive Director and chairman of the Board. Sounda, which will receive a part of the purchase price of the acquisition, as described below, is our controlling shareholder.

Through our purchase of Sun Excel, we will acquire Sun Excel's sole asset, which comprises its right, pursuant to an equity transfer agreement (the "Equity Transfer Agreement"), to acquire the entire equity interests in each of Beijing Chuang He Feng Wei Technology Investment and Management Co. Limited, a limited liability company established in the PRC ("Project Co A") and Beijing Sheng Chuang Heng Da Technology Investment and Management Co. Limited, a limited liability company established in the PRC ("Project Co D"). Project Co A and Project Co D in turn each hold a land use right to land in the Industrial Park of Majuqiao town in Tongzhou District of Beijing, on which a project comprising 38 office buildings with a GFA of approximately 625,006.5 sq.m. is being developed. The completion of the Equity Transfer Agreement is expected to take place by or around March 2011, and is a condition to closing of our purchase of Sun Excel.

As of the date of this offering memorandum, this deal is subject to our shareholders' approval. See "Summary—Recent Development."

Acquisition of Guangzhou Panyu Zhujiang Real Estate Limited and Disposal of Cheerocean Investments Limited and Undertaking Provided by Mr. Chu Mang Yee, Our Chairman, to Our Company

On November 2, 2009, we entered into an agreement (the "Panyu Zhujiang Agreement") with Guangdong Hanjiang Construction Installation Project Limited ("Hanjiang"), a related company, to acquire from Hanjiang 100% of Guangzhou Panyu Zhujiang Real Estate Limited ("Panyu Zhujiang") for a consideration of approximately RMB3,810 million (US$561.8 million) and sell to Hanjiang our entire interest in Cheerocean Investments Limited ("Cheerocean") for a consideration of RMB960 million (US$141.6 million).

Panyu Zhujiang owns (i) the right to develop a piece of land in Panyu District, Guangdong, China ("Land A"); (ii) the land use right of a piece of land in Panyu District, Guangdong, China ("Land B"); and (iii) 1% equity interest in Guangdong Huanan New City Real Estate Limited, a 99%-owned subsidiary of our company. Pursuant to the Panyu Zhujiang Agreement, Hanjiang will perform and complete all the necessary demolition and preparation work to obtain the land use right certificate of Land A at its own expense and within one year from the date of the Panyu Zhujiang Agreement.

Our acquisition of Panyu Zhujiang and our sale of Cheerocean were completed in March 2010 for which we paid a net consideration of approximately RMB2,386 million (US$351.8 million) in the form of shares of our company in favor of Mr. Chu Mang Yee, our chairman, which deducted costs in relation to Land A previously paid by us of RMB464 million (US$68.4 million) and which deducted the RMB960 million (US$141.6 million) owed to us for the sale of Cheerocean.

In relation to our acquisition of Panyu Zhujiang and sale of Cheerocean, Mr. Chu Mang Yee, has undertaken to our company to (i) guarantee the due and punctual performance by Hanjiang of its obligations in relation to Land A (subject to a maximum amount of RMB3,600 million (US$531 million)); and (ii) pay the net consideration of RMB2,386 million (US$351.8 million) to Hanjiang on or before the completion of the transactions in March 2010.

Disposal of Nan Fong Guangzhou Plaza Limited

On November 2, 2009, we, through Hopeson Holdings Limited ("Hopeson"), our wholly-owned subsidiary, entered into a share purchase agreement with Jumbo Advance Investment Limited ("Jumbo Advance") pursuant to which we agreed to dispose of 51% of the entire issued share capital in Nam Fong Guangzhou Plaza Limited, a non-wholly owned subsidiary of our company, at a consideration of approximately RMB254.9 million (US$37.6 million). Jumbo Advance is indirectly wholly-owned by the sister of Mr. Chu Mang Yee, our chairman. The consideration is to be paid by Jumbo Advance in two installments: (i) a RMB80 million (US$11.8 million) to be paid upon the signing of the agreement on November 2, 2009; and (ii) the remaining balance of approximately RMB174.9 million (US$25.8 million) to be paid within 90 days after the signing of the agreement, which date is January 31, 2010. The payment of the RMB80 million (US$11.8 million) first installment was made by Jumbo Advance on November 2, 2009 and the remaining balance of approximately RMB174.9 million (US$25.8 million) to be paid during 2011 by a second installment has been included in prepayments, deposits and other current assets at June 30, 2010.

Investment In An Available-For-Sale Financial Asset

In September 2009, we purchased a 5.09% attributable equity interest in a PRC financial institution for RMB980 million (US$144.5 million). The shares we purchased are held in trust for us by three of our related parties, against the guarantees given by Mr. Chu Mang Yee, our chairman, in favour of us. The financial institution has a call option to repurchase the shares at cost. If the financial institution exercises this right of repurchase, it will be obliged to repay the purchase price (together with all dividends and interest accrued thereon) to us.

Acquisition of Believe Best and Undertaking Provided by Mr. Chu Mang Yee, Our Chairman, to Our Company in Relation to Acquisition of Believe Best

In August 2007, we purchased from Mr. Chu Mang Yee, our chairman, 80% of the issued share capital of Believe Best Investments Limited ("Believe Best") for HK$6,000 million, including HK$4,000 million in shares of our company and HK$2,000 million in cash). Prior to our purchase, Believe Best, through its indirect wholly-owned subsidiary, acquired a piece of land for development, known as the "Jing Run Project," in Chaoyang District, Beijing, China. We obtained the land use right certificate for the site area of 142,000 sq.m. in April 2008 and we are in the process of obtaining the land use right certificate of the remaining site area of 58,000 sq.m.

In relation to our interest in the Jing Run Project through our 80% interest in Believe Best, Mr. Chu Mang Yee, has (i) fully guaranteed the bank loans that funded the demolition and relocation of land peripheral to the Jing Run Project at the request of the local government; and (ii) undertaken to indemnify us for any excess of the unit cost per meter of the Jing Run Project above a pre-agreed amount. The demolition and relocation work on the land peripheral to the Jing Run Project is ongoing and related costs of approximately RMB1,453 million (US$214.3 million) had been incurred by us as of June 30, 2010. Any additional costs would not increase the unit cost per meter to the extent of any increase in the plot ratio for the Jing Run Project. Government approval for our application to increase the plot ratio is pending.

Acquisition of Shanghai Dazhan

We acquired from Guangdong Zhujiang Investment Company Limited, a related party, the entire equity interest in Shanghai Dazhan Investment Management Company Limited ("Shanghai Dazhan") which owns a piece of land for development in Yangpu District, Shanghai, China. The acquisition of Shanghai Dazhan was completed in March 2008. As of December 31, 2008, we had paid in aggregate approximately RMB1,234.3 million as a purchase price for Shanghai Dazhan and Shanghai Dazhan's purchase price for the Yangpu District land. We had obtained the land use right certificate for Shanghai Dazhan in respect of the aforesaid land in August 2009.