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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)

網址：<http://www.irasia.com/listco/hk/hopson>

海外監管公佈

本海外監管公佈乃根據香港聯合交易所有限公司（「聯交所」）證券上市規則（「上市規則」）第13.09(2)條而作出。

茲提述合生創展集團有限公司（「本公司」）分別於二零一三年一月八日及二零一三年一月十日就發行票據而刊發的公佈（「該等公佈」）。除另有界定者外，本公佈所用詞彙與該等公佈所界定者具相同涵義。

請參閱隨附有關該等票據的發售備忘錄（「發售備忘錄」），該發售備忘錄已於二零一三年一月十七日在新加坡證券交易所有限公司網站上刊載。

在聯交所網站刊載發售備忘錄僅為便於向香港投資者進行同等的資訊傳達，並遵守上市規則第13.09(2)條的規定，此外並無任何其他目的。

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承董事會命
合生創展集團有限公司
主席
朱孟依

香港，二零一三年一月十七日

於本公佈日期，董事會包括九位董事。執行董事為朱孟依先生(主席)、張懿先生、項斌先生、歐偉建先生、廖若清先生及朱桔榕女士；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

IMPORTANT NOTICE
THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS
OUTSIDE OF THE U.S.

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation and your representation: In order to be eligible to view this offering memorandum or make an investment decision with respect to the securities, investors must be non-U.S. persons (as defined under Regulation S under the U.S. Securities Act) outside the United States. By accepting the e-mail and accessing this offering memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are non-U.S. persons outside the United States and that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) that you consent to delivery of such offering memorandum by electronic transmission.

Within the United Kingdom, the offering memorandum is being directed solely at and may only be communicated to persons: who (i) fall within Article 19(5) or Article 49(2)(a)-(d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, (ii) are outside the United Kingdom, or (iii) are persons to whom an invitation or inducement to engage in an investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise be lawfully communicated or caused to be communicated (all such persons collectively being referred to as "Relevant Persons"). The offering memorandum is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this offering memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. The offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person. Any person who is not a Relevant Person should not act or rely on the offering memorandum or any of its contents.

You are reminded that this offering memorandum has been delivered to you on the basis that you are a person into whose possession this offering memorandum may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of this offering memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction. This offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of UBS AG, Hong Kong Branch or Industrial and Commercial Bank of China (Asia) Limited, as Joint Bookrunners, The Bank of New York Mellon, acting through its London Branch, as Trustee, Paying and Transfer Agent, and The Bank of New York Mellon (Luxembourg) S.A., as Registrar, or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Joint Bookrunners.

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US\$300,000,000



合生創展集團有限公司
HOPSON DEVELOPMENT HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

9.875% Senior Notes due 2018

Issue Price: 100%
plus accrued interest, if any

We are offering US\$300,000,000 aggregate principal amount of our 9.875% Senior Notes due 2018. The notes will bear interest at 9.875% per annum from January 16, 2013. We will pay interest on the notes semi-annually in arrears on January 16 and July 16 of each year, starting on July 16, 2013. The notes will mature on January 16, 2018. The notes will be guaranteed by certain of our wholly-owned subsidiaries organized outside the People's Republic of China.

We may redeem some or all of the notes on or after January 16, 2016 at the redemption prices set forth in this offering memorandum, plus accrued and unpaid interest up to the redemption date. At any time prior to January 16, 2016, we may redeem up to 35% of the aggregate principal amount of the notes with the proceeds of certain equity offerings, at a redemption price of 109.875% of the principal amount, plus accrued and unpaid interest up to the redemption date. At any time prior to January 16, 2016, we may redeem all of the notes at a price equal to 100% of their principal amount plus a "make-whole" premium plus accrued and unpaid interest up to the redemption date. If we sell certain of our assets or experience certain types of changes of control accompanied by a rating decline, we may be required to purchase the notes. We may redeem all of the notes at 100% of their principal amount plus accrued and unpaid interest if at any time we or any guarantor becomes obligated to pay withholding taxes as a result of certain changes in tax law.

The notes will be secured by a pledge of the capital stock in the guarantors and certain of our subsidiaries organized outside the People's Republic of China on a first priority basis. The collateral for the notes will be shared equally and ratably among holders of (1) the notes, (2) our US\$300 million 11.75% Senior Notes due 2016 and (3) certain future permitted indebtedness. The notes will rank at least equally with our unsecured indebtedness. The notes will be junior to our other secured indebtedness as to the assets over which security is given for such other indebtedness, and effectively subordinated to all liabilities of our subsidiaries that do not guarantee the notes.

For a more detailed description of the notes, see "Description of the Notes" beginning on page 180.

Investing in the notes involves risks. See "Risk Factors" beginning on page 14.

The notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any other jurisdiction, and may not be offered, sold or delivered within the United States. Accordingly, the notes are being offered and sold only outside the United States to non-U.S. persons (as defined in Regulation S under the U.S. Securities Act) in compliance with Regulation S and in accordance with any other applicable laws. For a description of certain restrictions on resale or transfer, see "Transfer Restrictions" beginning on page 246.

We have received approval in-principle for the listing of the notes on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this offering memorandum. Admission of the notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of our company, the notes, the subsidiary guarantors or any other subsidiary of our company.

We expect that the notes will be ready for delivery in book-entry form through Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream") on or about January 16, 2013.

Joint Lead Managers and Joint Bookrunners

UBS

ICBC (Asia)

The date of this offering memorandum is January 9, 2013.

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In making your investment decision, you should rely only on the information contained in this offering memorandum. None of us, the Initial Purchasers (as defined in “Plan of Distribution”) and The Bank of New York Mellon, acting through its London Branch, as Trustee, Paying and Transfer Agent, and The Bank of New York Mellon (Luxembourg) S.A., as Registrar, has authorized anyone to provide you with any other information. If you receive any unauthorized information, you must not rely on it.

We are offering to sell our notes only in places where sales are permitted.

You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date of this offering memorandum. Our business, financial condition, results of operations and prospects may have changed since that date.

This offering memorandum is a confidential document that we are providing only to prospective buyers of our notes. You should read this offering memorandum before deciding to buy any notes. You must not:

- use this offering memorandum for any other purpose;
- make copies of any part of this offering memorandum or give a copy of it to any other person; or
- disclose any information in this offering memorandum to any other person.

We have prepared this offering memorandum and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in our notes. You may contact us if you need any additional information. By purchasing any notes, you acknowledge that:

- you have reviewed this offering memorandum;
- you have had an opportunity to request from us any additional information that you need from us; and
- the Initial Purchasers, the Trustee, the Paying and Transfer Agent and the Registrar are not responsible for, and are not, making any representations or warranties to you concerning our future performance or the accuracy or completeness of this offering memorandum. None of the Initial Purchasers, the Trustee, the Paying and Transfer Agent and the Registrar has independently verified, and each assumes no responsibility for, the accuracy or completeness of any of the information contained in this offering memorandum.

We and the Initial Purchasers reserve the right to reject any offer to purchase any of the notes for any reason, or to sell less than the principal amount of the notes for which any prospective purchaser has subscribed.

This offering memorandum is personal to each offeree and is not an offer to any other person or to the public generally to subscribe for the notes. You represent that you are basing your investment decision solely on this offering memorandum and your own examination of us and the terms of this offering.

None of us, the Initial Purchasers, the Trustee, the Paying and Transfer Agent and the Registrar is providing you with any legal, business, tax or other advice in this offering memorandum. You should consult your own advisors to assist you in making your investment decision and to advise you whether you are legally permitted to purchase our notes.

You must comply with all laws that apply to you in any place in which you buy, offer or sell any notes or possess this offering memorandum. You must also obtain any consents or approvals that you need in order to purchase the notes. None of us, the Initial Purchasers, the Trustee, the Paying and Transfer Agent and the Registrar is responsible for your compliance with these legal requirements.

We are making this offering of the notes in reliance on exemptions from the registration requirements of the U.S. Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. The notes have not been recommended by any U.S. federal or state securities commission or regulatory authority or any regulatory authority in any other jurisdiction, and no such authority has determined that this offering memorandum is accurate or complete. Any representation to the contrary is a criminal offense.

Our notes are subject to restrictions on transfer and resale that are described under “Transfer Restrictions.” By purchasing any notes, you represent and agree to all of the provisions contained in that section of this offering memorandum. You may have to bear the financial risks of investing in our notes for an indefinite period of time.

In connection with this offering, UBS AG, Hong Kong Branch, as the stabilizing manager, or any person acting for it, may engage in transactions that stabilize, maintain or otherwise affect the price of the notes. Specifically, the Initial Purchasers may overallocate in connection with this offering, may bid for and purchase notes in the open market and may impose penalty bids. Any of these activities may stabilize or maintain the market price of the notes above independent market levels. The Initial Purchasers are not required to engage in these activities, and may end any of these activities at any time. No assurance can be given as to the liquidity of, or the trading market for the notes. For a description of these activities, see “Plan of Distribution.”

ENFORCEMENT OF CIVIL LIABILITIES

We are an exempted limited liability company incorporated under the laws of Bermuda, and each guarantor of the notes is incorporated either in Hong Kong, the British Virgin Islands or Samoa. As a result, it may be difficult for you to effect service of process upon us or the guarantors outside our jurisdiction of organization or enforce against us or the guarantors judgments obtained outside those jurisdictions. Furthermore, substantially all of our assets are owned through subsidiaries located in the People’s Republic of China (the “PRC”) that are not guaranteeing the notes.

We and each of the guarantors have appointed Corporation Service Company as our respective agent to receive service of process with respect to any action brought against us or the guarantors in the U.S. federal courts or New York state courts located in the Borough of Manhattan, The City of New York in respect of actions relating the notes, the guarantees or the indenture governing the notes and guarantees.

We have been advised by MJM Limited, our Bermuda counsel, that the United States and Bermuda do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters and that a final judgment for the payment of money rendered by any federal or state court in the United States would not be automatically enforceable in Bermuda. The courts of Bermuda would

recognize as a valid judgment a final and conclusive judgment *in personam* obtained in the U.S. courts under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon provided that:

- such courts had proper jurisdiction over the parties subject to such judgment;
- such courts did not contravene the rules of natural justice of Bermuda;
- such judgment was not obtained by fraud;
- the enforcement of the judgment would not be contrary to the public policy of Bermuda;
- no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of Bermuda; and
- there is due compliance with the correct procedures under the laws of Bermuda.

Certain remedies available under the laws of U.S. jurisdictions would not be allowed in the Bermuda courts to the extent that they are contrary to public policy.

We have been advised by Maples and Calder, our British Virgin Islands counsel, that the United States and the British Virgin Islands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters and that a final judgment for the payment of money rendered by any federal or state court in the United States would not be automatically enforceable in the British Virgin Islands. The courts of the British Virgin Islands would recognize as a valid judgment a final and conclusive judgment *in personam* obtained in the U.S. courts under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon provided that:

- such courts issuing the judgment had jurisdiction in the matter and the parties either submitted to such jurisdiction or were resident or carrying on business within such jurisdiction and were duly served with process;
- such in obtaining judgment there was no fraud on the part of the person in whose favor judgment was given or on the part of the courts;
- recognition or enforcement of the judgment in the British Virgin Islands would not be contrary to public policy; and
- the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

Certain remedies available under the laws of U.S. jurisdictions would not be allowed in the British Virgin Islands courts to the extent that they are contrary to public policy.

We have been advised by Minter Ellison, our Hong Kong counsel, that the United States and Hong Kong have not entered into any bilateral reciprocal enforcement agreement providing for reciprocal recognition and enforcement of judgments in civil and commercial matters. A final judgment for the payment of money rendered by any federal or state court of the United States would not be automatically enforceable in Hong Kong. A judgment *in personam* obtained in a court of the United States may be enforceable in Hong Kong at common law provided that:

- the judgment is for a definite sum of money (other than a sum of money payable in respect of taxes or penalties);
- the judgment is final and conclusive between the parties;
- the relevant court from which the judgment was obtained had proper jurisdiction over the parties according to Hong Kong private international law;

- the judgment was not obtained by fraud; and
- enforcement of the judgment would not be contrary to the public policy in Hong Kong.

We have been advised by Drake & Co., our Samoa counsel, that there is no agreement in place between the United States and Samoa for the reciprocal recognition and enforcement of judgments. Any final judgment for the payment of money obtained in the courts of the United States would not be automatically enforceable in Samoa. A judgment obtained in a court in the United States may be recognized and prima facie enforceable by the courts of Samoa without re-examination of the merits provided that the relevant court issuing the judgment had jurisdiction over the parties in accordance with Samoa private international law and such judgment is final and conclusive and if based on an action *in personam* is for a fixed debt (other than sums payable in respect of taxes or penalties) and was not obtained by fraud or duress or was contrary to natural justice and enforcement would not contravene public policy in Samoa.

We have been advised by Han Kun Law Offices, our PRC counsel, that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between the PRC and the country where the judgment is made or on reciprocity between jurisdictions. If there are no treaties or reciprocity arrangements between the PRC and a foreign jurisdiction where a judgment is rendered, according to PRC Civil Procedures Law, matters relating to the recognition and enforcement of the foreign judgment in the PRC may be resolved through diplomatic channels. The PRC does not have any treaties or other arrangements with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. As a result, it would generally be difficult to enforce in the PRC a judgment rendered by a U.S. court against us or the guarantors.

FORWARD-LOOKING STATEMENTS

This offering memorandum includes “forward-looking statements.” Forward-looking statements include those regarding our future financial position and results of operations, strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and generally include the words “believe,” “expect,” “aim,” “intend,” “will,” “may,” “anticipate,” “seek,” “should,” “estimate” or similar expressions.

These forward-looking statements relate to events that are subject to known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include the following:

- our business and operating strategies and our ability to implement such strategies;
- our capital expenditure and project development plans;
- our ability to develop and manage our projects as planned;
- our operations and business prospects;
- various business opportunities that we may pursue;
- our financial condition;
- the availability and costs of bank loans and other forms of financing;
- our projects under construction or planning;
- the regulatory environment of our industry in general;
- the performance and future developments of real estate markets in the PRC or any region in the PRC where we may engage in project developments;
- the PRC real estate market outlook in general;
- changes in political, economic, legal and social conditions in the PRC, including the specific policies of the PRC government and the local authorities in the regions where we operate, which affect availability and cost of financing, leasing, pricing and volume of our projects;
- changes in competitive conditions and our ability to compete under these conditions;
- the performance of the obligations and undertakings of independent contractors under various construction, building, interior decoration and installation contracts;
- changes in currency exchange rates;
- delays in obtaining the necessary government permits or approvals for our projects; and
- other factors beyond our control.

Additional factors that could cause actual results, performance or achievements to differ materially include those discussed under “Risk Factors” and elsewhere in this offering memorandum. We caution you not to place undue reliance on these forward-looking statements which reflect our management’s view only as of

the date of this offering memorandum. We undertake no obligation to update, revise or publicly announce any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this offering memorandum might not occur.

MARKET AND INDUSTRY DATA

Market data and certain industry forecasts and statistics in this offering memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us, the Initial Purchasers, the Trustee, the Paying and Transfer Agent and the Registrar or our or their directors or advisors, and neither us, the Initial Purchasers, the Trustee, the Paying and Transfer Agent, the Registrar, nor our or any of their directors or advisors makes any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified.

The statistics set forth in this offering memorandum relating to the PRC and the property industry in the PRC were taken or derived from various government and private publications. Neither we, the Initial Purchasers, the Trustee, the Paying and Transfer Agent, the Registrar, nor our or their directors or advisors make any representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly inconsistent collection methods and other problems, the statistics referred in this offering memorandum may be inaccurate and should not be unduly relied upon.

CONVENTIONS USED IN THIS OFFERING MEMORANDUM

In this offering memorandum, references to “China” or the “PRC” are to the People’s Republic of China, excluding Hong Kong, Macau and Taiwan; references to “HK\$” or “Hong Kong dollars” are to the lawful currency of Hong Kong; references to “US\$” or “U.S. dollars” are to the lawful currency of the United States; references to “RMB” or “Renminbi” are to the lawful currency of China; references to the “2016 Notes” are to our 11.75% Senior Notes due 2016.

We prepare and present our financial statements in Hong Kong dollars and in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

Solely for your convenience, certain Hong Kong dollar amounts in this offering memorandum have been converted into U.S. dollars and certain U.S. dollar amounts have been converted into (1) Hong Kong dollars, based on the exchange rate of HK\$7.7572 to US\$1.00 and (2) Chinese Renminbi, based on the exchange rate of RMB6.3530 to US\$1.00, which were the noon buying rates in New York City for cable transfers payable in Hong Kong dollars and Chinese Renminbi, respectively, as certified for customs purposes by the Federal Reserve Bank of New York on June 29, 2012. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Hong Kong dollar amounts or Chinese Renminbi amounts referred to in this offering memorandum have been, could have been or could be converted into U.S. dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see “Exchange Rate Information.”

In this offering memorandum, the terms “we,” “us,” “our” and “our group” refer to Hopson Development Holdings Limited and its subsidiaries, unless the context otherwise requires.

Unless the context otherwise requires, each phase of a property development project referred to in this offering memorandum is considered as a separate property development.

Any discrepancies in the tables between the listed amounts and their totals are due to rounding.

SUMMARY

This summary does not contain all the information that may be important to you in deciding to invest in the notes. You should read the entire offering memorandum, including the section entitled “Risk Factors” and the financial statements and related notes thereto included elsewhere in this offering memorandum, before making an investment decision.

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, Shanghai and Beijing, our “Regal Riviera,” “Gallopade,” “Fairview,” “Dongjiao Villa,” “Sheshan Dongziyuan,” and “No. 8 Royal Park” 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 develop commercial properties, including retail shops, shopping malls, office buildings and hotels. Commercial properties, including integrated residential and commercial developments, have become an increasing proportion of our projects portfolio. 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, 2012, we had 68 property projects in various stages of development, of which 32 property developments were in the Pearl River Delta, 22 property developments in the Pan Bohai Rim and 14 property developments in the Yangtze River Delta. The total saleable gross floor area (“GFA”) of our land bank amounted to approximately 31.85 million sq.m. as of June 30, 2012.

Although we intend to continue to focus on property development as our core business, 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 located in Guangzhou, Beijing, Hangzhou and Shanghai, comprising primarily commercial, retail and car park spaces within the property projects developed by us. As of June 30, 2012, we had a total of six investment properties in various stages of development.
- *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, 2009, 2010 and 2011, our revenue was HK\$11,225.2 million, HK\$14,379.3 million and HK\$8,007.5 million (US\$1,032.3 million), respectively, and our profit was HK\$6,092.5 million, HK\$6,293.0 million and HK\$1,408.4 million (US\$181.6million), respectively. For the six months ended June 30, 2011 and 2012, our revenue was HK\$4,833.4 million and HK\$5,122.6 million (US\$660.4 million), respectively, and our profit was HK\$1,054.2 million and HK\$2,593.2 million (US\$334.3 million), respectively.

Competitive Strengths

We believe our principal competitive strengths are the following:

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 and commercial 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 high 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. We believe our strategy of developing properties in our target areas of the Pearl River Delta, the Pan Bohai Rim and the Yangtze River Delta is proving effective, and 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, 2012, our total land bank amounted to a saleable GFA of approximately 31.85 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 land 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 the 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, Xinguang 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 cash flow 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 commercial and 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 several international capital raising transactions, including the issuance in November 2005 of our US\$350 million aggregate principal amount of 8.125% Senior Notes due 2012 and the issuance in February 2007 of RMB1,830.4 million aggregate principal amount of US dollar settled zero coupon convertible bonds due 2010, both of which were subsequently repaid, as well as the issuance in January 2011 of our US\$300 million aggregate principal amount of 11.75% Senior Notes due 2016. 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, Tianjin 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 residential properties, while increasing the proportion of commercial properties in our projects portfolio

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 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. In addition, we also intend to develop more commercial properties, including integrated residential and commercial developments. We expect commercial properties will constitute an increasing proportion of our projects portfolio in the future.

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

We intend to continue to diversify our service and product offering. We have expanded into the hotel, office and retail sectors in the PRC to diversify our sources of income and to 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 renowned hotel groups, such as Hyatt Group, to manage our hotels, which we believe has allowed us to benefit from their 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 Beijing Times Regal and Shanghai Hopson Fortune Plaza.

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 recognition of our "Hopson" brand as representing 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.

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. 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.

Recent Developments

In November 2005, we issued US\$350 million aggregate principal amount of 8.125% Senior Notes due 2012 (the “2012 Notes”). As of June 30, 2012, we had a total of US\$350 million principal amount of the 2012 Notes outstanding. In September 2012, we repurchased an aggregate principal amount of US\$5 million of the 2012 Notes. We fully repaid the remaining principal amount of the outstanding 2012 Notes and accrued and unpaid interest up to the maturity date on November 9, 2012.

During the second half of 2012, we have achieved an increase in our contracted sales, compared with the corresponding period in 2011 and the first half of 2012. In addition, we acquired four parcels of land located in Huizhou, Guangdong province with an aggregate site area of 160,583 sq.m. and a total construction area of approximately 421,947 sq.m. for a total consideration of RMB295.4 million (US\$46.5 million) during the second half of 2012.

Ratings

On April 3, 2012, Standard & Poor’s Ratings Services (“S&P”) lowered its long-term corporate credit rating on our company from “B+” to “B” and its rating on our senior unsecured notes from “B” to “B-”. On May 31, 2012, S&P further lowered our long-term corporate credit rating from “B” to “B-” and our senior unsecured notes rating from “B-” to “CCC+”, while keeping both ratings on CreditWatch with negative implications. On September 24, 2012, S&P affirmed its ratings on us and our senior unsecured notes and also removed all its ratings on us from CreditWatch with negative implications to reflect its view that the immediate refinancing risk for us had reduced. Our ratings outlook from S&P was negative. According to S&P, the negative outlook reflected its expectation that our financial strength would remain weak over the next 12 months at least.

On April 20, 2012, Moody’s Investors Service (“Moody’s”) downgraded our corporate family rating from “B3” to “Caa1,” and our senior unsecured notes rating from “Caa1” to “Caa2”. On November 12, 2012, Moody’s upgraded our corporate family rating from “Caa1” to “B3”, and our senior unsecured notes rating from “Caa2” to “Caa1” to reflect its view of our ability to use internal sources to repay the 2012 Notes. On January 8, 2013, Moody’s affirmed its ratings on us and our senior unsecured notes. Our ratings outlook from Moody’s was negative.

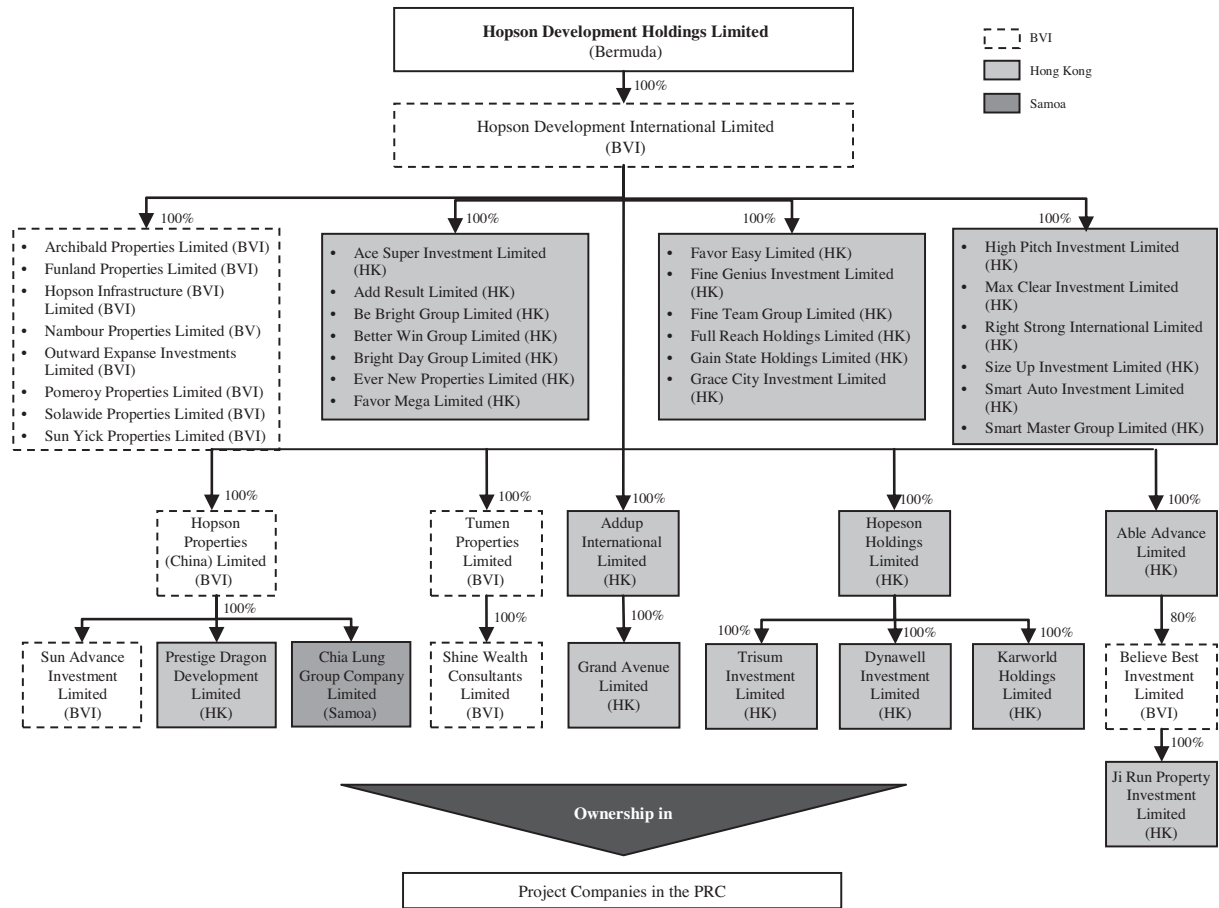
See “Risk Factors—Risks Relating to Our Business—Our access to capital markets and ability to enter into new or renew existing financing arrangements are dependent on favorable evaluations and ratings by credit rating agencies” for a description of the risks associated with the downgrading of our corporate credit and senior notes ratings.

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.

Corporate Structure

The following chart sets forth our corporate structure based on our beneficial interests in our material subsidiaries as of December 31, 2012:



THE OFFERING

The following summary contains basic information about this offering and is not intended to be complete. It does not contain all of the information that is important to you. For a more complete understanding of the terms of the notes, see "Description of the Notes."

Issuer	Hopson Development Holdings Limited.
Notes Offered	US\$300,000,000 aggregate principal amount of 9.875% Senior Notes due 2018.
Issue Price	100% of the principal amount of the notes.
Maturity Date	January 16, 2018.
Interest Payment Dates	Interest will be payable semi-annually in arrears on and of each year. The first interest payment will be due on July 16, 2013.
Ranking of Notes	<p>The notes will be our general obligations and:</p> <ul style="list-style-type: none">• will rank at least <i>pari passu</i> in right of payment with our 2016 Notes and all of our other unsecured, unsubordinated indebtedness (subject to priority rights under applicable law);• will be senior in right of payment to any of our future subordinated indebtedness, if any;• will be unconditionally guaranteed by the guarantors; and• will be effectively subordinated to any existing and future indebtedness of our subsidiaries that do not guarantee the notes.
Guarantees	<p>Our obligations under the notes and the indenture will be guaranteed by all of our existing and future wholly-owned subsidiaries that are incorporated or organized outside the PRC. None of our existing or future subsidiaries that are organized under the laws of the PRC or that are not wholly-owned by us will guarantee the notes in the future.</p>
Ranking of the Guarantees	<p>The guarantee of each guarantor will be a general obligation of such guarantor and:</p> <ul style="list-style-type: none">• will rank at least <i>pari passu</i> with the guarantees provided for the 2016 Notes and all other unsecured, unsubordinated indebtedness of such guarantor (subject to priority rights under applicable law);• will be senior in right of payment to such guarantor's future subordinated indebtedness, if any; and• will be effectively subordinated to any existing and future indebtedness of such guarantor that is secured by liens that do not secure such note guarantee, to the extent of the property and assets securing such indebtedness.

Security	The notes and the guarantees will be secured, equally and ratably on a first priority basis with all obligations of the issuer and the guarantors under our 2016 Notes and certain future permitted indebtedness, by a pledge of the shares in the guarantors (other than the shares of Esteem Industrial (Hong Kong) Limited) and the shares of Believe Best Investments Limited held by a subsidiary guarantor pledgor. See “Description of the Notes—Security to be Granted.”
Intercreditor Agreement.....	We, the trustee for the notes and the trustees for our 2016 Notes will enter into an intercreditor agreement on the date the notes are issued. This agreement will provide that the collateral for the notes will be shared on an equal and ratable and first priority basis among (1) the holders of our 2016 Notes, (2) the holders of the notes being offered in this offering memorandum and (3) certain future permitted indebtedness.
Optional Redemption.....	<p>We may redeem some or all of the notes on or after January 16, 2016 at the redemption prices, plus accrued and unpaid interest up to the redemption date, as described under “Description of the Notes—Optional Redemption.”</p> <p>At any time prior to January 16, 2016, we may redeem all the notes at a price equal to 100% of their principal amount plus a “make-whole” premium, plus accrued and unpaid interest up to the redemption date, as described under “Description of the Notes—Optional Redemption.”</p> <p>At any time prior to January 16, 2016, we may redeem up to 35% of the aggregate principal amount of notes at a redemption price equal to 109.875% of the principal amount of the notes with the proceeds of certain equity offerings, plus accrued and unpaid interest up to the redemption date, provided that at least 65% of the original principal amount of the notes remains outstanding after the redemption.</p>
Additional Amounts; Redemption for Changes in Taxes	All payments in respect of the notes or under the guarantees will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding or deduction is required by law, subject to certain exceptions, we or the relevant guarantor, as applicable, will pay additional amounts so that the net amount received by the holder of each note is no less than the amount that such holder would have received in the absence of such withholding or deduction. See “Description of the Notes—Additional Amounts.” We may redeem the notes in whole, but not in part, at any time, upon giving prior notice, if certain changes in tax law impose certain withholding taxes on amounts payable on the notes, and, as a result, we or any guarantor is required to pay additional amounts with respect to such withholding taxes. If we exercise such redemption right, we must pay you a price equal to the principal amount of the notes plus accrued and unpaid interest and additional amounts, if any, to the date of redemption. See “Description of the Notes—Redemption for Taxation Reasons.”

Change of Control	If we experience both a change of control and an accompanied rating decline, we will be required to offer to repurchase the notes at 101% of their principal amount plus accrued and unpaid interest to the date of such repurchase. See “Description of the Notes—Repurchase of Notes Upon a Change of Control Triggering Event.”
Certain Covenants	<p>We will issue the notes under the indenture. The indenture will partially limit, among other things, our ability and the ability of our restricted subsidiaries to:</p> <ul style="list-style-type: none"> • incur or guarantee additional indebtedness and issue certain preferred stock; • pay dividends, redeem capital stock and make certain investments; • make certain other restricted payments; • create or permit to exist certain liens; • impose restrictions on the ability of our subsidiaries to pay dividends or make other payments to us; • transfer, lease or sell certain assets including subsidiary stock; • merge or consolidate with other entities; • enter into certain transactions with affiliates; and • enter into unrelated businesses. <p>Each of these covenants is subject to a number of significant exceptions and qualifications. See “Description of the Notes—Certain Covenants” and the related definitions.</p>
Transfer Restrictions	The notes and the guarantees of the notes have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The notes are subject to restrictions on transfer and may only be offered or sold in transactions that are exempt from or not subject to the registration requirements of the U.S. Securities Act. See “Plan of Distribution” and “Transfer Restrictions.”
Absence of a Public Market for the notes	The notes will be new securities for which there is currently no market. Although the Initial Purchasers have informed us that they intend to make a market in the notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, we cannot assure you that a liquid market for the notes will develop or be maintained.
Listing	We have received approval in-principle for the listing of the notes on the SGX-ST. The notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the notes are listed on the SGX-ST.

Book-Entry Only	The notes will be issued in book-entry form through the facilities of Euroclear and Clearstream. For a description of certain factors relating to clearance and settlement, see “Description of the Notes—Book-Entry; Delivery and Form.”
Ratings.....	The notes have been rated “CCC+” by S&P and “Caa1” by Moody’s. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.
Security Codes.....	ISIN: XS0873245590; Common Code: 087324559
Trustee and Paying and Transfer Agent	The Bank of New York Mellon, acting through its London Branch.
Registrar	The Bank of New York Mellon (Luxembourg) S.A.
Use of Proceeds.....	We intend to use the net proceeds from this offering to refinance existing debt, to finance the cost of construction or improvement of projects and for general corporate purposes.
Denomination	The notes will be issued only in fully registered form, without coupons, in minimum denominations of US\$200,000 of principal amount and integral multiples of US\$1,000 in excess thereof.
Governing Law of the Indenture, Notes and Guarantees	New York law.
Governing Law of the Share Pledges.....	Hong Kong law.
Risk Factors.....	Please see the “Risk Factors” section for a description of certain of the risks you should carefully consider before investing in the notes.

SUMMARY FINANCIAL INFORMATION AND OTHER DATA

You should read the following summary financial information and other data together with the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements and related notes included elsewhere in this offering memorandum.

We have derived the following summary financial information from our audited consolidated financial statements as of and for the years ended December 31, 2009, 2010 and 2011 and our unaudited condensed consolidated financial information as of and for the six months ended June 30, 2011 and 2012, which are included elsewhere in this offering memorandum. We prepare and present our audited consolidated financial statements and unaudited condensed consolidated financial information in accordance with HKFRS.

	Year ended December 31,				Six months ended June 30,		
	2009	2010	2011		2011	2012	
	HK\$	HK\$	HK\$	US\$	HK\$	HK\$	US\$
	(in thousands, except percentages)						
Consolidated income statement data⁽¹⁾:							
Revenues.....	11,225,246	14,379,253	8,007,537	1,032,272	4,833,445	5,122,555	660,361
Cost of sales	<u>(6,557,985)</u>	<u>(8,692,021)</u>	<u>(4,329,161)</u>	<u>(558,083)</u>	<u>(2,576,703)</u>	<u>(2,836,980)</u>	<u>(365,722)</u>
Gross profit.....	4,667,261	5,687,232	3,678,376	474,189	2,256,742	2,285,575	294,639
Fair value gains on investment properties	4,700,097	3,795,624	107,397	13,845	18,776	107,697	13,883
Other gains, net	734,033	1,124,053	99,732	12,857	74,943	1,849,849	238,469
Selling and marketing costs.....	<u>(378,757)</u>	<u>(410,225)</u>	<u>(466,549)</u>	<u>(60,144)</u>	<u>(139,831)</u>	<u>(208,089)</u>	<u>(26,825)</u>
General and administrative expenses....	<u>(995,041)</u>	<u>(1,117,712)</u>	<u>(1,009,398)</u>	<u>(130,124)</u>	<u>(393,337)</u>	<u>(560,524)</u>	<u>(72,259)</u>
Operating profit	8,727,593	9,078,972	2,409,558	310,622	1,817,293	3,474,508	447,907
Finance income.....	13,551	17,039	29,098	3,751	13,918	10,603	1,367
Finance costs	<u>(333,639)</u>	<u>(253,307)</u>	<u>(238,539)</u>	<u>(30,751)</u>	<u>(154,663)</u>	<u>(124,335)</u>	<u>(16,028)</u>
Share of profit less loss of associates ..	<u>(1,346)</u>	<u>1,071</u>	<u>351</u>	<u>45</u>	<u>(206)</u>	<u>1,490</u>	<u>192</u>
Share of profit/(loss) of and other gains relating to jointly controlled entities.....	<u>385,759</u>	<u>(666)</u>	<u>(3,284)</u>	<u>(423)</u>	<u>(598)</u>	<u>(1,210)</u>	<u>(156)</u>
Profit before taxation.....	8,791,918	8,843,109	2,197,184	283,244	1,675,774	3,361,056	433,282
Taxation	<u>(2,699,383)</u>	<u>(2,550,097)</u>	<u>(788,773)</u>	<u>(101,683)</u>	<u>(621,572)</u>	<u>(767,883)</u>	<u>(98,990)</u>
Profit for the period.....	<u>6,092,535</u>	<u>6,293,012</u>	<u>1,408,411</u>	<u>181,562</u>	<u>1,054,172</u>	<u>2,593,173</u>	<u>334,292</u>
Attributable to:							
Equity holders of our company	5,799,573	5,889,412	1,430,031	184,349	1,019,852	2,631,219	339,197
Non-controlling interests	292,962	403,600	(21,620)	(2,787)	34,320	(38,046)	(4,905)
Other data:							
EBITDA ⁽²⁾	3,778,535	4,284,467	2,352,577	303,277	1,799,810	1,599,087	206,142
EBITDA margin ⁽³⁾	33.7%	29.8%	29.4%	29.4%	37.2%	31.2%	31.2%

	As of December 31,				As of June 30,	
	2009	2010	2011		2012	
	HK\$	HK\$	HK\$	US\$	HK\$	US\$
	(in thousands)					
Consolidated statement of financial position data:						
Total non-current assets	16,362,819	25,162,663	28,118,009	3,624,763	26,134,083	3,369,010
Total current assets	54,291,445	65,998,097	81,778,716	10,542,298	85,936,626	11,078,305
Total current liabilities.....	24,845,008	24,025,508	37,773,912	4,869,529	41,555,181	5,356,982
Net current assets	29,446,437	41,972,589	44,004,804	5,672,769	44,381,445	5,721,323
Total assets less current liabilities	45,809,256	67,135,252	72,122,813	9,297,532	70,515,528	9,090,333
Total non-current liabilities	15,309,780	26,142,153	28,056,704	3,616,860	25,753,677	3,319,971
Net assets.....	30,499,476	40,993,099	44,066,109	5,680,672	44,761,851	5,770,362
Non-controlling interests	2,305,733	2,805,944	2,981,657	384,373	2,909,536	375,076
Total equity.....	30,499,476	40,993,099	44,066,109	5,680,672	44,761,851	5,770,362

	Year ended December 31,				Six months ended June 30,		
	2009	2010	2011		2011	2012	
	HK\$	HK\$	HK\$	US\$	HK\$	HK\$	US\$
	(in thousands)						
Consolidated statement of cash flow data:							
Net cash flows from (used in)							
operating activities.....	4,780,683	(7,669,016)	(2,467,366)	(318,074)	(4,690,155)	2,367,953	305,259
Net cash flows from (used in)							
investing activities	(2,324,483)	(1,700,601)	(4,777,711)	(615,907)	(1,248,401)	1,743,423	224,749
Net cash flows from (used in)							
financing activities.....	1,939,852	5,218,551	7,163,935	923,521	7,465,622	(2,279,361)	(293,838)
Net (decrease) increase in cash and							
cash equivalents	4,396,052	(4,151,066)	(81,142)	(10,460)	1,527,066	1,832,015	236,170
Cash and cash equivalents at the							
beginning of the period.....	2,142,696	6,546,144	2,573,604	331,770	2,573,604	2,618,161	337,514
Cash and cash equivalents at the end							
of the period.....	6,546,144	2,573,604	2,618,161	337,514	4,178,156	4,430,581	571,157

- (1) A summary of the litigation instituted by YTO Group Corporation (中國一拖集團有限公司) (“YTO Group”) against Guangzhou Laureland Property Co., Ltd. (廣州羅蘭德房地產有限公司) (“Laureland Co”) and Guangzhou Ziyun Village Real Estate Company Limited (廣州紫雲山莊房地產有限公司) (“Ziyun Co”), our wholly-owned subsidiaries, in relation to a dispute over a guarantee was disclosed in note 39 to the consolidated financial statements for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively. On August 13, 2010, the Higher People’s Court of Henan Province upheld the decision of the Intermediate People’s Court of Luoyang City that Ziyun Co is liable for sums which Laureland Co may be unable to settle and ordered Ziyun Co to pay the costs of the appeal of RMB507,432. We appealed to the Supreme People’s Court of the PRC in March 2011. In June 2011, bank deposits of RMB12 million of Ziyun Co was temporarily transferred to the Higher People’s Court of Henan Province. The Supreme People’s Court of the PRC ordered a retrial of the case in July 2011 and a hearing was conducted by the Higher People’s Court of Henan Province in February 2012. In May 2012, as requested by Ziyun Co, the Higher People’s Court of Henan Province released the charge of the land use rights of a piece of land of approximately 239,500 sq.m. held by Ziyun Co after Ziyun Co provided another bank deposits of RMB30 million and two other plots of land of approximately 23,000 sq.m. as charged items. No provision was made in the financial statements for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012. On August 28, 2012, the Higher People’s Court of Henan Province upheld its judgment made in August 2010 to order Ziyun Co to pay YTO Group the judgment sums which Laureland Co is unable to settle. Based on the management’s assessment, our maximum monetary liability under the dispute is estimated at RMB56,200,000.

- (2) EBITDA for any period is calculated as profit, adding back taxation, finance costs, depreciation of properties and equipment, amortization of land costs and goodwill impairment, and subtracting fair value gains on investment properties, other gains and finance income. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, profit or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as selling and distribution costs and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to service debt and pay taxes. EBITDA presented in this offering memorandum may not be comparable to similarly titled measures presented by other companies. You should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. You should also note that EBITDA as presented may be calculated differently from Consolidated EBITDA as defined and used in the indenture governing the notes. See "Description of the Notes—Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the indenture governing the notes. The following table reconciles our EBITDA to our profit for the period, which is the most directly comparable HKFRS measure:

	Year ended December 31,				Six months ended June 30,		
	2009	2010	2011		2011	2012	
	HK\$	HK\$	HK\$	US\$	HK\$	HK\$	US\$
	(in thousands)						
Profit for the period	<u>6,092,535</u>	<u>6,293,012</u>	<u>1,408,411</u>	<u>181,562</u>	<u>1,054,172</u>	<u>2,593,173</u>	<u>334,292</u>
Adjustments:							
Add:							
Taxation.....	2,699,383	2,550,097	788,773	101,683	621,572	767,883	98,990
Finance costs.....	333,639	253,307	238,539	30,751	154,663	124,335	16,028
Depreciation of properties and equipment	91,250	118,922	146,559	18,893	73,847	78,520	10,122
Amortization of land costs.....	9,409	5,845	6,522	841	3,193	3,325	429
Less:							
Fair value gains on investment properties.....	4,700,097	3,795,624	107,397	13,845	18,776	107,697	13,883
Other gains.....	734,033	1,124,053	99,732	12,857	74,943	1,849,849	238,469
Finance income	<u>13,551</u>	<u>17,039</u>	<u>29,098</u>	<u>3,751</u>	<u>13,918</u>	<u>10,603</u>	<u>1,367</u>
EBITDA	<u><u>3,778,535</u></u>	<u><u>4,284,467</u></u>	<u><u>2,352,577</u></u>	<u><u>303,277</u></u>	<u><u>1,799,810</u></u>	<u><u>1,599,087</u></u>	<u><u>206,142</u></u>

- (3) EBITDA margin is calculated by dividing EBITDA by revenues.

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 (“MLR”) and the Ministry of Housing and Urban-Rural Development (“MOHURD”) jointly issued a Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development. During the period between October 2010 and July 2011, the People’s Bank of China (“PBOC”) raised the benchmark one-year deposit and lending rates five times, each time by 25 basis points. Although PBOC subsequently lowered the benchmark one-year deposit and lending rates twice in June and July 2012, there can be no assurance that PBOC will not raise the benchmark interest rates again in the future. In January 2011, the PRC government adopted certain new policies to cool down the real estate property market, including increasing the minimum down payment to at least 60% of the total purchase price for second-house purchases and a minimum mortgage interest rate of at least 110% of the benchmark lending rate. In certain targeted cities, residents who own one residential property and non-residents who can provide proof of local tax or social security payments beyond a specified time period may only purchase one additional residential property. In the meantime, residents who own two or more residential properties and non-residents who own more than one residential property or cannot provide any proof of local tax or social security payments beyond a specified time period are restricted from acquiring additional residential properties. Local governments in certain cities, such as Chongqing and Shanghai, have launched new property tax schemes on a trial basis, and levied a business tax on the full amount of the selling price if an individual owner sells a residential property within five years of purchase. In addition, local governments in certain cities, such as Beijing, Shanghai, Tianjin and Hangzhou, have promulgated policies to limit the maximum number of residential properties which could be purchased by a family. In August 2011, MOHURD urged provincial governments to implement home purchase restrictions to control property prices. In the second half of 2011, in order to further cool down the property

market, the PRC government extended home purchase restrictions to certain second- and third-tier cities in addition to the 40-plus first- and second-tier cities which have already adopted home purchase restriction measures. Some provincial and city governments have also considered levying additional taxes on properties, in particular on vacant homes. 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 Guangzhou, Beijing and Shanghai have experienced rapid and significant growth. In recent years, however, property over-supply is an increasing risk in certain parts of China, where property investment, trading and speculation have become overly active. In the event of actual or perceived over-supply, together with the effect of the PRC government policies to curtail the overheating of the property market, property prices may fall significantly and our revenue and results of operations would be adversely affected. We cannot assure you that the problems of over-supply 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 cyclicity, 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 downturns 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, 2012, we had developed or were developing 32 projects in the Pearl River Delta, 22 projects in the Pan Bohai Rim and 14 projects in the Yangtze River Delta. During the second half of 2012, we acquired four parcels of land located in Huizhou, Guangdong province with an aggregate site area of 160,583 sq.m. and a total construction area of approximately 421,947 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, Tianjin 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. In addition, volatility in market conditions and fluctuations in property prices and demand for properties have been affected and will continue to be affected by the macroeconomic control measures adopted by the PRC government as well as other economic, social and political factors that are outside of our control. 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.

The global economic slowdown, crisis in global financial markets and volatility of property prices have negatively affected, and may continue to negatively affect, our results of operations, business and our ability to obtain necessary financing for our operations.

The global economic slowdown, crisis in global financial markets, including the recent economic turmoil in Europe, and volatility of property prices 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, which in turn have affected our turnover and profit margin;
- 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;
- weak economic conditions have also affected the ability and speed of property developers in commencing new development projects or expanding existing projects; and
- the tightening of credit has negatively impacted the ability of property developers and potential property purchasers to obtain financing.

The outlook for the world economy and financial markets remains uncertain. In Europe, several countries are facing difficulties in refinancing sovereign debt. In the United States, the unemployment rate remains high, and recovery in the housing market remains subdued. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In the Middle East, political unrest in various countries has resulted in economic instability and uncertainty. China's economic growth may slow down due to weakened exports. These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely affecting, homeowners and potential property purchasers, which may lead to a decline in the general demand for our products and erosion of their sale prices. In addition, any further tightening of liquidity in the global financial markets may negatively affect our liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets crisis continue, our business, financial condition and results of operations may be materially and adversely affected.

We have substantial indebtedness and may incur substantial additional indebtedness. We are subject to refinancing risks associated with our existing indebtedness, which would affect our ability to satisfy our obligations under the notes and other debt.

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, 2009, 2010 and 2011 and June 30, 2012 were HK\$16,348.9 million, HK\$23,719.4 million, HK\$35,347.9 million (US\$4,556.8 million) and HK\$33,505.1 million (US\$4,319.2 million), respectively. In particular, approximately HK\$13,810.8 million (US\$1,780.4 million) of our total borrowings as of June 30, 2012 will be due within one year or on demand, representing approximately 41.2% of our total borrowings as of June 30, 2012. 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 in the event we are unable to refinance all or a portion of our debt on or before maturity;
- 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, 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 are subject to refinancing risks with respect to our existing indebtedness, in particular, our short-term borrowings due within one year. Our ability to refinance our short-term borrowings may be materially and adversely affected if, for example, our contract sales fail to grow as expected or we are unable to negotiate new bank loans on favorable terms or at all. If we are unable to refinance any of our existing debt, it could materially and adversely affect our ability to satisfy our obligations under the notes and our other debt. We can give no assurances that we will be able to refinance our existing indebtedness on or before maturity on favorable terms or at all.

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 2016 Notes prohibit 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 2016 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, which would limit our ability to refinance all or a portion of our indebtedness on or before maturity.

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 June 30, 2012, our bank and financial institution borrowings amounted to HK\$28,504.7 million (US\$3,674.6 million), a substantial portion of which will be due within one year. Our US\$300 million aggregate principal amount of 2016 Notes mature in January 2016. 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 in time, if at all. For example, our ability to generate sufficient cash flows may be materially and adversely affected if our contract sales fail to grow as expected. We may need to refinance all or a portion of our indebtedness, including the notes, on or before maturity. In particular, a substantial portion of our indebtedness would need to be refinanced in the next twelve months. 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 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 process, 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. As of the date of this offering memorandum, two of our project companies are in the process of renewing their business licenses. 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 high-end 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, MLR 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
- on May 23, 2012, MLR and the National Development and Reform Commission ("NDRC") jointly promulgated the Notice Concerning Implementation of the Catalog for Restricted Land Use Projects (2012 Version) and the Catalog for Prohibited Land Use Projects (2012 Version), which set forth that the plot ratios of residential property projects cannot be lower than 1.0 and that villa and similar types of projects are categorized as prohibited land-use projects. The area of land granted for commodity housing development is limited to 7 hectares in small cities (towns), 14 hectares in medium cities or 20 hectares in large cities.
- on September 21, 2010, MLR and MOHURD issued a notice that requires more than 70% of land used for construction of urban housing to be designated for low-income housing, housing for resettlement of individuals living in shanty towns and small-to-medium-sized ordinary commercial housing, and requires the plot ratio of the planned GFA to the total site area of residential projects must be more than 1 to 1.

- on January 26, 2011, the General Office of the State Council issued a notice to urge the full implementation of the regulations and controlling measures of the real estate market. Such notice aimed to gradually solve the problems with respect to the poor housing conditions of some urban and rural residents, to reinforce the implementation of restrictive measures relating to housing purchases and to promote the stable development of the real estate market in China.

If we are not able to acquire suitable sites at affordable prices, or at all, or if we are restricted in the types of projects we may pursue at specific sites, our business and prospects, results of operations and financial condition may be materially and adversely affected.

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. 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 and permits. 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 not experienced any significant difficulties in obtaining the 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 authorities take into account a 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. The local authorities generally grant the developers who conduct property development exceeding the qualification grade a grace period to rectify their non-compliance subject to a penalty of between RMB50,000 and RMB100,000. Failure to satisfy the qualification requirements within the specified time frame could result in rejection of the application for renewal of the qualification certificate and revocation of the developer's business license. Each of our project companies renews its qualification certificate annually with the assistance of our headquarters.

We cannot assure you that each of the qualification certificates of our operating project companies will be renewed or extended within the required time frame or that each of our newly established project companies and non-property development related subsidiaries will be able to obtain a valid qualification certificate in a timely manner, or at all. For example, as of the date of this offering memorandum, several of our operating project companies are in the process of renewing their qualification certificates. In addition, several of our subsidiary companies with new projects for future development are in the process of applying for qualification certificates. Furthermore, several of our non-property development related subsidiaries are in the process of obtaining qualification certificates required for their respective operations. If any of our project companies or other non-property development related subsidiaries is 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, 2009, 2010 and 2011 and the six months ended June 30 2012. 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, 2012, our outstanding guarantees in respect

of the mortgage loans of our customers amounted to approximately HK\$10,115.3 million (US\$1,304.0 million). Although we have historically experienced a low default rate 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. To control the growth in the PRC property market following the adoption of the stimulus package by the PRC government in the second half of 2008, 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 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, MOHURD, PBOC and the China Banking Regulatory Commission ("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 PBOC and 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. In January 2011, the General Office of the State Council further raised the minimum down payment for second house purchases from 50% to 60%, with the minimum mortgage interest rate at 110% of the benchmark lending rate. In addition, during the period between October 2010 and July 2011, PBOC raised the benchmark one-year deposit and lending rates five times, each time by 25 basis points. Although PBOC subsequently lowered the benchmark one-year deposit and lending rates twice in June and July 2012, we cannot assure you that the PRC government and commercial banks will not further increase benchmark interest rates or 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. We cannot assure you that the PRC governmental authority will not ban or impose material limitations on the existing 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 upon approval by the corresponding local government agencies 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, MLR and MOHURD 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.

Our business and results of operations may be materially and adversely affected if the resettlement costs or other costs of similar nature associated with our property developments increase.

Land parcels acquired by property developers for future development may have existing buildings or other structures on them or may be occupied by third parties. In cases where the land is obtained from the PRC government, resettlement costs or other costs of similar nature are usually included in the land premium payable. Under PRC laws and regulations, government authorities are required to enter into written agreements with the owners or residents of the properties subject to demolition and to provide compensation for their relocation and resettlement. The compensation payable by government authorities cannot be lower than the market value of similar properties at the time of expropriation. If the compensation paid by government authorities increases significantly due to increases in property market prices, the land premiums payable by us may be subject to substantial increases, which could materially and adversely affect our business, results of operations and financial condition. In addition, any delay or difficulty in the resettlement process may cause a delay in the delivery of land to us, in whole or in part, and may cause an increase in the fees payable in connection with the resettlement process. In addition, if a local government and the owners or residents of the buildings subject to demolition fail to reach an agreement over the amount of compensation, the government may unilaterally determine a compensation plan, but the owners or residents have the right to apply for administrative review with relevant government authorities or initiate lawsuits,

which may further delay the timetable for completion of a project. Such delays may lead to an increase in cost and a delay in the expected cash inflow from pre-sales of the relevant projects. If we experience an increase in resettlement costs or any delays due to a failure to reach a resettlement agreement, our business, financial condition and results of operations may be materially and adversely affected.

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. For example, our Dongli Lake project in Tianjin occupies a parcel of collectively-owned land with an aggregate site area of approximately 1,130,000 sq.m. We may only commence construction after the land has been converted into state-owned land from collectively-owned land upon approval of the competent authorities. We will also need to apply for changes of the designated uses 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, RMB41.4 million in our bank account and our land use rights of two plots of land of approximately 23,000 sq.m. were frozen by the PRC Courts in connection with the litigation instituted by YTO Group against Laureland Co and Ziyun Co, our wholly-owned subsidiaries, in relation to a dispute over a guarantee. Please see "Business—Legal Proceedings" for details. 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 our experience in Guangzhou, we have gradually expanded our operations into five provinces and three provincial level municipalities beyond Guangdong province, including into the Pan Bohai Rim and the Yangtze River Delta, with Guangzhou, Huizhou, Beijing, Tianjin 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, MLR 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 Ministry of Finance (“MOF”), MLR, PBOC, the 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, MLR 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 by the implementation of these regulations or any administrative fines imposed for our 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, trust financing arrangements, capital markets financing (such as our initial public offering and listing on the main board of the Stock Exchange of Hong Kong in 1998, offerings of our 2012 Notes and 2016 Notes and the issuance of 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 cash flow 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. 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.

Furthermore, PBOC raised the benchmark one-year lending rate several times between 2004 and 2008. PBOC also increased the amount of funds a commercial banks must hold in reserve with PBOC against deposits made by their customers, or reserve requirement ratio, several times between 2006 and 2008 to curtail the overheating in China's property market, which negatively impacted the amount of funds available for commercial banks to lend. Following the slowdown of the global economy in 2008, the PRC government lowered benchmark lending rates and the reserve requirement ratio for commercial banks in order to stimulate economic growth. PBOC subsequently increased benchmark lending rates and the reserve requirement ratio several times between October 2010 and July 2011 in order to control the growth of the PRC economy. Although PBOC lowered the benchmark lending rates twice in June and July 2012, we cannot assure you that PBOC will not raise lending rates or reserve requirement ratios again 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. 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 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 or 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 2011, we had a net cash outflow from operating activities of HK\$2,467.4 million (US\$318.1 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.

Our access to capital markets and ability to enter into new or renew existing financing arrangements are dependent on favorable evaluations and ratings by credit rating agencies.

Our credit and financial strength and senior notes are evaluated and rated by S&P and Moody's. On April 3, 2012, S&P lowered its long-term corporate credit rating on our company from "B+" to "B" and its rating on our senior notes from "B" to "B-" to reflect our breach of its downgrade trigger of EBITDA interest coverage and our weak sales execution, higher borrowings and limited prospects for an improvement. S&P also placed all its ratings on us on CreditWatch with negative implications to reflect its view that we faced refinancing risk on our 2012 Notes. On May 31, 2012, S&P further lowered our long-term corporate credit rating from "B" to "B-" and our senior unsecured notes rating from "B-" to "CCC+" and affirmed such ratings on September 24, 2012. On April 20, 2012, Moody's downgraded our corporate family rating from "B3" to "Caa1," and our senior unsecured notes rating from "Caa1" to "Caa2" to reflect its view that we had our heightened liquidity risk as a result of our low cash holdings and weak sales execution, versus large near-term debt maturities. Subsequent to our repayment of the 2012 Notes in November 2012, Moody's upgraded our corporate family rating from "Caa1" to "B3", and our senior unsecured notes rating from "Caa2" to "Caa1" to reflect its view of our ability to use internal sources to repay the 2012 Notes and affirmed such ratings on January 8, 2013. However, we cannot assure you that our ratings will not be downgraded again by credit rating agencies in the future. Downgrades in our credit ratings could adversely affect our ability to access the capital markets and ability to enter into new or renew existing financing arrangements, and/or lead to increased borrowing costs. Perceptions of our company by investors, commercial counterparties and others could also be impaired, which may adversely affect the value of your investment in the notes.

The PRC tax authorities may increase 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 2009, 2010 and 2011, 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 a minimum LAT prepayment rate of no less than 2% for all properties other than affordable housing construction in 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 Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises sets forth that the local tax authorities may require 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 specific environmental laws and regulations governing a particular development site vary greatly based on 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 and 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 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 per project. As of the date of this offering memorandum, except for our Hospon Ziyue Mansion project, which is in the process of obtaining the approval for environmental assessment, all our completed projects and projects under development have 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 all our future projects and that the relevant environmental authorities will not order us to suspend construction of any of our 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 of 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 future environmental investigations 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 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 ("NPC") 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. Pursuant to the Labor Contract Law, an employer is obligated to enter into an "indefinite term labor contract" with an employee if the employee has been employed by the employer after two or more consecutive fixed-term contracts. The employer is required to pay compensation to the employee if the employer wants to terminate an "indefinite 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 with 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 continued 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 63.4% of our outstanding shares were beneficially owned by our controlling shareholder, Mr. Chu Mang Yee, as of June 30, 2012. 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 strategies 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 into the hotel business in July 2004 when the Guangzhou Regal Riviera Hotel commenced operations, and we currently also have interests in 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 Hotel 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 fluctuations 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. Some 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 among 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 greater 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 30 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 three 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 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 Regulation on the Implementation of the Enterprise Income Tax Law of the PRC adopted in December 2007 (collectively, the "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 are subject to a withholding tax rate of 10% or a lower treaty rate. Pursuant to a special arrangement between Hong Kong and the PRC, such rate is lowered to 5%

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 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 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 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 on the notes and any gains realized from the transfer of the notes may be treated as income derived from sources within China. Non-resident enterprise holders may be subject to PRC withholding tax or PRC tax at a rate of 10%, or a lower rate as applicable, and non-resident individual holders may be subject to PRC withholding tax or PRC tax at a rate of 20% (or lower rate if available under an applicable tax treaty). If we are required under the EIT Law to withhold PRC tax on our interest payable to our non-resident noteholders, 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 EIT Law, or any subsequent changes in PRC tax laws, rules or regulations retroactively. As there may be different applications of the 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.

In May 2011, SAFE issued new implementation guidance to its local branches regarding the operational procedures for such registration, or Circular No. 19, which provides specific requirements on the registration relating to the SAFE Circular No. 75. Circular No. 19 imposes obligations on onshore subsidiaries of the offshore special purpose company to coordinate with and supervise the beneficial owners of the offshore entity who are PRC citizens or residents to complete the SAFE registration process. Circular No. 19 clarifies that an offshore special purpose company can be formed prior to the SAFE Circular No. 75 registration, but such offshore special purpose company is prohibited from engaging in activities that will cause substantive changes to its capital or shares before the completion of the SAFE Circular No. 75 registration, including offshore financing, share capital change or roundtrip investment.

It is 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 "Regulations—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 Renminbi 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 Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by 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 Renminbi 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 Renminbi 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 PBOC. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 30.3% from July 21, 2005 to June 30, 2012. 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 MOFCOM through a filing made by the local authorities; and
- foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not affect foreign exchange settlements of capital account items for those foreign-invested real estate enterprises which have not completed their filings with MOFCOM or fail to pass the annual inspection.

In June 2008, to strengthen regulation of foreign-invested real estate enterprises, 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 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. Furthermore, in December 2011, NDRC and

MOFCOM jointly amended and released the Foreign Investment Industrial Guidance Catalog (2011), which provides that, effective from January 30, 2012, the development of a whole land lot solely by foreign investors, as well as the construction and operation of golf course and villas, fall within the category of industries in which foreign investment is prohibited. 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 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 NDRC and 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 sometime 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 Initial Purchasers, the Trustee, the Paying and Transfer Agent and the Registrar or any of our or their 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 PRC 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, 2012, our non-guarantor subsidiaries had capital commitments and contingent liabilities arising from guarantees of HK\$16,265.8 million (US\$2,096.9 million) and HK\$10,115.3 million (US\$1,304.0 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.

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.

The PRC government has imposed restrictions on the ability of onshore real estate developers to receive offshore funds, 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 July 2007, the General Affairs Department of SAFE issued the Circular on Distribution of List of the First Group of Foreign-Invested Real Estate Projects Filed with MOFCOM. Under this circular, local branches of SAFE shall not register any foreign debt of a foreign-invested real estate enterprise that obtained approval for incorporation or capital increase from the local branches of MOFCOM and filed with MOFCOM on or after June 1, 2007. In addition, the local branches of SAFE shall not process any foreign exchange registration (or amendment of registration) or foreign exchange settlement for capital account items for a foreign-invested real estate enterprise that was approved by the relevant local branches of MOFCOM on or after June 1, 2007, but has not been filed with MOFCOM.

Foreign-invested enterprises include joint ventures and wholly foreign-owned enterprises established in China, such as most of our PRC subsidiaries. Although we intend to use the proceeds of this offering to refinance a portion of our indebtedness, any proceeds used for production facilities and acquisitions 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 (in case of our PRC real estate subsidiaries) 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 plans undertaken by such PRC subsidiaries. We might not be able to obtain in a timely manner all necessary approvals for all our operating subsidiaries in the PRC to comply with this regulation.

Further, the PRC government could introduce new policies that further restrict our ability to deploy, 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 raise outside China as intended.

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 2016 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 the 2016 Notes. If an event constituting a change of control occurs at a time when we are prohibited from repurchasing the notes and the 2016 Notes, we may seek the consent of the lenders under such indebtedness to purchase the notes and the 2016 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 2016 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 2016 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.

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 because we are treated as a PRC “resident enterprise.”

In the event we are treated as a PRC “resident enterprise” under the EIT Law, we may be required to withhold PRC tax on interest payable to certain of our non-resident investors. 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.

If we are unable to comply with the terms of the indenture governing the notes and the indenture governing our 2016 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 2016 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 and the indenture governing our 2016 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 and the indenture governing our 2016 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 and the 2016 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 2016 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 for 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 Initial Purchasers intend to make a market in the notes, but the Initial Purchasers are 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 “Transfer Restrictions.” 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 “CCC+” by S&P and “Caa1” by Moody’s. 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. See “Risks Relating to Our Businesses — Our access to capital markets and ability to enter into new or renew existing financing arrangements are dependent on favorable evaluations and ratings by credit rating agencies.”

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 “Description of the Notes — Certain Covenants— 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 depository 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.”

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 other non-guarantor subsidiaries. Moreover, the collateral securing the notes will not include the capital stock of our existing or future PRC subsidiaries and certain of our 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 2016 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 2016 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 2016 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 the notes, our 2016 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 2016 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.

USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering in the amount of approximately US\$295 million, after deducting underwriting fees and commissions and other estimated transaction expenses payable by us. We intend to use the net proceeds from this offering to refinance existing debt, to finance the cost of construction or improvement of projects and for general corporate purposes.

EXCHANGE RATE INFORMATION

Hong Kong

The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since October 17, 1983, the Hong Kong dollar has been linked to the U.S. dollar at the rate of HK\$7.76 to US\$1.00. The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (the "Basic Law"), which came into effect on July 1, 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK\$7.76 to US\$1.00. In May 2005, the Hong Kong Monetary Authority broadened the 22-year-old trading band from the original rate of HK\$7.80 per U.S. dollar to a rate range of HK\$7.75 to HK\$7.85 per U.S. dollar. The Hong Kong government has indicated its intention to maintain the link within that rate range. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
		(HK\$ per US\$1.00)		
2007.....	7.7984	7.8008	7.8289	7.7497
2008.....	7.7499	7.7814	7.8159	7.7497
2009.....	7.7536	7.7513	7.7618	7.7495
2010.....	7.7810	7.7687	7.8040	7.7501
2011.....	7.7663	7.7841	7.8087	7.7634
2012				
Six months ended June 30.....	7.7572	7.7606	7.7678	7.7532
2012				
July.....	7.7538	7.7561	7.7586	7.7538
August.....	7.7560	7.7562	7.7574	7.7543
September.....	7.7540	7.7540	7.7569	7.7510
October.....	7.7494	7.7515	7.7549	7.7494
November.....	7.7501	7.7505	7.7518	7.7493
December.....	7.7507	7.7501	7.7518	7.7493
2013				
January (through January 4).....	7.7503	7.7504	7.7507	7.7503

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

China

PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set daily by PBOC on the basis of the previous day's inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. During this period, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. On May 18, 2007, PBOC enlarged the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 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 PBOC. From July 21, 2005 to June 30, 2012, the value of the Renminbi appreciated by approximately 30.3% against the U.S. dollar. PBOC authorized the China Foreign Exchange Trading Centre, effective since January 4, 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the business day.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
		(RMB per US\$1.00)		
2007.....	7.2946	7.5806	7.8127	7.2946
2008.....	6.8225	6.9193	7.2946	6.7800
2009.....	6.8259	6.8295	6.8470	6.8176
2010.....	6.6000	6.7696	6.8330	6.6000
2011.....	6.2939	6.4630	6.6364	6.2939
2012				
Six months ended June 30	6.3530	6.3119	6.3684	6.2790
2012				
July	6.3610	6.3717	6.3879	6.3487
August.....	6.3484	6.3593	6.3738	6.3484
September	6.2848	6.3200	6.3489	6.2848
October	6.2372	6.2627	6.2877	6.2372
November.....	6.2265	6.2338	6.2454	6.2221
December	6.2301	6.2328	6.2502	6.2251
2013				
January (through January 4).....	6.2303	6.2302	6.2303	6.2301

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth on an actual basis our consolidated capitalization and indebtedness as of June 30, 2012, and as adjusted to give effect to the repurchase and repayment of the 2012 Notes and the issuance of the notes (before deducting the underwriting fees and commissions and other estimated transaction expenses payable by the Company), as if the repurchase and repayment of the 2012 Notes and the issuance of the notes had occurred on June 30, 2012.

You should read this information together with “Use of Proceeds,” “Selected Financial Information and Other Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements and related notes included elsewhere in this offering memorandum.

	As of June 30, 2012			
	Actual		As Adjusted	
	HK\$	US\$	HK\$	US\$
	(in millions)			
Short-term debt:				
2012 Notes.....	2,710	349	—	—
Bank and financial institution borrowings.....	11,101	1,431	11,101	1,431
Total short-term debt.....	<u>13,811</u>	<u>1,780</u>	<u>11,101</u>	<u>1,431</u>
Long-term debt:				
Bank and financial institution borrowings.....	17,404	2,244	17,404	2,244
2016 Notes.....	2,290	295	2,290	295
Notes offered hereby.....	—	—	2,327	300
Total long-term debt.....	<u>19,694</u>	<u>2,539</u>	<u>22,021</u>	<u>2,839</u>
Equity:				
Share capital.....	174	22	174	22
Reserves.....	41,679	5,373	41,679	5,373
Non-controlling interests.....	2,909	375	2,909	375
Total equity.....	<u>44,762</u>	<u>5,770</u>	<u>44,762</u>	<u>5,770</u>
Total capitalization ⁽¹⁾	<u>64,456</u>	<u>8,309</u>	<u>66,783</u>	<u>8,609</u>

(1) Total capitalization represents total long-term debt and total equity.

As of June 30, 2012, our bank and financial institution borrowings amounted to HK\$28,504.7 million (US\$3,674.6 million). There have been no material changes in our capitalization and indebtedness since June 30, 2012 except for the repurchase of an aggregate principal amount of US\$5 million of the 2012 Notes in September 2012, the repayment of the remaining principal amount of the outstanding 2012 Notes and accrued and unpaid interest up to the maturity date on November 9, 2012, and the incurrence of additional bank and financial institution borrowings in the ordinary course of business to finance the cost of construction or improvement of projects.

SELECTED FINANCIAL INFORMATION AND OTHER DATA

You should read the following selected financial information and other data together with the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements and related notes included elsewhere in this offering memorandum.

We have derived the following selected financial information from our audited consolidated financial statements as of and for the years ended December 31, 2009, 2010 and 2011 and our unaudited condensed consolidated financial information as of and for the six months ended June 30, 2011 and 2012, which are included elsewhere in this offering memorandum. We prepare and present our audited consolidated financial statements and unaudited condensed consolidated financial information in accordance with HKFRS.

	Year ended December 31,				Six months ended June 30,		
	2009	2010	2011		2011	2012	
	HK\$	HK\$	HK\$	US\$	HK\$	HK\$	US\$
	(in thousands, except percentages)						
Consolidated income statement data ⁽¹⁾:							
Revenues.....	11,225,246	14,379,253	8,007,537	1,032,272	4,833,445	5,122,555	660,361
Cost of sales	(6,557,985)	(8,692,021)	(4,329,161)	(558,083)	(2,576,703)	(2,836,980)	(365,722)
Gross profit.....	4,667,261	5,687,232	3,678,376	474,189	2,256,742	2,285,575	294,639
Fair value gains on investment properties	4,700,097	3,795,624	107,397	13,845	18,776	107,697	13,883
Other gains, net	734,033	1,124,053	99,732	12,857	74,943	1,849,849	238,469
Selling and marketing costs.....	(378,757)	(410,225)	(466,549)	(60,144)	(139,831)	(208,089)	(26,825)
General and administrative expenses	(995,041)	(1,117,712)	(1,009,398)	(130,124)	(393,337)	(560,524)	(72,259)
Operating profit	8,727,593	9,078,972	2,409,558	310,622	1,817,293	3,474,508	447,907
Finance income.....	13,551	17,039	29,098	3,751	13,918	10,603	1,367
Finance costs	(333,639)	(253,307)	(238,539)	(30,751)	(154,663)	(124,335)	(16,028)
Share of profit less loss of associates	(1,346)	1,071	351	45	(206)	1,490	192
Share of profit/(loss) of and other gains relating to jointly controlled entities	385,759	(666)	(3,284)	(423)	(598)	(1,210)	(156)
Profit before taxation.....	8,791,918	8,843,109	2,197,184	283,244	1,675,774	3,361,056	433,282
Taxation	(2,699,383)	(2,550,097)	(788,773)	(101,683)	(621,572)	(767,883)	(98,990)
Profit for the period.....	6,092,535	6,293,012	1,408,411	181,562	1,054,172	2,593,173	334,292
Attributable to:							
Equity holders of our company	5,799,573	5,889,412	1,430,031	184,349	1,019,852	2,631,219	339,197
Non-controlling interests	292,962	403,600	(21,620)	(2,787)	34,320	(38,046)	(4,905)
Other data:							
EBITDA ⁽²⁾	3,778,535	4,284,467	2,352,577	303,277	1,799,810	1,599,087	206,142
EBITDA margin ⁽³⁾	33.7%	29.8%	29.4%	29.4%	37.2%	31.2%	31.2%

	As of December 31,				As of June 30,	
	2009	2010	2011		2012	
	HK\$	HK\$	HK\$	US\$	HK\$	US\$
	(in thousands)					
Consolidated statement of financial position data:						
Total non-current assets	16,362,819	25,162,663	28,118,009	3,624,763	26,134,083	3,369,010
Total current assets	54,291,445	65,998,097	81,778,716	10,542,298	85,936,626	11,078,305
Total current liabilities.....	24,845,008	24,025,508	37,773,912	4,869,529	41,555,181	5,356,982
Net current assets	29,446,437	41,972,589	44,004,804	5,672,769	44,381,445	5,721,323
Total assets less current liabilities	45,809,256	67,135,252	72,122,813	9,297,532	70,515,528	9,090,333
Total non-current liabilities	15,309,780	26,142,153	28,056,704	3,616,860	25,753,677	3,319,971
Net assets.....	30,499,476	40,993,099	44,066,109	5,680,672	44,761,851	5,770,362
Non-controlling interests	2,305,733	2,805,944	2,981,657	384,373	2,909,536	375,076
Total equity.....	30,499,476	40,993,099	44,066,109	5,680,672	44,761,851	5,770,362

	Year ended December 31,				Six months ended June 30,		
	2009	2010	2011		2011	2012	
	HK\$	HK\$	HK\$	US\$	HK\$	HK\$	US\$
	(in thousands)						
Consolidated statement of cash flow data:							
Net cash flows from (used in)							
operating activities	4,780,683	(7,669,016)	(2,467,366)	(318,074)	(4,690,155)	2,367,953	305,259
Net cash flows from (used in)							
investing activities.....	(2,324,483)	(1,700,601)	(4,777,711)	(615,907)	(1,248,401)	1,743,423	224,749
Net cash flows from (used in)							
financing activities	1,939,852	5,218,551	7,163,935	923,521	7,465,622	(2,279,361)	(293,838)
Net (decrease) increase in cash							
and cash equivalents.....	4,396,052	(4,151,066)	(81,142)	(10,460)	1,527,066	1,832,015	236,170
Cash and cash equivalents at the							
beginning of the period	2,142,696	6,546,144	2,573,604	331,770	2,573,604	2,618,161	337,514
Cash and cash equivalents at the							
end of the period	6,546,144	2,573,604	2,618,161	337,514	4,178,156	4,430,581	571,157

- (1) A summary of the litigation instituted by YTO Group against Laureland Co and Ziyun Co, our wholly-owned subsidiaries, in relation to a dispute over a guarantee was disclosed in note 39 to the consolidated financial statements for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively. On August 13, 2010, the Higher People's Court of Henan Province upheld the decision of the Intermediate People's Court of Luoyang City that Ziyun Co is liable for sums which Laureland Co may be unable to settle and ordered Ziyun Co to pay the costs of the appeal of RMB507,432. We appealed to the Supreme People's Court of the PRC in March 2011. In June 2011, bank deposits of RMB12 million of Ziyun Co was temporarily transferred to the Higher People's Court of Henan Province. The Supreme People's Court of the PRC ordered a retrial of the case in July 2011 and a hearing was conducted by the Higher People's Court of Henan Province in February 2012. In May 2012, as requested by Ziyun Co, the Higher People's Court of Henan Province released the charge of the land use rights of a piece of land of approximately 239,500 sq.m. held by Ziyun Co after Ziyun Co provided another bank deposits of RMB30 million and two other plots of land of approximately 23,000 sq.m. as charged items. No provision was made in the financial statements for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012. On August 28, 2012, the Higher People's Court of Henan Province upheld its judgment made in August 2010 to order Ziyun Co to pay YTO Group the judgment sums which Laureland Co is unable to settle. Based on the management's assessment, our maximum monetary liability under the dispute is estimated at RMB56,200,000.
- (2) EBITDA for any period is calculated as profit, adding back taxation, finance costs, depreciation of properties and equipment, amortization of land costs and goodwill impairment, and subtracting fair value gains on investment properties, other gains and finance income. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, profit or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the

components of EBITDA such as selling and distribution costs and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to service debt and pay taxes. EBITDA presented in this offering memorandum may not be comparable to similarly titled measures presented by other companies. You should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. You should also note that EBITDA as presented may be calculated differently from Consolidated EBITDA as defined and used in the indenture governing the notes. See the section entitled “Description of the Notes—Definitions” for a description of the manner in which Consolidated EBITDA is defined for purposes of the indenture governing the notes. The following table reconciles our EBITDA to our profit for the period, which is the most directly comparable HKFRS measure:

	Year ended December 31,				Six months ended June 30,		
	2009	2010	2011		2011	2012	
	HK\$	HK\$	HK\$	US\$	HK\$	HK\$	US\$
	(in thousands)						
Profit for the period	<u>6,092,535</u>	<u>6,293,012</u>	<u>1,408,411</u>	<u>181,562</u>	<u>1,054,172</u>	<u>2,593,173</u>	<u>334,292</u>
Adjustments:							
Add:							
Taxation.....	2,699,383	2,550,097	788,773	101,683	621,572	767,883	98,990
Finance costs.....	333,639	253,307	238,539	30,751	154,663	124,335	16,028
Depreciation of properties and equipment	91,250	118,922	146,559	18,893	73,847	78,520	10,122
Amortization of land costs..	<u>9,409</u>	<u>5,845</u>	<u>6,522</u>	<u>841</u>	<u>3,193</u>	<u>3,325</u>	<u>429</u>
Less:							
Fair value gains on investment properties.....	4,700,097	3,795,624	107,397	13,845	18,776	107,697	13,883
Other gains.....	734,033	1,124,053	99,732	12,857	74,943	1,849,849	238,469
Finance income	<u>13,551</u>	<u>17,039</u>	<u>29,098</u>	<u>3,751</u>	<u>13,918</u>	<u>10,603</u>	<u>1,367</u>
EBITDA	<u><u>3,778,535</u></u>	<u><u>4,284,467</u></u>	<u><u>2,352,577</u></u>	<u><u>303,277</u></u>	<u><u>1,799,810</u></u>	<u><u>1,599,087</u></u>	<u><u>206,142</u></u>

(3) EBITDA margin is calculated by dividing EBITDA by revenues.

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 develop commercial properties, including retail shops, shopping malls, office buildings and hotels. Commercial properties, including integrated residential and commercial developments, have become an increasing proportion of our projects portfolio. 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 a three to seven year period. As of June 30, 2012, we had 68 property projects in various stages of development, of which 32 property developments are located in the Pearl River Delta, 22 property developments in the Pan Bohai Delta and 14 property developments in the Yangtze River Delta. The total saleable GFA of our land bank amounted to 31.85 million sq.m. as of June 30, 2012.

We derive substantially all of our revenue from the sale of properties that we develop. In 2010 and 2011, revenue from property development accounted for 95.9% and 90.9%, 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, 2009, 2010 and 2011, our revenue was HK\$11,225.2 million, HK\$14,379.3 million and HK\$8,007.5 million (US\$1,032.3 million), respectively, and our profit was HK\$6,092.5 million, HK\$6,293.0 million and HK\$1,408.4 million (US\$181.6 million), respectively. For the six months ended June 30, 2011 and 2012, our revenue was HK\$4,833.4 million and HK\$5,122.6 million (US\$660.4 million), respectively, and our profit was HK\$1,054.2 million and HK\$2,593.2 million (US\$334.3 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 sale price we achieve.

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 several projects at different stages at the same time. Accordingly, the number of properties that we have available for sale and the number of properties we complete and deliver to purchasers could vary significantly from period to period. Revenue in a particular period is also dependent on our ability to gauge market demand 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 it higher at later phases than at 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 delays in the future may result in the loss of revenue.

The major components of our cost of sales consist of costs we incur directly during the property development process, 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 take many months or even 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 primary component of the 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 our construction work 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 the use of more expensive materials in order for the desired foundation support to be achieved.

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 as well as 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 in Shanghai, Bin Jiangyuan, that is subject to resettlement requirements. See “Risk Factors—Risks Relating to Our Businesses—Our business and results of operations may be materially and adversely affected if the resettlement costs or other costs of similar nature associated with our property developments increase.” 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 property development process. 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, trust financing arrangements 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\$16,348.9 million, HK\$23,719.4 million, HK\$35,347.9 million (US\$4,556.8 million) and HK\$33,505.1 million (US\$4,319.2 million) as of December 31, 2009, 2010 and 2011 and June 30, 2012, 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. We are limited in the number of properties that we can develop or complete during any given time due to the significant capital commitment required for land acquisition, demolishment, resettlement and construction before a positive cash flows may be generated, as well as the limited availability of land supplies and lengthy development periods that are generally involved with the property development process. 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 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 2009, 2010 and 2011 and unaudited condensed consolidated financial statements for the six months ended June 30, 2011 and 2012 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 three main geographical areas, namely the Yangtze River Delta (including Shanghai, Hangzhou and Ningbo), the Pan Bohai Rim (including Beijing, Tianjin, Dalian, Taiyuan and Qinhuangdao) and the Pearl River Delta (including Guangzhou, Huizhou and Zhongshan).

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,					
	2009		2010		2011		2011		2012			
	HK\$	%	HK\$	%	HK\$	US\$	%	HK\$	%	HK\$	US\$	%
	(in millions, except percentages)											
Property development.....	10,631	94.7	13,788	95.9	7,276	938	90.9	4,501	93.1	4,674	602	91.2
Property management.....	431	3.8	411	2.9	490	63	6.1	235	4.9	278	36	5.4
Hotel operations	132	1.2	180	1.2	200	25	2.5	92	1.9	112	14	2.2
Property investment.....	31	0.3	0	0	42	6	0.5	5	0.1	59	8	1.2
Total.....	<u>11,225</u>	<u>100</u>	<u>14,379</u>	<u>100</u>	<u>8,008</u>	<u>1,032</u>	<u>100</u>	<u>4,833</u>	<u>100</u>	<u>5,123</u>	<u>660</u>	<u>100</u>

Revenue from property development, which represents proceeds from the sale of our properties, accounted for 94.7%, 95.9% and 90.9% of our total revenue in 2009, 2010 and 2011, respectively. Revenue from property development accounted for 93.1% and 91.2% of our total revenue in the six months ended June 30, 2011 and 2012, 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 at which we are able to sell 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, which represents fees for property management services we provide to properties owners, accounted for 3.8%, 2.9% and 6.1% of our total revenue in 2009, 2010 and 2011, respectively. Revenue from property management accounted for 4.9% and 5.4% of our total revenue in the six months ended June 30, 2011 and 2012, respectively.

Revenue from hotels operations accounted for 1.2%, 1.2% and 2.5% of our total revenue in 2009, 2010 and 2011, respectively. Revenue from hotels operations accounted for 1.9% and 2.2% of our total revenue in the six months ended June 30, 2011 and 2012, respectively.

Revenue from property investment, which represents rentals from properties held by us for long-term rental yields or for capital appreciation or both, accounted for 0.3%, 0.0% and 0.5% of our total revenue in 2009, 2010 and 2011, respectively. Revenue from property investment accounted for 0.1% and 1.2% of our total revenue in the six months ended June 30, 2011 and 2012, 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,		
	2009	2010	2011		2011	2012	
	HK\$	HK\$	HK\$	US\$	HK\$	HK\$	US\$
	(in millions)						
Property Development							
Yangtze River Delta ⁽¹⁾	3,675	2,885	1,922	248	1,615	2,547	328
Pan Bohai Rim ⁽²⁾	3,146	6,034	3,062	395	1,717	1,112	143
Pearl River Delta ⁽³⁾	3,810	4,869	2,292	295	1,169	1,015	131
Property Management.....	431	411	490	63	235	278	36
Hotel Operations							
Yangtze River Delta ⁽¹⁾	—	—	—	—	—	—	—
Pan Bohai Rim ⁽²⁾	107	148	165	21	75	96	12
Pearl River Delta ⁽³⁾	25	32	35	4	17	16	2
Property Investment							
Yangtze River Delta ⁽¹⁾	—	—	22	3	1	35	5
Pan Bohai Rim ⁽²⁾	—	—	—	—	—	—	—
Pearl River Delta ⁽³⁾	31	0	20	3	4	24	3
Total	11,225	14,379	8,008	1,032	4,833	5,123	660

- (1) Yangtze River Delta corresponds to “eastern China” in our financial statements and related notes, which includes Shanghai, Hangzhou and Ningbo.
- (2) Pan Bohai Rim corresponds to “northern China” in our financial statements and related notes, which includes Beijing, Tianjin, Dalian, Taiyuan and Qinhuangdao.
- (3) Pearl River Delta corresponds to “southern China” in our financial statements and related notes, which includes Guangzhou, Huizhou, Zhongshan and Hong Kong.

The Yangtze River Delta has become our largest geographic market, accounting for 50.4% of our total revenue for the six months ended June 30, 2012 (excluding the property management sector), followed by the Pan Bohai Rim and the Pearl River Delta, which accounted for 23.6% and 20.6%, respectively, of our total revenue for the six months ended June 30, 2012 (excluding the property management sector), respectively. Revenue from property management was mainly contributed by the Pearl River Delta in the past several years.

Cost of sales

Our cost of sales consists primarily of costs we incur directly associated with 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, demolition 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 conditions 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 they 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 28, 2035. 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 a 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 PRC tax authorities may increase LAT prepayment rate, settle the full amount of LAT or challenge the basis on which we calculate our LAT obligations.”

For the years ended December 31, 2009, 2010 and 2011, LAT charged to our income tax expenses was HK\$820.8 million, HK\$560.4 million and HK\$289.1 million (US\$37.3 million), respectively. For the same years, we made payments for provisional LAT in the amount of HK\$186.2 million, HK\$256.9 million and HK\$425.2 million (US\$54.8 million), respectively. Our LAT provision balance as of December 31, 2009, 2010 and 2011 totaled HK\$3,485.6 million, HK\$3,946.8 million and HK\$4,018.1 million (US\$518.0million), respectively.

For the six months ended June 30, 2011 and 2012, LAT charged to our income expenses was HK\$195.5 million and HK\$427.9 million (US\$55.2 million). For the same periods, we made payments for provisional LAT in the amount of HK\$208.5 million and HK\$177.8 million (US\$22.9 million), respectively. Our LAT provision balance as of June 30, 2011 and 2012 totaled HK\$4,026.8 million and HK\$4,252.0 million (US\$548.1 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,		
	2009	2010	2011		2011	2012	
	HK\$	HK\$	HK\$	US\$	HK\$	HK\$	US\$
	(in thousands)						
Revenues	11,225,246	14,379,253	8,007,537	1,032,272	4,833,445	5,122,555	660,361
Cost of sales	(6,557,985)	(8,692,021)	(4,329,161)	(558,083)	(2,576,703)	(2,836,980)	(365,722)
Gross profit	4,667,261	5,687,232	3,678,376	474,189	2,256,742	2,285,575	294,639
Fair value gains on investment properties	4,700,097	3,795,624	107,397	13,845	18,776	107,697	13,883
Other gains, net	734,033	1,124,053	99,732	12,857	74,943	1,849,849	238,469
Selling and marketing costs.....	(378,757)	(410,225)	(466,549)	(60,144)	(139,831)	(208,089)	(26,825)
General and administrative expenses....	(995,041)	(1,117,712)	(1,009,398)	(130,124)	(393,337)	(560,524)	(72,259)
Operating profit	8,727,593	9,078,972	2,409,558	310,622	1,817,293	3,474,508	447,907
Finance income.....	13,551	17,039	29,098	3,751	13,918	10,603	1,367
Finance costs	(333,639)	(253,307)	(238,539)	(30,751)	(154,663)	(124,335)	(16,028)
Share of profit/(loss) of associates	(1,346)	1,071	351	45	(206)	1,490	192
Share of profit/(loss) of a jointly controlled entity	385,759	(666)	(3,284)	(423)	(598)	(1,210)	(156)
Profit before taxation	8,791,918	8,843,109	2,197,184	283,244	1,675,774	3,361,056	433,282
Taxation	(2,699,383)	(2,550,097)	(788,773)	(101,683)	(621,572)	(767,883)	(98,990)
Profit for the period	<u>6,092,535</u>	<u>6,293,012</u>	<u>1,408,411</u>	<u>181,562</u>	<u>1,054,172</u>	<u>2,593,173</u>	<u>334,292</u>
Attributable to:							
Equity holders of the Company	5,799,573	5,889,412	1,430,031	184,349	1,019,852	2,631,219	339,197
Non-controlling interest	<u>292,962</u>	<u>403,600</u>	<u>(21,620)</u>	<u>(2,787)</u>	<u>34,320</u>	<u>(38,046)</u>	<u>(4,905)</u>

Six months ended June 30, 2012 compared with six months ended June 30, 2011

Revenue

Our revenue increased by 6.0% to HK\$5,122.6 million (US\$660.4 million) in the six months ended June 30, 2012 from HK\$4,833.4 million in the six months ended June 30, 2011. The increase was primarily due to increases in delivery volume.

Our delivery volume, in terms of GFA of properties delivered by us, increased by 6.6% to 248,871 sq.m. in the six months ended June 30, 2012 from 233,454 sq.m. in the six months ended June 30, 2011 due to the delivery of several new projects, such as Dalian Hopson Regal Seashore in Dalian, Hopson International City in Ningbo and Hopson Town in Shanghai.

The average selling price for delivered and completed properties decreased by 6.4% to RMB14,989 (US\$2,359) per sq.m. in the six months ended June 30, 2012 from RMB16,014 per sq.m. in the six months ended June 30, 2011. The decrease in average selling price was mainly because the delivery volume of properties with lower selling prices accounted for a larger percentage of our total delivery volume in the six months ended June 30, 2012.

Our main revenue contributors for the six months ended June 30, 2012 were Hopson International City, Hopson Town, Dalian Hopson Regal Seashore, Yijing Huayuan and Kylin Zone, which were the top five properties as measured by the delivery volume. The total delivery volume of these five properties was 173,704 sq.m. in the six months ended June 30, 2012.

Our contracted sales, which include sales secured by contracts for which we have yet to deliver completed properties, increased by 9.4% to RMB5.8 billion (US\$0.8 billion) in the six months ended June 30, 2012 from RMB5.3 billion in the six months ended June 30, 2011. Average contracted selling price also increased by 10.5% to RMB16,263 (US\$2,560) per sq.m. in the six months ended June 30, 2012 from RMB14,714 per sq.m. in the six months ended June 30, 2011.

Cost of sales

Our cost of sales increased by 10.1% to HK\$2,837.0 million (US\$365.7 million) in the six months ended June 30, 2012 from HK\$2,576.7 million in the six months ended June 30, 2011, corresponding to the increase in revenue in the six months ended June 30, 2012. As a percentage of revenue, cost of sales increased to 55.4% in the six months ended June 30, 2012 from 53.3% in the six months ended June 30, 2011.

Gross profit and gross profit margin

Our gross profit increased by 1.3% to HK\$2,285.6 million (US\$294.6 million) in the six months ended June 30, 2012 from HK\$2,256.7 million in the six months ended June 30, 2011. Our gross profit margin for the six months ended June 30, 2012 decreased to 44.6% from 46.7% for the six months ended June 30, 2011, which was primarily because the sales of properties with lower profit margins accounted for a larger percentage of our revenue in the six months ended June 30, 2012.

Fair value gains on investment properties

Our fair value gains on investment properties increased by 472.9% to HK\$107.7 million (US\$13.9 million) in the six months ended June 30, 2012 from HK\$18.8 million in the six months ended June 30, 2011, primarily attributable to increases in the fair value of our investment properties.

Other gains, net

Our other gains, net increased by 2,369.7% to HK\$1,849.8 million (US\$238.5 million) in the six months ended June 30, 2012 from HK\$74.9 million in the six months ended June 30, 2011. Other gains, net in the six months ended June 30, 2012 primarily consisted of (i) a gain of HK\$1,729.6 million (US\$223.0 million) from our disposal of an aggregate of 199,040,000 shares of BBMG Corporation on the Shanghai Stock Exchange for a total consideration of HK\$2,084.3 million (US\$268.7 million), (ii) dividend income of HK\$115.6 million (US\$14.9 million) from investment in securities of public and private companies and (iii) government grants in the amount of HK\$3.4 million (US\$0.4 million).

Selling and marketing costs

Our selling and marketing costs increased by 48.8% to HK\$208.1 million (US\$26.8 million) in the six months ended June 30, 2012 from HK\$139.8 million in the six months ended June 30, 2011. This increase was primarily due to increased spending on promotional activities as more projects were launched in the six months ended June 30, 2012 as compared with the six months ended June 30, 2011. Selling and marketing costs as a percentage of revenue increased to 4.1% in the six months ended June 30, 2012 from 2.9% in the six months ended June 30, 2011.

General and administrative expenses

Our general and administrative expenses increased by 42.5% to HK\$560.5 million (US\$72.3 million) in the six months ended June 30, 2012 from HK\$393.3 million in the six months ended June 30, 2011. This increase

was primarily due to (i) higher compensation costs expended and more staff employed on new projects, (ii) an increase in the number of properties under our management, (iii) the launch and full operation of a Chinese restaurant as part of our hotel operation and (iv) an exchange loss of HK\$20.3 million (US\$2.6 million) due to the weakening of Renminbi.

Operating profit

As a result of the foregoing, including the HK\$107.7 million (US\$13.9 million) fair value gain on investment properties, our operating profit increased by 91.2% to HK\$3,474.5 million (US\$447.9 million) in the six months ended June 30, 2012 from HK\$1,817.3 million in the six months ended June 30, 2011. Operating profit as a percentage of revenue increased to 67.8% in the six months ended June 30, 2012 from 37.6% in the six months ended June 30, 2011.

Finance costs

Our gross interest before subtraction of capitalized interest increased by 42.0% to HK\$1,459.6 million (US\$188.2 million) in the six months ended June 30, 2012 from HK\$1,027.9 million in the six months ended June 30, 2011, primarily due to an increase in borrowings from banks and other financial institutions incurred by us to finance the development of existing projects and investment in new projects. The average interest rate in respect of our borrowings was approximately 8.3% per annum in the six months ended June 30, 2012 as compared to 7.8% per annum in the six months ended June 30, 2011.

Our finance costs decreased by 19.7% to HK\$124.3 million (US\$16.0 million) in the six months ended June 30, 2012 from HK\$154.7 million in the six months ended June 30, 2011. The decrease was primarily due to an increase in the amount of capitalized interest as a percentage of our total interest costs.

Share of profit/(loss) of jointly controlled entities

We recognized a loss of HK\$1.2 million (US\$0.2 million) in the six months ended June 30, 2012 as compared to a loss of HK\$0.6 million in the six months ended June 30, 2011, mainly reflecting the increase in losses of Beijing Dongfangwenhua International Properties Company Limited, our jointly controlled entity in Beijing.

Taxation

Our tax expenses increased by 23.5% to HK\$767.9 million (US\$99.0 million) in the six months ended June 30, 2012 from HK\$621.6 million in the six months ended June 30, 2011, mainly reflecting the increases in profit before tax. The effective tax rate decreased to 22.8% in the six months ended June 30, 2012 from 37.1% in the six months ended June 30, 2011. The decrease in effective tax rate was mainly because our gain from the disposal of shares of BBMG Corporation was tax-exempt.

Profit attributable to equity holders

As a result of the foregoing, including the HK\$107.7 million (US\$13.9 million) fair value gain on investment properties in the six month ended June 30, 2012, our profit attributable to equity holders increased by 158.0% to HK\$2,631.2 million (US\$339.2 million) in the six months ended June 30, 2012 from HK\$1,019.9 million in the six months ended June 30, 2011. Our profit increased by 146.0% to HK\$2,593.2 million (US\$334.3 million) in the six months ended June 30, 2012 from HK\$1,054.2 million in the six months ended June 30, 2011. Our net profit margin increased to 50.6% in the six months ended 2012 from 21.8% in the six months ended 2011.

Year ended December 31, 2011 compared with year ended December 31, 2010

Revenue

Our revenue decreased by 44.3% to HK\$8,007.5 million (US\$1,032.3 million) in 2011 from HK\$14,379.3 million in 2010. The decrease was primarily due to decreases in delivery volume.

Our delivery volume, in terms of GFA of properties delivered by us, decreased by 48.9% to 391,277 sq.m. in 2011 as compared to 766,030 sq.m. in 2010 due to our intended deferral in delivery of certain completed properties in 2011.

The average selling price for delivered and completed properties decreased slightly by 1.9% to RMB15,175 (US\$2,388.6) per sq.m. in 2011 from RMB15,474 per sq.m. in 2010. Meanwhile, we achieved increases in the average selling prices of several properties, such as Hopson Town in Shanghai, No. 8 Royal Park in Beijing and Jingjin New Town in Tianjin, whose average selling price increased by 70%, 26% and 7% as compared to 2010, respectively.

Our main revenue contributors in 2011 were Kylin Zone, Hopson Town, No. 8 Royal Park, Sheshan Dongziyuan and Huizhou Regal Bay, which were the top five properties as measured by a total delivery volume of 180,597 sq. m. in 2011.

Our contracted sales, which include sales secured by contracts for which we have yet to deliver completed properties, decreased by 10.0% to RMB9.9 billion (US\$1.6 billion) in 2011 from RMB11.0 billion in 2010. Average contracted selling price also decreased by 4% to RMB15,110 (US\$2,378) per sq.m. in 2011 from RMB15,684 per sq.m. in 2010.

Cost of sales

Our cost of sales decreased by 50.2% to HK\$4,329.2 million (US\$558.1 million) in 2011 from HK\$8,692.0 million in 2010, corresponding to the decrease in revenue in 2011. As a percentage of revenue, cost of sales decreased to 54.1% in 2011 from 60.4% in 2010.

Gross profit and gross profit margin

Our gross profit decreased by 35.3% to HK\$3,678.4 million (US\$474.2 million) in 2011 from HK\$5,687.2 million in 2010. Our gross profit margin for 2011 increased to 45.9% from 39.6% for 2010, which was primarily attributable to the delivery of several high-end projects with high gross profit margins.

Fair value gains on investment properties

Our fair value gains on investment properties decreased by 97.2% to HK\$107.4 million (US\$13.8 million) in 2011 from HK\$3,795.6 million in 2010. The reason for this decrease was that we did not add any new investment property to our project portfolio in 2011.

Other gains, net

Our other gains, net decreased by 91.1% to HK\$99.7 million (US\$12.9 million) in 2011 from HK\$1,124.1 million in 2010. Other gains, net in 2011 primarily consisted of government grants in the amount of HK\$31.2 million (US\$4.0 million) and dividend income of HK\$68.8 million (US\$8.9 million) from investment in securities of public and private companies. The increased other gains, net in 2010 was primarily due to the one-time gain of approximately HK\$958.2 million from the disposal of our equity interest in Cheerocean Investments Limited and its subsidiary, Guangdong He Sheng Taijing Real Estate Company Limited, and government grants in the amount of HK\$149.9 million.

Selling and marketing costs

Our selling and marketing costs increased by 13.7% to HK\$466.5 million (US\$60.1 million) in 2011 from HK\$410.2 million in 2010. This increase was primarily due to our increased spending on advertising to mitigate the negative impact of the PRC government's property tightening measures. Selling and marketing costs as a percentage of revenue increased to 5.8% in 2011 from 2.9% in 2010.

General and administrative expenses

Our general and administrative expenses decreased by 9.7% to HK\$1,009.4 million (US\$130.1 million) in 2011 from HK\$1,117.7 million in 2010. This decrease was primarily due to a substantial exchange gain of HK\$262 million (US\$33.8 million) recorded in 2011 as a result of the appreciation of Renminbi.

Operating profit

As a result of the foregoing, including the HK\$107.4 million (US\$13.8 million) fair value gain on investment properties, our operating profit decreased by 73.5% to HK\$2,409.6 million (US\$310.6 million) in 2011 from HK\$9,079.0 million in 2010. Operating profit as a percentage of revenue decreased to 30.1% in 2011 from 63.1% in 2010.

Finance costs

Our gross interest before subtraction of capitalized interest increased by 87.2% to HK\$2,374.4 million (US\$306.1 million) in 2011 from HK\$1,268.3 million in 2010. The increase was attributable to additional bank borrowings and the issuance of our 2016 Notes in 2011. The effective interest rate in respect of our borrowings was approximately 7.9% per annum in 2011 as compared to 5.8% per annum in 2010.

Our finance costs decreased by 5.8% to HK\$238.5 million (US\$30.7 million) in 2011 from HK\$253.3 million in 2010. The decrease was primarily due to an increase in the amount of capitalized interest as a percentage of our total interest costs.

Share of loss of jointly controlled entities

We recognized a loss of HK\$3.3 million (US\$0.4 million) in 2011 as compared to a loss of HK\$0.7 million in 2010, mainly reflecting the increases in losses of Beijing Dongfangwenhua International Properties Company Limited and Guangzhou Dongtai Textile Company Limited, our two jointly controlled entities.

Taxation

Our tax expenses decreased by 69.1% to HK\$788.8 million (US\$101.7 million) in 2011 from HK\$2,550.1 million in 2010, mainly reflecting the decrease in profit before tax. The effective tax rate increased to 35.9% in 2011 from 28.8% in 2010. The lower effective tax rate in 2010 was mainly attributable to low tax rate applicable to our returns from sale of Cheerocean Investments Limited and its subsidiary in 2010.

Profit attributable to equity holders

As a result of the foregoing, including the HK\$107.4 million (US\$13.8 million) fair value gain on investment properties in 2011, our profit attributable to equity holders decreased by 75.7% to HK\$1,430.0 million (US\$184.3 million) in 2011 from HK\$5,889.4 million in 2010. Our profit decreased by 77.6% to HK\$1,408.4 million (US\$181.6 million) in 2011 from HK\$6,293.0 million in 2010. Our net profit margin decreased to 17.6% in 2011 from 43.8% in 2010.

Year ended December 31, 2010 compared with year ended December 31, 2009

Revenue

Our revenue increased by 28.1% to HK\$14,379.3 million in 2010 from HK\$11,225.2 million in 2009. This increase was primarily due to an increase in the average selling price of the properties delivered by us.

Our delivery volume, in terms of GFA of properties delivered by us, decreased by 14.6% to 766,030 sq.m. in 2010 from 896,934 sq.m. in 2009 due to the various tightening measures introduced by the PRC government to stabilize China's overheating property market. The delivery volume of properties delivered in Huizhou and Beijing, however, increased by 55% and 7%, respectively, as a result of the delivery of several new projects in the two regions, including a new phase in Huizhou Regal Bay, Kylin Zone, No. 8 Royal Park and Dreams World.

The average selling price of our delivered and completed properties increased by 49.0% to RMB15,474 per sq.m. in 2010 from RMB10,385 per sq.m. in 2009 as a result of the delivery of a large number of relatively higher priced products and high-end projects in 2010. In particular, the average selling price of properties in Beijing and Shanghai grew by 92% and 65%, respectively, as a result of the delivery of several high-end projects in these two regions. The average contracted selling price also grew by 20% to RMB15,684 per sq.m. in 2010 from RMB13,041 in 2009.

Cost of sales

Our cost of sales increase by 32.5% to HK\$8,692.0 million in 2010 from HK\$6,558.0 million in 2009, corresponding to the increase in our revenue in these periods. The increase also reflects the higher construction cost incurred by our high-end projects.

Gross profit and gross profit margin

Our gross profit increased by 21.9% to HK\$5,687.2 million in 2010 from HK\$4,667.3 million in 2009, corresponding with an increase in revenue in these period. Our gross profit margin decrease to 39.6% for 2010 from 41.6% for 2009, primarily attributable to an increase in sales of relatively lower priced properties with lower profit margin in 2010 as a percentage of our revenue.

Fair value gains on investment properties

Our fair value gains on investment properties decreased by 19.2% to HK\$3,795.6 million in 2010 from HK\$4,700.1 million in the 2009, primarily because we did not add any new investment property to our project portfolio in 2010.

Other gains, net

Our other gains increased by 53.1% to HK\$1,124.1 million in 2010 from HK\$734.0 million in 2009. Other gains in 2010 consist of: (i) a net gain of HK\$958.2 million from the disposal of certain of our subsidiaries; (ii) government grant of HK\$149.9 million; (iii) dividend income of HK\$15.3 million and (iv) a gain of HK\$0.6 million from the changes in fair value of our investment in publicly traded securities.

Selling and marketing costs

Our selling and marketing costs increased by 8.3% to HK\$410.2 million in 2010 from HK\$378.8 million in 2009 due to an increase in the outlay for our promotional activities for our new projects. As a percentage of revenue, selling and marketing costs decrease to 2.9% in 2010 from 3.4% in 2009, primarily due to our improved operational efficiency.

General and administrative expenses

Our general and administrative expenses increased by 12.3% to HK\$1,117.7 million in 2010 from HK\$995.0 million in 2009. This increase primarily reflected increased salary costs incurred for hiring new employees for the development of our new projects.

Operating profit

As a result of the foregoing, our operating profit increased by 4.0% to HK\$9,079.0 million in 2010 from HK\$8,727.6 million in 2009. Our operating profit margin decreased to 63.1% in 2010 from 77.7% in 2009.

Finance costs

Our gross interest before subtraction of capitalized interest increased by 10.4% to HK\$1,268.3 million in 2010 from HK\$1,148.4 million in 2009. The increase was attributable to additional bank borrowings in the second half of 2010. The effective interest rate in respect of our borrowings was approximately 5.8% per annum in 2010 as compared to 6.2% per annum in 2009.

Our finance costs decreased by 24.1% to HK\$253.3 million in 2010 from HK\$333.6 million in 2009. The decrease was primarily due to an increase in the amount of capitalized interest as a percentage of our total interest costs. The effective interest rate in respect of our borrowings was approximately 5.8% per annum in 2010 compared to 6.2% per annum in 2009.

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

We recognized a loss of HK\$0.7 million in 2010 from Beijing Dongfangwenhua International Properties Company Limited, our jointly controlled entity located in Beijing, compared with a profit of HK\$385.8 million from this entity in 2009.

Taxation

Our tax expenses decreased by 5.5% to HK\$2,550.0 million in 2010 from HK\$2,699.4 million in 2009. The applicable corporate income tax rate under the EIT law, or CIT rate, decreased to 25% from 33%. The effective tax rate decreased to 28.8% in 2010 from 30.7% in 2009, which was mainly attributable to a decrease in the amount of provision made for LAT levied by the PRC tax authorities.

Profit attributable to equity holders

As a result of the foregoing, our profit attributable to equity holders increased 1.5% to HK\$5,889.4 million in 2010 from HK\$5,799.6 million in 2009. Our profit increased by 3.3% to HK\$6,293.0 million in 2010 from HK\$6,092.5 million in 2009. Our net profit margin decreased to 43.8% in from 54.3% in 2009.

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 our working capital requirements through a variety of sources, including cash from operations (primarily from proceeds of property sales), short-and long-term lines of credit, trust financing arrangements 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,		
	2009	2010	2011		2011	2012	
	HK\$	HK\$	HK\$	US\$	HK\$	HK\$	US\$
				(in thousands)			
Net cash generated from (used in) operating activities	4,780,683	(7,669,016)	(2,467,366)	(318,074)	(4,690,155)	2,367,953	305,259
Net cash generated from (used in) investing activities.....	(2,324,483)	(1,700,601)	(4,777,711)	(615,907)	(1,248,401)	1,743,423	224,749
Net cash generated from (used in) financing activities	1,939,852	5,218,551	7,163,935	923,521	7,465,622	(2,279,361)	(293,838)
Cash and cash equivalents at end of the period.....	6,546,144	2,573,604	2,618,161	337,514	4,178,156	4,430,581	571,157

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, 2012. Our net cash generated from operating activities of HK\$2,368.0 million (US\$305.3 million) in the six months ended June 30, 2012 was mainly attributable to (i) cash generated from operations of HK\$2,856.3 million (US\$368.2 million) and (ii) interest received of HK\$10.6 million (US\$1.4 million), partially offset by (i) payment of PRC's corporate income tax of HK\$212.7 million (US\$27.4 million) and (ii) payment of PRC's LAT of HK\$177.8 million (US\$22.9 million). Cash generated from operations prior to changes in working capital was HK\$1,627.7 million (US\$209.8 million). Changes in working capital contributed to a net cash inflow of HK\$1,228.6 million (US\$158.4 million), comprising primarily (i) an increase in deferred revenue of HK\$990.4 million (US\$127.7 million), (ii) an increase in accounts payable of HK\$1,441.0 million (US\$185.8 million) and (iii) an increase in accruals and other payables of HK\$61.8 million (US\$8.0 million), partially offset by (i) an increase in prepayment for acquisition of equity interests of HK\$106.9 million (US\$13.8 million), (ii) an increase in completed properties for sale and properties under development for sale of HK\$994.1 million (US\$128.1 million) and (iii) an increase in other receivables of HK\$125.1 million (US\$16.1 million).

Six months ended June 30, 2011. Our net cash used in operating activities of HK\$4,690.2 million in the six months ended June 30, 2011 was mainly attributable to (i) cash used in operations of HK\$2,026.9 million, (ii) payment of PRC's corporate income tax of HK\$717.1 million and (iii) payment of PRC's LAT of HK\$208.5 million, partially offset by interest received of HK\$13.9 million. Cash generated from operations prior to changes in working capital was HK\$1,719.4 million. Changes in working capital contributed to a net cash outflow of HK\$3,746.3 million, comprising primarily (i) an increase in properties for sale of HK\$3,005.0 million, (ii) an increase in prepayments for acquisition of land of HK\$1,804.3 million and (iii) an increase in prepayments for acquisition of equity interests of HK\$1,206.4 million, partially offset by (i) an increase in deferred revenue of HK\$609.1 million and (ii) an increase in accounts payable of HK\$1,030.3 million.

Year ended December 31, 2011. Our net cash used in operating activities of HK\$2,467.4 million (US\$318.1 million) in 2011 was mainly attributable to (i) cash used in operations of HK\$926.7 million (US\$119.5 million), (ii) payment of PRC's corporate income tax of HK\$1,144.5 million (US\$147.5 million) and (iii) payment of PRC's LAT of HK\$425.2 million (US\$54.8 million), offset by interest received of HK\$29.1 million (US\$3.8 million). Cash generated from operations prior to changes in working capital was HK\$2,125.1 million (US\$274.0 million). Changes in working capital contributed to a net cash outflow of HK\$3,051.8 million (US\$393.4 million), comprising primarily (i) an increase in properties for sale and completed properties of HK\$6,011.1 million (US\$774.9 million), (ii) a decrease in accounts payable of HK\$786.3 million (US\$101.4 million) and (iii) an increase in prepayments for acquisition of land of HK\$640.8 million (US\$82.6 million), partially offset by (i) an increase in deferred revenue of HK\$3,765.9 million (US\$485.5 million) and (ii) an increase in accruals and other payables of HK\$624.7 million (US\$80.5 million).

Year ended December 31, 2010. Our net cash used in operating activities of HK\$7,669.0 million in 2010 was mainly attributable to (i) cash used in operations of HK\$6,193.8 million, (ii) payment of Hong Kong profits tax of HK\$15.0 million, (iii) payment of PRC's corporate income tax of HK\$1,220.4 million and (iv) payment of PRC's land appreciation tax of HK\$256.9 million, offset by interest received of HK\$17.0 million. Cash generated from operations prior to changes in working capital was HK\$4,353.2 million. Changes in working capital contributed to a net cash outflow of HK\$10,547.0 million, comprising primarily (i) an increase in prepayments for acquisition of land of HK\$7,661.1 million, (ii) an increase in properties for sale and completed properties of HK\$3,075.1 million and (iii) a decrease in deferred revenue of HK\$1,934.5 million, partially offset by (i) an increase in accounts payable of HK\$2,558.1 million and (ii) an increase in accruals and other payables of HK\$267.9 million.

Year ended December 31, 2009. Our net cash generated from operating activities of HK\$4,780.7 million in 2009 was mainly attributed to cash generated from operations of HK\$6,251.9 million and Hong Kong profits tax refunded of HK\$2.7 million, partially offset by payment of the PRC's corporate income tax of HK\$1,301.2 million and payment of the PRC's LAT of HK\$186.2 million. Cash generated from operations prior to changes in working capital was HK\$3,477.1 million. Changes in working capital contributed to a net cash inflow of HK\$2,774.9 million, comprising primarily (i) an increase in deferred revenue of HK\$4,359.8

million and (ii) an increase in accruals and other payables of HK\$205.8 million, partially offset by (i) an increase in prepayments for acquisition of land of HK\$1,003.4 million, (ii) an increase in land costs of HK\$393.8 million, (iii) an increase in prepayments, deposits and other current assets of HK\$249.7 million and (iv) an increase in completed properties for sale of HK\$169.7 million.

Investing activities

Six months ended June 30, 2012. Net cash generated from investing activities of HK\$1,743.4 million (US\$224.7 million) primarily consists of proceeds of HK\$2,075.5 million (US\$267.6 million) from disposal of available-for-sale financial assets, partially offset by payment of HK\$71.3 million (US\$9.2 million) for the purchase of properties and equipment.

Six months ended June 30, 2011. Net cash used in investing activities of HK\$1,248.4 million primarily consists of (i) deposit of HK\$1,133.3 million in connection with our proposed investment in Beijing Rural Commercial Bank Co., Ltd. and (ii) payment of HK\$13.0 million for the purchase of properties and equipment.

Year ended December 31, 2011. Net cash used in investing activities of HK\$4,777.7 million (US\$615.9 million) in 2011 primarily consists of (i) prepayment for acquisition of a jointly controlled entity of HK\$1,504.2 million (US\$193.9 million), (ii) payment of HK\$1,116.1 million (US\$143.9 million) for the purchase of available-for-sale financial assets, (iii) payment of HK\$684.5 million (US\$88.2 million) for the acquisition of subsidiaries and (iv) HK\$610.1 million (US\$78.6 million) for the additions of investment properties.

Year ended December 31, 2010. Our net cash used in investing activities of HK\$1,700.6 million in 2010 primarily consists of (i) deposit of HK\$550.7 million in connection with our proposed investment, (ii) payment of HK\$471.9 million in connection with additions of investment properties, (iii) payment of HK\$282.1 million for land acquisition and (iv) capital injection into a jointly controlled entity of HK\$278.9 million.

Year ended December 31, 2009. Net cash used in investing activities in 2009 of HK\$2,324.5 million primarily consists of (i) payment of HK\$857.0 million for the purchase of properties and equipment, (ii) payment of HK\$1,112.2 million for the purchase of available-for-sale financial assets, including our acquisition of a 5.09% attributable equity interest in a PRC financial institution, (iii) payment of HK\$342.6 million for the additions of investment properties under development and (iv) advanced payment of HK\$266.9 million for acquisition of land for long-term investment.

Financing activities

Six months ended June 30, 2012. We had net cash used in financing activities of approximately HK\$2,279.4 million (US\$293.8 million) in the six months ended June 30, 2012, primarily due to (i) repayment of short-term bank loans of HK\$6,874.5 million (US\$886.2 million), (ii) payment of interest of HK\$1,447.8 million (US\$186.6 million) and (iii) repayment of long-term bank loans of HK\$754.3 million (US\$97.2 million), partially offset by (i) new short-term bank loans of HK\$1,882.6 million (US\$242.7 million), (ii) new long-term bank loans of HK\$4,063.7 million (US\$523.9 million) and (iii) advances from related companies of HK\$856.7 million (US\$110.4 million).

Six months ended June 30, 2011. We had net cash generated from financing activities of approximately HK\$7,465.6 million in the six months ended June 30, 2011, primarily due to (i) new short-term bank loans of HK\$5,454.1 million, (ii) new long-term bank loans of HK\$3,904.8 million and (iii) proceeds from issuance of 2016 Notes, partially offset by (i) repayment of short-term bank loans of HK\$1,604.6 million, (ii) payment of interest of HK\$1,018.1 million, (iii) repayment of long-term bank loans of HK\$1,054.2 million and (iv) dividend paid of HK\$300.5 million.

Year ended December 31, 2011. We had net cash generated from financing activities of approximately HK\$7,163.9 million (US\$923.5 million) in 2011, primarily due to (i) new long-term bank loans of HK\$8,389.5 million (US\$1,081.5 million), (ii) new short-term bank loans of HK\$6,269.0 million (US\$808.2

million) and (iii) proceeds from issuance of our 2016 Notes of HK\$2,288.7 million (US\$295.0 million), partially offset by (i) repayment of long-term bank loans of HK\$3,882.7 million (US\$500.5 million), (ii) repayment of short-term bank loans of HK\$2,690.8 million (US\$346.9 million) and (iii) payment of interest of HK\$2,353.5 million (US\$303.4 million).

Year ended December 31, 2010. We had net cash generated from financing activities of approximately HK\$5,218.6 million in 2010, primarily due to (i) new long-term bank loans of HK\$12,786.0 million, (ii) new short-term bank loans of HK\$2,019.1 million and (iii) advances from related companies of HK\$162.0 million, partially offset by (i) repayments of short-term bank loans of HK\$4,228.8 million, (ii) redemption of convertible bonds of HK\$2,211.5 million, (iii) repayments of long-term bank loans of HK\$1,610.4 million and (iv) interest payment of HK\$1,250.9 million.

Year ended December 31, 2009. We had net cash generated from financing activities of approximately HK\$1,939.9 million in 2009, primarily due to (i) new long-term bank loans of HK\$6,411.2 million, (ii) advances from a jointly controlled entity of HK\$1,080.7 million and (iii) proceeds from issuance of new shares of HK\$1,579.7 million, partially offset by (i) repayments of long-term bank loans of HK\$5,376.9 million, (ii) interest expense of HK\$993.1 million and (iii) dividends paid to our equity holders of HK\$301.1 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, 2009, 2010 and 2011 and June 30, 2012, we had cash and cash equivalents of HK\$6,546.1 million, HK\$2,573.6 million, HK\$2,618.2 million (US\$337.5 million) and HK\$4,430.6 million (US\$571.1 million), respectively. There was an increase in cash and cash equivalents of HK\$1,812.4 million (US\$233.6 million), or 69.2%, as of June 30, 2012 compared to December 31, 2011, primarily reflecting gain on disposal of available-for-sale financial assets. There was a decrease in cash and cash equivalents of HK\$44.6 million (US\$5.7 million), or 1.7%, as of December 31, 2011 compared to December 31, 2010, primarily reflecting the proceeds from issuance of our 2016 Notes. There was a decrease in cash and cash equivalents of HK\$3,972.5 million, or 60.7%, as of December 31, 2010 compared to December 31, 2009, primarily due to an increase in net cash used in operating activities.

Borrowings

The following table sets forth the borrowing from us and our consolidated subsidiaries (including the convertible bonds, the 2012 Notes and the 2016 Notes) as of the dates indicated.

	As of December 31,				As of June 30,	
	2009	2010	2011		2012	
	HK\$	HK\$	HK\$	US\$	HK\$	US\$
	(in thousands)					
Non-current						
Bank borrowings	7,439,901	17,349,948	19,428,479	2,504,574	17,404,044	2,243,599
Senior notes.....	2,676,697	2,697,576	2,290,102	295,223	2,290,285	295,246
Convertible bonds	—	—	—	—	—	—
Current						
Bank borrowings	4,062,575	3,671,919	10,922,188	1,408,006	11,100,640	1,431,011
Senior notes.....	—	—	2,707,119	348,981	2,710,165	349,374
Convertible bonds	2,169,685	—	—	—	—	—
Total borrowings	16,348,858	23,719,443	35,347,888	4,556,784	33,505,134	4,319,230

Bank borrowing. Our total borrowings from banks were HK\$11,502.5 million, HK\$21,021.9 million, HK\$30,350.7 million (US\$3,912.6 million) and HK\$28,504.7 million (US\$3,674.6 million) as of December 31, 2009, 2010 and 2011 and June 30, 2012, respectively. Long-term bank and financial institution borrowings due more than one year from the respective dates were HK\$7,439.9 million, HK\$17,349.9 million, HK\$19,428.5 million (US\$2,504.6 million) and HK\$17,404.0 million (US\$2,243.6 million) as of December 31, 2009, 2010 and 2011 and June 30, 2012. The average interest rate was approximately 6.2%, 5.8%, 7.9% and 8.0% per annum as at the respective dates.

Our ratio of total bank borrowings to total equity including non-controlling interest was 37.7%, 51.3%, 68.9% and 63.7% as of December 31, 2009, 2010 and 2011 and June 30, 2012, respectively.

As of June 30, 2012, our banking borrowings were secured by:

- our land cost of approximately HK\$76.4 million (US\$9.8 million);
- our hotel properties of approximately HK\$1,880.9 million (US\$242.5 million);
- our properties under development for sale of approximately HK\$8,281.6 million (US\$1,067.6 million);
- our completed properties for sale of approximately HK\$3,088.6 million (US\$398.2 million);
- our investment properties with an aggregate carrying amount of approximately HK\$6,769.5 million (US\$872.7 million);
- our available-for-sale financial assets of approximately HK\$2,949.0 million (US\$380.2 million); and
- our equity interests in a subsidiary of approximately HK\$317.1 million (US\$40.9 million).

Trust financing arrangements. Some of our subsidiaries in the PRC also entered into trust financing arrangements to finance project development. Our total bank and financial institution borrowings under financing arrangements were HK\$11,502.5 million, HK\$21,021.9 million, HK\$30,350.7 million (US\$3,912.6 million) and HK\$28,504.7 million (US\$3,674.6 million) as of December 31, 2009, 2010 and 2011 and June 30, 2012, respectively. Please see “Description of Other Material Indebtedness.”

Senior notes. In November 2005, we issued US\$350 million aggregate principal amount of 8.125% Senior Notes due 2012. In September 2012, we repurchased an aggregate principal amount of US\$5 million of the 2012 Notes. We fully repaid the remaining principal amount of the 2012 Notes and accrued and unpaid interest up to the maturity date on November 9, 2012.

In January 2011, we issued the 2016 Notes with an aggregate principal amount of US\$300 million (equivalent to approximately HK\$2,327.2 million). The 2016 Notes mature five years from the date of issuance in January 2016 and are repayable at their principal amount of US\$300 million. We will be entitled to redeem all or a portion of the senior notes on or after January 21, 2014. The 2016 Notes are jointly and severally guaranteed by certain subsidiaries that are incorporated or organized outside the PRC and are secured by a pledge of the shares in the guarantors and our shares in Believe Best Investments Limited. The net assets of these subsidiaries were approximately HK\$6,664.4 million (US\$859.1 million) as of June 30, 2012.

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 2016 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 8% to 10% during the six months ended June 30, 2012.

The following table sets forth a summary of the maturity profile for our total borrowings as of June 30, 2012.

	As of June 30, 2012	
	HK\$	US\$
	(in thousands)	
Within one year or on demand.....	13,810,805	1,780,358
Greater than one year	<u>19,694,329</u>	<u>2,538,845</u>
Total borrowings.....	<u>33,505,134</u>	<u>4,319,230</u>

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, 2009, 2010 and 2011 and June 30, 2012, our restricted cash amounted to HK\$825.0 million, HK\$566.7 million and HK\$593.3 million (US\$76.5 million) and HK\$679.4 million (US\$87.6 million), respectively. In addition, as of June 30, 2012, our bank deposits of approximately HK\$36.8 million (US\$4.7 million) was restricted due to pending litigations.

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 our consolidated capital commitments as of June 30, 2012, which have not been provided for in our accounts:

	As of June 30, 2012	
	HK\$	US\$
	(in thousands)	
Contracted but not provided for:		
- Property construction costs	3,938,960	507,781
- Acquisition of land and equity interest in certain Mainland China entities.....	11,272,734	1,453,196
- Capital contribution to an associate	262,849	33,885
	<u>15,474,543</u>	<u>1,994,862</u>
Authorized but not contracted for:		
- Land costs	100,982	13,018
- Property construction costs	690,251	88,982
	<u>791,233</u>	<u>102,000</u>
Total.....	<u>16,265,776</u>	<u>2,096,862</u>

The following table sets forth, as of June 30, 2012, our consolidated share of capital commitments of the jointly controlled entity not included in the above table:

	As of June 30, 2012	
	HK\$	US\$
	(in thousands)	
Contracted but not provided for:		
- Property construction costs	3,904,494	503,338
Authorized but not contracted for:		
- Property construction costs	631,587	81,419
Total.....	<u>4,536,081</u>	<u>584,757</u>

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 June 30, 2012:

	As of June 30, 2012	
	HK\$	US\$
	(in thousands)	
Within one year or on demand.....	33,924	4,373
Between two to five years.....	52,174	6,726
Over five years.....	39,707	5,119
Total.....	<u>125,805</u>	<u>16,218</u>

Contingent Liabilities

As of June 30, 2012, guarantees we provided to our customers in relation to their purchase of our properties amounted to approximately HK\$10,115.3 million (US\$1,303.9 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,		
	2009	2010	2011		2011	2012	
	HK\$	HK\$	HK\$	US\$	HK\$	HK\$	US\$
	(in thousands)						
Guarantees given to banks for mortgage facilities granted to certain buyers of our properties	9,980,834	10,501,787	10,315	1,330	10,315	10,115	1,304
Guarantees given to banks for bank borrowings of subsidiaries	—	—	—	—	—	—	—
Guarantees given to banks for bank borrowings of a jointly controlled entity.....	567,930	1,175,185	879	113	879	874	113
Total amount	<u>10,548,764</u>	<u>11,676,972</u>	<u>11,194</u>	<u>1,443</u>	<u>11,194</u>	<u>10,989</u>	<u>1,417</u>

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\$1,519.4 million, HK\$745.2 million and HK\$1,232.4 million (US\$158.9 million) in the years ended December 31, 2009, 2010 and 2011, respectively. We incurred capital expenditures of HK\$517.4 million and HK\$283.6 million (US\$36.5 million) in the six months ended June 30, 2011 and 2012, respectively. 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 June 30, 2012, if interest rates had increased or decreased by one percentage and all other variables were held constant, our net finance income (after taking into account the interest expenses capitalized in the properties under development), would increase or decrease our post-tax profit by approximately HK\$33.3 million (US\$4.3 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 operate in China 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

Inflation in China has not materially impacted our results of operations in recent years. According to the National Bureau of Statistics of China, the change in the Consumer Price Index in China was negative 0.7%, 3.3% and 5.4% in 2009, 2010 and 2011, respectively. Although inflation has not materially affected our operations, higher rates of inflation in China may affect our business in the future. For example, certain operating costs and expenses, such as the cost of raw materials, travel expenses, and labor expenses may increase as a result of higher inflation.

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, 2012, and we have not early adopted. We have already commenced an assessment of the impact of these new or revised standards and amendments, 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.

New or revised standards, interpretations and amendments	Effective for accounting periods beginning on or after
HKFRS 7 Amendment.... Disclosures — Offsetting Financial Assets	January 1, 2013
HKAS 1 Amendment..... Presentation of Financial Statements	July 1, 2012
HKAS 32 Amendment.... Offsetting Financial Assets and Financial Liabilities	January 1, 2014
HKAS 19 (2011) Employee Benefits	January 1, 2013
HKAS 27 (2011) Separate Financial Statements	January 1, 2013
HKAS 28 (2011) Investments in Associates and Joint Ventures	January 1, 2013
HKFRS 9..... Financial Instruments	January 1, 2015
HKFRS 10..... Consolidated Financial Statements	January 1, 2013
HKFRS 11..... Joint Arrangements	January 1, 2013
HKFRS 12..... Disclosure of Interests in Other Entities	January 1, 2013
HKFRS 13..... Fair Value Measurement	January 1, 2013

INDUSTRY

The information in the section below has been derived, in part, from various government publications and third party sources unless otherwise indicated. We have endeavored to obtain the most recent sources available. This information has not been independently verified by us or the Initial Purchasers or any of our affiliates or advisors. The information may not be consistent with other information compiled within or outside the PRC.

The economy of the PRC

Over the last decade, China has experienced significant economic growth, largely as a result of the government's post-1978 economic reforms. China's accession to the World Trade Organization, or the WTO, in 2001 has further accelerated the reform of the PRC economy. In the past five years, China's GDP has increased from approximately 21,631.4 billion in 2006 to approximately RMB47,156.4 billion in 2011 at a compound average growth rate, or CAGR, of approximately 16.9%. China's real GDP grew by 9.2% in 2011 as compared to a growth rate of 10.4% in 2010.

The following table sets forth selected annual data relating to the PRC economy for the periods indicated.

	2006	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions)	21,631.4	26,581.0	31,404.5	34,090.3	40,151.3	47,156.4
Real GDP growth rate	12.7%	14.20%	9.6%	9.2%	10.4%	9.2%
Per capita GDP (RMB).....	16,500	20,169	23,708	25,608	29,992	34,999
Foreign direct investment (US\$ in billions).....	72.7	83.5	108.3	94.1	105.7	116.0
Fixed asset investment (RMB in billions).....	10,999.8	13,732.4	17,282.8	22,459.9	27,812.2	31,102.2
Consumer price index.....	101.5	104.8	105.9	99.3	103.3	105.4
Unemployment rate	4.1%	4.0%	4.2%	4.3%	4.1%	4.1%

Source: CEIC Data Company Limited

The property industry in the PRC

Property reforms

Property reforms in the PRC did not commence until the 1990s, prior to which the PRC property development industry was part of the nation's planned economy. In the 1990s, China's property and housing sector began its transition to a market-based system. A brief timeline of key housing reforms is set out below:

1988	The PRC government amended the national constitution to permit the transfer of state-owned land use rights
1994	The PRC government further implemented property reform and established an employer/employee-funded housing fund
1995	The PRC government issued regulations regarding the sales and pre-sales of property, establishing a regulatory framework for property sales
1998	The PRC government abolished state-allocated housing policy
	The Guangdong province government issued regulations on the administration of pre-sales of commodity properties in Guangdong province

1999	<p>The PRC government extended maximum mortgage term to 30 years</p> <p>The PRC government increased maximum mortgage financing from 70% to 80%</p> <p>The PRC government formalized procedures for the sale of property in the secondary market</p>
2000	<p>The PRC government issued regulations to standardize the quality of construction projects, establishing a framework for administering construction quality</p>
2001	<p>The PRC government issued regulations relating to the sales of commodity properties</p>
2002	<p>The PRC government promulgated the Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-For-Sale</p> <p>The PRC government eliminated the dual system for domestic and overseas home buyers in China</p>
2003	<p>The PRC government promulgated rules for more stringent administration of property loans with a view to reducing the credit and systemic risks associated with such loans</p> <p>The State Council issued a notice for sustainable and healthy development of the property market</p>
2004	<p>The State Council issued a notice requiring that, with respect to property development projects (excluding ordinary standard residential houses), the proportion of capital funds should be increased from 20% to 35%. The Ministry of Construction (“MOC”), formerly the Ministry of Housing and Urban-Rural Development, amended Administrative Measures on the Pre-sale of Commercial Housing in Cities. CBRC issued the Guideline for Commercial Banks on Risks of Real Estate Loans to further strengthen the risk management of commercial banks on property loans</p>
2005	<p>The PRC government instituted additional measures to discourage speculation in certain regional markets including increasing the minimum required down payment to 30% of the total purchase price, eliminating the preferential mortgage interest rate for residential housing, imposing a business tax of 5% for sales within two years of purchase, and prohibiting reselling unfinished properties before they are completed</p>
2006 to mid-2008.....	<p>The PRC government implemented additional land supply, bank financing, foreign investment and other measures to curtail fast increases in property prices, to encourage the development of middle- to low-end housing and to promote healthy development of the PRC property industry</p> <p>To further curtail speculation over development and fast increases in property prices, the PRC government issued regulations to urge the full and effective use of existing construction land and the preservation of farming land and rules to control financial institutions’ property financings.</p>
Mid-2008 to third quarter of 2009.....	<p>The PRC government implemented a number of measures to combat the global economic slowdown. These measures include the lowering of the PBOC benchmark bank lending rates, the internal capital ratio for property projects and the down payment requirements for purchasing residential properties</p>

Fourth quarter of 2009.....	The PRC government adjusted some of its policies in order to enhance regulation in the property market, to restrain property purchases for investment or speculation purposes and to keep property prices from rising too quickly in certain cities, including abolishing certain preferential treatment relating to business tax payable upon transfers of residential properties
First quarter of 2010 to present.....	The PRC government issued a number of measures and policies to curtail the overheating of the property market. These measures and policies include increasing the down payment and the loan interest rates for properties purchased with mortgage loans, imposing more stringent requirements on the payment of land premiums, suspending grant of mortgage loans to nonresidents who cannot provide any proof of local tax or social insurance payment for more than one year, and limiting the number of residential properties one household can purchase in certain areas. The PRC government also clarified certain issues with respect to the calculation, settlement and collection of LAT in order to enforce the settlement and collection of LAT, and the criteria for commercial banks to identify the second housing unit when approving mortgage loans

Additional information on housing reforms and recent regulatory developments is set out in the section entitled “Regulation” in this offering memorandum.

The property market in China

In 1990, the State Council issued the Provisional Regulations of the PRC Concerning the Grant and Assignment of the Right to Use State Land in Urban Areas, or the Urban Land Regulations. These rules, together with other land regulations and general economic growth in the PRC, have contributed to the significant growth experienced by the PRC property market since 1995.

The PRC property market continues to grow as evidenced by the increase in prices for property in China from 2006 to 2010. The average price per sq.m. for the overall property market, including residential and commercial property, was approximately RMB5,377 in 2011, compared to approximately RMB3,367 in 2006. The increase in land prices in the PRC is due to a number of factors, including the limited supply of land in favorable locations and competition among developers for the land. The transaction price indices of land decreased slightly in 2008 because of the macroeconomic measures introduced by the PRC government to control perceived over investment in the property market. In 2009, the PRC government adopted flexible macroeconomic policies to ease the economic downturn pressure in response to the global economic downturn. The PRC government subsequently issued a number of measures and policies to curtail the overheating of China’s property market from 2009 to present.

The following table sets forth selected data relating to the PRC real estate market for the periods indicated.

	2006	2007	2008	2009	2010	2011
Supply indicators:						
Investment in real estate (RMB in billions).....	1,942.3	2,528.9	3,120.3	3,624.2	4,825.9	6,174.0
GFA of commercial properties sold (sq.m. in millions)...	618.6	773.5	659.7	947.6	1,047.6	1,099.5
GFA of projects under construction (sq.m. in millions)...	1,947.9	2,363.2	2,832.7	3,203.7	4,053.6	5,079.6
GFA of new developments (sq.m. in millions).....	792.5	954.0	1,025.5	1,164.2	1,636.5	1,900.8
Demand indicators:						
Average sales price of residential commodity properties (RMB per sq.m.).....	3,119	3,645	3,576	4,459	4,725	5,011
Average sales price of all properties, including residential, commercial, office and other properties (RMB per sq.m.).....	3,367	3,864	3,800	4,681	5,032	5,377
Transaction price indices of land	111.1	112.3	109.5	105.4	119.9	n/a

Source: CEIC Data Company Limited

The property market in Beijing

Beijing, the capital city of China, has been experiencing fast economic growth in the past few decades and has gradually developed into a relatively mature economy. In 2011, Beijing had a population of approximately 20.2 million. Beijing's GDP reached approximately RMB1,601.1 billion in 2011, representing a per capita GDP of approximately RMB80,394. The following table sets forth selected economic statistics for Beijing during the year indicated.

	2006	2007	2008	2009	2010	2011
GDP (RMB in billions).....	811.8	984.7	1,111.5	1,215.3	1,411.4	1,601.1
Nominal GDP growth rate	16.5	21.3	12.9	9.3	16.1	13.4
Nominal GDP as % of national GDP	3.8	3.7	3.5	3.6	3.5	3.4
Per capita GDP (RMB)	52,054	61,274	66,797	70,452	75,943	80,394
Per capita disposable income of urban households (RMB) ..	19,978	21,989	24,725	26,738	29,073	32,903

Source: CEIC Data Company Limited

According to the CEIC Data Company Limited, the average price per sq.m. of commodity and properties Beijing in 2011 was approximately RMB16,845 representing a decrease of 5.3% over 2010. The table below sets out selected data on the property market in Beijing for the periods indicated.

	2006	2007	2008	2009	2010	2011
Total GFA completed (sq.m. in millions).....	38.2	35.0	33.7	33.1	29.4	34.4
GFA of residential properties completed (sq.m. in millions)	23.4	20.0	16.1	17.4	15.7	15.7
Total GFA sold (sq.m. in millions)	26.1	21.8	13.4	23.6	16.4	14.4
% of total GFA sold in the PRC.....	4.2	2.8	2.0	2.5	1.6	1.3
GFA of residential properties sold (sq.m. in millions)	15.5	17.3	10.3	18.8	12.0	10.3
Total sales revenue (RMB in billions).....	215.9	251.5	165.8	326.0	291.5	242.6
Sales revenue from residential properties (RMB in billions)	162.6	184.6	120.1	248.7	206.1	160.6
Average price of commodity properties (RMB per sq.m.)....	8,280	11,553	12,418	13,799	17,782	16,845
Average price of residential properties (RMB per sq.m.).....	7,375	10,661	11,648	13,224	17,151	15,518

Source: CEIC Data Company Limited

The property market in Tianjin

In 2011, Tianjin had a population of approximately 13.6 million. Tianjin's GDP reached approximately RMB1,119.1 billion in 2011, representing a per capita GDP of approximately RMB84,337. The table below sets out selected economic statistics of Tianjin for the periods indicated.

	2006	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions).....	446.3	525.3	671.9	752.2	922.4	1,119.1
Nominal GDP growth rate	14.3	17.7	27.9	11.9	22.6	21.3
Nominal GDP as % of national GDP	2.1	2.0	2.1	2.2	2.3	2.4
Per capita GDP (RMB)	42,141	47,970	58,656	62,574	72,994	84,337
Per capita disposable income of urban households (RMB) ..	14,283	16,357	19,423	21,402	24,293	26,921

Source: CEIC Data Company Limited

According to the CEIC Data Company Limited, the total sales revenue amounted to approximately RMB14.5 billion in 2011, representing an increase of 3.4% over 2010. The average price per sq.m. of commodity properties in Tianjin in 2011 was approximately RMB8,965, representing an increase of 8.9% over 2010. The table below sets out selected data on the property market in Tianjin for the periods indicated.

	2006	2007	2008	2009	2010	2011
Total GFA completed (sq.m. in millions).....	21.0	22.2	24.4	28.4	29.2	33.8
GFA of residential properties completed (sq.m. in millions)	13.3	14.2	15.5	17.4	17.0	19.9
Total GFA sold (sq.m. in millions)	14.6	15.5	12.5	15.9	15.1	16.4
% of total GFA sold in the PRC	2.4	2.0	1.9	1.7	1.4	1.5
GFA of residential properties sold (sq.m. in millions)	10.6	14.1	11.4	14.6	13.5	14.5
Total sales revenue (RMB in billions).....	69.6	90.0	75.3	109.5	124.6	147.3
Sales revenue from residential properties (RMB in billions)	62.0	78.2	63.6	96.5	103.4	124.2
Average price of commodity properties (RMB per sq.m.)....	4,774	5,811	6,015	6,886	8,230	8,965
Average price of residential properties (RMB per sq.m.).....	4,649	5,576	5,598	6,605	7,940	8,539

Source: CEIC Data Company Limited

The property market in Shanghai

Shanghai is one of China's largest cities, and had a permanent population of 23.5 million at the end of 2011. Shanghai's GDP grew at a CAGR of 12.7% between 2006 and 2011. Shanghai is also one of China's most affluent cities, with a GDP per capita of approximately RMB82,560 in 2011, compared to approximately RMB34,999 nationally in the same year. The following table sets forth selected economic statistics for Shanghai during the years indicated.

	2006	2007	2008	2009	2010	2011
GDP (in billions of RMB)	1,057.2	1,249.4	1,407.0	1,504.6	1,716.6	1,919.6
Nominal GDP Growth Rate	14.3	18.2	12.6	6.9	14.1	11.8
Nominal GDP as % of national GDP	4.9	4.7	4.5	4.4	4.3	4.1
Per capita GDP (RMB)	54,858	62,041	66,932	69,164	76,074	82,560
Per capita disposable income of urban households (RMB) ..	20,668	23,623	26,675	28,838	31,838	36,230

Source: CEIC Data Company Limited

According to the CEIC Data Company Limited, the total sales revenue amounted to approximately RMB256.9 billion in 2011, representing a decrease of 13.8% over 2010. The average price per sq.m. of commodity properties in Shanghai in 2011 was approximately RMB14,503, representing an increase of 0.3% over 2010. The table below sets out selected data on the property market in Shanghai for the periods indicated.

	2006	2007	2008	2009	2010	2011
Total GFA completed (sq.m. in millions).....	40.6	43.3	32.8	24.7	24.0	30.4
GFA of residential properties completed (sq.m. in millions)	27.1	28.1	18.7	15.1	14.0	15.6
Total GFA sold (sq.m. in millions)	30.3	36.9	23.4	33.7	20.6	17.7
% of total GFA sold in the PRC	4.9	4.8	3.5	3.6	2.0	1.6
GFA of residential properties sold (sq.m. in millions)	30.5	32.8	19.7	29.3	16.9	14.7
Total sales revenue (RMB in billions).....	217.7	308.9	189.5	433.0	298.1	256.9
Sales revenue from residential properties (RMB in billions)	184.1	270.6	160.8	362.0	241.6	198.2
Average price of commodity properties (RMB per sq.m.)....	7,196	8,361	8,195	12,840	14,464	14,503
Average price of residential properties (RMB per sq.m.).....	7,039	8,253	8,115	12,364	14,290	13,448

Source: CEIC Data Company Limited

The property market in Guangdong province

Guangdong province is located in the southern region of China. It has an area of approximately 179,800 sq.km. In 2011, Guangdong province had a population of approximately 105.1 million. The table below sets out selected economic statistics of Guangdong province for the periods indicated.

	2006	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions).....	2,658.8	3,177.7	3,679.7	3,948.3	4,601.3	5,267.4
Nominal GDP growth rate	17.9	19.5	15.8	7.3	16.5	14.5
Nominal GDP as % of national GDP	12.3	12.0	11.7	11.6	11.5	11.2
Per capita GDP (RMB)	28,747	33,890	38,748	41,166	44,736	50,295
Per capita disposable income of urban households (RMB) ..	16,016	17,699	19,733	21,575	23,898	26,897

Source: CEIC Data Company Limited

According CEIC Data Company Limited, a total of 77.6 million sq.m. GFA of properties was sold in 2011, of which 69.7 million sq.m. was residential properties. The table below sets out selected data relating to the property market in Guangdong province for the periods indicated.

	2006	2007	2008	2009	2010	2011
Total GFA completed (sq.m. in millions).....	89.1	92.6	105.6	108.0	116.9	142.9
GFA of residential properties completed (sq.m. in millions)	48.8	50.4	57.8	60.9	66.6	53.0
Total GFA sold (sq.m. in millions)	51.8	61.7	48.5	70.6	73.2	77.6
% of total GFA sold in the PRC	8.4	8.0	7.4	7.5	7.0	7.1
GFA of residential properties sold (sq.m. in millions)	45.4	56.7	43.8	65.6	65.5	69.7
Total sales revenue (RMB in billions).....	251.3	365.2	288.8	459.9	548.1	619.9
Sales revenue from residential properties (RMB in billions)	215.4	318.4	249.6	417.7	459.0	532.6
Average price of commodity properties (RMB per sq.m.)....	4,853	5,914	5,953	6,513	7,486	7,987
Average price of residential properties (RMB per sq.m.).....	4,589	5,682	5,723	6,360	7,004	7,643

Source: CEIC Data Company Limited

Guangzhou City

Guangzhou is the largest city in southern China and the capital of Guangdong province, located in the central southern region of the province. In 2011, Guangzhou had a population of approximately 12.8 million. The city experienced a high GDP growth rate from 2006 to 2011. Guangzhou's GDP reached approximately RMB1,230.3 billion in 2011. The table below sets out selected economic statistics of Guangzhou for the periods indicated.

	2006	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions).....	607.4	710.9	821.6	913.8	1,074.8	1,230.3
Nominal GDP growth rate	17.8	17.0	15.6	11.2	17.6	14.5
Nominal GDP as % of national GDP	2.8	2.7	2.6	2.7	2.7	2.6
Per capita GDP (RMB)	63,100	69,673	76,440	79,383	87,458	97,588
Per capita disposable income of urban households (RMB) ..	19,850	22,469	25,317	27,610	30,658	34,438

Source: CEIC Data Company Limited

Huizhou City

Huizhou is located in the southeastern region of Guangdong province. In 2011, Huizhou had a population of approximately 4.6 million. Huizhou's GDP reached approximately RMB209.7 billion in 2011, representing an increase of 21.2% over 2010. The table below sets out selected economic statistics of Huizhou for the periods indicated.

	2006	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions).....	93.5	110.5	129.0	141.5	173.0	209.7
Nominal GDP growth rate	16.4	18.2	16.8	9.6	22.3	21.2
Nominal GDP as % of national GDP	0.4	0.4	0.4	0.4	0.4	0.4
Per capita GDP (RMB)	25,043	28,288	31,748	33,142	38,650	45,331
Per capita disposable income of urban households (RMB) ..	15,991	18,770	19,481	21,278	23,565	26,609

Source: CEIC Data Company Limited

The property market in Zhejiang Province

Zhejiang Province lies at the south-east tip of the Yangtze River Delta, adjacent to Shanghai. It has a population of 54.6 million as of the end of 2011. Zhejiang Province's GDP was RMB3,200.0 billion in 2011, representing a 15.4% increase over 2010. The table below sets out selected economic statistics of Zhejiang Province for the periods indicated.

	2006	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions).....	1,571.8	1,875.4	2,146.3	2,299.0	2,772.2	3,200.0
Nominal GDP growth rate	17.1	19.3	14.4	7.1	20.6	15.4
Nominal GDP as % of national GDP	7.3	7.1	6.8	6.7	6.9	6.8
Per capita GDP (RMB)	31,825	37,358	42,166	44,641	51,711	58,665
Per capita disposable income of urban households (RMB) ..	18,265	20,574	22,727	24,611	27,359	30,971

Source: CEIC Data Company Limited

According to CEIC Data Company Limited, a total of 38.3 million sq.m. GFA of properties was sold in 2011, of which 30.1 million sq.m. was residential properties. The table below sets out selected data relating to the property market in Zhejiang Province for the periods indicated.

	2006	2007	2008	2009	2010	2011
Total GFA completed (sq.m. in millions).....	74.6	80.0	85.7	83.1	85.2	156.9
GFA of residential properties completed (sq.m. in millions)	35.2	34.4	37.3	31.9	32.7	40.5
Total GFA sold (sq.m. in millions)	35.4	45.4	29.9	55.4	48.2	38.3
% of total GFA sold in the PRC	5.7	5.9	4.5	5.8	4.6	3.5
GFA of residential properties sold (sq.m. in millions)	33.4	38.8	23.9	47.5	38.3	30.1
Total sales revenue (RMB in billions).....	169.3	262.8	187.4	433.4	445.9	372.8
Sales revenue from residential properties (RMB in billions)	137.1	220.7	152.4	375.6	357.7	292.5
Average price of commodity properties (RMB per sq.m.)....	4,774	5,786	6,262	7,826	9,258	9,742
Average price of residential properties (RMB per sq.m.).....	4,510	5,623	6,144	7,890	9,332	9,730

Source: CEIC Data Company Limited

Hangzhou

Hangzhou is the capital city of Zhejiang Province, having been historically renowned for its attractive natural scenery. It has experienced rapid economic growth with recorded GDP of RMB701.2 billion in 2011, representing an increase of 17.9% over 2010. The table below sets out selected economic statistics of Hangzhou for the periods indicated.

	2006	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions).....	344.2	410.0	478.1	508.8	594.9	701.2
Nominal GDP growth rate	17.0	19.1	16.6	6.4	16.9	17.9
Nominal GDP as of % of national GDP.....	1.6	1.5	1.5	1.5	1.5	1.5
Per capita GDP (RMB)	51,878	52,590	70,832	63,333	69,828	80,395
Per capita disposable income of urban households (RMB) ..	19,027	21,689	23,534	26,171	30,035	34,065

Source: CEIC Data Company Limited

Ningbo

Ningbo is a seaport located in the northeastern part of Zhejiang Province. It is one of China's oldest cities, historically known to be a trade city on the Silk Road and a major port. It has experienced rapid economic growth with recorded GDP of RMB601.0 billion in 2011, representing an increase of 16.4% over 2010. The table below sets out selected economic statistics of Ningbo for the periods indicated.

	2006	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions).....	287.4	343.5	396.4	432.9	516.3	601.0
Nominal GDP growth rate	17.4	19.5	15.4	9.2	19.3	16.4
Nominal GDP as % of national GDP	1.3	1.3	1.3	1.3	1.3	1.3
Per capita GDP (RMB)	51,460	66,067	69,997	60,720	69,368	77,983
Per capita disposable income of urban households (RMB) ..	19,674	22,307	25,196	27,237	30,166	34,058

Source: CEIC Data Company Limited

The property market in Liaoning Province

Liaoning Province is located in the southern district of northeastern region of China. In 2011, Liaoning Province had a population of approximately 43.8 million. The table below sets out selected economic statistics of Liaoning Province for the periods indicated.

	2006	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions).....	930.5	1,116.4	1,366.9	1,521.2	1,845.7	2,202.6
Nominal GDP growth rate	15.6	20.0	22.4	11.3	21.3	19.3
Nominal GDP as % of national GDP	4.3	4.2	4.4	4.5	4.6	4.7
Per capita GDP (RMB)	21,914	26,054	31,736	35,239	42,355	50,299
Per capita disposable income of urban households (RMB) ..	10,370	12,300	14,393	15,761	17,713	20,467

Source: CEIC Data Company Limited

According to CEIC Data Company Limited, the average price per sq.m. of commodity and properties Liaoning Province in 2011 was approximately RMB4,730 representing an increase of 5.0% over 2010. The table below sets out selected data on the property market in Liaoning Province for the periods indicated.

	2006	2007	2008	2009	2010	2011
Total GFA completed (sq.m. in millions).....	61.6	68.5	79.9	84.0	92.5	110.8
GFA of residential properties completed (sq.m. in millions)	29.5	31.3	35.7	36.4	38.7	55.2
Total GFA sold (sq.m. in millions)	30.1	38.3	40.9	53.8	68.0	75.6
% of total GFA sold in the PRC.....	4.9	5.0	6.2	5.7	6.5	6.9
GFA of residential properties sold (sq.m. in millions)	28.3	35.1	36.7	48.6	60.1	66.3
Total sales revenue (RMB in billions).....	92.4	133.7	153.8	216.9	306.3	357.6
Sales revenue from residential properties (RMB in billions)	78.7	118.9	133.4	188.3	258.8	301.1
Average price of commodity properties (RMB per sq.m.)....	3,073	3,490	3,758	4,034	4,505	4,730
Average price of residential properties (RMB per sq.m.).....	2,884	3,355	3,575	3,872	4,303	4,540

Source: CEIC Data Company Limited

Dalian

Dalian is the second largest city of Liaoning Province with a population of approximately 6.7 million in 2010. Dalian's GDP reached approximately RMB615.0 billion in 2011, representing a per capita GDP of approximately RMB91,287. The per capita annual disposable income of urban households in Dalian has increased from approximately RMB13,350 in 2006 to approximately RMB24,276 in 2011, representing a CAGR of 12.4% during the period. The table below sets forth selected economic statistics of Dalian for the periods indicated.

	2006	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions).....	257.0	313.1	385.8	435.0	515.8	615.0
Nominal GDP growth rate	19.4	21.8	23.2	12.7	18.6	19.2
Nominal GDP as % of national GDP	1.2	1.2	1.2	1.3	1.3	1.3
Per capita GDP (RMB)	42,579	51,630	63,198	70,781	77,704	91,287
Per capita disposable income of urban households (RMB) ..	13,350	15,109	17,500	19,014	21,293	24,276

Source: CEIC Data Company Limited

BUSINESS

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, Shanghai and Beijing, our "Regal Riviera," "Gallopade," "Fairview," "Dongjiao Villa," "Sheshan Dongziyuan," and "No. 8 Royal Park" 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 develop commercial properties, including retail shops, shopping malls, office buildings and hotels. Commercial properties, including integrated residential and commercial developments, have become an increasing proportion of our projects portfolio. 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, 2012, we had 68 property projects in various stages of development, of which 32 property developments were in the Pearl River Delta, 22 property developments in the Pan Bohai Rim and 14 property developments in the Yangtze River Delta. The total saleable GFA of our land bank amounted to approximately 31.85 million sq.m. as of June 30, 2012.

Although we intend to continue to focus on property development as our core business, 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 located in Guangzhou, Beijing, Hangzhou and Shanghai, comprising primarily commercial, retail and car park spaces within the property projects developed by us. As of June 30, 2012, we had a total of six investment properties in various stages of development.
- *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, 2009, 2010 and 2011, our revenue was HK\$11,225.2 million, HK\$14,379.3 million and HK\$8,007.5 million (US\$1,032.3 million), respectively, and our profit was HK\$6,092.5 million, HK\$6,293.0 million and HK\$1,408.4 million (US\$181.6 million), respectively. For the six months ended June 30, 2011 and 2012, our revenue was HK\$4,833.4 million and HK\$5,122.6 million (US\$660.4 million), respectively, and our profit was HK\$1,054.2 million and HK\$2,593.2 million (US\$334.3 million), respectively.

Competitive Strengths

We believe our principal competitive strengths are the following:

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 and commercial 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 high 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. We believe our strategy of developing properties in our target areas of the Pearl River Delta, the Pan Bohai Rim and the Yangtze River Delta is proving effective, and 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, 2012, our total land bank amounted to a saleable GFA of approximately 31.85 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 land 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 the 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, Xinguang 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 cash flow 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 commercial and 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 several international capital raising transactions, including the issuance in November 2005 of our US\$350 million aggregate principal amount of 8.125% Senior Notes due 2012 and the issuance in February 2007 of RMB1,830.4 million aggregate principal amount of US dollar settled zero coupon convertible bonds due 2010, both of which were subsequently repaid, as well as the issuance in January 2011 of our US\$300 million aggregate principal amount of 11.75% Senior Notes due 2016. 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, Tianjin 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 residential properties, while increasing the proportion of commercial properties in our projects portfolio

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 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. In addition, we also intend to develop more commercial properties, including integrated residential and commercial developments. We expect commercial properties will constitute an increasing proportion of our projects portfolio in the future.

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

We intend to continue to diversify our service and product offering. We have expanded into the hotel, office and retail sectors in the PRC to diversify our sources of income and to 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 renowned hotel groups, such as Hyatt Group, to manage our hotels, which we believe has allowed us to benefit from their 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 Beijing Times Regal and Shanghai Hopson Fortune Plaza.

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 recognition of our “Hopson” brand as representing 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.

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. 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 high 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,				
	2009		2010		2011			2011		2012		
	HK\$	%	HK\$	%	HK\$	US\$	%	HK\$	%	HK\$	US\$	%
	(in millions, except percentages)											
Property development....	10,631	94.7	13,788	95.9	7,276	938	90.9	4,501	93.1	4,674	602	91.2
Property management....	431	3.8	411	2.9	490	63	6.1	235	4.9	278	36	5.4
Hotel operations	132	1.2	180	1.2	200	25	2.5	92	1.9	112	14	2.2
Property investment.....	31	0.3	0	0	42	6	0.5	5	0.1	59	8	1.2
Total revenue.....	11,225	100	14,379	100	8,008	1,032	100	4,833	100	5,123	660	100

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 Pearl River Delta, the Pan Bohai Rim and the Yangtze River Delta surrounding the major cities.

Property development has been and will continue to be our largest source of revenue. For the years ended December 31, 2009, 2010 and 2011, revenue from property development amounted to HK\$10,631 million, HK\$13,788 million and HK\$7,276 million (US\$938 million), respectively, amounting to 94.7%, 95.9% and 90.9%, respectively, of our revenue. For the six months ended June 30, 2011 and 2012, revenue from property development amounted to HK\$4,501 million and HK\$4,674 million (US\$602 million), respectively, amounting to 93.1% and 91.2%, 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. In addition to residential properties, we are also expanding our development of commercial properties, including retail shops complementary to our residential properties, shopping malls, office buildings and hotels, for sale and long-term investment.

As of June 30, 2012, we had 68 projects at various stages of development, of which 32 property developments were located in the Pearl River Delta, 22 property developments in the Pan Bohai Rim and 14 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, 2012, our total land bank amounted to a saleable

GFA of approximately 31.85 million sq.m., including completed property developments of an aggregate unsold saleable GFA of approximately 2.09 million sq.m., properties under development of an aggregate saleable GFA of approximately 6.83 million sq.m. and properties held for future development of an aggregate saleable GFA of approximately 22.93 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 June 30, 2012, 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 68 projects as of June 30, 2012.

No	Project Name	Location	Completed Property Developments				Properties Under Development				Properties Held for Future Development				
			Aggregate GFA for Entire Project	GFA Completed	Total Completed Saleable GFA	Total Saleable GFA Sold	GFA Under Development	Total Saleable GFA Under Development	Total Saleable GFA Pre-sold	GFA 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	1,103	798	699	594	—	—	—	—	—	—	305	249	100%
2.	Città Eterna.....	Beijing	497	490	399	382	7	—	—	—	—	—	—	—	100%
3.	Hopson International Garden.....	Beijing	203	203	185	182	—	—	—	—	—	—	—	—	100%
4.	No. 8 Royal Park.....	Beijing	896	108	103	74	440	391	29	347	231	—	—	—	80.0%
5.	Beijing Dongfangwenhua Project.....	Beijing	143	143	141	—	—	—	—	—	—	—	—	—	88.56%
6.	Kylin Zone.....	Beijing	151	107	103	88	44	38	—	—	—	—	—	—	100%
7.	Dreams World.....	Beijing	630	82	73	63	367	337	157	181	156	—	—	—	100%
8.	Regal Court.....	Beijing	169	—	—	—	30	30	—	139	138	—	—	—	100%
9.	Fresh Life Garden.....	Beijing	442	442	405	387	—	—	—	—	—	—	—	—	100%
10.	Yuhe Project.....	Beijing	14	—	—	—	—	—	—	—	—	—	14	10	100%
11.	Regal Park.....	Beijing	334	—	—	—	334	334	—	—	—	—	—	—	100%
12.	Miyun Project.....	Beijing	12	—	—	—	—	—	—	—	—	—	12	12	100%
13.	Hopson World Garden.....	Beijing	179	—	—	—	179	163	18	—	—	—	—	—	100%
	Subtotal.....		4,773	2,373	2,108	1,770	1,401	1,293	204	998	766	998	766	766	
14.	Jingjin New Town.....	Tianjin	4,562	764	749	480	379	365	—	—	—	—	3,419	3,391	92.29%
15.	Hyatt Regency Jingjin City.....	Tianjin	165	165	163	—	—	—	—	—	—	—	—	—	70.0%
16.	Tianjin Hopson International Tower.....	Tianjin	198	—	—	—	198	198	—	—	—	—	—	—	98.90%
17.	Tianjin Hopson International Mansion ..	Tianjin	159	—	—	—	159	159	—	—	—	—	—	—	100%
18.	Hopson Belvedere Bay.....	Tianjin	279	—	—	—	279	277	5	—	—	—	—	—	83.061%
19.	Dongli Lake Project.....	Tianjin	1,130	—	—	—	—	—	—	—	—	—	1,130	1,130	100%
	Subtotal.....		6,493	929	912	480	1,015	999	5	4,549	4,521	4,521	4,521	4,521	
20.	Dalian Hopson Regal Seashore.....	Dalian	507	119	94	70	73	65	6	315	303	—	—	—	100%
	Subtotal.....		507	119	94	70	73	65	6	315	303	315	303	303	

No	Project Name	Location	Aggregate GFA for Entire Project	Completed Property Developments				Properties Under Development				Properties Held for Future Development				Interest attributable to the Company
				GFA Completed	Total Completed Saleable GFA	Total Saleable GFA Sold	Total Saleable GFA Under Development	GFA Under Development	Total Saleable GFA Under Development	GFA Held for Future Development	Total Saleable GFA Held for Future Development	GFA Held for Future Development	Total Saleable GFA Held for Future Development			
														GFA Completed	Total Completed Saleable GFA	
(in thousands of sq.m.)																
Pearl River Delta Economic Zone																
37.	Gallopede Park	Guangzhou	848	408	389	371	—	—	—	—	—	440	440	—	440	95.0%
38.	Pleasant View Garden ⁽¹⁾	Guangzhou	910	832	798	777	—	—	—	—	—	78	69	—	69	99.125% ⁽¹⁾
39.	Huanan New City	Guangzhou	998	829	736	634	20	19	10	150	145	150	145	—	145	100%
40.	Panyu Zhujiang	Guangzhou	1,443	—	—	—	—	—	—	—	—	1,443	1,357	—	1,357	100%
41.	Gallopede Park — South Court	Guangzhou	867	770	737	719	46	46	—	—	—	51	47	—	47	95.0%
42.	Jinan Garden	Guangzhou	116	116	116	108	—	—	—	—	—	—	—	—	—	100%
43.	Qianjin Road Project	Guangzhou	244	—	—	—	—	—	—	—	—	244	244	—	244	100%
44.	Grandview Place	Guangzhou	67	67	67	67	—	—	—	—	—	—	—	—	—	100%
45.	Regal Court	Guangzhou	254	254	242	225	—	—	—	—	—	—	—	—	—	100%
46.	Huajing New City	Guangzhou	859	859	814	776	—	—	—	—	—	—	—	—	—	100%
47.	Fairview South Court	Guangzhou	169	169	156	154	—	—	—	—	—	—	—	—	—	70.0%
48.	Fairview Garden	Guangzhou	190	190	183	161	—	—	—	—	—	—	—	—	—	90.0%
49.	Regal Riviera	Guangzhou	1,662	876	828	766	152	139	11	633	629	633	629	—	629	99.5%
50.	Regal Palace	Guangzhou	102	102	99	94	—	—	—	—	—	—	—	—	—	100%
51.	Yijing Huayuan	Guangzhou	188	181	169	140	7	—	—	—	—	—	—	—	—	100%
52.	Yunshan Xijing	Guangzhou	148	148	140	123	—	—	—	—	—	—	—	—	—	70.0%
53.	Regal Villa	Guangzhou	152	67	63	41	85	80	—	—	—	—	—	—	—	100%
54.	Junjing Bay	Guangzhou	765	213	200	139	320	310	78	232	220	232	220	—	220	100%
55.	Hopson Xijing Banshan	Guangzhou	1,223	—	—	—	50	42	—	—	—	1,173	1,153	—	1,153	95.5%
56.	Guangzhou Jiufu Machao Project	Guangzhou	194	—	—	—	—	—	—	—	—	194	194	—	194	55%
57.	Hopson Regal International	Guangzhou	105	—	—	—	105	98	47	—	—	—	—	—	—	100%
58.	Wanxiangying Project	Guangzhou	1,384	—	—	—	—	—	—	—	—	1,384	1,384	—	1,384	100%
59.	Hushan Guoji Villa	Guangzhou	1,501	198	178	168	368	365	—	—	—	935	900	—	900	100%
60.	TIT Project (Industrial Park)	Guangzhou	385	—	—	—	19	19	—	—	—	365	365	—	365	65%
Subtotal			14,774	6,279	5,915	5,463	1,172	1,118	146	7,322	7,147	7,322	7,147	146	7,147	

The following map shows the cities where our 68 projects are located as of June 30, 2012.



The following is a brief description of our major development projects as of June 30, 2012.

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, our wholly-owned project company. This development occupies an aggregate site area of approximately 254,921 sq.m. and has an expected aggregate saleable GFA of approximately 947,810 sq.m.

As of June 30, 2012, completed properties occupied an aggregate site area of approximately 194,593 sq.m. and had an aggregate saleable GFA of approximately 698,967 sq.m. The completed properties comprised 3,828 residential flats with an aggregate saleable GFA of approximately 540,648 sq.m. As of June 30, 2012, 3,793 residential flats with an aggregate saleable GFA of approximately 535,346 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 35 residential flats with an aggregate saleable GFA of approximately 5,301 sq.m.

As of June 30, 2012, 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, 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, our wholly-owned project company. This development occupies an aggregate site area of approximately 122,097 sq.m. and has an aggregate saleable GFA of approximately 398,674 sq.m.

As of June 30, 2012, this project had been completed. The completed properties comprised 2,951 residential flats and had an aggregate saleable GFA of approximately 375,677 sq.m. As of June 30, 2012, 2,937 residential flats with an aggregate saleable GFA of approximately 374,837 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 842 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.

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, our wholly-owned project company. This development occupies an aggregate site area of approximately 60,518 sq.m. and has an aggregate saleable GFA of approximately 184,852 sq.m.

As of June 30, 2012, 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 209,200 sq.m. and has an expected aggregate saleable GFA of approximately 724,535 sq.m.

As of June 30, 2012, completed properties occupied an aggregate site area of approximately 22,450 sq.m. and had an aggregate saleable GFA of approximately 102,974 sq.m. The completed properties comprised 220 residential flats with an aggregate saleable GFA of approximately 101,941 sq.m. As of June 30, 2012, 166 residential flats with an aggregate saleable GFA of approximately 74,011 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 54 residential flats with an aggregate saleable GFA of approximately 27,931 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 59,141 sq.m. and had an expected aggregate saleable GFA of approximately 390,992 sq.m. Upon completion, it is expected that there will be 750 residential flats with an aggregate saleable GFA of approximately 372,381 sq.m. As of June 30, 2012, 60 residential flats with an aggregate saleable GFA of approximately 28,558 sq.m. had been pre-sold.

As of June 30, 2012, properties held for future development occupied an aggregate site area of approximately 127,609 sq.m. and had an expected aggregate saleable GFA of approximately 230,570 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 Dongsu Redevelopment Area, Dongcheng District, Beijing. It was developed by Beijing Dongfangwenhua International Properties Company Limited, a project company with which we 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 aggregate saleable GFA of approximately 141,343 sq.m. As of June 30, 2012, this project had been completed.

This project offers a hotel and office space. We have an 88.56% 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, our wholly-owned project company. 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, 2012, completed properties occupied an aggregate site area of approximately 22,364 sq.m. and had an aggregate saleable GFA of approximately 103,129 sq.m. The completed properties comprised 1,032 residential flats with an aggregate saleable GFA of approximately 93,022 sq.m. As of June 30, 2012, 971 residential flats with an aggregate saleable GFA of approximately 88,070 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 61 residential flats with an aggregate saleable GFA of approximately 4,952 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 8,776 sq.m. and had an expected aggregate saleable GFA of approximately 37,737 sq.m.

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, our wholly-owned project company. This development occupies an aggregate site area of approximately 129,070 sq.m. and has an expected aggregate saleable GFA of approximately 565,421 sq.m.

As of June 30, 2012, completed properties occupied an aggregate site area of approximately 20,831 sq.m. and had an aggregate saleable GFA of approximately 72,880 sq.m. The completed properties comprised 695 residential flats with an aggregate saleable GFA of approximately 63,693 sq.m. As of June 30, 2012, 687 residential flats with an aggregate saleable GFA of approximately 63,033 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 660 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 64,500 sq.m. and had an expected aggregate saleable GFA of approximately 336,546 sq.m. Upon completion, it is expected that there will be 2,172 residential flats with an aggregate saleable GFA of approximately 264,535 sq.m. As of June 30, 2012, 1,348 residential flats with an aggregate saleable GFA of approximately 157,207 sq.m. had been pre-sold.

As of June 30, 2012, properties held for future development occupied an aggregate site area of approximately 43,738 sq.m. and had an expected aggregate saleable GFA of approximately 155,995 sq.m.

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

Regal Court (時代帝景)

Regal Court is located at West Dawang Road, Chaoyang District, Beijing. It is being developed by Beijing Hopson Yujing Property Development Company Limited, our wholly-owned project company. This development occupies an aggregate site area of approximately 47,285 sq.m. and has an expected aggregate saleable GFA of approximately 169,012 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 8,492 sq.m. and had an expected aggregate saleable GFA of approximately 30,354 sq.m.

As of June 30, 2012, properties held for future development occupied an aggregate site area of approximately 47,285 sq.m. and had an expected aggregate saleable GFA of approximately 138,021 sq.m.

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, our wholly-owned project company. This development occupies an aggregate site area of approximately 87,640 sq.m. and has an aggregate saleable GFA of approximately 404,913 sq.m.

As of June 30, 2012, 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, 2012, 2,500 residential flats with an aggregate saleable GFA of approximately 382,567 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 3,724 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 Dingyi 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 Siheyuan, 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.

As of June 30, 2012, properties of this project remained held for future development.

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

Regal Park (通州永順項目)

Regal Park 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, 2012, properties under development occupied an aggregate site area of approximately 116,445 sq.m. and had an expected aggregate saleable GFA of approximately 334,197 sq.m. Upon completion, it is expected that there will be 2,819 residential flats with an aggregate saleable GFA of approximately 334,197 sq.m. As of June 30, 2012, none of the residential flats under development had been pre-sold.

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

Miyun Project (密雲項目)

Miyun Project is located at Shanzi Reservoir, Bulaotun Village, Miyun County, Beijing. It is being developed by Beijing Rui Yu Investment Management Company Limited, a project company in which we hold a 100% interest. This development occupies an aggregate site area of approximately 49,924 sq.m. and has an expected aggregate saleable GFA of approximately 12,327 sq.m.

As of June 30, 2012, properties of this project remained held for future development.

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

Hopson World Garden (合生世界花園)

Hopson World Garden is located at 500 metres south of the bridge, No. 1 Majuqiao, Yizhuang, Tongzhou District, Beijing. It is being developed by Beijing Long Yuan Shun Jing Real Estate Development Company Limited, our wholly-owned project company. This development occupies an aggregate site area of approximately 53,661 sq.m. and has an expected aggregate saleable GFA of approximately 163,369 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 53,661 sq.m. and had an expected aggregate saleable GFA of approximately 163,369 sq.m. Upon completion, it is expected that there will be 713 residential flats with an aggregate saleable GFA of approximately 47,371 sq.m. As of June 30, 2012, 264 residential flats with an aggregate saleable GFA of approximately 17,500 sq.m. had been pre-sold.

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 14,267,874 sq.m. and has an expected aggregate saleable GFA of approximately 4,505,281 sq.m.

As of June 30, 2012, completed properties occupied an aggregate site area of approximately 3,923,606 sq.m. and had an aggregate saleable GFA of approximately 748,518 sq.m. The completed properties comprised 2,668 residential flats with an aggregate saleable GFA of approximately 676,655 sq.m. As of June 30, 2012, 1,888 residential flats with an aggregate saleable GFA of approximately 478,388 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 780 residential flats with an aggregate saleable GFA of approximately 198,266 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 887,552 sq.m. and had an expected aggregate saleable GFA of approximately 365,493 sq.m. Upon completion, it is expected that there will be 1,365 residential flats with an aggregate saleable GFA of approximately 353,251 sq.m. As of June 30, 2012, none of the residential flats under development had been pre-sold.

As of June 30, 2012, properties held for future development occupied an aggregate site area of approximately 9,456,745 sq.m. and had an expected aggregate saleable GFA of approximately 3,391,270 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 was 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 aggregate saleable GFA of approximately 162,969 sq.m.

As of June 30, 2012, this project had been completed. The completed properties occupied an aggregate site area of approximately 265,666 sq.m. and had an aggregate saleable GFA of approximately 162,969 sq.m.

This project offers residential buildings and hotels. 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 20,631 sq.m. and has an expected aggregate saleable GFA of approximately 197,590 sq.m.

As of June 30, 2012, all properties of this project are under 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, our wholly-owned project company. This development occupies an aggregate site area of approximately 15,728 sq.m. and has an expected aggregate saleable GFA of approximately 158,939 sq.m.

As of June 30, 2012, all properties of this project are under development. Upon completion, it is expected that there will be 830 residential flats with an aggregate saleable GFA of approximately 79,460 sq.m. As of June 30, 2012, none of the residential flats under development had been pre-sold.

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

Hopson Belvedere Bay (濱海帝景灣)

Hopson Belvedere Bay is located at Interchange of Donghai Road and No. 1 Shipcanal, Tanggu Development Zone, Tianjin. It is being developed by Tianjin Ruiwan Investment and Development Company Limited, a project company in which we hold a 83.061% interest. This development occupies an aggregate site area of approximately 69,400 sq.m. and has an expected aggregate saleable GFA of approximately 277,326 sq.m.

As of June 30, 2012, all properties of this project are under development. Upon completion, it is expected that there will be 729 residential flats with an aggregate saleable GFA of approximately 105,958 sq.m. As of June 30, 2012, 36 residential flats with an aggregate saleable GFA of approximately 4,638 sq.m. had been pre-sold.

This project is expected to offer buildings for residential and commercial purposes. We have an 83.061% interest in this project.

Dongli Lake Project (澤業)

Dongli Lake is located at East Chitu Town, Dongli Avenue North, Dongli Lake West, Dongli District, Tianjin. It is being developed by Tianjin Zeye Modern Agricultural Development Co., Limited, our wholly-owned project company. This development occupies an aggregate site area of 1,130,000 sq.m. and has an expected aggregate saleable GFA of approximately 1,130,000 sq.m.

As of June 30, 2012, properties of this project remained held for future development. The land occupied by Dongli Lake is collectively-owned land. We must convert this parcel of land to state-owned land before we commence construction.

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, Lushunkou District, Dalian. It is being developed by Dalian Hopson Xing Ye Real Estate Development Company Limited, our wholly-owned project company. This development occupies an aggregate site area of approximately 233,177 sq.m. and has an expected aggregate saleable GFA of approximately 462,521 sq.m.

As of June 30, 2012, completed properties occupied an aggregate site area of approximately 55,614 sq.m. and had an aggregate saleable GFA of approximately 94,038 sq.m. The completed properties comprised 712 residential flats with an aggregate saleable GFA of approximately 83,675 sq.m. As of June 30, 2012, 550 residential flats with an aggregate saleable GFA of approximately 70,408 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 162 residential flats with an aggregate saleable GFA of approximately 13,266 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 49,536 sq.m. and had an expected aggregate saleable GFA of approximately 65,297 sq.m. Upon completion, it is expected that there will be 552 residential flats with an aggregate saleable GFA of approximately 65,297 sq.m. As of June 30, 2012, 70 residential flats with an aggregate saleable GFA of approximately 6,438 sq.m. had been pre-sold.

As of June 30, 2012, properties held for future development occupied an aggregate site area of approximately 128,026 sq.m. and had an expected aggregate saleable GFA of approximately 303,187 sq.m.

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

Hopson Ziyue Mansion (山西太原銅業項目)

Hopson Ziyue Mansion 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, our wholly-owned project company. This development occupies an aggregate site area of approximately 92,564 sq.m. and has an expected aggregate saleable GFA of approximately 396,487 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 52,526 sq.m. and had an expected aggregate saleable GFA of approximately 237,646 sq.m. Upon completion, it is expected that there will be 852 residential flats with an aggregate saleable GFA of approximately 197,341 sq.m. As of June 30, 2012, none of the residential flats under development had been pre-sold.

As of June 30, 2012, properties held for future development occupied an aggregate site area of approximately 40,037 sq.m. and had an expected aggregate saleable GFA of approximately 158,841 sq.m.

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.

Seasky Villa (天戴河)

Seasky Villa 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, 2012, properties under development occupied an aggregate site area of approximately 112,619 sq.m. and had an expected aggregate saleable GFA of approximately 68,638 sq.m. Upon completion, it is expected that there will be 284 residential flats with an aggregate saleable GFA of approximately 68,638 sq.m. As of June 30, 2012, none of the residential flats under development had been pre-sold.

As of June 30, 2012, properties held for future development occupied an aggregate site area of approximately 557,136 sq.m. and had an expected aggregate saleable GFA of approximately 830,303 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, our wholly-owned project company. This development occupies an aggregate site area of approximately 517,475 sq.m. and has an expected aggregate saleable GFA of approximately 553,915 sq.m.

As of June 30, 2012, completed properties occupied an aggregate site area of approximately 484,241 sq.m. and had an aggregate saleable GFA of approximately 510,373 sq.m. The completed properties comprised 3,395 residential flats with an aggregate saleable GFA of approximately 458,853 sq.m. As of June 30, 2012, 3,270 residential flats with an aggregate saleable GFA of approximately 445,540 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 125 residential flats with an aggregate saleable GFA of approximately 13,313 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 33,234 sq.m. and had an expected aggregate saleable GFA of approximately 43,542 sq.m. Upon completion, it is expected that there will be 519 residential flats with an aggregate saleable GFA of approximately 43,542 sq.m. As of June 30, 2012, 456 residential flats with an aggregate saleable GFA of approximately 40,016 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 was 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 aggregate saleable GFA of approximately 57,976 sq.m.

As of June 30, 2012, this project had been completed. The completed properties comprised 460 residential flats with an aggregate saleable GFA of approximately 48,904 sq.m. As of June 30, 2012, 448 residential flats with an aggregate saleable GFA of approximately 46,527 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 12 residential flats with an aggregate saleable GFA of approximately 2,377 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, our wholly-owned project company. This development occupies an aggregate site area of approximately 443,726 sq.m. and has an expected aggregate saleable GFA of approximately 130,771 sq.m.

As of June 30, 2012, completed properties occupied an aggregate site area of approximately 232,039 sq.m. and had an aggregate saleable GFA of approximately 74,420 sq.m. The completed properties comprised 94 residential flats with an aggregate saleable GFA of approximately 74,420 sq.m. As of June 30, 2012, 40 residential flats with an aggregate saleable GFA of approximately 29,690 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 54 residential flats with an aggregate saleable GFA of approximately 44,730 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 211,485 sq.m. and had an expected aggregate saleable GFA of approximately 56,351 sq.m. Upon completion, it is expected that there will be 97 residential flats with an aggregate saleable GFA of approximately 56,351 sq.m. As of June 30, 2012, 13 residential flats with an aggregate saleable GFA of approximately 7,625 sq.m. 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, our wholly-owned project company. This development occupies an aggregate site area of approximately 126,185 sq.m. and has an aggregate saleable GFA of approximately 122,084 sq.m.

As of June 30, 2012, the project had been completed. The completed properties comprised 462 residential flats with an aggregate saleable GFA of approximately 121,507 sq.m. As of June 30, 2012, 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 2,741 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 was 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 aggregate saleable GFA of approximately 127,281 sq.m.

As of June 30, 2012, the project had been completed. The completed properties comprised 388 residential flats with an aggregate saleable GFA of approximately 123,295 sq.m. As of June 30, 2012, 357 residential flats with an aggregate saleable GFA of approximately 113,298 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 31 residential flats with an aggregate saleable GFA of approximately 9,997 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 was developed by Shanghai Yu Tai Real Estate Development Company Limited, our wholly-owned project company. This development occupies an aggregate site area of approximately 157,345 sq.m. and has an aggregate saleable GFA of approximately 62,418 sq.m.

As of June 30, 2012, the project had been completed. The completed properties comprised 74 residential flats with an aggregate saleable GFA of approximately 62,418 sq.m. As of June 30, 2012, 31 residential flats with an aggregate saleable GFA of approximately 24,193 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 43 residential flats with an aggregate saleable GFA of approximately 38,225 sq.m.

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, our wholly-owned project company. This development occupies an aggregate site area of approximately 115,827 sq.m. and has an expected aggregate saleable GFA of approximately 124,159 sq.m.

As of June 30, 2012, completed properties occupied an aggregate site area of approximately 49,167 sq.m. and had an aggregate saleable GFA of approximately 46,780 sq.m. The completed properties comprised 210 residential flats with an aggregate saleable GFA of approximately 46,531 sq.m. As of June 30, 2012, 168 residential flats with an aggregate saleable GFA of approximately 37,676 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 42 residential flats with an aggregate saleable GFA of approximately 8,855 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 55,855 sq.m. and had an expected aggregate saleable GFA of approximately 69,136 sq.m. Upon completion, it is expected that there will be 616 residential flats with an aggregate saleable GFA of approximately 65,033 sq.m. As of June 30, 2012, 381 residential flats with an aggregate saleable GFA of approximately 41,249 sq.m. had been pre-sold.

As of June 30, 2012, properties held for future development occupied an aggregate site area of approximately 10,805 sq.m. and had an expected aggregate saleable GFA of approximately 8,243 sq.m.

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

Shanghai Songjiang Guangfulin Project (廣富林)

Shanghai Songjiang Guangfulin Project is located at Lot Nos. 2-5, Guang Fu Lin, Songjiang District, Shanghai. It is being developed by Shanghai Hopson Jinting Real Estate Development Company Ltd., a project company in which we hold a 100% interest. This development occupies an aggregate site area of approximately 94,476 sq.m. and has an expected aggregate saleable GFA of approximately 133,486 sq.m.

As of June 30, 2012, all properties of this project are under development. Upon completion, it is expected that there will be 45 residential flats with an aggregate saleable GFA of approximately 106,001 sq.m. As of June 30, 2012, none of the residential flats under development had been pre-sold.

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

Shanghai Pudong Sanlin Project (三林)

Shanghai Pudong Sanlin Project is located at Lot A14-1, Sanlin Ji Zhen, Pudong New District, Shanghai. It is being developed by Shanghai Hopson Sanlin Real Estate Development Company Limited, a project company in which we hold a 100% interest. This development occupies an aggregate site area of approximately 40,901 sq.m. and has an expected aggregate saleable GFA of approximately 99,459 sq.m.

As of June 30, 2012, all properties of this project are under development. Upon completion, it is expected that there will be 472 residential flats with an aggregate saleable GFA of approximately 79,792 sq.m. As of June 30, 2012, none of the residential flats under development had been pre-sold.

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

Asset Seascap Residence (金山)

Asset Seascap Residence is located at Lot E25, Hangzhou Bay Avenue, Longsheng Road, Jinshan New District, Shanghai. It is being developed by Shanghai Hopson Linhai Real Estate Development Company Limited, a project company in which we hold a 100% interest. This development occupies an aggregate site area of approximately 88,449 sq.m. and has an expected aggregate saleable GFA of approximately 264,091 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 41,965 sq.m. and had an expected aggregate saleable GFA of approximately 128,038 sq.m. Upon completion, it is expected that there will be 816 residential flats with an aggregate saleable GFA of approximately 102,532 sq.m. As of June 30, 2012, none of the residential flats under development had been pre-sold.

As of June 30, 2012, properties held for future development occupied an aggregate site area of approximately 46,483 sq.m. and had an expected aggregate saleable GFA of approximately 136,053 sq.m.

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

Hopson Yiting (合生頤廷)

Hopson Yiting is located at Zhoushi Town, Kunshan, Greater Suzhou, Jiangsu Province. It is being developed by Kunshan Hopson Property Development Company Limited, our wholly-owned project company. This development occupies an aggregate site area of approximately 292,140 sq.m. and has an expected aggregate saleable GFA of approximately 579,642 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 88,905 sq.m. and had an expected aggregate saleable GFA of approximately 178,897 sq.m. Upon completion, it is expected that there will be 942 residential flats with an aggregate saleable GFA of approximately 142,964 sq.m. As of June 30, 2012, none of the residential flats under development had been pre-sold.

As of June 30, 2012, properties held for further development occupied an aggregate site area of approximately 203,236 sq.m. and had an expected aggregate saleable GFA of approximately 400,745 sq.m.

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

Hopson Sea Block (合生伴海)

Hopson Sea Block is located at No. 588, Longjiang Road, Taicang, Suzhou, Jiangsu Province. It is being developed by Suzhou Ruiyin Real Estate Company Ltd., a project company in which we hold a 100% interest. This development occupies an aggregate site area of approximately 100,044 sq.m. and has an expected aggregate saleable GFA of approximately 195,151 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 47,158 sq.m. and had an expected aggregate saleable GFA of approximately 38,647 sq.m. Upon completion, it is expected that there will 104 residential flats with an aggregate saleable GFA of approximately 38,647 sq.m. As of June 30, 2012, five residential flats with an aggregate saleable GFA of approximately 1,790 sq.m. had been pre-sold.

As of June 30, 2012, properties held for future development occupied an aggregate site area of approximately 52,886 sq.m. and had an expected aggregate saleable GFA of approximately 156,505 sq.m.

This project offers buildings for residential purposes. We have a 100% 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 Ningbo Hopson Real Estate Company Limited, our wholly-owned project company. This development occupies an aggregate site area of approximately 300,377 sq.m. and has an expected aggregate saleable GFA of approximately 509,217 sq.m.

As of June 30, 2012, completed properties occupied an aggregate site area of approximately 210,876 sq.m. and had an aggregate saleable GFA of approximately 304,040 sq.m. The completed properties comprised 1,607 residential flats with an aggregate saleable GFA of approximately 284,480 sq.m. As of June 30, 2012, 995 residential flats with an aggregate saleable GFA of approximately 185,474 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 612 residential flats with an aggregate saleable GFA of approximately 99,006 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 89,501 sq.m. and had an expected aggregate saleable GFA of approximately 205,178 sq.m. Upon completion, it is expected that there will be 1,234 residential flats with an aggregate saleable GFA of approximately 176,318 sq.m. As of June 30, 2012, 101 residential flats with an aggregate saleable GFA of approximately 28,474 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.

Town of Hangzhou Bay (合生杭州灣國際新城)

Town of Hangzhou Bay 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, our wholly-owned project company. This development occupies an aggregate site area of approximately 2,344,774 sq.m. and has an expected aggregate saleable GFA of approximately 2,690,463 sq.m.

As of June 30, 2012, completed properties occupied an aggregate site area of approximately 41,070 sq.m. and had an aggregate saleable GFA of approximately 12,183 sq.m. The completed properties comprised 40 residential flats with an aggregate saleable GFA of approximately 12,183 sq.m. As of June 30, 2012, sold but undelivered properties and unsold properties, comprised 40 residential flats with an aggregate saleable GFA of approximately 12,183 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 1,145,630 sq.m. and had an expected aggregate saleable GFA of approximately 582,957 sq.m. Upon completion, it is expected that there will be 3,036 residential flats with an aggregate saleable GFA of approximately 531,461 sq.m. As of June 30, 2012, 135 residential flats with an aggregate saleable GFA of approximately 48,071 sq.m. had been pre-sold.

As of June 30, 2012, properties held for future development occupied an aggregate site area of approximately 1,158,074 sq.m. and had an expected aggregate saleable GFA of approximately 2,095,324 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, 2012, completed properties occupied an aggregate site area of approximately 120,100 sq.m. and had an aggregate saleable GFA of approximately 389,080 sq.m. The completed properties comprised 3,439 residential flats with an aggregate saleable GFA of approximately 371,615 sq.m. As of June 30, 2012, 3,431 residential flats with an aggregate saleable GFA of approximately 370,732 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 884 sq.m.

As of June 30, 2012, the properties held for future development occupied an aggregate site area of approximately 59,567 sq.m. and had an expected aggregate saleable GFA of approximately 439,529 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, our wholly-owned project company, 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 867,652 sq.m.

As of June 30, 2012, completed properties occupied an aggregate site area of approximately 236,216 sq.m. and had an aggregate saleable GFA of approximately 798,215 sq.m. The completed properties comprised 6,008 residential flats with an aggregate saleable GFA of approximately 711,704 sq.m. As of June 30, 2012, 6,004 residential flats with an aggregate saleable GFA of approximately 710,787 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 918 sq.m.

As of June 30, 2012, properties held for future development occupied an aggregate site area of approximately 39,483 sq.m. and had an expected aggregate saleable GFA of approximately 69,437 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 568,808 sq.m. and has an expected aggregate saleable GFA of approximately 900,353 sq.m.

As of June 30, 2012, completed properties occupied an aggregate site area of approximately 527,684 sq.m. and had an aggregate saleable GFA of approximately 735,792 sq.m. The completed properties comprised 4,316 residential flats with an aggregate saleable GFA of approximately 651,167 sq.m. As of June 30, 2012, 4,221 residential flats with an aggregate saleable GFA of approximately 605,282 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 95 residential flats with an aggregate saleable GFA of approximately 45,886 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 10,839 sq.m. and had an expected aggregate saleable GFA of approximately 19,146 sq.m. Upon completion, it is expected that there will be 69 residential flats with an aggregate saleable GFA of approximately 11,634 sq.m. As of June 30, 2012, 62 residential flats with an aggregate saleable GFA of approximately 9,997 sq.m. had been pre-sold.

As of June 30, 2012, properties held for future development occupied an aggregate site area of approximately 30,285 sq.m. and had an expected aggregate saleable GFA of approximately 145,415 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, our wholly-owned project company. This development occupies an aggregate site area of approximately 997,826 sq.m. and has an expected aggregate saleable GFA of approximately 1,356,626 sq.m.

As of June 30, 2012, 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 829,155 sq.m.

As of June 30, 2012, completed properties occupied an aggregate site area of approximately 202,894 sq.m. and had an aggregate saleable GFA of approximately 736,517 sq.m. The completed properties comprised 4,890 residential flats with an aggregate saleable GFA of approximately 653,830 sq.m. As of June 30, 2012, 4,877 residential flats with an aggregate saleable GFA of approximately 651,319 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 13 residential flats with an aggregate saleable GFA of approximately 2,511 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 7,150 sq.m. and had an expected aggregate saleable GFA of approximately 45,692 sq.m.

As of June 30, 2012, properties held for future development occupied an aggregate site area of approximately 11,997 sq.m. and had an expected aggregate saleable GFA of approximately 46,945 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 was 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 aggregate saleable GFA of approximately 116,148 sq.m.

As of June 30, 2012, this project had been completed. The completed properties comprised 752 residential flats with an aggregate saleable GFA of approximately 82,673 sq.m., all of which had been sold and delivered.

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, our wholly-owned project company. 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, 2012, properties of this project remained held for future development.

This project offers buildings for residential purposes. 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 was developed by Guangzhou Hopson Qinghui Real Estate Limited, our wholly-owned project company. This development occupies an aggregate site area of approximately 6,204 sq.m. and has an aggregate saleable GFA of approximately 67,049 sq.m.

As of June 30, 2012, this project had been completed. The completed properties comprised 432 residential flats with an aggregate saleable GFA of approximately 46,597 sq.m., all of which 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 was developed by Guangzhou Hopson Yihui Real Estate Limited, our wholly-owned project company. This development occupies an aggregate site area of approximately 36,210 sq.m. and has an aggregate saleable GFA of approximately 241,630 sq.m.

As of June 30, 2012, 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, 2012, 1,367 residential flats with an aggregate saleable GFA of approximately 193,764 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 1 residential flats with an aggregate saleable GFA of approximately 259 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 was developed by Guangdong Huajing New City Real Estate Limited, our wholly-owned project company. This development occupies an aggregate site area of approximately 156,150 sq.m. and has an aggregate saleable GFA of approximately 814,335 sq.m.

As of June 30, 2012, this project had been completed. The completed properties comprised 5,330 residential flats with an aggregate saleable GFA of approximately 685,036 sq.m., all of which 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 was developed by Guangzhou Hopson Yujing Real Estate Limited. This development occupies an aggregate site area of approximately 48,290 sq.m. and has an aggregate saleable GFA of approximately 155,627 sq.m.

As of June 30, 2012, this project had been completed. The completed properties comprised 1,227 residential flats with an aggregate saleable GFA of approximately 136,367 sq.m., all of which 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 was developed by Guangdong Hopson Minghui Real Estate Limited. This development occupies an aggregate site area of approximately 41,828 sq.m. and has an aggregate saleable GFA of approximately 182,922 sq.m.

As of June 30, 2012, this project had been completed. The completed properties comprised 1,567 residential flats with an aggregate saleable GFA of approximately 153,381 sq.m., all of which 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 422,593 sq.m. and has an expected aggregate saleable GFA of approximately 1,208,190 sq.m.

As of June 30, 2012, completed properties occupied an aggregate site area of approximately 237,658 sq.m. and had an aggregate saleable GFA of approximately 828,001 sq.m. The completed properties comprised 4,230 residential flats with an aggregate saleable GFA of approximately 701,758 sq.m. As of June 30, 2012, 4,193 residential flats with an aggregate saleable GFA of approximately 689,260 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 37 residential flats with an aggregate saleable GFA of approximately 12,498 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 42,298 sq.m. and had an expected aggregate saleable GFA of approximately 139,106 sq.m. Upon completion, it is expected that there will be 672 residential flats with an aggregate saleable GFA of approximately 114,283 sq.m. As of June 30, 2012, 64 residential flats with an aggregate saleable GFA of approximately 11,145 sq.m. had been pre-sold.

As of June 30, 2012, properties held for future development occupied an aggregate site area of approximately 142,637 sq.m. and had an expected aggregate saleable GFA of approximately 241,084 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, our wholly-owned project company. This development occupies an aggregate site area of approximately 28,600 sq.m. and has an aggregate saleable GFA of approximately 98,530 sq.m.

As of June 30, 2012, this project had been completed. The completed properties comprised 516 residential flats with an aggregate saleable GFA of approximately 86,636 sq.m. As of June 30, 2012, 514 residential flats with an aggregate saleable GFA of approximately 86,341 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 295 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.

Yijing Huayuan (頤景華苑)

Yijing 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 169,341 sq.m.

As of June 30, 2012, completed properties occupied an aggregate site area of approximately 54,368 sq.m. and had an aggregate saleable GFA of approximately 169,341 sq.m. The completed properties comprised 1,234 residential flats with an aggregate saleable GFA of approximately 131,001 sq.m. As of June 30, 2012, 1,219 residential flats with an aggregate saleable GFA of approximately 129,497 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 15 residential flats with an aggregate saleable GFA of approximately 1,504 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 2,072 sq.m. and had an expected aggregate saleable GFA of approximately 7,009 sq.m. It 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.

Yunshan Xijing (雲山熹景)

Yunshan Xijing is located at Guangzhou Avenue North, Baiyun District, Guangzhou. It was 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 aggregate saleable GFA of approximately 139,553 sq.m.

As of June 30, 2012, this project had been completed. The completed properties comprised 828 residential flats with an aggregate saleable GFA of approximately 110,894 sq.m. As of June 30, 2012, 823 residential flats with an aggregate saleable GFA of approximately 110,026 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 868 sq.m.

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, our wholly-owned project company. This development occupies an aggregate site area of approximately 219,190 sq.m. and has an expected aggregate saleable GFA of approximately 142,856 sq.m.

As of June 30, 2012, completed properties occupied an aggregate site area of approximately 93,920 sq.m. and had an aggregate saleable GFA of approximately 62,851 sq.m. The completed properties comprised 172 residential flats with an aggregate saleable GFA of approximately 59,845 sq.m. As of June 30, 2012, 128 residential flats with an aggregate saleable GFA of approximately 41,299 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 44 residential flats with an aggregate saleable GFA of approximately 18,546 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 125,270 sq.m. and had an expected aggregate saleable GFA of approximately 80,005 sq.m. Upon completion, it is expected that there will be 133 residential flats with an aggregate saleable GFA of approximately 80,005 sq.m. As of June 30, 2012, none of the residential flats under development had been pre-sold.

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, our wholly-owned project company. This development occupies an aggregate site area of approximately 211,287 sq.m. and has an expected aggregate saleable GFA of approximately 730,236 sq.m.

As of June 30, 2012, completed properties occupied an aggregate site area of approximately 96,408 sq.m. and had an aggregate saleable GFA of approximately 200,013 sq.m. The completed properties comprised 1,208 residential flats with an aggregate saleable GFA of approximately 136,407 sq.m., all of which had been sold and delivered.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 66,087 sq.m. and had an expected aggregate saleable GFA of approximately 309,938 sq.m. Upon completion, there will be 2,916 residential flats with an aggregate saleable GFA of approximately 233,556 sq.m. As of June 30, 2012, 1,003 residential flats with an aggregate saleable GFA of approximately 78,142 sq.m. had been pre-sold.

As of June 30, 2012, properties held for future development occupied an aggregate site area of approximately 48,792 sq.m. and had an expected aggregate saleable GFA of approximately 220,286 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.

Hopson Xijing Banshan (合生熹景半山)

Hopson Xijing Banshan 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 95.5% 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, 2012, properties of this project remained 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 95.5% interest in this project.

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

Guangzhou Jiufu Machao Project is located at Jiufu 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 242,567 sq.m. and has an expected aggregate saleable GFA of approximately 193,513 sq.m.

As of June 30, 2012, properties of this project remained held for future development.

This project offers buildings for residential purposes. We have a 55% interest in this project.

Hopson Regal International (廣州南方花園項目)

Hopson Regal International is located at Canggang Mid Road, Haizhu District, Guangzhou. It is being developed by Guangzhou Jian Nan Property Development Limited, our wholly-owned project company. This development occupies an aggregate site area of approximately 14,841 sq.m. and has an expected aggregate saleable GFA of approximately 98,481 sq.m.

As of June 30, 2012, all the properties in this project were under development. Upon completion, it is expected that there will be 656 residential flats with an aggregate saleable GFA of approximately 63,572 sq.m. As of June 30, 2012, 474 residential flats with an aggregate saleable GFA of approximately 46,652 sq.m. 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, our wholly-owned project company. This development occupies an aggregate site area of approximately 395,333 sq.m. and has an expected aggregate saleable GFA of approximately 1,383,667 sq.m.

As of June 30, 2012, properties of this project remained held for future development.

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

Hushan Guoji Villa (湖山國際)

Hushan Guoji Villa is located at Yuanzhang Avenue, Xintang Town, 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 443,544 sq.m. and has an expected aggregate saleable GFA of approximately 1,442,949 sq.m.

As of June 30, 2012, completed properties occupied an aggregate site area of approximately 58,374 sq.m. and had an aggregate saleable GFA of approximately 177,539 sq.m. The completed properties comprised 1,045 residential flats with an aggregate saleable GFA of approximately 177,539 sq.m. As of June 30, 2012, 1,004 residential flats with an aggregate saleable GFA of approximately 168,071 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 41 residential flats with an aggregate saleable GFA of approximately 9,469 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 108,868 sq.m. and had an expected aggregate saleable GFA of approximately 365,305 sq.m. Upon completion, it is expected that there will be 1,909 residential flats with an aggregate saleable GFA of approximately 246,621 sq.m. As of June 30, 2012, none of the residential flats under development had been pre-sold.

As of June 30, 2012, properties held for future development occupied an aggregate site area of approximately 276,302 sq.m. and had an expected aggregate saleable GFA of approximately 900,105 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.

TIT Project (Industrial Park) (TIT項目(產業園))

TIT Project (Industrial Park) is located at Tanbu Town, Village Vortex, Huadu District, Guangzhou. It is being developed by Guangzhou Dongtai Textile Industry Company Limited, a project company in which we hold a 65% interest. This development occupies an aggregate site area of approximately 296,921 sq.m. and has an expected aggregate saleable GFA of approximately 384,741 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 27,312 sq.m.

As of June 30, 2012, properties held for future development occupied an aggregate site area of approximately 269,609 sq.m. and had an expected aggregate saleable GFA of approximately 365,418 sq.m.

This project offers buildings for residential purposes. We have a 65% 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, our wholly-owned project company. This development occupies an aggregate site area of approximately 666,302 sq.m. and has an expected aggregate saleable GFA of approximately 2,094,162 sq.m.

As of June 30, 2012, completed properties occupied an aggregate site area of approximately 194,048 sq.m. and had an aggregate saleable GFA of approximately 222,614 sq.m. The completed properties comprised 1,104 residential flats with an aggregate saleable GFA of approximately 209,592 sq.m. As of June 30, 2012, 440 residential flats with an aggregate saleable GFA of approximately 87,748 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 664 residential flats with an aggregate saleable GFA of approximately 121,844 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 64,763 sq.m. and had an expected aggregate saleable GFA of approximately 65,307 sq.m. Upon completion, it is expected that there will be 242 residential flats with an aggregate saleable GFA of approximately 65,307 sq.m. As of June 30, 2012, none the residential flats under development had been pre-sold.

As of June 30, 2012, properties held for future development occupied an aggregate site area of approximately 407,490 sq.m. and had an expected aggregate saleable GFA of approximately 1,806,241 sq.m.

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

Huizhou Regal Bay (惠州帝景灣)

Huizhou Regal Bay is located at Wenchangyi Road, Jiangbei District, Huizhou, Guangdong province. It is being developed by Guangdong Hopson Dijing Real Estate Co. Ltd., our wholly-owned project company. This development occupies an aggregate site area of approximately 206,282 sq.m. and has an expected aggregate saleable GFA of approximately 675,693 sq.m.

As of June 30, 2012, completed properties occupied an aggregate site area of approximately 152,197 sq.m. and had an aggregate saleable GFA of approximately 331,822 sq.m. The completed properties comprised 1,092 residential flats with an aggregate saleable GFA of approximately 273,699 sq.m. As of June 30, 2012, 1,064 residential flats with an aggregate saleable GFA of approximately 263,347 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 28 residential flats with an aggregate saleable GFA of approximately 10,352 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 54,086 sq.m. and had an expected aggregate saleable GFA of approximately 343,871 sq.m. Upon completion, it is expected that there will be 476 residential flats with an aggregate saleable GFA of approximately 173,754 sq.m. As of June 30, 2012, 282 residential flats with an aggregate saleable GFA of approximately 102,759 sq.m. had been pre-sold.

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, our wholly-owned project company. This development occupies an aggregate site area of approximately 623,046 sq.m. and has an expected aggregate saleable GFA of approximately 1,201,232 sq.m.

As of June 30, 2012, completed properties occupied an aggregate site area of approximately 271,783 sq.m. and had an aggregate saleable GFA of approximately 358,130 sq.m. The completed properties comprised 1,503 residential flats with an aggregate saleable GFA of approximately 312,310 sq.m. As of June 30, 2012, 1,062 residential flats with an aggregate saleable GFA of approximately 238,529 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 441 residential flats with an aggregate saleable GFA of approximately 73,781 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 47,760 sq.m. and had an expected aggregate saleable GFA of approximately 125,933 sq.m. Upon completion, it is expected that there will be 727 residential flats with an aggregate saleable GFA of approximately 121,396 sq.m. As of June 30, 2012, 273 residential flats with an aggregate saleable GFA of approximately 42,470 sq.m. had been pre-sold.

As of June 30, 2012, properties held for future development occupied an aggregate site area of approximately 303,502 sq.m. and had an expected aggregate saleable GFA of approximately 717,169 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.

Shidai City (時代城)

Shidai City is located at Xiangshuihe South, West side of Daya Bay, Guangdong province. It is being developed by Huizhou Hopson Youtian Real Estate Properties Limited, our wholly-owned project company. This development occupies an aggregate site area of approximately 1,812,078 sq.m. and has an expected aggregate saleable GFA of approximately 1,477,099 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 21,667 sq.m. and had an expected aggregate saleable GFA of approximately 82,123 sq.m. Upon completion, it is expected that there will be 612 residential flats with an aggregate saleable GFA of approximately 82,123 sq.m. As of June 30, 2012, none of the residential flats under development had been pre-sold.

As of June 30, 2012, properties held for future development occupied an aggregate site area of approximately 1,790,411 sq.m. and had an expected aggregate saleable GFA of approximately 1,394,975 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.

Binhai City (濱海城)

Binhai City is located at Houzaiwan, Aotou, Daya Bay Area, Guangdong province. It is being developed by Huizhou Hopson Xieyuan Real Estate Limited, our wholly-owned project company. This development occupies an aggregate site area of approximately 519,803 sq.m. and has an expected aggregate saleable GFA of approximately 1,651,329 sq.m.

As of June 30, 2012, completed properties occupied an aggregate site area of approximately 48,004 sq.m. and had an aggregate saleable GFA of approximately 36,501 sq.m. The completed properties comprised 134 residential flats with an aggregate saleable GFA of approximately 36,501 sq.m., none of which had been sold and delivered as of June 30, 2012.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 89,230 sq.m. and had an expected aggregate saleable GFA of approximately 144,366 sq.m. Upon completion, it is expected that there will be 600 residential flats with an aggregate saleable GFA of approximately 129,218 sq.m. As of June 30, 2012, 169 residential flats with an aggregate saleable GFA of approximately 25,996 sq.m. had been pre-sold.

As of June 30, 2012, properties held for future development occupied an aggregate site area of approximately 382,569 sq.m. and had an expected aggregate saleable GFA of approximately 1,470,462 sq.m.

This project offers buildings for residential purposes and a shopping arcade. 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, our wholly-owned project company. This development occupies an aggregate site area of approximately 69,708 sq.m. and has an expected aggregate saleable GFA of approximately 189,844 sq.m.

As of June 30, 2012, completed properties occupied an aggregate site area of approximately 26,034 sq.m. and had an aggregate saleable GFA of approximately 76,957 sq.m. The completed properties comprised 320 residential flats with an aggregate saleable GFA of approximately 72,392 sq.m. As of June 30, 2012, 273 residential flats with an aggregate saleable GFA of approximately 62,112 sq.m. had been sold and delivered. The remaining completed properties, which included sold but undelivered properties and unsold properties, comprised 47 residential flats with an aggregate saleable GFA of approximately 10,281 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 42,470 sq.m. and had an expected aggregate saleable GFA of approximately 112,887 sq.m. Upon completion, it is expected that there will be 356 residential flats with an aggregate saleable GFA of approximately 76,337 sq.m. As of June 30, 2012, 50 residential flats with an aggregate saleable GFA of approximately 11,586 sq.m. had been pre-sold.

As of June 30, 2012, properties held for future development occupied an aggregate site area of approximately 1,204 sq.m. and had an expected aggregate saleable GFA of approximately 3,704 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, our wholly-owned project company. 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, 2012, properties of this project remained held for future development.

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

Zhongshan Rainbow Court (中山彩虹項目)

Zhongshan Rainbow Court is located at Caihong Planning Zone, West 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 95% interest. This development occupies an aggregate site area of approximately 139,755 sq.m. and has an expected aggregate saleable GFA of approximately 480,601 sq.m.

As of June 30, 2012, properties of this project remained held for future development.

This project is expected to offer buildings for residential and retail purposes. We have a 95% interest in this project.

Land Bank

As of June 30, 2012, the total saleable GFA of our land bank amounted to approximately 31.85 million sq.m., of which 72.0% has yet to be developed, while unsold completed properties and properties under development accounted for 6.6% and 21.4%, 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, 2012, approximately 27.6%, 24.7%, 13.0%, 18.7%, 15.0% and 1.0% 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, 2012:

	Pearl River Delta	Pan Bohai Rim	Yangtze River Delta	Total
	(in million sq.m.)			
Residential	12.90	8.04	3.50	24.44
Shopping arcade	1.06	0.51	0.62	2.19
Office	0.19	0.57	0.15	0.91
Car parks	2.16	0.53	0.78	3.47
Hotels	0.36	0.43	0.05	0.84
Total	16.67	10.08	5.10	31.85

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, 2012:

	Pearl River Delta	Pan Bohai Rim	Yangtze River Delta	Total
	(in million sq.m.)			
Completed properties.....	0.88	0.79	0.42	2.09
Properties under development	2.23	2.72	1.88	6.83
Properties to be developed	13.56	6.57	2.80	22.93
Total	16.67	10.08	5.10	31.85

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, 2012:

	Residential	Arcade	Office	Carparks	Hotel	Total
	(in million sq.m.)					
Completed properties	0.85	0.37	0.22	0.38	0.27	2.09
Properties under development	4.72	0.57	0.51	0.83	0.20	6.83
Properties to be developed..	18.87	1.25	0.18	2.26	0.37	22.93
Total	24.44	2.19	0.91	3.47	0.84	31.85

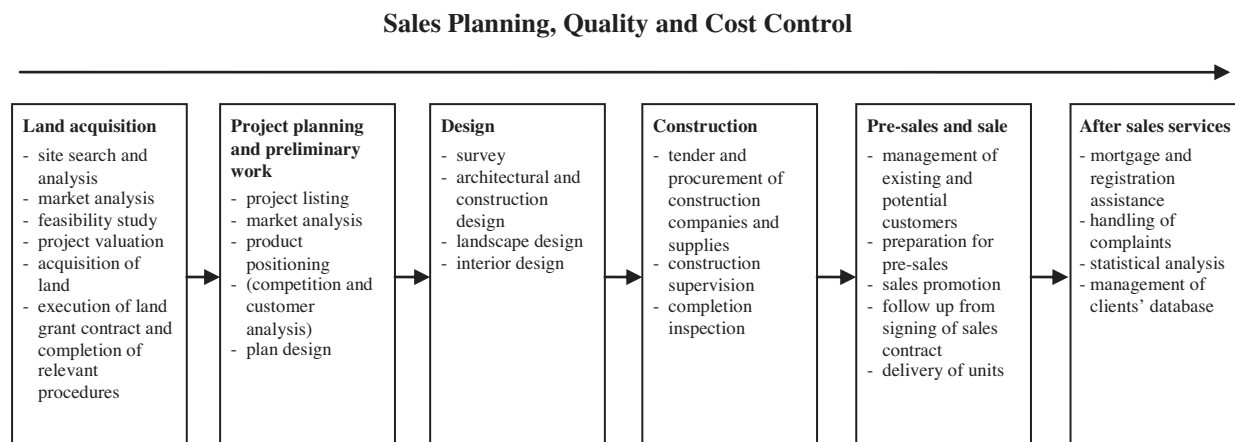
The following table sets forth a breakdown of our land bank in terms of saleable area by title status and location as of June 30, 2012:

	Pearl River Delta	Pan Bohai Rim	Yangtze River Delta	Total
	(in million sq.m.)			
Land use rights certificates and construction works planning permits obtained.....	5.35	2.49	2.26	10.10
Land use rights certificates but without construction works planning permits obtained	9.46	3.23	1.68	14.37
Construction land use planning permits obtained.....	—	0.60	0.05	0.65
Grant of major approvals and certificates not yet obtained.....	1.86	3.76	1.11	6.73
Total	16.67	10.08	5.10	31.85

We have implemented an integrated land reserve acquisition strategy which takes into account our short, medium and long-term development needs. In 2012, we entered into several agreements and letters of intent for property developments to acquire four parcels of land located in Huizhou, Guangdong province with an aggregate site area of 160,583 sq.m. and a total construction area of approximately 421,947 sq.m. for a total consideration of RMB295.4 million (US\$46.5 million).

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 selection and purchase of the sites, preparation of the feasibility studies, obtaining government approvals, design of the development project, supervising construction, and marketing and managing 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. We have established a land acquisition positioning committee to oversee the land acquisition process and assess available land acquisition options based on the following criteria:

- 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

Prior to the introduction by the PRC government of regulations requiring that land use rights for property development be granted through public tender, auction or listing-for-sale, we obtained most of our land use rights through purchase arrangements or co-operative arrangements with local governments or from the original grantees of land use rights.

In 2002, MLR issued The Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-sale as amended on September 28, 2007 and effective from November 1, 2007, which provides that, with limited exemptions, state-owned land use rights for profitable purposes such as industrial use, commercial use, tourism, entertainment and commodity residential properties in the PRC, as well as for land in which more than two land users are interested, 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 provided that they comply with the terms and conditions in the land use rights grant contract, 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 grants of commercial land use rights in the secondary markets are not permitted, the land must be granted 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 through 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 MLR 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, MLR 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 have obtained substantially all of our land use rights through government land sales and secondary market land sales. In certain cases, we may acquire land use rights by acquiring a corporate entity which owns the land use rights or is in the process of acquiring the land use rights. Upon completion of the acquisition, we complete the land acquisition and develop the land through the acquired entity. For example, on March 10, 2011, we entered into an agreement with Guangzhou Textiles Industry & Trade Group to acquire a 65% equity interest in Guangzhou First Dyeing and Weaving Co., Ltd. for a total consideration of no less than RMB3.7 billion (US\$0.6 billion) (the “Shareholder Cooperation Agreement”). Guangzhou First Dyeing and Weaving Co., Ltd. holds the land use rights to a parcel of land with a total site area of approximately 147,300 sq.m. located in Haizhu District, Guangdong province. As of June 30, 2012, we had paid RMB1,239.7 million (US\$195.1 million) of the consideration and had obtained 44% equity interests in Guangzhou First Dyeing and Weaving Co., Ltd. To secure our obligation to pay the outstanding balance of the consideration under the Shareholder Corporation Agreement, we pledged our 44% equity interests in Guangzhou First Dyeing and Weaving Co., Ltd. to Guangzhou Textiles Industry & Trade Group.

Financing of Land Premiums and Property Developments

We have four main sources of funding for our property developments: internal resources, bank loans, trust financing arrangements 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 the 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 November 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 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—Risks Relating to Our Business—We may not have adequate finding resources to finance land acquisitions or property developments, or service our financing obligations.”

We typically use internal funds, project loans from PRC banks and funds from trust financing arrangements 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, 2012, our outstanding bank and financial institution borrowings from domestic banks in connection with development projects amounted to HK\$28,504.7 million (US\$3,674.6 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.

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. We have an internal design team of over 300 personnel, comprising architects, planning experts, landscaping specialists, interior designers as well as structural, mechanical, electrical and plumbing engineers. In addition, we are among the first non-state-owned property developers to set up a design institute with an A-Grade Qualification Certificate for Project Design issued by MOHURD. We believe our modularized design and development system has enhanced our production efficiency.

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. 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 2009, 2010 and 2011, construction fees of HK\$1,899.9 million, HK\$2,275.7 million and HK\$571.9 million (US\$73.7 million), respectively, were paid or made payable to Guangdong Zhujiang and Guangdong Hanjiang. For the six months ended June 30, 2011 and 2012, construction fees of HK\$255.8 million and HK\$134.5 million (US\$17.3 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, 2012, the outstanding guarantees over the mortgage loans of our customers amounted to HK\$10,115.3 (US\$1,304.0). 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—Risks Relating to Our Business—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, money 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, 2009, 2010 and 2011 and June 30, 2012, our total deposited proceeds from pre-sales was approximately HK\$825.0 million, HK\$566.7 million, HK\$593.3 million (US\$76.5 million) and HK\$679.4 million (US\$87.6 million), respectively.

Sales and Marketing

As of June 30, 2012, we had a sales and marketing team of approximately 615 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,” “Fairview,” “Dongjiao Villa,” “Sheshan Dongziyuan,” and “No. 8 Royal Park” 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. We have established an Investment Committee and a Commercial Property Committee who are responsible for project positioning and operation process managing. In addition, to further develop our brand name recognition, we introduced Hopson Club in June 2001, which serves as 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 identifying 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 mortgage 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 includes office buildings, retail shop units, shopping malls and hotels. As of June 30, 2012, we had the following six investment properties.

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, our wholly-owned project company. This development occupies an aggregate site area of approximately 6,560 sq.m. and has an aggregate saleable GFA of approximately 95,746 sq.m.

As of June 30, 2012, all properties in this project had been completed.

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

Hopson Plaza (合生廣場)

Hopson plaza 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 hold a 75% equity 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 228,469 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 64,668 sq.m. and had an expected aggregate saleable GFA of approximately 228,469 sq.m.

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

Hangzhou Hopson World Trade Centre (杭州合生商貿中心)

Hangzhou Hopson World Trade 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 87,456 sq.m.

As of June 30, 2012, all properties in this project had been completed.

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

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, our wholly-owned project company. 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.

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

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 company. This development occupies an aggregate site area of approximately 9,894 sq.m. and has an expected aggregate saleable GFA of approximately 51,200 sq.m.

As of June 30, 2012, all properties in this project had been completed.

This project offers office space and a shopping arcade. 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 345,944 sq.m.

As of June 30, 2012, properties under development occupied an aggregate site area of approximately 48,132 sq.m. and had an expected aggregate saleable GFA of approximately 345,944 sq.m.

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

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 years ended December 31, 2009, 2010 and 2011, revenue from property management amounted to HK\$431.4 million, HK\$410.6 million and HK\$490.1 million (US\$63.2 million), respectively, amounting to 3.8%, 2.9%, and 6.1%, respectively, of our revenue. For the six months ended June 30, 2011 and 2012, revenue from property management amounted to HK\$235.1 million and HK\$277.6 million (US\$35.8 million), respectively, amounting 4.9% and 5.4%, 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 years ended December 31, 2009, 2010 and 2011, revenue from our hotel operations amounted to HK\$131.6 million, HK\$179.8 million and HK\$199.4 million (US\$25.7 million), respectively, amounting to 1.2%, 1.2% and 2.5%, respectively, of our revenue. For the six months ended June 30, 2011 and 2012, revenue from hotel operations amounted to HK\$92.5 million and HK\$112.1 million (US\$14.4 million), respectively, amounting 1.9% and 2.2%, respectively, of our revenue.

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, 2009, 2010 and 2011 and June 30, 2012, we had 6,816, 7,239, 8,238 and 8,479 employees, respectively. The following table provides a breakdown of our employees by responsibility as of June 30, 2012.

Administration and Human Resources Management	2,064
Marketing and Sales	615
Construction and Decoration Management	1,238
Property Management	<u>4,562</u>
	<u>8,479</u>

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 six months ended June 30, 2012, the aggregate amount of employer contributions made by us amounted to approximately HK\$63.2 million (US\$8.1 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 and 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, 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. In March 2011, Ziyun Co filed an appeal to the Supreme People's Court of the PRC to apply for a retrial of the case and to suspend enforcement of the judgment of the Higher People's Court of Henan Province. The Supreme People's Court of the PRC ordered a retrial of the case in July 2011. A hearing was conducted by the Higher People's Court of Henan Province in February 2012. In May 2012, as requested by Ziyun Co, the Higher People's Court of Henan Province released the charge of the land use rights of a piece of land of approximately 239,500 sq.m. held by Ziyun Co after Ziyun Co provided another bank deposits of RMB30 million and two other plots of land of approximately 23,000 sq.m. as charged items. No provision was made in the financial statements for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012. On August 28, 2012, the Higher People's Court of Henan Province upheld its judgment made in August 2010 to order Ziyun Co to pay YTO Group the judgment sums which Laureland Co is unable to settle. Based on the management's assessment, our maximum monetary liability under the dispute is estimated at RMB56,200,000.

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.

MANAGEMENT

The following table sets forth certain information with respect to our directors and executive officers as of the date of this offering memorandum.

Name	Age	Position
<i>Executive Directors</i>		
Chu Mang Yee.....	51	Chairman
Zhang Yi.....	49	Executive Director, Deputy Chairman and Chief Financial Officer
Xiang Bin	65	Deputy Chairman
Au Wai Kin	55	Executive Director
Liao Ruo Qing.....	47	Executive Director and Vice President
Chu Kut Yung.....	24	Executive Director and Executive Vice President
<i>Independent Non-executive Directors</i>		
Lee Tsung Hei, David, BBS, JP.....	62	Independent Non-Executive Director
Wong Shing Kay, Oliver	59	Independent Non-Executive Director
Tan Leng Cheng, Aaron	56	Independent Non-Executive Director
<i>Executive Officers</i>		
Zhu Guoxing	63	Vice President, President of Commercial Property Headquarters and General Manager of our Subsidiary Operating Eastern China Commercial Property Business
Liu Jian	44	Vice President
Zhang Liming.....	45	Assistant to President
Zhu Jinli	40	Assistant to President and Chairman of our regional company in Guangzhou
Bao Wenge	36	Assistant to President

Directors

Executive directors

Chu Mang Yee is one of our founders and has served as our Chairman since 1997. Mr. Chu has over 25 years of experience in trading, construction, property investment and development. He is also a member of the National Committee of the Chinese People's Political Consultative Conference, an Honored Citizen of Meizhou of Guangdong Province and the vice chairman of Guangdong Research Institute for the Development of Corporate Strategy. Mr. Chu is the sole director of Sounda Properties Limited, our substantial shareholder.

Zhang Yi has served as our Deputy Chairman, one of our executive directors and Chief Financial Officer since November 2011. Mr. Zhang has over 30 years of experience in financial and administrative management. He is a senior economist and served in various roles at Industrial and Commercial Bank of China (Asia) Limited, including as a deputy general manager of its Shanghai branch, before joining us in 2011. He was also a director of Chinese Mercantile Bank and the Chairman of ICBC (Asia) Investment Management Company Limited, two wholly-owned subsidiaries of Industrial and Commercial Bank of China (Asia) Limited. Mr. Zhang received his master's degree in Finance and Banking from Shanghai University of Finance and Economics in China.

Xiang Bin has served as our Deputy Chairman since 2001. Mr. Xiang has also been a director since 2001. He is also a director of certain of our subsidiaries. He is a Chinese Registered Superior Career Manager in the PRC and a senior engineer. Mr. Xiang was a senior manager of a public listed company before joining us in February 2001. He has over 37 years of experience in construction and administration management.

Au Wai Kin has served as one of our executive directors since 1997. Mr. Au joined us in 1995. He is also a director of certain of our affiliated companies. Mr. Au graduated from Zhongshan University in Guangzhou and has over 25 years of experience in building construction, town planning, real estate investment and property development.

Liao Ruo Qing has been our executive director since January 2010 and is also the vice president and a director of certain of our subsidiaries. Mr. Liao joined us in 2003. He has engaged in real estate investment and business management for over ten years and has extensive experience in working with government departments, legal affairs and investment development. Mr. Liao graduated from Zhongshan University in Guangzhou and obtained a master's degree from the University of Western Sydney of Australia.

Chu Kut Yung has been our executive director since November 2011, and served as an assistant to the president since December 2009 and as our executive vice president since March 2012. Ms. Chu is currently studying finance at Renmin University of China. Ms. Chu is the daughter of Mr. Chu Mang Yee, our Chairman and founder.

Independent Non-Executive Directors

Lee Tsung Hei, David, BBS, JP, serves as one of our independent non-executive directors. Mr. Lee is the chairman of DH International Group Holdings Ltd. in Hong Kong. He is a chartered valuation surveyor and registered as an authorized person under the Hong Kong Surveyors Registration Ordinance. He is a fellow of the Hong Kong Institute of Surveyors, a registered professional surveyor, a fellow of the Hong Kong Institute of Directors, an associate of the Incorporated Society of Valuers and Auctioneers and an associate of the Chartered Institute of Arbitrators. Mr. Lee is a former member of the Central Policy Unit, which is known as the Hong Kong government's "Think Tank," a former chairman of the Hong Kong Housing Society, a former member of the Supervisory Board of the Hong Kong Housing Society, a former director of Hong Kong Cyberport Management Company Limited, a former council member of Hong Kong Polytechnic University and a former member of the Land and Building Advisory Committee. He is currently a member of the Steering Committee on Review of the Urban Renewal Strategy and the Remuneration Committee and Nominating Committee, both being committees of the Hong Kong Housing Society, a member of the Salvation Army Advisory Board and chairman of the Property Advisory Committee of the Salvation Army in Hong Kong. Mr. Lee has been a member of our board since 1998. He is also a member of our board's audit committee, remuneration committee and connected transactions/related party transactions committee.

Wong Shing Kay, Oliver, serves as one of our independent non-executive directors. Mr. Wong obtained his professional accounting qualifications in both Hong Kong and Canada. Mr. Wong is an associate member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. Mr. Wong is also a fellow member of the Hong Kong Institute of Certified Public Accountants, an ordinary member of The Society of Chinese Accountants and Auditors and an associate member of the Certified General Accountants of Canada. Mr. Wong had worked in various renowned auditing firms in Hong Kong and has over 20 years of experience in handling auditing, financial accounting and taxation matters. Mr. Wong is also a member of audit committees of several listed companies in Hong Kong. For over 15 years, he has acted as the financial controller for several listed companies in both Hong Kong and Canada. Mr. Wong is presently practicing as a certified public accountant in Hong Kong. He has expertise in financial accounting, taxation, import-export business and company management. Mr. Wong has been a member of our board since 1998. He is also a member of our board's audit committee, remuneration committee and connected transactions/related party transactions committee.

Tan Leng Cheng, Aaron, has served as one of our independent non-executive directors since July 2010. Mr. Tan is a retired banker and currently a consultant of a private company. Prior to his retirement, Mr. Tan was the managing director and head of the Hong Kong investment banking business of Barclays Capital. Mr. Tan has over 25 years of experience in the banking industry in both Canada and Hong Kong. He had held senior positions in several major international financial institutions, including Citicorp, JP Morgan Chase and HSBC. Mr. Tan has a wide breadth of experience in corporate and investment banking as well as capital markets. He was formerly the vice chairman of the Hong Kong Capital Markets Association for two

consecutive years. Mr. Tan did not hold any directorships in other listed companies in the last three years. He is an Associate Member of the Canadian Certified General Accountants and a Fellow Member of the Institute of Canadian Bankers. Mr. Tan obtained a bachelor's degree in commerce from the University of Alberta, Canada and an MBA from City University in the U.S.

Executive Officers

Zhu Guoxing serves as our vice president, president of commercial property headquarters and general manager of our subsidiary operating our eastern China commercial property business. He is a senior economist and a certified accountant in the PRC. Since 1988, Mr. Zhu worked as the head of the Financial and Taxation Bureau in the Zhabei district of Shanghai, the head of the Financial and Taxation Bureau and the head of Audit Bureau in the Pudong area of Shanghai and the president of a large-scale state-owned group. Currently, he is the chairman of the Industry Association in Lujiazui of Shanghai and the vice chairman of the Commercial Association in the Pudong area of Shanghai. Mr. Zhu has substantial management experience in the commercial property industry and has in-depth knowledge in the operation and administration of office buildings, hotels, shopping malls and high-technology software parks. Mr. Zhu holds a master's degree.

Liu Jian has served as our vice president since 2002 and also serves as the executive deputy general manager of Tianjin Hopson Zhujiang Real Estate Development Limited. He is a certified first-class architect and a professor-level senior engineer in the PRC. Prior to joining us in 2002, Mr. Liu served as the vice president of China Institute of Aerospace Construction and Design and deputy general manager of Beijing Hopson Beifang Real Estate Development Limited between 1989 and 2002. Mr. Liu has extensive experience in real estate planning, design and engineering management, including extensive practical operations experience. Mr. Liu graduated from the Chongqing Institute of Architectural Engineering with a bachelor's degree.

Zhang Liming has served as an assistant to the president since 2002. She graduated from the Xinjiang University and is an economist. Prior to joining us in 2002, she worked in the Shenzhen Taxation Bureau and had been engaged in real estate investment, operation and management for over ten years. She has substantial experience in government public relations and investment and development.

Zhu Jinli has served as an assistant to the president and Chairman of our Guangzhou subsidiary since 2011. Ms. Zhu has worked in the real estate industry for over 16 years. Prior to joining us, Ms. Zhu worked in various roles at several large real estate companies in China. She has substantial experience in real estate marketing, investment and operations. She is enrolled in the EMBA program at Sun Yat-Sen University.

Bao Wenge has served as an assistant to the president since 2011. Mr. Bao joined us in 1999. He holds a bachelor degree in real estate operations and management and has over 10 years of experience in real estate operations, management and marketing. He has successfully completed several large-scale real estate projects.

Board Committees

Audit Committee

We have established an audit committee in compliance with the Listing Rules. The audit committee is authorized to obtain outside legal or other independent professional advice if it considers necessary. The primary duties of the audit committee are to make recommendations on the appointment, reappointment and removal of an external auditor and to consider the terms of such appointments; to develop and implement policies on the engagement of an external auditor for non-audit services; to monitor the integrity of the financial statements, annual and interim reports and the auditor's report to ensure that the information presents a true and balanced assessment of our financial position; to ensure the management has fulfilled its duty to maintain an effective internal control system; to review our internal audit program and to ensure that it is allocated with adequate resources and is effective; and to review the external auditor's management letter

and any questions raised by the auditor to the management and the management's response. The audit committee consists of our three independent non-executive directors Lee Tsung Hei, David, Wong Shing Kay, Oliver and Tan Leng Cheng, Aaron. Lee Tsung Hei, David, has been appointed as the chairman of the audit committee.

Remuneration Committee

We have established a remuneration committee in compliance with the requirements of the Listing Rules. The remuneration committee assists our board in achieving its objective of attracting and retaining directors and senior management of the highest caliber and experience needed to develop our business successfully. The committee is charged with developing fair and transparent procedure for determining the remuneration policies and packages of the directors and senior management. It formulates remuneration policy for approval by our board of directors; establishes guidelines for the recruitment of the chief executive officer and senior management, recommends to our board of directors the policy and structure for the remuneration of directors, including non-executive directors and the chief executive officer and senior management; determines the remuneration of executive directors and senior management, including benefits in kind and compensation payments; reviews and approves the compensation arrangements in connection with any loss or termination of their office or appointment, or dismissal or removal for misconduct by executive directors and senior management; determines the criteria for assessing employee performance; and consider the annual performance bonus for executive directors, senior management and general staff and make recommendations to our board of directors. The remuneration committee regularly monitors the remuneration of all our directors and senior management to ensure that the level of remuneration and compensation for each director and senior manager is appropriate to their position and performance. The remuneration committee consists of our three independent non-executive directors, Lee Tsung Hei, David, Wong Shing Kay, Oliver and Tan Leng Cheng, Aaron. Lee Tsung Hei, David, has been appointed as the chairman of the remuneration committee.

Nomination Committee

We have established a nomination committee in compliance with the requirements of the Listing Rules. The nomination committee formulates nomination policy for our board's consideration and implement our board's approved nomination policy. Without prejudice to the generality of the foregoing, the nomination committee also reviews the structure, size and composition (including the skills, knowledge and experience) of our board at least annually and make recommendations on any proposed changes to our board to complement our corporate strategy, identifies individuals qualified to become our board members and selects or makes recommendations to our board on the selection of individuals nominated for directorships, assesses the independence of independent non-executive directors, makes recommendations to our board on the appointment or reappointment of directors and succession planning for directors, in particular the chairman and chief executive, does any such things to enable the nomination committee to discharge its powers and functions conferred on it by our board, and conforms to any requirement, direction, and regulation that may from time to time be prescribed by our board or contained in our Bye-Laws or imposed by legislation. The nomination committee consists of five directors, Chu Mang Yee, Chu Kut Yung, Lee Tsung Hei, David, Wong Shing Kay, Oliver and Tan Leng Cheng, Aaron. Chu Mang Yee has been appointed as the chairman of the nomination committee.

Connected Transactions/Related Party Transactions Committee

We have established a connected transactions/related party transactions committee, which is responsible for reviewing all connected transactions and related party transactions to ensure that they are conducted on normal commercial terms and in the ordinary and usual course of business; and for recommending to our board of directors any corrective measures, if needed. The connected transactions/related party transaction committee consists of our three independent non-executive directors, Lee Tsung Hei, David, Wong Shing Kay, Oliver and Tan Leng Cheng, Aaron. Lee Tsung Hei, David, has been appointed as the chairman of the connected transactions/related party transactions committee.

Option Shares Committee

We have established an option shares committee. The option shares committee is primarily responsible for dealing with the allotment and issue of our shares upon the exercise of options that have been granted or are to be granted under our share option scheme, which we adopted in November 2002. The option shares committee consists of two directors elected from time to time by the entire board at the time of any committee meeting when issues arising from our November 2002 share option scheme are presented.

Compensation of Directors and Executive Officers

Our executive directors, independent non-executive directors and executive officers received aggregate remuneration and benefits in kind of HK\$13.6 million (US\$1.8 million), HK\$0.8 million (US\$0.1 million) and nil in 2011, respectively. The total amount of compensation paid to executive directors in 2011 included payment made to Xue Hu, a former executive director, who resigned from the board on March 14, 2012.

We do not have service contracts with any of our directors, supervisors and executive officers that provide for benefits upon termination of employment.

Directors' Interest in Securities

As of June 30, 2012, the interests of our directors and their associates in our equity securities were as follows:

Name of director	Capacity	Number and class of securities of held	Approximate percentage of our issued share capital
Chu Mang Yee	Beneficial owner	1,101,003,809 ⁽¹⁾	63.42%
Zhang Yi	Beneficial & record owner	90,000	0.01%
Au Wai Kin.....	Beneficial owner	34,500,000 ⁽²⁾	1.99%

⁽¹⁾ Includes 1,032,363,809 shares owned by Sounda Properties Limited, a company controlled by Mr. Chu Mang Yee. The balance of the securities is owned by Hopson Education Charitable Funds Limited, an approved charitable institution in Hong Kong, of which Mr. Chu Mang Yee is the sole member.

⁽²⁾ Owned through Yield Plentiful Incorporated, a company wholly-owned and controlled by Au Wai Kin.

SUBSTANTIAL SHAREHOLDERS

As of June 30, 2012, the interests and short positions of 5% or more of our issued share capital and share options as recorded in the register required to be kept by us under Section 336 of the Securities and Futures Ordinance of Hong Kong are as follows:

<u>Name</u>	<u>Capacity</u>	<u>Number of shares held</u>	<u>Percentage of our company's Issued share capital</u>	<u>Long/Short Position</u>
Sounda Properties Limited ⁽¹⁾	Beneficial Owner	1,032,363,809 ⁽¹⁾	59.47%	Long

⁽¹⁾ The entire issued share capital of Sounda Properties Limited is wholly and beneficially owned by Mr. Chu Mang Yee, our Chairman. Mr. Chu Mang Yee is the sole director of Sounda Properties Limited.

Except as disclosed above and under “Management — Directors’ Interest in Securities,” as of June 30, 2012, no person had interests or short positions in the shares and underlying shares that was required to be recorded under Section 336 of the Securities and Futures Ordinance of Hong Kong.

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, 2011, note 41 to our audited consolidated financial statements for the year ended December 31, 2010 and note 25 to our unaudited condensed consolidated financial information for the six months ended June 30, 2012, 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 years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, we provided services, including property management services and/or property design services to the related parties amounting to approximately HK\$33.8 million, HK\$22.3 million, HK\$15.5 million (US\$2.0 million) and HK\$15.1 million (US\$1.9 million), respectively.

For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, we received goods and services from the related parties amounting to approximately HK\$2,035.4 million, HK\$2,439.1 million, HK\$778.4 million (US\$100.3 million) and HK\$207.8 million (US\$26.8 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, 2009, 2010 and 2011 and June 30, 2012, amounts due from related parties were approximately HK\$43.0 million, HK\$44.0 million, HK\$38.1 million (US\$4.9 million) and HK\$37.6 million (US\$4.8 million), respectively.

As of December 31, 2009, 2010 and 2011 and June 30, 2012, 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\$2,022.3 million, HK\$2,059.9 million, HK\$1,662.6 million (US\$214.3 million) and HK\$2,501.6 million (US\$322.5 million).

As of December 31, 2009, 2010 and 2011 and June 30, 2012, we had accounts payable of approximately HK\$2,471.8 million, HK\$2,534.4 million, HK\$2,516.0 million (US\$324.4 million) and HK\$2,126.8 million (US\$274.2 million) due to subsidiaries of minority shareholders of certain subsidiaries of the Company in respect of property construction fees.

As of June 30, 2012, 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 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 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. In 2009, 2010 and 2011 and the six months ended June 30, 2012, construction fees paid/payable to Guangdong Hanjiang amounted to approximately HK\$1,899.9 million, HK\$2,275.7 million, HK\$571.9 million (US\$73.7 million) and HK\$134.5 million (US\$17.3 million), respectively.

The following is a brief description of our major related party transactions:

Acquisition of Sun Excel

On November 3, 2010 and December 13, 2010, respectively, 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 approximately RMB6,605.1 million (US\$1,039.7 million). We pay the purchase price for Sun Excel in 16 installments at different stages of the construction of the project, RMB2,313.8 million (US\$364.2 million) in cash and RMB4,291.3 million (US\$675.5 million) 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. 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 and chairman. Sounda, which will receive a part of the purchase price of the acquisition, as described below, is our controlling shareholder. The transaction was approved by our shareholders on February 22, 2011. On November 2, 2011, Farrich and us agreed to extend the deadline for completing the acquisition to November 2, 2012. On October 26, 2012, Farrich and us entered into a second supplemental agreement to the share purchase agreement, which further extended the deadline for completing the acquisition to November 2, 2013 and the deadline for completing the project construction to June 30, 2015, respectively. In addition, under the second supplemental agreement, Farrich and us agreed to further divide the first installment payment of the aggregate amount of cash consideration into three equal installments. As of the date of this offering memorandum, the transaction has not been completed yet.

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.

Acquisition of Guangzhou Panyu Zhujiang Real Estate Limited (“Panyu Zhujiang”) 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, a related company, to acquire from Guangdong Hanjiang 100% of Panyu Zhujiang for a consideration of approximately RMB3,810 million (US\$599.7 million) and sell to Guangzhou Hanjiang our entire interest in Cheerocean Investments Limited (“Cheerocean”) for a consideration of RMB960 million (US\$151.1 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, Guangzhou 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\$375.6 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\$73.0 million) and which deducted the RMB960 million (US\$151.1 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 Guangzhou Hanjiang of its obligations in relation to Land A (subject to a maximum amount of RMB3,600 million (US\$567 million)); and (ii) pay the net consideration of RMB2,386 million (US\$375.6 million) to Guangzhou 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, 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\$40.1 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\$12.6 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\$27.5 million) to be paid within 90 days after the signing of the agreement on January 31, 2010. Jumbo Advance made the first installment payment of RMB80 million (US\$12.6 million) on November 2, 2009. The remaining balance amounted to approximately RMB140.0 million (US\$22.2 million) as of June 30, 2012.

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\$154.3 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 RMB1,460.0 million (US\$229.8 million) had been incurred by us as of June 30, 2012. 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 Investment Management Company Limited (“Shanghai Dazhan”)

We acquired from Guangdong Zhujiang Investment Company Limited, a related party, the entire equity interest in 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 obtained the land use right certificate for Shanghai Dazhan in respect of the aforesaid land in August 2009.

Acquisition of land by Mr. Chu Mang Yee from Guangdong Huanan New City

On May 11, 2012, Mr. Chu Mang Yee, our chairman, entered into a land transfer agreement with Guangdong Huanan New City, a cooperative joint venture in which we hold a 100% equity interest, pursuant to which Guangdong Huanan New City agreed to transfer to Mr. Chu Mang Yee the land use rights in respect of a parcel of land located in Guangzhou, Guangdong province with a total site area of approximately 9,348 sq.m. for a consideration of RMB29.3 million (US\$4.6 million).

Acquisition of land by Mr. Chu Mang Yee from Tianjin Hopson

On May 11, 2012, Mr. Chu Mang Yee, our chairman, entered into a land transfer agreement with Tianjin Hopson, a cooperative joint venture in which we hold a 92.3% equity interest, pursuant to which Tianjin Hopson agreed to transfer to Mr. Chu Mang Yee the land use rights in respect of a parcel of land located in Tianjin with a total site area of approximately 6,559 sq.m. for a consideration of RMB2.5 million (US\$0.4 million).

REGULATIONS

Legal Supervision Relating to the Property Sector in the PRC

Establishment of a property development enterprise

Pursuant to the PRC Urban Real Estate Administration Law (the “Urban Real Estate Law”) promulgated by the Standing Committee of NPC on July 5, 1994, effective January 1995 and amended on August 30, 2007 and August 27, 2009, a property developer is defined as an enterprise which engages in the development and sale of properties for the purpose of making profits. Under the Regulations on Administration of Development of Urban Real Estate (the “Development Regulations”) promulgated and implemented by the State Council on July 20, 1998 and amended on January 8, 2011, a property developer is required to meet the following requirements: (i) has a registered capital of not less than RMB1 million; and (ii) has four or more full-time professional property/construction technicians and two or more full-time accounting officers, each of whom must hold relevant qualification certificates. The Development Regulations also allow the local government of a province, autonomous region or municipality directly under the central government to impose more stringent requirements on the registered capital and the number of professional personnel of a property developer based on local circumstances.

Pursuant to the Development Regulations, to establish a property development enterprise, a property developer is required to register with the local Administration for Industry and Commerce. The property developer must also report its establishment to the property development authority in the location of the registration authority within 30 days upon receipt of its business license.

Pursuant to the Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries issued by the State Council in April 2004, the portion of capital-account funding for real estate projects (excluding affordable housing projects) has been increased from 20% or above to 35% or above. However, pursuant to the Notice on Adjusting the Percentage of Capital Fund for Investment Projects in Fixed Assets issued by the State Council in May, 2009, the minimum portion of the capital funding for ordinary commodity housing projects and affordable housing projects has been reduced to 20%, while that for other real estate projects has been decreased to 30%.

Foreign-invested property enterprises

Pursuant to the Foreign Investment Industrial Guidance Catalogue (Revised in 2011) (the “Catalogue”) jointly promulgated by MOFCOM and NDRC on December 24, 2011, effective on January 30, 2012, (i) the development of a whole parcel of land which is to be operated only by equity joint ventures or cooperative joint ventures, the construction and management of high-end hotels, premium office buildings, international conference and exhibition centers, the secondary market transactions in the real estate sector and real estate intermediary services fall under the category of industries under which foreign investment is subject to restrictions, and (ii) other property developments fall within the category of industries under which foreign investment is permitted. A foreign-invested property enterprise can be established in the form of sino-foreign equity joint venture, sino-foreign cooperative joint venture or wholly-owned foreign enterprise. Prior to its registration with the Administration for Industry and Commerce, a property enterprise must be approved by the commerce authorities and obtain an Approval Certificate for a Foreign-Invested Enterprise.

The Notice on Printing and Issuing the Catalogue of Fixed Asset Investment Projects to Be Verified by National Development and Reform Commission and Reported to the State Council for Verification or Examination and Approval (Trial Implementation) (Fa Gai Tou Zi [2004] No. 1927) issued by NDRC on September 6, 2004 requires certain types of projects to be verified by NDRC and reported to the State Council for verification or examination and approval, including, among others, (i) project of large-sized theme park; (ii) Social undertaking projects as stipulated in the Catalogue of Investment Projects Subject to Government Verification and Approval (2004 Edition) with total investment of RMB 5,000,000,000 or above; (iii) projects of encouraged or permitted types with total investment of US\$ 500,000,000 or above and the projects of restricted type with total investment of US\$ 100,000,000 or above as stipulated in the Guiding Catalogue of Foreign Invested Industry.

On July 11, 2006, MOC (the predecessor of MOHURD), MOFCOM, NDRC, PBOC, the State Administration for Industry and Commerce (“SAIC”) and SAFE jointly promulgated the Opinions on Regulating the Access and Management of Foreign Capital in the Real Estate Market (Jian Zhu Fang [2006] No. 171) (the “Opinions”). According to the Opinions, the admittance and administration of foreign capital in the property market must comply with the following requirements:

- Foreign institutions or individuals who buy property not for their own use in China should follow the principle of “commerce existence” and apply for the establishment of foreign-invested enterprises pursuant to the regulations of foreign investment in property. After obtaining the approvals from relevant authorities and upon completion of the relevant registrations, foreign institutions and individuals can then carry on their business pursuant to their approved business scope;
- Foreign investors may not carry out property development and business operations until they obtain the Approval Certificates for a Foreign-invested Enterprise and business licenses from the relevant authorities;
- Where the total investment amount of a foreign-invested property enterprise is US\$10 million or more, its registered capital shall be no less than 50% of the total investment amount; where the total investment amount is less than US\$10 million, its registered capital must follow the requirements of the existing regulations;
- For the establishment of a foreign-invested property enterprise, the commerce authorities and the Administration for Industry and Commerce will be responsible for the approval and registration of the foreign-invested property enterprise and the issuance of a temporary Approval Certificate for a Foreign-invested Enterprise (which is only effective for one year) and a temporary business license. Upon full payment of the land grant fee for the land use rights, the foreign-invested property enterprise should apply for the land use rights certificate. With the land use rights certificate, the property developer can obtain a formal Approval Certificate for a Foreign-Invested Enterprise from the commerce authorities and a formal business license with the same approved business term as the formal Approval Certificate for Foreign-Invested Enterprise;
- Transfers of projects or equity interests in foreign-invested property enterprises or acquisitions of domestic property enterprises by foreign investors should strictly follow the relevant laws, regulations and policies and obtain the relevant approvals. The investor should submit: a) a written undertaking of fulfillment of the State-owned land use rights grant contract, construction land planning permit and construction work planning permit; b) land use rights certificate; c) documents evidencing the filing for modification with the construction authorities; and d) documents evidencing the payment of tax from the relevant tax authorities; and
- When acquiring domestic property enterprises by way of shares transfer or other means, or purchasing shares from Chinese parties in Sino-foreign equity joint ventures, foreign investors should make proper arrangements for the employees, handle the debts of the banks and pay the consideration in one single payment with its own capital. Foreign investors with unsound records, or who have not fully satisfied any previous acquisition consideration shall not be allowed to undertake the aforementioned activities.

On August 14, 2006, the General Office of MOFCOM enacted the Notice on Relevant Issues concerning the Carrying out the Opinions on Regulating the Access and Management of Foreign Capital in the Real Estate Market (the “Notice on the Real Estate Market”). According to the Notice on the Real Estate Market, if the total investment of a foreign-invested property development enterprise exceeds US\$3 million, the registered capital must not be less than 50% of the total investment amount; if the total investment is less than or equal to US\$3 million, the registered capital must not be less than 70% of the total investment amount. When a foreign investor who merges with a domestic property development enterprise by transferring equity or by other means, the original employees of the merged companies must be arranged properly, bank debts must be settled and the entire consideration for the transfer must be paid off with its self-owned capital in one installment within three months after the date of the issue of the business license. When a foreign investor who merges with a domestic property development enterprise by purchasing equity from other Chinese

shareholders of a foreign-invested property development enterprise, the original employees of the merged companies must be arranged properly, bank debts must be settled and the entire consideration for the transfer must be paid off with its self-owned capital in one installment within three months from the effective day of the equity transfer agreement.

On May 23, 2007, MOFCOM and SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision of Foreign Direct Investment in the Real Estate Industry (Shang Zi Han [2007] No. 50) (“Notice 50”) which set down the following requirements for approving and supervising of foreign investment in real estate sector:

- foreign investment in the real estate sector in the PRC relating to high-grade properties should be strictly controlled;
- before applying for the setup of real estate entities with foreign investment, (a) both the land use rights certificates and building ownership certificates should be obtained or, (b) pre-sale or pre-grant contracts for obtaining land use rights or building ownership rights should be entered into;
- entities which have been set up with foreign investment need to obtain approval before expanding their business operations into the real estate sector and entities with foreign investment which have been set up for real estate development operation need to obtain new approval in case they expand their real estate business operations;
- acquisitions of real estate entities and foreign investment in real estate sector by way of round trip investment should be strictly regulated. Foreign investors should not avoid approval procedures by changing actual controlling persons;
- parties to real estate entities with foreign investment should not in any way guarantee a fixed investment return;
- registration should be immediately effected according to applicable laws with MOFCOM regarding the setup of real estate entities with foreign investment approved by local PRC government authorities;
- foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effectuate foreign exchange settlements regarding capital account items to those which fail to file with MOFCOM or fail to pass the annual reviews; and
- for real estate entities which are wrongfully approved by local authorities for their setups, (i) MOFCOM should carry out investigation, order punishment and corrections, and (ii) foreign exchange administrative authorities should not carry out foreign exchange registrations for these entities.

On July 10, 2007, SAFE issued the Notice of the General Department of the State Administration of Foreign Exchange on the Publication of the List of the First Batch of Foreign-Funded Real Estate Projects Having Passed the Procedures for Registering with MOFCOM (Hui Zong Fa [2007] No. 130) (“Notice 130”). This new regulation restricts the ability of foreign invested real estate enterprises to raise funds offshore and then inject funds into the companies either through capital increase or by way of shareholder loans. The notice stipulates, among other things:

- that SAFE and its local branches will no longer process foreign debt registration or approval of exchange settlement of foreign debt for real estate enterprises with foreign investment that obtained authorization certificate from local branches of MOFCOM and filed with MOFCOM on or after June 1, 2007; and
- that SAFE and its local branches will no longer process foreign exchange registration (or change of such registration) or application for sale and purchase of foreign exchange in respect of capital account for real estate enterprises with foreign investment that obtained approval certificates from local government’s commerce department on or after June 1, 2007 but have not submitted a filing with MOFCOM.

On June 18, 2008, MOFCOM issued the Notice Regarding Completing Filing of Foreign Investment in the Real Estate Sector (Shang Zi Han [2008] No. 23) that the filings are preliminary examined by the provincial branch of MOFCOM for submission to MOFCOM for registration. MOFCOM may spot-check 5 to 10 registered foreign invested real estate enterprises in every quarter. Regarding the foreign invested real estate enterprises which fail to meet the current regulations after spot-checking, MOFCOM may inform the department of SAFE to cancel their foreign currency registration and statistics. 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 MOFCOM. This notice also requires that each foreign-invested real estate enterprise undertakes only one approved property project.

On August 29, 2008, the Comprehensive Department of SAFE issued the Notice on Improving the Operational Administration on the Conversion of Foreign Exchange Capital Contribution of Foreign-invested Enterprises (Hui Zong Fa [2008] No. 142) (“Notice 142”). Pursuant to Notice 142, unless otherwise permitted by PRC laws or regulations, Renminbi converted from foreign exchange capital contribution can only be applied to the activities within the approved business scope of such foreign invested enterprise and cannot be used for domestic equity investment or acquisition. According to Notice 142, we may not be able to increase the capital contribution to our foreign-invested subsidiaries and subsequently converting such capital contribution into Renminbi for equity investment in China.

Pursuant to the Certain Opinions of the State Council on Further Facilitating the Utilization of Foreign Capital (Guo Fa [2010] No. 9) issued by the State Council on April 6, 2010, projects that fall under the encouraged or permitted categories as prescribed in the Guidance Catalogue and with a total investment (including increase of capital) of no more than US\$300 million are subject to approval by the competent local governments, except for those to be approved by the competent departments of the State Council as provided by the Catalogue of Investment Projects Subject to Government Verification and Approval.

Under the Notice of the National Development and Reform Commission on Delegating Powers on Approval of Foreign Investment Projects to Authorities at Lower Levels (Fa Gai Wai Zi [2010] No. 914) promulgated by NDRC on May 4, 2010, projects that are categorized as encouraged or permitted in the Guidance Catalogue with a total investment of (including capital increase) no more than US\$300 million, which were historically subject to approval by NDRC, are now subject to the approval by the provincial development and reform commission, unless otherwise provided by the Catalogue of Investment Projects Subject to Government Approval that they are subject to the approval of the relevant departments of the State Council. After the approval powers are delegated to authorities at lower levels, the project application report, contents, conditions and procedures for approval, etc., are still to be handled in compliance with the provisions of the Interim Administrative Measures for the Verification and Approval of Foreign Investment Projects. In addition, this notice requests to simplify the project approval procedure.

On June 10, 2010, MOFCOM promulgated the Notice of MOFCOM on Issues Related to Delegating Powers on Examination and Approval of Foreign Investment to Authorities at Lower Levels (Shang Zi Fa [2010] No. 209), which provides that, the local authorities in charge of commerce and the national economic and technological development zones are responsible for the examination, approval and administration of the establishment and item change of foreign-invested enterprises within the encouraged or permitted categories in the Guidance Catalogue with a total investment below US\$300 million or within the restricted category with a total investment below US\$50 million.

On November 22, 2010, the General Office of MOFCOM issued the Notice on Strengthening Administration on the Approval and Filing of Foreign-invested Real Estate Enterprises (Shang Ban Zi Han [2010] No. 1542). The Notice stipulates, among other things:

- Further strengthening the examination of property projects involving foreign investment. The commerce departments at the provincial level shall examine the filing materials with the focus on the completeness of the required documents in connection with the lands. Provided that the land use right

is not required by law to be granted through competitive bidding, auction and listing-for-sale, the filing party shall submit the materials issued by the land resource administrations demonstrating that the granting is in compliance with national laws and regulations regarding land administration. In addition, MOFCOM will increase the number of random examinations of the foregoing filing materials.

- Further strengthening the supervision of cross-border financing and investment activities and the risks associated with the real estate market and reducing speculative investments. Foreign-invested real estate enterprises are prohibited from purchasing or selling domestic real estate properties completed or under construction for the purpose of arbitrage. MOFCOM, together with MOHURD, SAFE and other departments shall closely examine the filing materials of the forgoing projects for compliance.
- Further strengthening the examination of foreign-invested investment enterprises. Local commerce departments are not permitted to approve foreign-invested investment enterprises engaging in real estate properties development business.
- Further strengthening the control over property development enterprises receiving any foreign investment. Local commerce departments, together with foreign exchange departments and other relevant departments, shall thoroughly examine and control the establishment of any domestic real estate enterprises relating to any foreign investments.
- Further strengthening the approval procedure, supervision and examination of property projects that are established pursuant to mergers, acquisitions or equity-payment-based takeover. MOFCOM together with other relevant departments, shall periodically examine and supervise the utilization of foreign capital for the purposes of establishing such a property project.

Qualifications of a property developer

Classifications of a property enterprise's qualification

Under the Development Regulations, a property developer must report its establishment to the governing property development authorities in the location of the registration authority within 30 days after receiving its Business License. The property development authorities should examine applications for classification of a property developer's qualification by considering its assets, professional personnel and industrial achievements. A property enterprise should only engage in property development projects in compliance with its approved qualification.

Under the Provisions on Administration of Qualification of Real Estate Developers (the "Provisions on Administration of Qualification") promulgated by MOHURD and implemented on March 29, 2000, a property developer shall apply for registration of its qualification. An enterprise may not engage in the development and sale of property without a qualification classification certificate for property development.

In accordance with the Provisions on Administration of Qualification, property enterprises are classified into four categories: class 1, class 2, class 3 and class 4. Different classes of qualification should be examined and approved by corresponding authorities. Class 1 qualification should be subject to preliminary examination by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of developers of class 2 or lower qualification should be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government. A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. For a newly established property developer, after it files its establishment to the property development authority, the latter shall issue a Provisional Qualification Certificate to the eligible developer within 30 days. The Provisional Qualification Certificate will be effective for one year from its issuance while the property development authority may extend the validity to a period of no longer than two years considering the actual business situation of the enterprise. The property developer should apply for qualification classification with the property development authority within one month before expiry of the Provisional Qualification Certificate.

The business scope of a property developer

Under the Provisions on Administration of Qualification, a developer of any qualification classification may only engage in the development and sale of the property within its approved scope of business and may not engage in business which falls outside the approved scope of its qualification classification. A class 1 property developer may undertake a property development project anywhere in the country without any limit on the scale of property project. A property developer with class 2 or a lower qualification may undertake a project with a GFA of less than 250,000 sq.m. and the specific scopes of business must be as formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under central government.

The annual inspection of a property developer's qualification

Pursuant to the Provisions on Administration of Qualification, the qualification of a property developer shall be inspected annually. The construction authority under the State Council or its authorized institution is responsible for the annual inspection of a class 1 property developer's qualification. Procedures for annual qualification inspection with property developers of class 2 or lower qualifications must be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under central government.

Development of a property project

Land for property development

The Provisional Regulations of the People's Republic of China on Grant and Transfer of the Rights to Use State-owned Urban Land in Urban Areas (the "Provisional Regulations on Grant and Transfer") promulgated and implemented by the State Council on May 19, 1990, sets out a framework for the grant and transfer of the right to use state-owned land in urban areas. A land user must pay a premium to the government as consideration for the grant of the right to use a land site within a certain term, and the land user may transfer, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use prescribed by the government. Land administration authority under the local government of the relevant municipality or county must enter into a contract with the land user for grant of the land use rights. The land user must pay the grant premium as stipulated in the grant contract. After paying the grant premium in full, the land user shall register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of the land use rights. The Development Regulations provide that the land use rights for a land parcel intended for property development must be obtained through grant except for land use rights which may be obtained through allocation pursuant to PRC laws or the stipulations of the State Council.

The Regulations on the Grant of State-Owned Land Use Right through Competitive Bidding, Auction and Listing-for-Sale (the "2002 Regulations"), as amended by the 2007 Regulations (as defined below) on September 28, 2007 enacted by MLR on May 9, 2002 and enforced on July 1, 2002, provides that land for commercial use, tourism, entertainment and commodity housing development shall be granted by way of competitive bidding, public auction or listing-for-sale. The procedures are as follows:

The land authority under the people's government of the city and county (the "Grantor") shall make an announcement at least 20 days prior to the date of the proposed competitive bidding, public auction or listing-for-sale. The announcement should include basic particulars such as land parcel, qualification requirement of the bidder and auction applicants, methods and criteria on confirming the winning tender or winning bidder, and other conditions such as the deposit of the bid;

The Grantor shall verify the qualification of the applicants to the bidding or auction and, inform and invite the applicants who satisfy the requirements set out in the announcement to participate in the competitive bidding, public auction or listing-for-sale;

Once the winning tender or bidder is determined through competitive bidding, public auction or listing-for-sale, the grantor and the winning tender or bidder shall then enter into a confirmation. The grantor should return the bidding or tender deposit to other bidding or auction applicants;

The Grantor and the winning tender or bidder shall enter into a contract for the grant of state-owned land use rights according to the time and venue set out in the confirmation. The deposit of the bid paid by the winning tender or bidder will be applied to the grant premium to be paid for grant of state-owned land use rights; and

The winning tender or bidder shall apply for the land registration after paying the land premium in full in accordance with the state-owned land use right grant contract. The people's government above the city and county level shall then issue the Land Use Rights Certificate for State-Owned Land.

On June 11, 2003, MLR promulgated the Regulation on Grant of State-owned Land Use Rights by Agreement, which provides that under circumstances where there is only one entity interested in a piece of land, rights to use such land (excluding land to be used for business purposes, such as commercial, tourism, entertainment and commodity residential properties) may be granted by way of agreement. The local land bureau, together with other relevant government departments including the city planning authority, will formulate a plan to address issues regarding the land including its specific location, boundary, purpose of use, area, term of grant, conditions of use, conditions for planning and design, time of supply as well as the proposed land premium, which shall not be lower than the minimum price set by the State, and submit such plan to the relevant government for approval. The local land bureau and the interested party will negotiate and enter into a grant contract based on such plan. If two or more parties are interested in the land use rights, such land use rights must be granted by way of tender, auction or putting up for bidding.

According to the Notice on Relevant Issues Concerning the Strengthening of Examination and Approval of Land Use in Urban Construction promulgated by MLR on September 4, 2003, the grant of land use rights for luxurious commodity properties shall be stringently controlled, and applications for the right to use land for the development of villas will not be accepted. On March 31, 2004, MLR together with the Ministry of Supervision promulgated the Notice in Respect of Continuing to Enforce and Supervise the Transfer of Operative Land Use Rights Through Tenders, Bidding and Public Auction, which expressly provides that land use rights transfer in the form of agreement by the excuse of historical difficulties will not be allowed after August 31, 2004.

On September 28, 2007, MLR promulgated the Regulation on Bidding, Auction and Listing Required for Grant of State Owned Construction Land (the "2007 Regulations"), which provides that the grantee of state-owned construction land use rights shall fully pay up the premium for the land use rights specified in the state-owned land grant contract before it could proceed with the relevant procedures for land use rights registration and apply for a state-owned construction land use rights certificate. A land user shall not be granted a state-owned construction land use rights certificate in proportion to the partial payment of the premium that the grantee has paid up. The 2007 Regulations also provided in detail that operative lands for properties to be used for industrial (including land for warehouses but not including land for mining), commercial, tourism, entertainment and commodity residential purposes as well as lands with two or more prospective users must be granted only through competitive bidding.

In order to stop illegal occupation and abusive use of land, prevent overheating in investment in fixed assets in some areas, and implement strict protection of cultivated land, the General Office of the State Council issued the Urgent Notice on Further Governing and Rectifying Land Market and Strengthening Administration of Land on April 29, 2004 which addresses issues regarding: (i) further governing and rectifying land market; (ii) strictly administering approvals of construction land; (iii) protecting basic agricultural land; (iv) strictly implementing the general strategy and annual plan for land use, and the balance system for occupying and compensating cultivated land; and (v) actively promoting the reform of the administration system of land and resources. Also, according to the notice, the rectification of the land market will take approximately half a year from the issuance of the notice. Approvals for converting agricultural land to non-agricultural construction land will be suspended throughout China during this period, except for certain major public infrastructure projects to be approved by the State Council.

On March 16, 2007, NPC promulgated the Property Law of the People's Republic of China (the "Property Law") effective October 1, 2007, which provides that the construction land use rights may only be created through grant or allotment. The rights to use construction land for industrial, business, entertainment or

commercial residential purposes must be granted by means of public tender, auction or listing-for-sale. There are stringent restrictions imposed upon creating the construction land rights through allotment. The Property Law also requires full compliance with the provisions regarding land uses in other laws and administrative regulations.

On September 30, 2007, MLR issued the Notice on Implementing Several Opinions of State Council on Addressing Housing Hardship Issues Relating to Low Income Families and Further Strengthening the Control of Land Supply, which stipulates: (i) that the supply of land to be used for the development of low-rent housing, economical housing and housing at low or medium price and of small or medium size shall not be less than 70% of the total land supply in any given year and (ii) the land and resources authorities shall control the area of each parcel of land and increase the number of parcels of land supplied in order to prevent the competition for land among property developers. Property developers shall develop land for which they have been granted use rights in accordance with the terms of the relevant land use rights grant contract. Any violation of the land use rights grant contract may restrict or prevent such property developers from participating in future land bidding. Generally, the development period for each parcel of land shall not exceed three years.

In December, 2007, MLR promulgated the Rules on Land Registration, which also requires the full payment of land premium prior to the application for the registration of state-owned construction land use rights.

On January 3, 2008, the State Council issued the Notice on Promoting the Saving and Intensification of Use of Land (Guo Fa [2008] No. 3), which stipulates, among other things:

- The land use standards must be strictly implemented during the process of designing and constructing construction projects and approving construction lands. The land area beyond the land use standard must be deducted accordingly;
- The disposal policies for idle land must be implemented strictly. If the land approved for development remains unused for more than two years, it must be recovered without any compensation by the government according to applicable laws and regulations; even if the land may not be recovered according to relevant laws and regulations, the land should be disposed in time and used efficiently through altering usage of the land, equivalent exchange, arranging temporary use, or bringing into land reserve by the government. An appreciation premium should be levied on the idle land, especially on those used for property development, and the relevant rules will be formulated jointly by MLR and other authorities;
- The area of each parcel of land to be granted should be reasonably determined. The detailed controlling rules and land supply plans should be formulated before granting the land as well as the plot ratio, greenery ratio, and site coverage must be clarified accordingly. The planning stipulations may not be adjusted without relevant approvals;
- The tender, auction and listing-for-sale system for the grant of land used for industry and business purposes must be strictly enforced;
- The land grant contracts or allocation approvals must stipulate or clarify that the government may take back and re-grant the land use rights in relation to the alteration of the land usage from non-business into business;
- Land supply for the development of villas must keep suspended. The minimum plot ratio, the unit numbers on per area of land and the dwelling size for the residential construction must be stipulated in the grant contract or allocation approvals of the land for residential purpose. No less than 70 percent of the land used for construction of urban housing must be designated for residential purposes for low-rent units, affordable homes and smaller units of less than 90 sq.m.; and

- The completion inspection and examination system for construction projects must be improved. Whether the land has been legally used and whether the land grant contracts or allocation approvals have been duly performed should be inspected and examined for the purpose of the completion inspection and examination of the construction projects. The construction projects may not pass the completion inspection and examination procedures without or failing to obtain the approvals from relevant land and resources authorities.

The Circular on the Distribution of the Catalog for Restricted Land Use Projects (2012 Version) and the “Catalog for Prohibited Land Use Projects (2012 Version) issued by MLR and NDRC in May 2012, set forth ceilings on the amount of land that local governments can grant for the development of commodity housing: seven hectares for small cities and towns, 14 hectares for medium-sized cities and 20 hectares for large cities. These catalogs further provide that the plot ratios of residential property projects should be no lower than 1.0 and that villas and similar projects will be categorized as prohibited land-use projects.

Pursuant to the Notice to Further Strengthen the Management of Revenue and Expenditure Associated with Land Grant (Cai Zong [2009] No. 74), jointly issued by the Ministry of Finance (the “MOF”), MLR, PBOC, the PRC Ministry of Supervision and the PRC National Audit Office on November 18, 2009, payment of land premium must generally be made in full within one year. The payment term may be extended to two years under certain circumstances upon the approval of the competent authorities. The initial down payment may not be less than 50% of the total land grant premium owned by the developers to the government. Property developers will not be permitted to purchase new land if they are unable to pay in full such land grant premium in time. The local governments is forbidden from giving discounts to developers or allowing developers to delay payments except as stipulated by the State Council.

According to the Notice on Problems Regarding Strengthening Control and Monitor of Real Estate Land Supply (the “March 8 Notice”) promulgated by MLR on March 8, 2010, the supply of land for the development of affordable housing, redevelopment of shanty towns and small/medium residential units for occupier owner should be no less than 70% of the total land supply in a given year. The land supply for large residential units will be strictly controlled while the supply of land for the development of villa projects is banned. The March 8 Notice also requires that i) the lowest land grant price shall not be less than 70% of the basic land price where the land granted is located, ii) bid deposits made by a property developers shall not be less than 20% of the lowest grant price, iii) a land grant contract must be executed within ten working days after a land transaction is confirmed, iv) the minimum down payment should be 50% of the total land premium which must be paid within one month after the execution of the land grant contract and v) the remaining balance of the land premium shall be paid in accordance with the land grant contract but not later than one year. If the land grant contract is not executed in accordance with the requirement above, the land shall not be delivered and the deposit made by the developer will not be returned. If no grant premium is paid after the execution of the contract, the grant of the land must be withdrawn.

Pursuant to the Circular on Issues Concerning Strict Implementation of Real Estate Land Control Policies and Promotion of Healthy Development of the Land Market promulgated by MLR on December 19, 2010, the competent departments of land and resources of relevant cities and counties must tighten the examination of land bidders’ qualification. Before starting examination, they must conduct online inquiry about the credit records of real estate developers in land development and utilization via the websites of MLR and the competent departments of land and resources of all provinces (autonomous regions and municipalities directly under the central government). Where bidders or their controlling shareholders act in violation of relevant laws, regulations and contracts such as obtaining land by forging official documents, illegally reselling land, illegally transferring land-use-right, leaving land idle for more than one year, and developing and utilizing land in violation of land use rights grant contracts, relevant bidders cannot pass the bidding qualification examination. The competent departments of land and resources of relevant cities and counties must announce acts against relevant laws, regulations and contracts which they discovered during the examination on local media and on the China Land Market webpage of the portable website of MLR. Relevant enterprises and their controlling shareholders cannot participate in land bidding activities before the acts against relevant laws, regulations and contracts are investigated, punished and rectified.

On May 13, 2011, MLR issued the Opinions Regarding Upholding and Improvement of the Systems for the Granting of Land through Tender, Auction and Listing (Guo Tu Zi Fa [2011] No. 63), which, among other things, provide that:

Improving the public notification system for tender, auction and listing (the “TAL”) plans for land to be used for housing

The cities and counties shall establish an announcement mechanism on land parcel conditions for granting of land parcels planned for development and construction based on the yearly plan for granting of land to be used for housing as announced to the society. They shall further refine the land parcels intended for granting, the planning for land zoning and the conditions for use of land according to the granting progress and arrangement. They shall periodically announce detailed information on the use of land for the construction of commodity housing and various types of housing of affordable housing projects to the society.

Adjusting and improving the policies on granting of land through TAL

All places are to select the suitable methods and policies for granting of land in respect of land parcels required to be granted, in light of the local land market and housing construction and development phases. The housing prices or land prices shall be restricted, and the land to be used for policy-based housing shall be granted through listing or auction. Limits shall be prescribed on the construction floor area for affordable housing built in conjunction, and the land to be used for commodity housing shall be granted through listing or auction. Comprehensive assessment of the conditions for development and utilization of land and the price for granting of land shall be conducted, and the person with land use right shall be determined through tender.

Improving the contract for granting of land through TAL

The competent department of land and resources at municipal or county level shall include additional terms in the contract for granting in respect of the granting of land used for policy-based commodity housing with various conditions for development, construction and sale attached thereto in accordance with the current land administration laws and policies, improve the contents of the contract for granting and tighten the supervision after the supply.

On July 19, 2012, MLR and MOHURD jointly issued a notice, reiterating the importance of implementing adjustment and control policies for the property market in China. The central government urged its local counterparts to secure sufficient land supply for construction of low-income housing while closely monitoring land premium in the market to avoid excessive speculation.

Relocation

In order to prevent illegal demolition and removal, and overheating investment in some areas, the General Office of the State Council issued the Notice on Controlling the Scale of Demolition and Removal and Strengthening Administration of Demolition and Removal on June 6, 2004, which addresses issues including, but not limited to, (i) strictly controlling the area of demolition and removal to ensure that the total area of demolition and removal is less than that in the preceding year; (ii) strictly administering the procedures with respect to demolition and removal in an open, fair and just manner; (iii) strengthening the supervision and administration of the compensation costs incurred for the demolition and removal to ensure completion of the relocation; and (iv) strictly punishing certain illegal actions in relation to the demolition and removal.

On January 21, 2011, the State Council promulgated the Regulation on Expropriation and Compensation Related to Buildings on State-owned Land (the “Expropriation and Compensation Regulation”). The Expropriation and Compensation Regulation provides that, among other things: (i) buildings can be expropriated under certain circumstances for public interests, and governmental authorities are responsible for resettlement activities; real estate developers are prohibited from engaging in demolition and relocation operations; (ii) compensation shall be paid before the resettlement; (iii) compensation to owners of properties to be demolished cannot be less than the market value of similar properties at the time of expropriation. The market value of properties shall be determined by qualified real estate appraisal institutions in accordance with appraisal rules related to property expropriation. Any owner who does not agree with the appraised market value of the property may apply to the real estate appraisal institution for re-appraisal; and (iv) neither

violence nor coercion may be used to force home owners to leave sites, nor may certain measures, such as illegal suspension of water and power supplies, be used in relocation operations. In addition to paying the demolition and removal compensation, the property developer undertaking the demolition and removal shall pay a removal allowance to the residents of the buildings to be demolished.

The termination of land use rights

In accordance with the Land Administrative Law of the People's Republic of China promulgated by the Standing Committee of NPC on June 25, 1986 and amended on December 29, 1988, August 29, 1998 and August 28, 2004, the land administrative authorities may forfeit the state-owned land use rights with the approval of the people's governments that originally grants the approvals or the relevant competent people's governments under any of the following circumstances:

- use of land for the sake of public interests;
- use of land for adjustment in re-building old city districts in order to implement urban construction plans;
- failure by the land user to apply for extension or obtain approval for extension when the term of the land use rights expires;
- cease to use the land for its intended purpose due to cancellation or removal of units; and
- roads, railways, airports and mining sites approved to be abandoned.

Proper compensation should be provided to the land users who lose the land use rights due to circumstances of the preceding paragraph.

Under the Provisional Regulations on Grant and Transfer of State-owned Land Use Rights, the maximum term of the land use rights shall be determined based on the use of the land: (i) 70 years for land used for residential purposes; (ii) 40 years for land used for commercial, tourism and entertainment purposes; (iii) 50 years for land used for education, science, culture, public health, physical education, industrial, comprehensive utilization or other purposes. According to the Property Law, the term of the land use rights for residential purpose will be renewed automatically upon expiry. To renew the term of the land use for used for other purposes, a land user must apply at least one year prior to expiration of the term. Such application will generally be approved unless the tract of land needs to be forfeited out of public interest consideration. Once an extension of the term of the land use rights is granted, a land grant contract shall be executed and land premium shall be paid by the developer in accordance with the re-executed land grant contract. If the term of the land use rights expires and the land user has not applied for extension or the application for extension has not been approved, the land use rights shall be returned to the State gratis. Also, the land use rights should terminate with the extinction of the land. Where the construction land use rights is terminated, the grantor shall go through deregistration formalities in time, and the construction land use rights certificate will be taken back by the land registration authority.

Land reserve

In order to control the land market and promote reasonable land utility, MLR, MOF and PBOC jointly promulgated the Administration Measures on Land Reserve on November 19, 2007, which regulates the preliminary land development and land reserve by land reserve entities, affiliates of the land and resources authorities at city or county level, before the land and resources authorities grant land according to relevant laws and regulations. The enterprises should be elected through public tender to conduct the land development involving road development, supply of water, power and gas, telecommunications, lighting, landscaping and land leveling etc. according to applicable laws and regulations.

Commencement of development and idle land

Under the Urban Real Estate Law, those who have obtained the land use rights by assignment must develop the land in accordance with the use and period of commencement as prescribed by the contract for the land use right assignment. According to the Measures on Disposal of Idle Land revised by MLR on May 22, 2012 and effected on July 1, 2012, a parcel of state-owned land can be defined as idle land if:

- the user of the land fails to commence construction within one year after the date of commencement of construction as agreed to and specified in the contract for paid use of state-owned construction land or the land allocation decision; or
- the development and construction of the land has begun, but the area of the development and construction is less than one third of the total area to be developed and constructed, or the invested amount is less than 25% of the total amount of investment, and the development and construction has been continuously suspended for one year or more.

The contract for paid use of state-owned construction land or the land allocation decision must expressly specify the date of commencement of construction, the date of completion and liabilities for breach of contract. In the event that the date of commencement of construction is not specified, the period of construction commencement is one year after the date of the actual transfer of the land. The date of the actual transfer of the land is the date as determined in the land transfer confirmation letter. With respect to idle land caused by acts of governments or relevant governmental departments or force majeure, or in the second scenario above, the administrative departments of land and resources at the municipal or county level will negotiate with the users of state-owned construction land for a proposal to dispose of the idle land, including, but not limited to, extending the time period for development and construction (provided that it shall be no longer than one year), changing the use and/or planned conditions of the land, arranging for temporary use, recovering the right to use state-owned construction land with compensation and replacing the land. The administrative department of land under the people's government of municipality or county level shall, after obtaining approval from the people's government at the same level, arrange for the implementation of the proposal. With respect to idle land caused other than by acts of governments or relevant governmental departments or force majeure, if the construction work has not yet commenced for one year, charges for idle land which is equivalent to 20% of the land price may be imposed on the user of state-owned construction land. If the construction work has remained idle for two years, the right to use the state-owned construction land can be taken back by the administrative departments of land resources at the municipal or county level without any compensation. Furthermore, pursuant to the Measures on Disposal of Idle Land and the Urban Real Estate Administration Law, implemented on January 1, 1995 and amended on August 30, 2007 by the Standing Committee of NPC, the charges for idle land or the taking back of the right to use state-owned construction land will not apply where the delay in commencement of development and construction is caused by acts of governments or relevant government departments or force majeure.

In January 2008, the Notice on Promoting the Saving and Intensification of Use of Land issued by the State Council urges the full and effective use of existing construction land and the preservation of farming land and emphasizes the enforcement of the current rules on idle land fee for any land left idle for over one year but less than two years, with such idle land fee charged at 20% of the land grant premium.

Planning

According to the City and Countryside Planning Law of the People's Republic of China (the "City and Countryside Planning Law") promulgated by Standing Committee of NPC on October 28, 2007 and implemented on January 1, 2008, the Measures for Control and Administration of Assignment and Transfer of the Right to Use Urban State-owned Land promulgated by MOC on December 4, 1992 and implemented on January 1, 1993 and the Notice on Strengthening the Planning Administration of Assignment and Transfer of the Right to Use State-owned Land promulgated and implemented by MOC on December 26, 2002, after signing the assignment contract, a property developer must apply for a construction land planning permit from the city planning authority. A property developer must apply for a construction work planning permit from the city planning authority with relevant requisite documents and the city planning authority shall issue the construction work planning permit according to the relevant city planning requirements. However, the

City and Countryside Planning Law further states that for construction projects which are subject to approval or verification by the competent department as required by State provisions, if the right to use of state-owned land is provided through allocation, the developer shall, before submitting the projects to the competent department for approval or verification, apply to the department in charge of urban and rural planning for issuing a position paper of site selection. Such position paper of site selection is not required for other construction projects.

Construction

After obtaining the construction work planning permit, a property developer must apply for a permit for commencement of construction work from the construction authority under the local people's government at the county level or above according to the Measures for the Administration of Permits for Commencement of Construction Work for Construction Projects promulgated by MOHURD on October 15, 1999 and as amended and implemented on July 4, 2001.

According to the Notice Regarding Strengthening and Regulating the Administration of Newly-commenced Projects issued by the General Office of the State Council on November 17, 2007, before commencement of construction, all kinds of projects shall fulfill certain conditions, including, among other things, compliance with national industrial policy, development plan, land supply policy and market access standard, completion of all approval and filing procedures, compliance with zoning plan in terms of site and planning, completion of proper land use procedures and obtaining proper environmental valuation approvals and construction permit or report.

Completion

According to the Development Regulations, the Regulation on the Quality Management of Construction Projects promulgated and implemented by the State Council on January 30, 2000, the Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure promulgated by MOHURD in April 2000 and amended on October 19, 2009, and the Interim Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure promulgated and enforced by MOHURD on June 30, 2000, after the completion of construction of a project, a property developer must apply for the acceptance examination upon completion to the property development authority under the people's government at the county level or above and report details of the acceptance examination, upon which a Record of Acceptance Examination upon Project Completion will be issued.

Transfer of Property

Transfer of property

According to the Urban Real Estate Law and the Provisions on Administration of Transfer of Urban Property promulgated by MOHURD on August 7, 1995 and as amended on August 15, 2001, a property owner may sell, bequeath or otherwise legally transfer property to another person or legal entity. When transferring a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred simultaneously. The parties to a transfer must enter into a property transfer contract in writing and register the transfer with the property administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by assignment, the real property may only be transferred on the condition that: i) the assignment price has been paid in full for the assignment of the land use rights as provided by the assignment contract and a land use rights certificate has been obtained; ii) development has been carried out according to the assignment contract and in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed.

If the land use rights were originally obtained by allocation, transfer of the real property will be subject to the approval of the government vested with the necessary approval power as required by the State Council. Upon such approval, the transferee must complete the formalities for assignment of the land use rights, unless the relevant statutes require no assignment formalities, and pay the land premium according to the relevant statutes.

Mortgages

Under the Urban Real Estate Law, the Guarantee Security Law promulgated by Standing Committee of NPC on June 30, 1995 and implemented on October 1, 1995, and the Measures on the Administration of Mortgages of Property in Urban Areas promulgated by MOHURD in May 1997 and as amended on August 15, 2001, when a mortgage is created on a building legally obtained, a mortgage must be simultaneously created on the land use rights of the land on which the building is situated. The land use rights of State-owned lands acquired through means of assignment, when being mortgaged, the buildings on the land must also be mortgaged at the same time. The land use rights of the town and village enterprises cannot be mortgaged separately. When buildings of the town and village enterprises are mortgaged, the land use rights occupied by the buildings shall also be mortgaged at the same time. The mortgager and the mortgagee must sign a mortgage contract in writing. Within 30 days after a property mortgage contract is signed, the parties to the mortgage must register the mortgage with the property administration authority at the location where the property is situated. A property mortgage will become effective on the date of registration of the mortgage. If a mortgage is created on the property in respect of which a building ownership certificate has been obtained, the registration authority shall make an entry under the “third party rights” item on the original building ownership certificate and then issue a certificate of third party rights to the mortgagee. If a mortgage is created on the commodity property put to pre-sale or under construction, the registration authority will record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved must re-register the mortgage of the real property after issuance of the certificates evidencing the ownership of the property. In accordance with the Property Law, buildings newly constructed on the mortgaged construction land may not belong to the mortgaged properties. Such newly-constructed buildings can be disposed of together with the disposal of the aforesaid right to use construction land so as to realize the mortgage rights, however, the mortgagee has no right to seek preferred payments from the money generated from the disposal of these newly-constructed buildings.

Leases of buildings

Under the Urban Real Estate Law and the Administrative Measures for Commodity House Leasing promulgated by MOHURD on December 1, 2010 and effective on February 1, 2011, the parties to a lease of a building shall enter into a lease contract in writing. A system has been adopted to register the leases of buildings. When a lease contract is signed, amended or terminated, the parties must register the details with the property administration authority under the local government of the city or county in which the building is situated.

Pre-sale and sale

Pursuant to the Urban Real Property Law and the Administrative Measures Governing the Pre-sale of Urban Real Estate (the “Administrative Measures”) enacted by MOC on November 15, 1994 and amended on August 15, 2001 and July 20, 2004, respectively, commodity houses which have not been completed may be sold when certain conditions and/or requirements are satisfied. Pre-sale of commodity houses is regulated by an approval system. Developers who intend to pre-sell their commodity houses shall apply to the relevant Real Estate Administration Department of the People’s Government at city or country level and obtain a pre-sale permit.

When commodity houses are pre-sold, the following requirements shall be satisfied according to the Urban Real Property Law and the Administrative Measures:

- the land premium in respect of the land use rights must be paid in full and the land use right certificate must have been obtained;
- the construction works planning permit and the work commencement permit must have been obtained;
- funds contributed to the development of the project shall amount to at least 25% of the total amount of the project investment, and project progress and the date of completion of the project for use must have been ascertained; and
- the pre-sale approval must have been obtained.

On April 13, 2010, MOHURD issued the Notice on Further Enhancing the Supervision of the Real Estate market and Perfecting the Pre-sale system of commodity houses. Pursuant to the notice, without the pre-sale approval, the commodity houses are not permitted to be pre-sold and the real estate developer are not allowed to charge the buyer any deposit or pre-payment or payment of the similar nature. In addition, the notice urges local governments to enact regulations on sale of completed commodity properties in light of the local conditions, and encourages property developers to engage in the practice of selling completed commodity properties. With respect to commodity housing projects that have obtained the pre-sale permit, real estate developers shall make information on all houses ready for sale and house prices known to the public within ten days at one time, clearly mark the prices, and sell the houses in strict accordance with the declared prices. All commodity housing pre-sale funds shall be deposited in the escrow accounts and be under the supervision and administration of regulatory institutions, and shall be used for ensuring the construction of commodity housing projects; pre-sale funds may be allocated based on construction progress, but sufficient funds must be kept for ensuring the delivery of construction projects upon completion.

On March 16, 2011, NDRC promulgated the Regulation on Price of Commodity Property, which took effect on May 1, 2011. According to this regulation, property developers are required to make public the sale price of each apartment of the commodity properties for sale or pre-sale and the number of apartments available for sale or pre-sale within a certain time period. Property developers are also required to specify factors that would affect prices and relative charges before sale, such as commission fee and property management fee. No charges not specified in the price tag or made public by the property developers are permitted.

In accordance with the Notice on Strengthening Management of Real Estate Economies and Further Standardizing Real Estate Market Order, promulgated and administered by MOHURD and NDRC on May 11, 2011, the government tightened regulations on the sale and pre-sale of commodity housing. Real estate development enterprises and real estate agents must strictly follow the relevant sale or pre-sale plan and the reported selling prices of their products. Local governments will punish the real estate developers or agents for any of the following situations: (i) selling without permits; (ii) intentionally holding properties; (iii) artificially raising prices; (iv) disseminating false or misleading information or advertisement; (v) avoiding policy on limited purchases; (vi) illegally rebating purchasers or guaranteeing rent after property sales; (vii) failing to publically disclose prices, asking for extra fees, defrauding purchasers on the price or any other illegal activity. For property development projects that fail to disclose pricing information, hide the truth or is strongly complained of by the public, local governments must verify and handle the situation in a timely manner. If the situation is verified, the local government must mandate the project to reorganize and fix the issues with a deadline and may temporarily revoke qualifications for online subscriptions during this period of reorganization. Local governments must also strengthen on-site monitoring, discover illegal and non-conforming practices in a timely manner and, through public disclosure, temporarily stalling pre-sale permits and other methods, strengthen sanctions and supervision. MLR, SAIC, MOF and other government authorities at various levels should be notified of sanctions information in a timely manner.

Property credit

PBOC issued the Notice on Further Strengthening the Management of Loans for Property Business (Yin Fa [2003] No. 121) on June 5, 2003 to specify the requirements for banks to provide loans for the purposes of residential development, individual home mortgage and individual commodity properties as follows:

- The property loan by commercial banks to property enterprises may only be granted by the item of property development rather than cash flow loan item or other loan item. No type of loan can be granted for projects which do not obtain land use rights certificates, construction land planning permits, construction work planning permits and permits for commencement of construction work;
- Commercial banks must not grant loans to property developers to pay off the land premium; and
- Commercial banks may only provide housing loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the first installment remains to be 20%. In respect of his loan application for additional purchase of residential unit(s), the percentage of the first installment can be increased.

Pursuant to the Guideline for Commercial Banks on Risk Management of Real Estate Loans (Yin Jian Fa [2004] No. 57) issued by CBRC on August 30, 2004, any property developer applying for property development loans shall have at least 35% of capital required for the development.

According to the Notice on the Adjustment of Commercial Bank Housing Credit Policies and the Interest Rate of Excess Reserve Deposits (Yin Fa [2005] No. 61) promulgated by PBOC on March 16, 2005, from March 17, 2005, in the cities and areas where the price of houses grows too quickly, the first installment of individual home loans increases from 20% to 30%. The commercial banks can independently determine the specific cities or areas under such adjustment according to special situations in different cities or areas.

On May 24, 2006, the State Council issued the Circular of the General Office of the State Council on Forwarding the Opinions of MOHURD and other Departments on Adjusting the Housing Supply Structures and Stabilizing Property Prices (Guo Ban Fa [2006] No. 37). These regulations on property credit are as follows:

- Strictly impose credit conditions on property development. In order to suppress property development enterprises from storing up land and housing resources by use of bank loans, commercial banks must not provide loans to those property enterprises that fail to meet loan conditions, for example, having a project capital less than 35%. For property development enterprises that have a large amount of idle land and vacant commodity properties, the commercial banks must, in light of the principle of prudential operations, be stricter in controlling the renewal of loans or any form of revolving credit. The commercial banks shall not accept any commodity property that has been idle for more than three years as collateral for loans; and
- Commencing from June 1, 2006, the proportion of initial payment of individual housing mortgage loans must not be lower than 30%. However, considering the demands for housing by the medium and low-income population, the purchase of self-used housing with a GFA no more than 90 sq.m. is still subject to the provision of the initial payment of housing at 20%.

According to the Opinions of MOHURD, MOFCOM, NDRC, PBOC, SAIC and SAFE on Regulating the Access and Management of Foreign Capital in the Real Estate Market (Jian Zhu Fang [2006] No. 171), effective July 11, 2006, foreign-invested property enterprises which have not paid up their registered capital, or failed to obtain a land use rights certificate, or with less than 35% of the capital for the project, will be prohibited from obtaining a loan in or outside China, and SAFE must not approve the exchange settlements of foreign loans for such enterprises.

On July 10, 2007, SAFE issued Notice 130 indicating that it will no longer process foreign debt registration or approval of exchange settlement of foreign debt for real estate enterprises with foreign investment that obtained authorization certificate from the local MOFCOM and filed with MOFCOM on or after June 1, 2007. Please refer to the section titled “Foreign-invested property enterprises” above.

In accordance with the Notice on Strengthening the Administration of Commercial Real Estate Credit Loans (Yin Fa [2007] No. 359) jointly issued by PBOC and CBRC on September 27, 2007, when a borrower applies for individual home loans for his first self-used residential unit with a GFA of more than 90 sq.m., the first installment shall not be less than 30%; in respect to his loan application for additional purchase of residential unit(s), the first installment should not be less than 40%, the loan interest should not be lower than 1.1 times of the benchmark lending rate published by PBOC in the same period and at the same level and the amount of the first installment and interest of the loan should be increased largely based on the number of the purchased apartments. The detailed level of increase should be decided by commercial banks according to the loan risk management principals. The first installment of the commercial flat loans should not be less than 50% with a maximum loan period of 10 years, and the loan interest should be no less than 1.1 times of the benchmark lending rate published by PBOC at the same period and level. The detailed level of first installment, period of loan and interest level should be decided by commercial banks according to the loan risk management principals. To the loan application for commercial-resident apartment, the first installment should be no less than 45% and the loan period and interest should be decided according to the commercial flat loan management rules.

On December 5, 2007, PBOC and CBRC jointly issued the Supplementary Notice on Strengthening the Administration of Commercial Real Estate Credit Loans (Yin Fa [2007] No. 452), which clarifies that the number of times a purchaser has obtained property mortgage loans must be calculated on a family basis, including the borrowers and their spouse and minor children.

According to the Notice on Extending the Downward Range of the Interest Rate for Commercial Personal Home Loans and Supporting the Residents in First-time Purchase of Ordinary Residential Homes issued by PBOC on October 22, 2008, the minimum amount of down payment has been adjusted to 20% since October 27, 2008.

On May 26, 2010, MOHURD, PBOC and CBRC jointly issued the Circular on Regulating 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 shall be determined by taking into account of all housing units owned by the family members of such purchaser (including the purchaser and such purchaser's spouse and children under the age of 18), and that purchasers of second or subsequent housing units shall be subject to different credit policies when applying for mortgage loans.

On September 29, 2010, PBOC and CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies, according to which the minimum down payment has been raised to 30% for all first home purchases, and commercial banks throughout China are required to suspend mortgage loans for purchases of a customer's third parcel of residential property and beyond.

On November 2, 2010, MOHURD, MOF, PBOC and CBRC jointly issued the Circular on Regulating the Policies for Individual Loan of Public Housing Funds, which provides that (i) for the first purchase of an ordinary residential home with a unit floor area of 90 sq.m. or below, the minimum down payment shall be no less than 20% for individual home loans with public housing funds; (ii) if the unit floor area is more than 90 sq.m., the minimum down payment shall be no less than 30%; (iii) a second time public housing fund mortgage can only be provided to staff whose average living area is lower than the current local average personal living area, for whom the minimum down payment shall be no less than 50%, with the restricted loan used for the purchase of common self-used houses to improve housing conditions, and the mortgage rate shall not be lower than 1.1 times of the public housing fund loan rate for the first purchase for the same period; and (iv) providing a mortgage to a third-time buyer applying for individual home loans with public housing fund shall be ceased.

On July 6, 2011, MOHURD issued the Notice on Adjusting the Interest Rates for Deposition and Loan in the Public Housing Fund (Jian Jin [2011] No. 94), according to which the deposition on the public housing fund carried from the previous year shall gain the interest rate of 3.1% and the rate for the part carried from the current year remains to be 0.5%, and the interest rate for the loan from the public housing fund with the respective term of less than five years (including five years) or more than five years shall be raised by 0.25% and 0.2%, reaching 4.45% and 4.9%, respectively. From July 7, 2011, cities which carry out pilot projects that utilize housing fund loans to support the affordable housing construction shall implement loan interest rates floating upward 10% of the interest rates for housing fund loans with a term of more than five years.

Insurance of a property project

There are no mandatory provisions in PRC laws, regulations and government rules which require a property developer to take out insurance policies for its property projects.

In light of the Construction Law enacted by the Standing Committee of NPC on November 1, 1997 and enforced on March 1, 1998, and as amended on April 22, 2011, construction enterprises must take out accident and casualty insurance for workers engaged in dangerous operations and pay insurance premium. In the Opinions on Strengthening the Insurance of Accidental Injury in the Construction Work by MOC on May 23, 2003, MOC further emphasized the importance of the insurance of accidental injury in the construction work and put forward the detailed opinions of guidance.

Major Taxes Applicable to Property Developers

Income tax

According to the EIT Law, a uniform income tax rate of 25% applies to the foreign—invested enterprises and the domestic enterprises in the PRC.

Furthermore, the EIT Law provides that an income tax rate of 20% will normally be applicable to dividends payable to non-PRC enterprise investors which are derived from sources within the PRC, unless there exists a tax treaty between the PRC and the relevant jurisdictions in which such non-PRC enterprise shareholders reside whereupon the relevant tax may be reduced or exempted. However, pursuant to the Implementation Rules of the People’s Republic of China on the Enterprise Income Tax promulgated by the State Council on December 6, 2007 and effective January 1, 2008, a reduced income tax rate of 10% will be applicable to any dividends payable to non-PRC enterprise investors from foreign invested enterprises unless any lower treaty rate is applicable. Under the EIT Law and its implementation rules, enterprises established under the laws of foreign jurisdictions but whose “de facto management body” is located in China are treated as “resident enterprises” for PRC tax purposes, and will be subject to PRC income tax at a rate of 25% on their worldwide income. Dividends from PRC subsidiaries are excluded from such taxable worldwide income. Under the implementation rules of the new Enterprise Income Law, “de facto management bodies” is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. However, there is uncertainty as to how this new law and its implementation rules will be interpreted or implemented by relevant tax bureaus.

According to the Notice on the Prepayment of Enterprise Income Tax of the Real Estate Development Enterprises issued by SAT on April 7, 2008 and effective on January 1, 2008, where a real estate development enterprise generates income from the advance sale prior to the completion of properties developed and built by the real estate development enterprise, the enterprise must make quarterly (or monthly) prepayments of tax based on the estimated profit and such tax payments are adjusted according to the actual profit after the development if the property is completed and the tax costs are settled.

On March 6, 2009, SAT issued the Notice on the Measures Dealing with Income Tax of Enterprise Engaged in Real Estate Development effective on January 1, 2008, which specifically stipulate the rules regarding the income, cost deduction, verification of calculated tax cost and other matters with respect to the real estate development enterprise according to the EIT Law and its Implementation Rules.

Business tax

Pursuant to the Interim Regulations of the People’s Republic of China on Business Tax (2008) promulgated by the State Council on November 10, 2008 and implemented on January 1, 2009 and the Detailed Rules for the Implementation of the Interim Regulation of the People’s Republic of China on Business Tax issued by MOF and SAT effective on January 1, 2009 and amended on November 28, 2011, business activities are subject to business tax. Taxable business activities include sale of real property in China. The business tax rate is between 3% to 20% depending on the type of business activities engaged in. Sale of real properties and other improvements on the land attract a business tax at the rate of 5% of the turnover of the selling enterprise payable to the relevant local tax authorities.

Land appreciation tax

According to the requirements of the Provisional Regulations of The People’s Republic of China on Land Appreciation Tax (the “Land Appreciation Tax Provisional Regulations”) which was promulgated on December 13, 1993 and effected on January 1, 1994, and the Detailed Implementation Rules on the Provisional Regulations of the People’s Republic of China on Land Appreciation Tax (the “Land Appreciation Tax Detailed Implementation Rules”) which was promulgated and effective January 27, 1995, any appreciation gain from a transfer of property shall be subject to LAT. LAT shall be charged at four levels of progressive rates: 30% for the appreciation amount not more than 50% of the sum of deductible items; 40%

for the appreciation amount more than 50% but not more than 100% of the sum of deductible items; 50% for the appreciation amount more than 100% but not more than 200% of the sum of deductible items; and 60% for the appreciation amount more than 200% of the sum of deductible items. The related deductible items aforesaid include the following:

- amount paid for obtaining the land use rights;
- costs and expenses for development of land;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- related tax payable for transfer of property; and
- other deductible items as specified by MOF.

According to the requirements of the Land Appreciation Tax Provisional Regulations, the Land Appreciation Tax Detailed Implementation Rules and the Notice on the Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts signed before 1 January 1994 issued by MOF and SAT on January 17, 1995, LAT will be exempted under any of the following circumstances:

- taxpayers construct ordinary standard residences for sale (i.e., the residences built in accordance with the local standard for general civilian used residential properties, luxury apartments, villas, resorts etc. are not under the category of ordinary standard residences) and the appreciation amount does not exceed 20% of the sum of deductible items;
- property is taken back and repossessed according to laws due to the construction requirements of the State;
- due to redeployment of work or improvement of living standard, individuals transfer self-used residential property, in which they have been living for five years or more, subject to tax authorities' approval;
- transfers of real properties under property transfer contracts signed before 1 January 1994, regardless of when the properties are transferred; and
- if the property development contracts were signed before January 1, 1994 or the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed, the LAT may be exempted if the properties are transferred within five years after January 1, 1994 for the first time. The date of signing the contract must be the date of signing the Sale and Purchase Agreement. Particular properties projects which are approved by the government for the development of the whole lot of land and long-term development, of which the properties are transferred for the first time after the five-year tax-free period, the tax-free period may be appropriately prolonged subject to the approval of MOF and SAT.

On March 2, 2006, MOF and SAT issued the Notice on Several Points on Land Appreciation Tax to clarify the relevant issues regarding LAT as follows.

As to the tax collection and exemption in the sale of ordinary standard residential housing as built by taxpayers as well as in the transfer of ordinary residential houses by individual residents:

The notice sets out the standards for ordinary standard residential houses. Where any developers build ordinary residential houses as well as other commercial houses, the appreciation amount of land shall be verified, respectively. Before the day when this notice is publicized, no adjustment will be retroactively made for any application for tax exemption for ordinary standard residential houses that has been filed to the tax authority at the location of the property, especially any ordinary standard residential houses which have been given the treatment of exemption from LAT upon examination according to the standards for ordinary standard residential houses as determined by the people's government of a province, autonomous region or municipality directly under the central government.

As to the advance collection and settlement of LAT:

- All regions must decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the value addition level of the property as well as the market development level within the region and on the basis of the specific housing categories, namely, ordinary standard residential houses, non-ordinary standard residential houses and commercial houses. After a project is completed, the relevant settlement must be handled in a timely manner, with any overpayment refunded or any underpayment being made up;
- As to any tax that fails to be collected in advance within the advance collection term, the overdue fines must be collected as of the day following the expiration of the prescribed advance collection term according to the relevant provisions of the Tax Collection and Administration Law as well as its detailed rules for implementation;
- As to any property project that has been completed and has gone through the acceptance procedure, where the floor area of the property as transferred makes up more than 85% of the saleable floor area, the tax authority may require the relevant taxpayer to conduct the settlement of LAT on the transferred property according to the matching principles regarding the proportion between the income as generated from the transfer of property and the amount under the item of deduction. The specific method of settlement must be prescribed by the local tax authority of a province, autonomous region or municipality directly under the Central Government, or a city under separate state planning; and
- As to the tax collection and exemption for investment or association by means of the property. As to any investment or association by using land (property) as payment for the purchase of shares, where an enterprise involved in the investment or association engages in the property development or where any other property development enterprise makes investment or conducts association with the commercial houses it itself builds, it must not be governed by the regulation of the interim exemption of LAT when the property (land) is transferred to the enterprise by means of investment or association.

On December 28, 2006, SAT issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (Guo Shui Fa [2006] No. 187) which came into effect on February 1, 2007. Pursuant to the Notice, a property developer must settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT tax rates. The LAT must be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT must be settled in stages. LAT must be settled if (i) the property development project has been completed and fully sold; (ii) the property developer transfers the whole incomplete development project; or (iii) the land use rights with respect to the project is transferred. In addition, the relevant tax authorities may require the developer to settle the LAT if either of the following criteria is met: (i) for completed property development projects, the transferred GFA represents more than 85% of total saleable GFA, or the proportion represented is less than 85%, but the remaining saleable GFA has been leased out or used by the developer; (ii) the project has not been sold out for more than three years after obtaining the sale or pre-sale permit; (iii) the developer applies for cancellation of the tax registration without having settled the relevant LAT; or (iv) other situations stipulated by the local provincial tax authorities.

The notice also indicated that if a property developer satisfies any of the following circumstances, the tax authorities will levy and collect LAT as per the levying rate no lower than the pre-payment rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (i) failure to maintain account book required by law or administrative regulation; (ii) destroying the account book without authorization or refusing to provide taxation information; (iii) the accounts are not well prepared or the cost information, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or amount of deductible items; (iv) failure to go through LAT settlement within the prescribed period, and such failure is not cured within the period required by the relevant tax authorities; or (v) the taxable income as submitted is unusually low without a justifiable reason. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situation.

To further strengthen LAT collection, on May 12, 2009, SAT released the Rules on the Administration of the Settlement of Land Appreciation Tax (Guo Shui Fa [2009] No. 91), which come into force in June 1, 2009.

On May 19, 2010, SAT issued the Circular on Settlement of Land Appreciation Tax to strengthen the settlement of the land appreciation tax (Guo Shui Han [2010] No. 220). The circular clarifies certain issues with respect to calculation and settlement of the land appreciation tax, such as (i) the recognition of the revenue upon the settlement of the land appreciation tax, and (ii) the deduction of fees incurred in connection with the property development.

On May 25, 2010, SAT issued the Notice on Strengthening the Collection Land Appreciation Tax (Guo Shui Fa [2010] No. 53), which requires that except for government-subsidized houses, the minimum LAT prepayment rate shall be 2% for provinces in the eastern region, 1.5% for provinces in the central and northeastern regions, and 1% for provinces in the western region except for the affordable housing. According to the notice, the local tax bureaus shall determine the applicable LAT prepayment rates based on the types of the properties.

Deed tax

Pursuant to the Interim Regulations of the People's Republic of China on Deed Tax promulgated by the State Council on July 7, 1997 and implemented on October 1, 1997, the transferee, whether an individual or otherwise, of the title to a land site or a building in the PRC will be the obliged taxpayer for deed tax. The rate of deed tax ranges from 3% to 5%. The governments of provinces, autonomous regions and municipalities directly under the central government may determine and report their effective tax rates, within the aforesaid range, to MOF and SAT for the record.

Urban land use tax

Pursuant to the Provisional Regulations of the People's Republic of China Governing Land Use Tax in Urban Areas, which were revised by the State Council on December 31, 2006, as of January 1, 2007, land use tax must be collected from foreign-invested enterprises. The annual tax on every square meter of urban land must be between RMB0.6 and RMB30.0.

Real estate tax

Under the Interim Regulations of the People's Republic of China on Real Estate Tax promulgated by the State Council on September 15, 1986 and implemented on October 1, 1986, building tax will be 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental.

Pursuant to the Interim Measures Concerning Pilot Property Tax Scheme on Certain Personal Residential Properties and the Implementation Rules for Collection Administration Regarding Property Tax on Personal Residential Properties (collectively "Chongqing Property Tax Provisions") issued by the government of Chongqing Municipality on January 27, 2011 and effective on January 28, 2011, the pilot scheme to impose property taxes in stages on personal residential properties located in nine major districts in the Chongqing Municipality has been launched since January 28, 2011. Chongqing Property Tax Provisions provide among other things that:

- The first batch of personal residential properties subject to property tax include (i) detached residential properties owned by individuals, (ii) high-end residential properties purchased by individuals on or after January 28, 2011, the purchase prices per square meter of which are two or more times of the average price of new residential properties developed within the nine major districts of Chongqing in the last two years, and (iii) the second or further ordinary residential properties purchased on or after January 28, 2011 by non-resident individuals in Chongqing who are not employed in and do not own any enterprise in Chongqing.
- The property tax rates for detached residential properties and high-end residential properties that are priced less than three times, three to four times or more than four times of the average price per square meter of new residential properties developed within the nine major districts in the last two years will

be 0.5%, 1% or 1.2%, respectively, of the property's purchase price. The second or further ordinary residential properties purchased on or after January 28, 2011 by non-resident individuals who are not employed in and do not own any enterprise in Chongqing will be subject to property tax rate at 0.5% of the property's purchase price.

- The following area will be deductible from the tax base: (i) 180 sq.m. for detached residential properties purchased before January 28, 2011, and (ii) 100 sq.m. for detached residential properties and high-end residential properties purchased on or after January 28, 2011. The deductible area will apply to only one taxable residential property for one family, but not to any taxable residential property purchased by the non-resident individual who is not employed in and does not own an enterprise in Chongqing.

On January 27, 2011, the government of Shanghai Municipality issued the Interim Measures of Shanghai Municipality for Pilot Property Tax Scheme on Certain Personal Residential Properties, which provides that, within the administrative territory of Shanghai Municipality, property tax will be imposed on the second (or further) residential property purchased in Shanghai by any local resident household or the residential property newly purchased in Shanghai by non-local residents on or after January 28, 2011, at rates ranging from 0.4% to 0.6% based on 70% of the market transaction prices of such taxable residential property.

Stamp duty

Under the Interim Regulations of the People's Republic of China on Stamp Duty promulgated by the State Council on August 6, 1988 and implemented on October 1, 1988, for property transfer instruments, including those in respect of property ownership transfer, the stamp duty rate will be 0.05% of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty will be levied on an item basis of RMB5 per item.

Municipal maintenance tax

Under the Interim Regulations on Municipal Maintenance Tax promulgated by the State Council in 1985, taxpayers, whether an individual or otherwise, of consumption tax, value-added tax or business tax are required to pay municipal maintenance tax calculated on the basis of product tax, value-added tax and business tax. The tax rate is 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

However, on October 18, 2010, the State Council released a circular entitled Notice Issued by the State Council to Unify the Collection of Municipal Maintenance Tax and Education Surcharges on Domestic and Foreign-Invested Enterprises and Individuals (Guo Fa [2010] No. 35) to resume the collection of surtaxes from foreign invested enterprises and foreign enterprises, effective from December 1, 2010. Similar to the rate applicable to the domestic enterprises, the applicable municipal maintenance tax rate for foreign invested enterprises and foreign enterprises is 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

Education surcharge

Under the Interim Provisions on Imposition of Education Surcharge promulgated by the State Council in April 1986 and amended in June 1990 and in August 2005, any taxpayer, whether an individual or otherwise, of value-added tax, business tax or consumption tax is liable for an education surcharge, unless such taxpayer is required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas. The Education Surcharge rate is 3% calculated on the basis of consumption tax, value-added tax and business tax. On October 18, 2010, the State Council released a circular entitled Notice Issued by the State Council to Unify the Collection of Municipal Maintenance Tax and Education Surcharges on Domestic and Foreign-Invested Enterprises and Individuals to resume the collection of education surtaxes from foreign invested enterprises and foreign enterprises, effective from December 1, 2010. Same as the domestic enterprises, the unified applicable education surcharge rate for foreign invested

enterprises and foreign enterprises is 3%. Under the Notice on Issues Concerning the Collection of Urban Maintenance and Construction Tax and Education Surcharges upon Foreign-Invested Enterprises (Cai Shui [2010] No. 103) issued by MOF and SAT on November 4, 2010, the education surcharges are imposed upon the value-added tax, consumption tax and business tax for which the foreign-invested enterprises have the tax obligation since December 1, 2010 (inclusive).

Measures on Stabilizing Housing Price

On August 12, 2003, the State Council issued the Circular of the State Council on Promoting the Continuous and Healthy Development of the Real Estate Markets (Guo Fa [2003] No. 18) which could be expected to have a long-term positive effects on the development of the PRC real estate market. This circular provides that (i) the policies for housing supply shall be improved; (ii) the building and management of the economical houses shall be strengthened; (iii) the supply of ordinary commercial residential houses shall be increased; (iv) the system for the cheap house renting shall be established and improved; (v) the construction of the top grade commercial houses shall be controlled; (vi) the collection and centralization of the housing accumulation fund and the granting of the loans shall be increased significantly; (vii) the mechanism of loan guarantee for personal housing shall be improved; (viii) the supervision on real estate loans shall be strengthened.

On September 24, 2003, MLR promulgated the Notice of the Ministry of State Land and Resources on Strengthening the Land Supply Management and Promoting the Sustainable Sound Development of Real Estate Market (Guo Tu Zi Fa [2003] No. 356) to intensify the control of and further improve the policy on the land supply for real estate development. According to this notice, the land supply for high-end commercial housing shall be strictly controlled and the land supply for building villas shall be ceased.

The General Office of the State Council promulgated the Circular on Stabilizing Housing Price on March 26, 2005, requiring measures to be taken to restrain the housing price from overheating and to promote the healthy development of the property market. On May 9, 2005, the General Office of the State Council issued the Circular of the General Office of the State Council on Forwarding the Opinions of MOHURD and other Departments on Stabilizing Property Prices (Guo Ban Fa [2005] No. 26) which provides that:

Intensifying the planning and control and improving the housing supply structure

Where the housing price is in excessive growth, the supply of ordinary commodity houses at medium or low prices and economical houses are insufficient; the housing construction should mainly involve projects of ordinary commodity houses with medium or low prices and economical houses. The construction of low-density, high-class houses must be strictly controlled. With respect to construction projects of medium-or-low-price ordinary commodity houses, before any supply of land, the municipal planning authority will, according to controlling detailed planning, set forth such conditions for planning and designing as height of buildings, plot ratio and green space. The property authority will, in collaboration of other relevant authorities, set forth such controlling requirements as sales price, type and area. Such conditions and requirements will be set up as preconditions of land assignment to ensure an effective supply of small or medium-sized houses at moderate and low prices. The local government must intensify the supervision of construction work planning permit for property development projects. Housing projects that have not been commenced within two years must be examined again, and those that turn out to be non-compliant with the construction work planning permits will be revoked.

Intensifying the control over the supply of land and rigorously enforcing the administration of land

Where the price of land for residential use and residential house grows too fast, the proportion of land for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity property at medium or low price range and economical housing should be emphatically increased. Land supply for villa construction will be continuously suspended, and land supply for high-class housing property construction will be restricted.

Adjusting the policies of business tax in the link of house transfer and strictly regulating the collection and administration of tax

Commencing from June 1, 2005, business tax upon transferring a residential house by an individual within two years from the date of purchase will be levied on the full amount of the sale proceeds. For an individual having transferred an ordinary residence after two years from date of purchase, business tax will be exempted. For an individual having transferred a property other than ordinary residential house for two years or more from date of purchase, the business tax will be levied on the basis of the balance between the income from selling the residence and the purchase price.

Practically rectifying and regulating the market order and seriously investigating into and punishing any irregular and rule-breaking sales

The buyer of a pre-sale commodity property is prohibited from conducting any transfer of such building if it is still under construction. A real name system for house purchase should be applied, and an immediate archival filing network system for pre-sale contracts of commodity properties should be carried out.

On July 13, 2006, the General Office of the State Council issued the Notice about Relevant Matters on Establishing State Land Supervision System. In accordance with this notice, MLR will establish State Land Supervision General Office and send its local counterparts State Land Supervision Bureau in order to strengthen supervision and management on land and practice the strictest possible land management system.

On August 31, 2006, the State Council issued the Notice about Relevant Matters on Strengthening Control on Land (Guo Fa (2006) No. 31) in order to hold back the problems of over-fast increase of aggregate amount of construction land, excessive expansion of low cost industrial land, illegal use of land and abusive occupation of cultivated land. Major measures in the notice include (i) adjusting land approval measures for urban construction in accordance with the principle of consistency between powers and responsibilities; (ii) only after guaranteeing the social security fee for the land expropriated farmers can the approval of land expropriation be granted; (iii) the total amount of money from the sale of state-owned land use right shall be fully included into local budget and collected into local government treasury, and the “line of income and expenditure” shall be administrated separately; (iv) raising the standard for land use right fee of newly added construction land. Land use right fee of newly added construction land shall depend on the area actually added. The charging standards for the urban land use tax and the occupation tax of cultivated land shall be increased; (v) the State shall formulate and promulgate a unified minimum standard for granting industrial land applicable across the country. The industrial land shall be granted by tender, auction or quotation and the price for assignment of the Land Use Rights shall never be lower than each and every local minimum standard for granting industrial land; and (vi) prohibiting conversion of agricultural land into construction land “in the name of leasing while actually expropriating” or other illegal ways.

On November 7, 2006, MOF, MLR and PBOC issued the Notice about Relevant Matters on Policy Adjusting Concerning Land Use Fee for Newly Created Construction Land, which doubled the land use fee on newly created construction land after January 1, 2007.

On May 24, 2006, the General Office of the State Council issued the Circular of the General Office of the State Council on Forwarding the Opinions of MOHURD and other Departments on Adjusting the Housing Supply Structures and Stabilizing Property Prices (Guo Ban Fa [2006] No. 37). As to the adjustment of housing supply and stabilization of housing prices, the opinion provides that:

Practically adjusting the housing supply structure

- The construction of medium and small-sized ordinary commodity houses at medium or low price should be especially developed to satisfy the self-living demands of local residents; and
- Commencing from June 1, 2006, for each and every commodity property newly examined and approved for starting construction, the proportion of the area of housing (including economically affordable housing) with a unit floor area less than 90 sq.m. must reach 70% of the total development and construction area. In case of adjustment of the above-mentioned proportion, if required in special cases, the municipalities directly under the central government, separately planned cities and provincial

capital cities must submit the special request for adjusting proportion to MOHURD for approval. The projects that have been examined and approved but without obtaining the permits for commencement of construction work must adjust the set style of housing according to the above-mentioned requirements if they do not meet such requirements.

Further promoting the adjusting role of tax, credit and land policies

- Commencing from June 1, 2006, business tax upon transferring a residential property by an individual within five years from the date of purchase will be levied on the basis of the full amount of the sale proceeds. For an individual transferring an ordinary residential property five years or more from the date of purchase, business tax will be exempted. For an individual transferring a house other than an ordinary residential house for five years or more from purchasing, the business tax will be levied on the basis of the balance between the income from selling the house and the purchase price;
- The conditions on the credit of the property development will be strictly enforced. In order to restrain property developers from purchasing land and buildings with bank credits, any developer applying for loans shall have at least 35% of capital required for the project development. To the developers with a large amount idle land and vacant commodity properties, commercial banks should restrict the grant or extension of revolving credit facilities in any form pursuant to the prudence principle. Commodity buildings which are vacant for more than three years should not be accepted as a guarantee by the commercial banks;
- Commencing from June 1, 2006, the first installment of individual home loans should be no less than 30%. When a borrower applies for individual home loans for his own use and the floor area of the unit is less than 90 sq.m., the first installment remains at 20%;
- At least 70% of the total annual land supply for residential property development must be used for developing low-to-medium-cost and small to medium-size units (inclusive of economically affordable housing) and low-cost rental properties. On the basis of the restriction on price and housing set style, the land supply shall adopt the method of public tender of land price and housing price to determine the property developer. Land supply for villas will be continuously suspended, and land supply for low-density and large-scale housing property constructions will be strictly restricted; and
- The disposition of the idle land was reinforced. When the construction has not yet started after one year since the duration of construction agreed in the contract has elapsed, charge for idle land should be collected at a higher level; when the construction has not yet started after two years have elapsed, the right to use land can be taken back without consideration. The land will be regarded as idle land if the development and construction of the land has started on time, but the developed area is less than one third of the total area to be developed and constructed, or the invested amount is less than 25% of the total amount of investment, and the development and construction has been continuously suspended for no less than one year without approval.

Further rectifying and regulating the order of property market

- The project with the construction work planning permit which has not started construction should be re-censored. If the project is not in accordance with the controlling requirements of the plan, especially the requirements of the set style structure, the construction work planning permit, the permit for commencement of construction work and the permit for pre-sale of commodity properties should not be issued. The housing of the designing of which has been changed, the projects of which have been altered or the construction of which has exceeded the provisions will be disposed of or confiscated according to law; and
- The property administration authority and the administration of industry and commerce should investigate any illegal trade conduct such as contract fraud. The illegal conduct of commodity properties pre-sale without the necessary conditions should be ordered to be stopped and punished. With respect to the property enterprises that store up housing source from sale, maliciously manipulate

and raise housing prices, the competent authorities will reinforce the strength in rectification and prosecution, and for those in severe situations and serious nature, monetary punishment will be given according to laws and regulations, until the suspension of business licenses, and the responsible persons concerned will be investigated and prosecuted.

On July 6, 2006, MOHURD promulgated the Opinion on Implementing Ratio Requirements for the Structural Compositions of Newly-Constructed Residential Buildings (Jian Zhu Fang [2006] No. 165). The opinion provides the following:

- As of June 1, 2006, of the newly approved and newly commenced construction projects in different cities including town and counties at least 70% of the total construction area must be used for building small apartments with unit floor area of 90 sq.m. or below (including economically affordable apartments). The relevant authorities in different localities must strictly follow the prescribed ratio requirement in their respective locality; and
- The relevant authorities must ensure the conditions of newly built commodity apartments including the planning and the design, and must ensure that the property size ratio is adhered to. If a property developer has not followed the ratio requirement without sound reasons, the urban planning authorities shall not issue a construction work planning permit. If the property developer has not followed the requirements of the construction work planning permit, the relevant authority reviewing the planning documents shall not issue a certification, the construction authority shall not issue a permit for commencement of construction work, and the property authority shall not issue a permit for pre-sale of the commodity apartments. In the case of residential property projects that were granted approvals before June 1, 2006 but without a construction work permit by that date, the relevant local governments should ensure that the prescribed residential property size ratio requirement is complied with.

On September 27, 2007, PBOC and CBRC further tightened mortgage lending by PRC commercial banks, by increasing the amount of down payment a property purchase must make before seeking mortgage financing. Please refer to the section headed “G. Property Credit” above.

On December 20, 2008, the General Office of the State Council issued the Several Opinions on Facilitating Healthy Development of Real Estate Market (Guo Ban Fa (2008) No. 131). These Opinions include:

- While first-time borrowers of mortgage loans for the purchase of common dwellings for their own use can enjoy preferential policies in terms of mortgage rates and down payment ratios, individuals who have already borrowed a mortgage loan for their first dwelling but have a per-capita housing area lower than the local average level, may enjoy the same preferential policies as those applicable to first-time borrowers of mortgage loans for the purchase of common dwellings for their own use when they apply for a mortgage loan for the purchase of their second common dwelling for the purpose of improving their living conditions. In other cases where individuals borrow mortgage loans for the purchase of their second or subsequent common dwellings, the mortgage rates and other terms shall be reasonably determined by the commercial banks based on the benchmark interest rate having regard to the risks involved;
- Preliminary exemption or reduction of business tax on dwelling transfers for one year. Transfers by individuals of common dwellings which have been purchased for two years or more (instead of the current requirement of five years or more) will be exempted from business tax; in the case of transfers by individuals of common dwellings which have been purchased for less than two years, business tax will be levied on the difference between the transfer price and the original purchase price, instead of on the full amount of the transfer price under the current requirement;
- In the case of transfers by individuals of uncommon dwellings which have been purchased for two years or more (instead of the current requirement of five years or more), business tax will be levied on the difference between the transfer price and the original purchase price; transfers by individuals of uncommon dwellings which have been purchased for less than two years will still be subject to a business tax on the full amount of the transfer price;

- Abolishment of the urban real estate tax. To further ensure the fair allocation of tax liabilities and improve the real estate taxation regime, the urban real estate tax is abolished in accordance with legal procedures and the Provisional Regulations of the People’s Republic of China on Real Estate Tax shall be applicable to domestic and foreign-invested enterprises as well as individuals; and
- The above policies will preliminarily be implemented until December 31, 2009. According to the decisions made by the State Council on December 9, 2009, except for policies (ii) and (iii), the other above policies will be continually implemented after December 31, 2009.

On January 27, 2011, MOF and SAT jointly issued the Notice on Adjusting the Business Tax Policies upon Transferring Residential Properties by Individuals (Cai Shui [2011] No. 12). Pursuant to the notice, business tax will be levied upon the transfer of a residential house by an individual within five years from the date of purchase and the business tax to be levied will be calculated based on the full amount of the sale proceeds. For an individual transferring a non-ordinary residential house after five years from the date of purchase, the business tax to be levied will be calculated based on the difference between the income from the sale of such property and its purchase price. An individual transferring an ordinary residential house after five years from the date of purchase, will be exempt from the business tax.

On January 7, 2010, the General Office of the State Council issued the Circular on Facilitating the Stable and Healthy Development of Property Market, which adopted a series of measures to strengthen and improve the regulation of the property market, stabilize market expectation and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance for the purchase of property, restrain speculation of properties, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a family (including a borrower, his or her spouse and children under 18), who have already purchased a residence through mortgage financing and have applied to purchase a second or more residences through mortgage financing, to pay a minimum down payment of 40% of the purchase price.

On April 17, 2010, the State Council issued the Notice on Resolutely Containing the Excessive Hike of Property Price in Some Cities (Guo Fa [2010] No. 10) (the “April 17 Notice”), which provides that for a first home purchaser (including a borrower, his or her spouse and children under 18) who purchases a residence with a unit floor area of more than 90 sq.m. for self-use, the minimum down payment shall be less than 30%; where for the second home buyers that use mortgage financing, it is required that the minimum down payment shall be 50% of the purchase price with minimum mortgage lending interest rate of 110% of the benchmark rate; where a third or further buyers that use mortgage financing, the minimum down payment and interest rate thereof shall be further substantially raised. The April 17 Notice, further requires that in cities where property price is overly high with excessive price hike and strained house supply, commercial banks may in light of risk exposure suspend extending bank loans for a third or further buyers; also provision of housing loans shall be suspended to non-local residents who cannot present the local tax returns or social insurances certification of more than one year.

On September 21, 2010, MLR and MOHURD jointly promulgated the Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development (Guo Tu Zi Fa [2010] No. 151), which stipulates, among other things, that:

- More than 70% of land used for construction of urban housing must be designated for low-income housing, housing for resettlement of shanty towns and small to medium-sized ordinary commercial housing. In areas with high housing prices, supply of land designated for small to medium-sized price-capped housing must be increased. Before completion of the above supply plan, local authorities shall not supply land to construction of high-end and large-sized housing.
- Developers and their controlling shareholders are prohibited from participating in land biddings before the rectification of the following misconduct: (1) criminal acts of fabrication of official documents for fraud of land use rights or illegal re-sale of land use rights; (2) illegal transfer of land use rights; (3) failure to commence construction as required for more than one year due to their own reasons; and (4) non-compliance with the land development requirements specified in land grant contracts.

- Developers are required to commence construction within one year from the date of delivery of land and complete the construction within three years of commencement.
- Development and construction of projects of low-density and large-sized housing must be strictly limited and the plot ratio of the planned GFA to the total site area of residential projects must be more than 1:1.

On December 19, 2010, MLR promulgated the Notice on the Strict Implementation of Control Policies on Land Use for Real Estate and Promoting the Healthy Development of the Land Market(Guo Zi Fa [2010] No. 204), which stipulates, among other things, that:

- If the target of guaranteeing land supply for low-income housing for 2010 is not completed and the land supply for low-income housing, housing for resettlement of shanty towns and small to medium sized commercial housing fails to reach 70% of the total land supply for real estate, the city or county authorities shall not supply land for construction of high-end and large-sized housing prior to the end of 2010. In cases where the price surplus rate is more than 50% and the total price for all land use grants or the price for a single grant is a record high in a competitive bidding, auction and listing-for-sale, the local land resource departments shall report the situation to its superior land resource departments and MLR within two working days after the confirmation letter is executed (or the bid winning notice is sent).
- The superior land resource departments shall strengthen the examination of land use rights granted by its subordinate land resources departments in a competitive bidding, auction and list-for-sale. If the superior land resource departments identify any land use rights granted with illegal defects, including those granted with surplus area, packaged granting, gross-profit-based granting, plot ratio for residential housing being lower than 1, or the grantor being unqualified, the superior land resource departments shall order its subordinate land resource departments to revoke the land use grant. In the case of illegal granting, the grant shall be revoked and relevant remedies shall be pursued.
- The land use for low income housing shall not be changed. If the land designated for low income housing is changed for development of commercial housing, any income derived shall be illegal and shall be confiscated, and the land use right shall be withdrawn and re-granted through competitive bidding, auction and list-for-sale. A change of plot ratio shall be subject to approval and accordingly extra granting fee shall be paid.

On January 26, 2011, the General Office of the State Council promulgated the Circular on Issues Concerning Further Properly Regulating and Controlling the Real Estate Market (Guo Ban Fa [2011] No. 1), which stipulates, among other things, that

- For a household which uses a housing loan to buy the second home, the down payment shall not be less than 60%, and the loan interest rate shall not be lower than 1.1 times of the benchmark interest rate. All branches of PBOC may raise the down-payment standards and interest rates for the housing loans for the second home purchases according to the price control objectives and policy requirements of local government for newly built houses, and on the basis of unified credit policy of the State.
- All regions shall increase the effective supply of land, and earnestly implement the requirements that the land for the construction of affordable housing, transformation of slum housing into residential housing, and small and medium-sized ordinary commercial housing is not less than 70% of the total land supply.
- The examination of the land market access qualification and capital sources of enterprises must be enhanced. Entities and individuals who participate in land auctions must explain capital source and provide corresponding evidence. For the land supplied for real estate development purpose, if the relevant developer fails to obtain a construction permit and start the construction after two years, the land use right must be taken back promptly, and the developer shall be fined for leaving the land idle

for more than one year. The acts of illegally transferring land use right must be investigated and punished in line with the law. Those who fail to invest more than 25% of the total capital in real estate development (the land prices are excluded) cannot, in any form, transfer land and land development projects which are specified by contracts.

- All municipalities directly under the central government, cities specially designated in the state plan, provincial capitals and cities where housing prices are too high or are rising too rapidly must, within a given period, work out and implement strict measures to restrict housing purchases. In principle, a household which has a registered permanent residence in a city and has owned one housing unit, and a household which has not a registered permanent residence in the city but can provide evidentiary documents for tax or social security fee payment in the city for a certain number of years, is restricted to buy one housing unit (including newly-built commercial housing unit and second-hand housing unit) only; a household which has a registered permanent residence in the city and has owned two or more housing units, and a household which has not a registered permanent residence in the city, has owned one or more housing unit and cannot provide evidentiary documents for tax or social security fee payment in the city for a certain number of years, shall temporarily stop housing purchase in the corresponding administration region.

Document of Title

In the PRC, there are two registers for property interests. Land registration is achieved by the issuance of a land use rights certificate by the relevant authority to the land user. This serves as evidence that the land user has obtained land use rights which can be transferred, mortgaged or leased according to relevant laws and regulations. The housing registration is the issue of a building ownership certificate or a real estate ownership certificate to the owner. This serves as evidence that the owner has obtained housing ownership rights in respect of the building erected on a piece of land. According to the State Land Administration Bureau Land Registration Regulations promulgated by the State Land Administration Bureau, the precedent of MLR, on December 28, 1995 and effective February 1, 1996, the Measures for Building Registrations by MOC on February 15, 2008, and effective on July 1, 2008, and the Land Registration Rules promulgated by MLR on December 30, 2007 and effective February 1, 2008, all land use rights and housing ownership rights which are duly registered are protected by the law.

In connection with these registration systems, real estate and land registries have been established in the PRC. In most cities in the PRC, the above systems are separate systems. However, in some other major cities, the two systems have been consolidated and a single composite real estate ownership certificate will be issued evidencing the ownership of both land use rights and the housing erected thereon.

Legal Supervision Relating to Property Management Sector in the PRC

Qualifications of a property service enterprise

According to the Regulations on Property Management enacted by the State Council on June 8, 2003, enforced on September 1, 2003 and revised on August 26, 2007, the state implements a qualification scheme system in monitoring the property service enterprises. According to the Measures for Administration of Qualifications of Property Service Enterprises enacted by MOC on March 17, 2004, enforced on May 1, 2004 and revised on November 26, 2007, a newly established property service enterprise shall, within 30 days from the date of receiving its business license, apply to the relevant local bureau in charge of the property management under the local government or to the municipalities directly under the Central Government for a grading assessment. The departments of qualification examination and approval will check and issue a “property management qualification certificate” corresponding to their grading assessment results.

According to the Measures for the Administration on Qualifications of Property Service Enterprises, the qualifications of a property service enterprise shall be classified as class one, class two and class three. The competent construction department of the State Council shall be responsible for issuance and administration of the qualification certificate of the class one property service enterprises. The competent construction departments of the people’s governments of provinces and autonomous regions shall be responsible for issuance and administration of the qualification certificate of the class two property service enterprises, and

the competent realty departments of the people's governments of municipalities directly under the Central Government shall be responsible for issuance and administration of the qualification certificate of the classes two and three property service enterprises. The competent realty departments of the people's governments of the cities divided into districts shall be responsible for the issuance and administration of the qualification certificate of the class three property service enterprises.

The property service enterprises with the class one qualification may undertake various property management projects. The property service enterprises with the class two qualification may undertake the property management business of residential management projects of less than 300,000 sq.m. and the non-residential management projects of less than 80,000 sq.m. The property service enterprises with the class three qualification may undertake the property management business of residence projects of less than 200,000 sq.m. and non-residence projects under 50,000 sq.m.

Employment of a property service enterprise

According to the Regulation on Property Management, the general meeting of owners can select and dismiss the property service enterprises if the consent of both the owners holding more than 50% of the private building area out of the total building area and more than 50% of the relevant property owners has been obtained. If, before the formal employment of a property management by the owners or the general meeting, the construction unit is to employ a property service enterprise, it shall enter into a preparation stage property services contract in writing with the property service enterprise.

Foreign Exchange Controls

On January 29, 1996, the State Council promulgated the Regulations for the Control of Foreign Exchange (the "Control of Foreign Exchange Regulations") which became effective April 1, 1996. The Control of Foreign Exchange Regulations classifies all international payments and transfers into current account items and capital account items. Current account items are no longer subject to the SAFE approval while capital account items still are. The Control of Foreign Exchange Regulations was subsequently amended on January 14, 1997. Such amendment affirms that the State will not restrict international current account payments and transfers. The Control of Foreign Exchange Regulations was further amended on August 1, 2008.

On June 20, 1996, PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (the "Settlement Regulations") which became effective on July 1, 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. On April 13, 2006, PBOC promulgated the Announcement [2006] No. 5. The announcement provides that the system for opening, amending and closing current account-related foreign exchange accounts by enterprises shall be changed from one requiring advance examination and approval to one in which matters shall be handled directly by banks in line with foreign exchange control requirements and commercial practice and reported to the foreign exchange bureau for the record. The balance on current account-related foreign exchange accounts of enterprises shall be increased. On the same day, SAFE issued a Notice on Adjusting the Policies Concerning the Administration of Current Foreign Exchange Accounts (Hui Fa [2006] No. 19). The notice abolished the advance examination for opening of current account-related foreign exchange accounts and improved the balance on current account-related foreign exchange accounts.

On October 25, 1998, PBOC and SAFE jointly promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swapping Business pursuant to which and with effect from December 1, 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprises will be regulated under the system for the settlement and sale of foreign exchange by commercial banks.

On July 21, 2005, PBOC announced that, beginning from July 21, 2005, China will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer solely pegged to the US dollar. PBOC will announce the closing price of a foreign currency such as the US dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of the Renminbi on the following business day.

Save for foreign-invested enterprises or other enterprises which are specially exempted by relevant regulations, all entities in the PRC must sell their foreign exchange income to designated foreign exchange banks. Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares is not required to be sold to designated banks, but may be deposited in foreign exchange accounts with designated banks.

Enterprises in the PRC (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, upon presentation of valid receipts and proof. Foreign-invested enterprises which need foreign currencies for the distribution of profits to their shareholders, and domestic enterprises which, in accordance with relevant regulations, are required to pay dividends to shareholders in foreign currencies, may with the approval of board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks.

Convertibility of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to restriction, and prior approval from SAFE or its competent branch.

Pursuant to the State Administration of Foreign Exchange's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles (Hui Fa [2005] No. 75) (the "Circular No. 75"), issued on October 21, 2005: (i) a PRC resident, including a PRC resident natural person or a PRC company, must register with the local branch of SAFE before it establishes or controls an overseas special purpose vehicle ("SPV"), for the purpose of overseas equity financing (including convertible debt financing); (ii) when a PRC resident contributes the assets of or its equity interests in a domestic enterprise into a special purpose vehicle, or engages in overseas financing after contributing assets or equity interests into a special purpose vehicle, such PRC resident must register his or her interest in the special purpose vehicle and the change thereof with the local branch of SAFE; and (iii) when the special purpose vehicle undergoes a material event outside of China, such as change in share capital or merger and acquisition, the PRC resident must, within 30 days from the occurrence of such event, register such change with the local branch of the SAFE. Under Circular No. 75, failure to comply with the registration procedures set forth above may result in penalties, including restrictions on a PRC subsidiary's foreign exchange activities and its ability to distribute dividends to the special purpose vehicle.

On September 1, 2006, SAFE and MOHURD jointly issued the Notice on Regulating Issues Relevant to Administration of Foreign Exchange in Real Estate Market (Hui Fa [2006] No. 47). The notice provides: (i) where a foreign-invested property enterprise fails to pay the registered capital in full or to acquire a State-owned land use rights certificate or to make its capital fund for a development project reach 35% of the total investment to the project, the foreign exchange bureau will not handle its foreign debt registration or approve its settlement of foreign currencies; (ii) where a foreign institution or individual acquires a domestic property enterprise, if it (he) fails to pay the transfer price in a lump sum by its (his) own fund, the foreign exchange bureau will not handle the registration of foreign exchange income from transfer of equities; (iii) the domestic and foreign investors of a foreign-invested property enterprise must not reach an agreement including any clause which promises a fixed return or fixed return in any disguised form to any party, otherwise the foreign exchange bureau will not handle the foreign exchange registration or registration modification of foreign-invested enterprise; and (iv) the fund in the foreign exchange account exclusive for foreign investor opened by a foreign institution or individual in a domestic bank must not be used for property development or operation. The notice also provides for foreign exchange working process related to branches of overseas institutions established within the PRC, overseas individuals, Hong Kong, Macao or Taiwan residents and overseas Chinese purchasing or selling commodity houses within the PRC.

On December 25, 2006, PBOC promulgated the Measures for the Administration of Individual Foreign Exchange (the “Measures for the Administration of Foreign Exchange”). The Measures for the Administration of Foreign Exchange use category administration to classify the individual foreign exchange operations as domestic and overseas by participants of transaction, and current accounts and capital accounts by nature of transaction. The Measures for the Administration of Foreign Exchange stipulate that administration of total annual amount shall apply to individual settlement of foreign exchange and domestic individual purchase of foreign exchange, and provide different procedures for individuals who settle foreign exchange over the annual total amount and domestic individuals who purchase foreign exchange over the annual total amount according to current accounts items and capital accounts items.

On January 5, 2007, SAFE promulgated the Detailed Rules for the Implementation of the Measures for the Administration of Individual Foreign Exchange (Hui Fa [2007] No. 1) (the “Detailed Rules”) effective February 1, 2007. The Detailed Rules provide, amongst others, that (i) the annual total amount of foreign exchange for settlement of individuals and for purchase of domestic individuals is US\$50,000; (ii) domestic individuals who engage in external direct investment shall satisfy the relevant rules of the state and for the required foreign exchange, he/she may purchase foreign exchange or remit the self-owned foreign exchange abroad upon the approval of the local foreign exchange department and shall complete the overseas investment foreign exchange registration; (iii) domestic individuals can engage in financial investment such as overseas fixed-revenue right-interest, etc. through qualified domestic institutional investors such as banks and fund management companies; and (iv) in case domestic individuals engage in such foreign exchange operations as an employee stock ownership plan of an overseas listed company or subscription option program, they can only deal with such options after completing the registration with the foreign exchange bureau through their company or domestic agency institutions.

In May 2011, SAFE issued new implementation guidance to its local branches regarding the operational procedures for such registration, or Circular No. 19, which provides specific requirements on the registration relating to THE SAFE Circular No. 75. Circular No. 19 imposes obligations on onshore subsidiaries of the offshore special purpose company to coordinate with and supervise the beneficial owners of the offshore entity who are PRC citizens or residents to complete the SAFE registration process. Circular No. 19 clarifies that an offshore special purpose company can be formed prior to the SAFE Circular No. 75 registration, but such offshore special purpose company cannot engage in substantive change of capital or shares, such as offshore financing, share capital change or roundtrip investment before the completion of the SAFE Circular No. 75 registration.

Environmental Protection

The regulations promulgated by the State Council on environmental protection of construction projects, together with the detail classification catalogue issued by the state environmental protection administration of the PRC, implement an administrative system for environmental protection of construction projects based on classification according to the extent of the impact on the environment. An environmental impact report must be produced for construction projects. According to relevant regulations and notice issued by the state environmental protection administration of the PRC, environmental impact assessment reports in connection with construction projects must be examined and approved at various government levels.

Pursuant to the Law of the PRC on Environment Protection, the Law of the PRC on Environmental Impact Assessment, Administrative Regulations on Environment Protection for Development Projects and the relevant regulations, with respect to construction projects, facilities for pollution prevention must be designed, constructed and put into operation at the same time as the project itself. Environmental impact reports must be produced and approved by competent environmental protection authorities before the construction projects commence, and environmental protection completion inspection must be applied for. Failure to apply for or obtain approval of environmental impact assessment may result in suspension of construction and fines of up to RMB200,000. Failure to apply for an environmental protection completion inspection may result in suspension of operation and fines of up to RMB50,000. Failure to pass an environmental protection completion inspection may result in suspension of operation and fines of up to RMB100,000.

DESCRIPTION OF THE NOTES

For purposes of this “Description of the Notes,” the term “Company” refers to Hopson Development Holdings Limited, and any successor obligor on the Notes, and not to any of its Subsidiaries. Each Subsidiary of the Company that guarantees the Notes is referred to as a “Subsidiary Guarantor,” and each such guarantee is referred to as a “Subsidiary Guarantee.”

The Notes are to be issued under an indenture (the “Indenture”), to be dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and The Bank of New York Mellon, acting through its London Branch, as trustee (the “Trustee”).

The following is a summary of the material provisions of the Indenture, the Notes, the Subsidiary Guarantees, the Intercreditor Agreement and the Security Documents. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees, the Intercreditor Agreement and the Security Documents. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available on or after the Original Issue Date at the corporate trust office of the Trustee in London. In addition to being the trustee for the Notes, The Bank of New York Mellon, acting through its London Branch, is the trustee for the 2016 Notes (the “2016 Notes Trustee”).

Brief Description of the Notes

The Notes are:

- general obligations of the Company;
- senior in right of payment to any future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with the 2016 Notes and with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors on a senior basis, subject to the limitations described below under the caption “—The Subsidiary Guarantees” and in “Risk Factors—Risks Relating to the Subsidiary Guarantees and the Collateral”; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

In addition, after the pledge of the Collateral by the Company and the Subsidiary Guarantor Pledgors as described below under the caption “—Security to be Granted” and subject to the limitations described in “Risk Factors—Risks Relating to the Subsidiary Guarantees and the Collateral,” the Notes will be secured by a pledge of the Collateral as described below under the caption “—Security to be Granted” and will:

- pursuant to the terms of the Intercreditor Agreement, be entitled to a first priority lien on the Collateral (subject to any Permitted Liens) shared on a *pari passu* basis with the holders of the 2016 Notes; and
- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

As of the date of the Indenture, all of the Company’s Subsidiaries will be “Restricted Subsidiaries.” In addition, each of the Restricted Subsidiaries, other than Restricted Subsidiaries that are organized under the laws of the PRC and Ji Run Property Investments Limited and Believe Best Investments Limited, will be a Subsidiary Guarantor as of the date of the Indenture. However, under the circumstances described below

under the caption “—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries,” the Company will be permitted to designate certain of its Subsidiaries as “Unrestricted Subsidiaries.” The Company’s Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture and will not Guarantee the Notes.

The Non-Guarantor Subsidiaries, which hold substantially all of the Company’s assets and operations, are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due under the Notes or the Subsidiary Guarantees. Any right that the Company or a Subsidiary Guarantor has to receive the assets of any Non-Guarantor Subsidiary upon the liquidation or reorganization of such Non-Guarantor Subsidiary (and the consequent right of holders of the Notes to receive proceeds from the sale of such assets) will be effectively subordinated to the claims of such Non-Guarantor Subsidiary’s creditors, including holders of its debt and its trade creditors.

As of June 30, 2012,

- the Company and its consolidated subsidiaries had total consolidated borrowings of approximately HK\$33,505.2 million (US\$4,319.2 million), of which approximately HK\$33,505.2 million (US\$4,319.2 million) was secured; and
- the Non-Guarantor Subsidiaries had total bank borrowings of approximately HK\$28,504.7 million (US\$3,674.7 million).

In addition, as of June 30, 2012, the Non-Guarantor Subsidiaries had capital commitments and contingent liabilities of approximately HK\$114,747 million (US\$14,792.3 million). See also “Capitalization and Indebtedness” for further details of the Company’s indebtedness.

The Notes will mature on January 16, 2018. Except as otherwise provided in the Indenture, the Notes will not be redeemable prior to maturity.

The Indenture allows additional Notes to be issued from time to time (the “Additional Notes”), subject to certain limitations described under “—Further Issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this “Description of the Notes” include any Additional Notes that are actually issued. The Notes will initially bear interest at 9.875% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on January 16 and July 16 of each year (each an “Interest Payment Date”), commencing July 16, 2013. The first payment of interest, to be made on July 16, 2013, will be in respect of the period from (and including) January 16, 2013 to (but excluding) July 16, 2013.

Interest will be paid to Holders of record at the close of business on the fifteenth day immediately preceding an Interest Payment Date (each, a “Record Date”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. In any case in which the date of the payment of principal of, premium, if any, on or interest on the Notes shall not be a Business Day in the relevant place of payment, then payment of principal, premium or interest need not be made in such place on such date but may be made on the next succeeding Business Day in such place. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose in London (which initially will be the corporate trust office of the Trustee, currently located at 40th Floor, One Canada Square, London E14 5AL, United Kingdom; Attention: Global Corporate Trust), and the Notes may be presented for registration of transfer or exchange at such

office or agency; *provided* that, at the option of the Company, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Note register. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

The Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date consist of all of the Company's Restricted Subsidiaries other than the Subsidiaries organized under the laws of the PRC and Ji Run Property Investments Limited and Believe Best Investments Limited. The initial Subsidiary Guarantors will not have significant operations or assets. All of the Restricted Subsidiaries that are not Subsidiary Guarantors are collectively referred to herein as the "Non-Guarantor Subsidiaries."

None of the existing or future Restricted Subsidiaries organized under the laws of the PRC will provide a Subsidiary Guarantee at any time in the future. In addition, none of the future Restricted Subsidiaries that is not a Wholly Owned Restricted Subsidiary and is organized outside the PRC will provide a Subsidiary Guarantee. Although the Indenture contains limitations on the amount of additional Indebtedness that the Company and/or Restricted Subsidiaries may incur, the amount of such additional Indebtedness, including such additional Indebtedness of Non-Guarantor Subsidiaries, could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiary will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and
- ranks at least *pari passu* with the guarantees provided for the 2016 Notes and all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

The Company will cause each of its future Subsidiaries (other than Subsidiaries organized under the laws of the PRC), immediately upon becoming a Wholly Owned Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes. Each Subsidiary of the Company that Guarantees the Notes after the Original Issue Date, upon execution of the applicable supplemental indenture to the Indenture, will be a "Subsidiary Guarantor."

In addition, subject to the limitations described in "Risk Factors—Risks relating to the Subsidiary Guarantees and the Collateral," the Subsidiary Guarantee of each Subsidiary Guarantee Pledgor will:

- pursuant to the terms of the Intercreditor Agreement, benefit from a first priority lien on the Collateral (subject to any Permitted Liens) pledged by such Subsidiary Guarantor Pledgor to be shared on a *pari passu* basis with the holders of the 2016 Notes; and
- rank effectively senior in right of payment to unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors will jointly and severally Guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The Subsidiary Guarantors will (1)

agree that their obligations under the Subsidiary Guarantees will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees will be reinstated with respect to such payments as though such payment had not been made. All payments under the Subsidiary Guarantees will be made in U.S. dollars.

Under the Indenture and any supplemental indenture to the Indenture, as applicable, each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. If a Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee could be reduced to zero.

The obligations of each Subsidiary Guarantor under its respective Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors may be limited, or possibly invalid, under applicable laws. See "Risk Factors—Risks Relating to the Subsidiary 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."

Release of the Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance or satisfaction and discharge as described under "—Defeasance" and "—Satisfaction and Discharge";
- upon the designation by the Company of a Subsidiary Guarantor as an Unrestricted Subsidiary in compliance with the terms of the Indenture; or
- upon the sale of a Subsidiary Guarantor in compliance with the terms of the Indenture (including the covenants under the captions "—Certain Covenants—Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries", "—Certain Covenants—Limitation on Asset Sales" and "—Certain Covenants—Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale or disposition are used for the purposes permitted or required by the Indenture.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officer's Certificate stating that all requirements relating to such release have been complied with and that such release is authorized and permitted by the Indenture.

Security to be Granted

The Company has agreed, for the benefit of the holders of the Notes, to pledge, or cause each initial Subsidiary Guarantor Pledgor to pledge, on the Original Issue Date, the Capital Stock of all of the initial Subsidiary Guarantors held by it (subject to Permitted Liens) in order to secure the obligations of the Company under the Notes and the Indenture and of such initial Subsidiary Guarantor Pledgor under its Subsidiary Guarantee.

The initial Subsidiary Guarantor Pledgors will be each of Hopson Development International Limited, Hopson Infrastructure (BVI) Limited, Hopson Holdings Limited, Hopson Properties (China) Limited, Tumen Properties Limited, Able Advance Limited and Addup International Limited. The Capital Stock pledged by the Company and the initial Subsidiary Guarantor Pledgors will be of Restricted Subsidiaries that do not have significant operations or assets.

None of the Capital Stock of the Non-Guarantor Subsidiaries will be pledged on the Original Issue Date or at any time in the future; *provided* that the Capital Stock of Believe Best Investments Limited held by the Subsidiary Guarantor Pledgors will be pledged on the Original Issue Date. In addition, none of the Capital Stock of any future Restricted Subsidiary that may be organized under the laws of the PRC will be pledged at any time in the future.

The Company has agreed, for the benefit of the holders of the Notes, to pledge, or cause each Subsidiary Guarantor to pledge, the Capital Stock owned by the Company or such Subsidiary Guarantor of any Person that becomes a Restricted Subsidiary (other than Persons organized under the laws of the PRC) after the Original Issue Date, immediately upon such Person becoming a Restricted Subsidiary, to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor Pledgor under its Subsidiary Guarantee, in the manner described above.

Each Subsidiary Guarantor that pledges Capital Stock of a Restricted Subsidiary after the Original Issue Date, upon giving such pledge, will be a “Subsidiary Guarantor Pledgor.”

The Collateral will be shared on a *pari passu* basis by the holders of the Notes and the holders of the 2016 Notes pursuant to the terms of the Intercreditor Agreement. The holders of the 2016 Notes benefit from security over the collateral that was granted by the Company and the Subsidiary Guarantor Pledgors on the issue date of the 2016 Notes (or, in some cases, which has been or will be granted later than that date) (the “2016 Security”). By law, the 2016 Security ranks in priority to the security to be granted to the Trustee for the benefit of the holders of the Notes. However, pursuant to the terms of the Intercreditor Agreement, the 2016 Notes Trustee (for and on behalf of the holders of the 2016 Notes) has agreed that the new security in respect of the Notes will rank *pari passu* with the 2016 Security (and that all recoveries from the 2016 Security will be shared with the holders of the Notes on a *pari passu* basis). Accordingly, in the event of a default on the 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 secured indebtedness.

The realizable value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors, including the holders of the 2016 Notes pursuant to the terms of the Intercreditor Agreement) may not be sufficient to satisfy the Company’s and the Subsidiary Guarantor Pledgors’ obligations under the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the Collateral securing the Notes and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and other Permitted *Pari Passu* Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture. See “—Release of Security” and “Risk Factors—Risks Relating to the Subsidiary Guarantees and the Collateral—The realizable value of the collateral is unlikely to be sufficient to satisfy our obligations under the notes and other *pari passu* secured indebtedness.”

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Indenture and the Security Documents following an Event of Default (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement), would be sufficient to satisfy amounts due on the Notes or the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors. By its nature, all of the Collateral will be illiquid and has no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

So long as no Event of Default has occurred and is continuing and the Trustee has not given an enforcement notice (being any written notice of the occurrence of an Event of Default that is continuing and the Trustee’s intention to enforce any specific term and/or terms of the Security Documents) to the Company or the

Subsidiary Guarantor Pledgors in respect of the Security Documents, and subject to the terms of the Security Documents and the Indenture, the Company and the Subsidiary Guarantor Pledgors will be entitled to exercise any and all voting rights and to receive and retain any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

Permitted Pari Passu Secured Indebtedness

On or after the Original Issue Date, the Company and each of the Subsidiary Guarantor Pledgors may create Liens on the Collateral *pari passu* with the Lien for the benefit of the Holders to secure Indebtedness of the Company (including Additional Notes) and any *Pari Passu* Subsidiary Guarantee of a Subsidiary Guarantor Pledgor with respect to such Indebtedness (such Indebtedness of the Company and any such *Pari Passu* Subsidiary Guarantee, “Permitted *Pari Passu* Secured Indebtedness”); *provided* that (i) the Company or such Subsidiary Guarantor Pledgor was permitted to Incur such Indebtedness under the covenant under the caption “Limitation on Indebtedness and Preferred Stock,” (ii) the holders of such Indebtedness (or their representative) become party to the Intercreditor Agreement referred to below, (iii) the agreement in respect of such Indebtedness contains provisions with respect to releases of Collateral and such *Pari Passu* Subsidiary Guarantee substantially similar to and no more restrictive on the Company and such Subsidiary Guarantor Pledgor than the provisions of the Indenture and the Security Documents and (iv) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee an Opinion of Counsel with respect to corporate and collateral matters in connection with the Security Documents, in form and substance as set forth in the Security Documents or otherwise satisfactory to the Trustee. The Trustee will be permitted and authorized, without the consent of any Holder, to enter into any amendments to the Security Documents, the Intercreditor Agreement or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted *Pari Passu* Secured Indebtedness in accordance with this paragraph.

Except for certain Permitted Liens and the Permitted *Pari Passu* Secured Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to issue or Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

Intercreditor Agreement

The Company, the 2016 Notes Trustee and the Trustee will enter into an intercreditor agreement on the date the Notes are issued (as may be amended, supplemented or modified from time to time, the “Intercreditor Agreement”), pursuant to which the 2016 Notes Trustee and the Trustee shall agree to (i) share equal priority and *pro rata* entitlement in and to the Collateral and (ii) the conditions under which the parties thereto will enforce their rights with respect to such Collateral and the Indebtedness secured thereby.

Prior to the first Incurrence of any Permitted *Pari Passu* Secured Indebtedness (other than Additional Notes), the holders of such Permitted *Pari Passu* Secured Indebtedness (or their representative) will accede to the Intercreditor Agreement to include the holders of such Permitted *Pari Passu* Secured Indebtedness as parties to the Intercreditor Agreement.

By accepting the Notes, each Holder shall be deemed to have consented to the execution of the Intercreditor Agreement, any amendments or modifications thereto, and any future intercreditor agreement required under the Indenture.

Enforcement of Security

The liens securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors will be granted to the Trustee, subject to *pari passu* collateral sharing arrangements specified in the Intercreditor Agreement. The Trustee will hold such Liens and security interests in the Collateral granted pursuant to the Security Documents with sole authority as directed by the written instruction of the eligible Secured

Creditors (as defined below) to exercise remedies under the Security Documents. The Trustee has agreed to act as the secured party on behalf of the Holders (each a “Secured Creditor” and together the “Secured Creditors”) under the applicable Security Documents, to follow the instructions provided to it under the Indenture and the Security Documents and to carry out certain other duties.

The Indenture and/or the Security Documents principally provide that, at any time while the Notes are outstanding, the Trustee has the right to manage, perform and enforce the terms of the Security Documents relating to the Collateral and to exercise and enforce privileges, rights and remedies thereunder according to the directions provided, or discretions granted, to the Trustee, including to take or retake control or possession of such Collateral and to hold, prepare for sale, process, lease, dispose of or liquidate such Collateral. However, the Trustee’s rights to take any such actions are at all times subject to the collateral sharing arrangements provided for in the Intercreditor Agreement.

The collateral sharing arrangements in the Intercreditor Agreement itself principally provide that all secured creditors under the Notes and the 2016 Notes will share, equally and ratably, any recoveries or proceeds from any security over the collateral held by or granted for the benefit of any such secured creditor under the Notes and the 2016 Notes (and whether held by or granted to that secured creditor (or its agent, trustee or other representative) alone or otherwise, and regardless of time that any such security was granted or perfected or registered or the rules determining priority under any law governing relative priorities of security) with the other secured creditors under the Notes and the 2016 Notes.

All payments received and all amounts held by the Trustee or the 2016 Notes Trustee in respect of the Collateral under the Security Documents and the 2016 Security will be applied as follows:

first, to the Trustee and the 2016 Notes Trustee to the extent necessary to reimburse them for any costs, charges, liabilities and expenses incurred in connection with the performance of their duties under, respectively, the Indenture, the indenture governing the 2016 Notes, the Security Documents, the Notes, the 2016 Security or the 2016 Notes, including the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing its remedies under the Security Documents and preserving the Collateral, the 2016 Security and all amounts for which the Trustee and the 2016 Notes Trustee are entitled to indemnification under the Security Documents and the 2016 Security;

second, to each of the Paying Agent and the Registrar of the Notes and the 2016 Notes to the extent necessary to reimburse them for any unpaid fees and amounts due to them, and any expenses incurred by either of them in connection with the performance of their obligations under the Indentures and all amounts for which each of them is entitled to indemnification under the Indentures;

third, to the Trustee for the benefit of Holders, to the 2016 Notes Trustee for the benefit of the holders of the 2016 Notes and to the extent applicable, to holders of Permitted *Pari Passu* Secured Indebtedness (or their representative), on an equal and ratable basis; and

fourth, any surplus remaining after the payment in full in cash of the amounts described in the preceding paragraphs will be paid to the Company or the Subsidiary Guarantor Pledgors or to whomever may be lawfully entitled thereto, or as may be required by applicable law or as a court of competent jurisdiction may direct.

The Trustee may decline to foreclose on the Collateral or exercise remedies available if it does not receive indemnification and/or security to its satisfaction. In addition, the Trustee’s ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Trustee’s Liens on the Collateral. Neither the Trustee nor any of its respective officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents or the Intercreditor Agreement, for the creation, perfection, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so.

The Security Documents provide that the Company and the Subsidiary Guarantor Pledgors will indemnify the Trustee for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind imposed against the Trustee arising out of the Security Documents except to the extent that any of the foregoing are finally judicially determined to have resulted from the gross negligence or willful misconduct of the Trustee.

This section, “—Enforcement of Security,” shall be subject to any amendments to the Security Documents or the Indenture to permit the creation of Liens on the Collateral to secure Permitted *Pari Passu* Secured Indebtedness in accordance with “—Permitted *Pari Passu* Secured Indebtedness” above.

Release of Security

The security created in respect of the Collateral granted under the Security Documents may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon defeasance or satisfaction and discharge of the Notes as provided below under the caption “—Defeasance” and “—Satisfaction and Discharge”;
- upon certain dispositions of the Collateral in compliance with the covenants under the captions “—Certain Covenants—Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries” or “—Certain Covenants—Limitation on Asset Sales” or in accordance with the provision under the caption “—Consolidation, Merger and Sale of Assets”; and
- with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the terms of the Indenture.

Further Issues

Subject to the covenants described below, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes shall then be permitted under the first paragraph of the “—Certain Covenants—Limitation on Indebtedness and Preferred Stock” covenant described below.

Optional Redemption

On and after January 16, 2016, the Company will be entitled at its option to redeem all or a portion of the Notes upon not less than 30 nor more than 60 days’ notice, at the redemption prices (expressed in percentages of principal amount on the redemption date), plus accrued and unpaid interest to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on January 16 of the years set forth below:

Period	Redemption Price
2016.....	104.93750%
2017 and thereafter.....	102.46875%

Prior to January 16, 2016, the Company will be entitled at its option to redeem all or any portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest to, the redemption date (subject to the right of Holders on the relevant record date to receive interest due on the relevant interest payment date). Notice of such redemption must be mailed by first-class mail to each Holder’s registered address, not less than 30 nor more than 60 days prior to the redemption date.

“*Applicable Premium*” means with respect to a Note at any redemption date, the greater of (i) 1.00% of the principal amount of such Note and (ii) the excess of (A) the present value at such redemption date of (1) the redemption price of such Note on January 16, 2016 (such redemption price being described in the first paragraph in this “—Optional Redemption” section exclusive of any accrued interest) plus (2) all required remaining scheduled interest payments due on such Note through January 16, 2016 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate, over (B) the principal amount of such Note on such redemption date.

“*Adjusted Treasury Rate*” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

“*Comparable Treasury Issue*” means the United States Treasury security having a maturity comparable to the remaining term of the Notes from the redemption date to January 16, 2016 (the “Remaining Term”), that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most nearly equal to the Remaining Term.

“*Comparable Treasury Price*” means, with respect to any redemption date:

- (1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third Business Day preceding such redemption date, as set forth in the daily statistical release (of any successor release) published by the Federal Reserve Bank of New York and designated “Composite 3:30 p.m. Quotations for U.S. Government Securities”; or
- (2) if such release (or any successor release) is not published or does not contain such prices on such Business Day, (a) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations.

“*Reference Treasury Dealer*” means UBS AG and its successors and assigns and two other internationally recognized investment banking firms selected by the Company that are primary U.S. Government securities dealers.

“*Reference Treasury Dealer Quotations*” means with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day immediately preceding such redemption date.

At any time prior to January 16, 2016, the Company may redeem up to 35% of the aggregate principal amount of the Notes (including any Additional Notes) with the Net Cash Proceeds of one or more Equity Offerings at a redemption price of 109.875% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

The Company will give not less than 30 days’ nor more than 60 days’ notice of any redemption, and the Company shall deliver a copy of such notice or redemption to the Trustee and any Paying Agent at least 15 days prior to the date such notice is to be given (unless a shorter period shall be acceptable to the Trustee). The Trustee will select Notes for redemption *pro rata*, by lot or by such other method as the Trustee in its sole discretion shall deem to be fair and appropriate.

No Note of US\$200,000 in principal amount or less shall be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Repurchase of Notes Upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a “Change of Control Offer”) at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under or terminate agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company’s failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Future debt of the Company may also (i) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event, (ii) provide that a Change of Control Triggering Event is a default or (iii) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company’s ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company’s then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See “Risk Factors—Risks Relating to the Notes—We may not be able to repurchase the notes upon a change of control.”

The definition of Change of Control includes a phrase relating to the sale of “all or substantially all” the assets of the Company. Although there is a limited body of case law interpreting the phrase “substantially all,” no precise definition of the phrase has been established. Accordingly, the ability of a Holder of Notes to require the Company to repurchase such Holder’s Notes as a result of a sale of less than all the assets of the Company to another person or group is uncertain and will be dependent upon particular facts and circumstances.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by us and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The Trustee shall not be required to take any steps to ascertain whether a Change of Control has occurred or may occur, and shall be entitled to assume that no such event has occurred unless an officer of the Trustee has actual knowledge or the Trustee has received written notice of the occurrence of such event. The Trustee shall not be responsible for determining or verifying whether a Note is to be accepted for purchase under a Change of Control Offer and will not be responsible to the Holders for any loss arising from any failure by it to do so. The Trustee and the Paying Agent shall not be under any duty to determine, calculate or verify the amount payable under a Change of Control Offer and will not be responsible to the Holders for any loss arising from any failure by it to do so.

Sinking Fund

There will be no sinking fund payments for the Notes.

Additional Amounts

All payments of principal of, and premium (if any) and interest on, the Notes or under the Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (collectively, “Taxes”) imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under the caption “—Consolidation, Merger and Sale of Assets”) or the applicable Subsidiary Guarantor, as the case may be, is organized or resident for tax purposes or through which payment by or on behalf of the Company, a Surviving Person or an applicable Subsidiary Guarantor is made or any political subdivision or taxing authority thereof or therein (each, a “Relevant Jurisdiction”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor, as the case may be, will pay such additional amounts (“Additional Amounts”) as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

- (a) for or on account of:
 - (i) any Taxes that would not have been imposed or withheld but for:
 - (A) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;
 - (B) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;
 - (C) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person or any Subsidiary Guarantor addressed to the Holder to provide information concerning such Holder’s or beneficial owner’s nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder;
 - (D) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;
 - (ii) any estate, inheritance, gift, sale, transfer, personal property or similar Tax;
 - (iii) any Tax that is payable other than by deduction or withholding from payments under or with respect to such Note or Subsidiary Guarantee;
 - (iv) any withholding or deduction in respect of any Tax where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26—27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;

- (v) any combination of Taxes referred to in the preceding clauses (i), (ii), (iii) or (iv); or
- (b) to a Holder or beneficial owner of a Note that is a fiduciary, partnership for tax purposes under the laws of the Relevant Jurisdiction or person other than the sole beneficial owner of such Note, to the extent that a payment under such Note or Subsidiary Guarantee would be required to be included for tax purposes in the income under the laws of a Relevant Jurisdiction of a beneficiary or settler with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts with respect to such payment had that beneficiary, settler, member or beneficial owner been the Holder of such Note.

As a result of these provisions, there are circumstances in which Taxes could be withheld or deducted but Additional Amounts would not be payable to some or all Holders of Notes.

Whenever there is mentioned in any context the payment of principal, premium or interest in respect of any Note or any Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Company or a Surviving Person (as defined under the caption “—Consolidation, Merger and Sale of Assets”), as a whole but not in part, upon giving not less than 30 days’ nor more than 60 days’ notice to the Holders (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or
- (2) any change in the existing official position, or the stating of an official position, regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective (i) on or after the Original Issue Date unless the following clause (ii) applies, or (ii) in the case of a Surviving Person or a future Subsidiary Guarantor that is organized or resident for tax purposes in a jurisdiction that is not a Relevant Jurisdiction as of the Original Issue Date, on or after the date such Surviving Person assumes the obligations of the Company under the Indenture, the Notes and the Security Documents or the date such Subsidiary became a Subsidiary Guarantor, as the case may be, the Company, such Surviving Person or such Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts with respect to any payment due or to become due under the Notes or the Indenture, and such requirement cannot be avoided by the taking of reasonable measures by the Company, such Surviving Person or such Subsidiary Guarantor, as the case may be (*provided* that changing the jurisdiction of the Company, such Surviving Person or such Subsidiary Guarantor, as the case may be, is not a reasonable measure, but changing the jurisdiction through which payments are made by a paying agent may be a reasonable measure, for purposes of this section); *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, such Surviving Person or such Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the publication and mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before the date fixed for redemption:

- (1) an Officers’ Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, such Surviving Person or such Subsidiary Guarantor, as the case may be, by taking reasonable measures available to it; and

- (2) an Opinion of Counsel or an opinion of a tax consultant of recognized standing that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be canceled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

- (a) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness) and the Company will not permit any Restricted Subsidiary to issue any Preferred Stock, *provided* that (x) the Company may Incur Indebtedness (including Acquired Indebtedness) and (y) any Restricted Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (i) no Default has occurred and is continuing and (ii) the Fixed Charge Coverage Ratio would be not less than 2.0 to 1.0, if such Indebtedness is Incurred on or prior to the second anniversary of the Original Issue Date and 2.5 to 1.0, if such Indebtedness is Incurred thereafter. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock of Restricted Subsidiaries held by the Company or a Subsidiary Guarantor, so long as it is so held).
- (b) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following:
 - (1) Indebtedness under the Notes (excluding any Additional Notes and any Permitted *Pari Passu* Secured Indebtedness of the Company) and each Subsidiary Guarantee;
 - (2) any *Pari Passu* Subsidiary Guarantees by Subsidiary Guarantors;
 - (3) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (b)(4) of this covenant; *provided* that such Indebtedness of Restricted Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness;
 - (4) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; *provided* that (x) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (b)(4), (y) if the Company or any Subsidiary Guarantor is the obligor on such Indebtedness, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Notes, in the case of the Company, or the Subsidiary Guarantee of such Subsidiary Guarantor, in the case of a Subsidiary Guarantor and (z) if the Indebtedness is owed to the Company or any Subsidiary Guarantor, such Indebtedness must be evidenced by an unsecured promissory note or a similar instrument under applicable law, except to the extent that such Indebtedness is required to be subordinated to any Indebtedness owing by the obligor on such Indebtedness to any bank or other similar financial institution, which is permitted under this “—Limitation on Indebtedness and Preferred Stock” covenant;
 - (5) Indebtedness (“Permitted Refinancing Indebtedness”) issued in exchange for, or the net proceeds of which are used to refinance, refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, “refinance” and “refinances” and “refinanced” shall have a correlative meaning), then outstanding Indebtedness Incurred under clause (a) or clause (b)(1), (b)(2), (b)(3),

(b)(7) or (b)(14) of this covenant and any refinancings thereof in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, fees and expenses); *provided* that (A) Indebtedness the proceeds of which are used to refinance or refund the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee shall only be permitted under this clause (b)(5) if (x) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee, or (y) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee, (B) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the earlier of the final maturity date of the Notes and the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of the portion, if any, of such new Indebtedness that is scheduled to mature on or prior to the final maturity date of the Notes is at least equal to the Average Life of the portion of the Indebtedness to be refinanced or refunded that is scheduled to mature on or prior to the final maturity date of the Notes and (C) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause (b)(5) by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor;

- (6) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Company or any Restricted Subsidiary from fluctuations in interest rates, currencies or the price of commodities and not for speculation;
- (7) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (i) all or any part of the purchase price of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the Permitted Business in the ordinary course of business through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon such acquisition, become a Restricted Subsidiary or (ii) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the Permitted Business by the Company or a Restricted Subsidiary in the ordinary course of business; *provided, however*, that (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (b)(7) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness permitted to be Incurred under clause (b)(14) below and the refinancings thereof, but excluding any Contractor Guarantee Incurred under this clause (b)(7) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;
- (8) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);
- (9) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit or trade guarantees issued in the ordinary course of business to the extent that such letters of credit or trade guarantees are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;

- (10) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the disposition of such business, assets or Restricted Subsidiary;
 - (11) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however,* that such Indebtedness is extinguished within five Business Days of Incurrence;
 - (12) (i) Guarantees by the Company or any Subsidiary Guarantor of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant or (ii) Guarantees by any Restricted Subsidiary of Indebtedness of another Restricted Subsidiary that was permitted to be Incurred under clause (6) or (7) above or clause (17) below;
 - (13) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiaries;
 - (14) Cross Border Secured Indebtedness by the Company or any Restricted Subsidiary; *provided* that on the date of the Incurrence of any such Cross Border Secured Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Cross Border Secured Indebtedness Incurred pursuant to this clause (b)(14) (together with any refinancings thereof and the aggregate principal amount outstanding of Indebtedness permitted to be Incurred under clause (b)(7) above and the refinancings thereof, but excluding any Contractor Guarantee Incurred under such clause (b)(7) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;
 - (15) Indebtedness Incurred by the Company constituting Subordinated Shareholder Loan;
 - (16) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock in a Restricted Subsidiary pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement;
 - (17) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; *provided* that the aggregate principal amount of Indebtedness permitted by this clause (b)(17) at any time outstanding does not exceed US\$50.0 million (or the Dollar Equivalent thereof); and
 - (18) Indebtedness of the Company or any Subsidiary Guarantor in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US\$25.0 million (or the Dollar Equivalent thereof).
- (c) For purposes of determining any particular amount of Indebtedness under this “Limitation on Indebtedness and Preferred Stock” covenant, (i) Indebtedness outstanding under clause (b)(17) of this covenant on the Original Issue Date shall be treated as Incurred pursuant to clause (b)(17) of this covenant, (ii) Guarantees, Liens or obligations with respect to letters of credit supporting Indebtedness otherwise included in the determination of such particular amount shall not be included. For purposes of determining compliance with this “Limitation on Indebtedness and Preferred Stock” covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first sentence of clause (a) of this covenant, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness.

- (d) For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided* that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such refinancing Indebtedness is denominated that is in effect on the date of such refinancing.
- (e) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (a) through (d) below being collectively referred to as “Restricted Payments”):

- (a) declare or pay any dividend or make any distribution on or with respect to the Company’s or any Restricted Subsidiary’s Capital Stock (other than dividends or distributions payable solely in shares of the Company’s or any Restricted Subsidiary’s Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;
- (b) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock (including options, warrants or other rights to acquire such shares of Capital Stock) of the Company held by any Persons other than the Company or any Restricted Subsidiary or of any Restricted Subsidiary held by any Affiliate of the Company (other than a Restricted Subsidiary);
- (c) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any Subsidiary Guarantee (excluding any intercompany Indebtedness between or among the Company and any Wholly Owned Restricted Subsidiary); or
- (d) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (A) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (B) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in the first sentence of clause (a) of the covenant under the caption “—Limitation on Indebtedness and Preferred Stock”; or

- (C) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after the Measurement Date, shall exceed the sum (without duplication) of:
- (1) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the semi-annual period during which the Measurement Date occurred and ending on the last day of the Company's most recently ended semi-annual period for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) at the time of such Restricted Payment; plus
 - (2) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity capital or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock), in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus
 - (3) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); *provided, however*, that the foregoing amount shall not exceed the Net Cash Proceeds received by the Company or any Restricted Subsidiary from the sale of such Indebtedness; plus
 - (4) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (a) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income), (b) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (c) to the extent that an Investment made after the Measurement Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (d) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than reductions in Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person or Unrestricted Subsidiary; plus
 - (5) US\$25.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (C)(2) of the preceding paragraph; *provided, however*, that any item that has been excluded pursuant to clause (C)(2) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (3);
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (C)(2) of the preceding paragraph; *provided, however*, that any item that has been excluded pursuant to clause (C)(2) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4);
- (5) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to the Company to all holders of any class of Capital Stock of such Restricted Subsidiary, a majority of which is held directly, or indirectly through Restricted Subsidiaries, by the Company or at least 50% of which is held directly, or indirectly through Restricted Subsidiaries, by the Company and which is “controlled” and consolidated by the Company in accordance with GAAP;
- (6) the repurchase of Capital Stock deemed to occur upon the exercise of stock options to the extent that such Capital Stock represents a portion of the exercise price of those stock options;
- (7) the declaration and payment of dividends by the Company with respect to the fiscal year ended December 31, 2010 in an aggregate amount not to exceed 30% of the profit for the year attributable to equity holders of the Company as shown in the audited consolidated financial statements of the Company for that period; or
- (8) the declaration and payment of dividends by the Company with respect to the fiscal year ended December 31, 2012 in an aggregate amount not to exceed 30% of the profit for the year attributable to equity holders of the Company as shown in the audited consolidated financial statements of the Company for that period;

provided that, in the case of clause (2), (3) or (4) above, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clauses (1) and (5) of the preceding paragraph made after the Measurement Date shall be included in calculating whether the conditions of clause (C) of the first paragraph of this “Limitation on Restricted Payments” covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors’ determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US\$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in an amount in excess of US\$10.0 million (or the Dollar Equivalent thereof), the Company will deliver to the Trustee an Officers’ Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this covenant under the caption “—Limitation on Restricted Payments” were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

- (a) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
- (1) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
 - (2) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
 - (3) make loans or advances to the Company or any other Restricted Subsidiary; or
 - (4) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.
- (b) The provisions of paragraph (a) do not apply to any encumbrances or restrictions:
- (1) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the Indenture, the Security Documents, or under any Permitted *Pari Passu* Secured Indebtedness of the Company or any Subsidiary Guarantor Pledgor or *Pari Passu* Subsidiary Guarantee of any Subsidiary Guarantor, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (2) existing under or by reason of applicable law (including any statute, rule, regulation or government order);
 - (3) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (4) that otherwise would be prohibited by the provision described in clause (a)(4) of this covenant if they arise, or are agreed to in the ordinary course of business, and that (x) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (y) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (z) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;
 - (5) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the “Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “Limitation on Indebtedness and Preferred Stock” and “Limitation on Asset Sales” covenants;
 - (6) with respect to any PRC Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness permitted under clause (b)(7), (b)(17) or (b)(18) of the “Limitation on Indebtedness and Preferred Stock” covenant, if, as determined by

the Board of Directors, such encumbrances or restrictions (x) are customary for such types of agreements and (y) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payments on the Notes and, with respect to (b)(7) and (b)(18), any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced; or

- (7) existing in customary provisions in joint venture agreements permitted under the Indenture and entered into with the approval of the Board of Directors, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (x) the encumbrances or restrictions are customary for a joint venture and (y) the encumbrances or restrictions would not, at the time agreed to, be expected to materially adversely affect the ability of (i) the Company to make required payments on the Notes, or (ii) any Subsidiary Guarantor to make required payments under its Subsidiary Guarantee, respectively.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell, any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary;
- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "—Limitation on Restricted Payments" covenant if made on the date of such issuance or sale; *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "—Limitation on Asset Sales" covenant; and
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "—Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any other Restricted Subsidiary (other than the Guarantee permitted under clause (b)(12)(ii) of the "—Limitation on Indebtedness and Preferred Stock" covenant (other than a Guarantee by a PRC Restricted Subsidiary of the Indebtedness of a non-PRC Restricted Subsidiary)), unless (a) (1) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee of payment of the Notes by such Restricted Subsidiary and (2) such Restricted Subsidiary waives and will not in any manner whatsoever claim, or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee until the Notes have been paid in full.

If the Guaranteed Indebtedness (A) ranks *pari passu* in right of payment with the Notes or any Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or (B) is subordinated in right of payment to the Notes or any Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Subsidiary Guarantee.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (a) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company or (b) any Affiliate of the Company (each an “Affiliate Transaction”), unless:

- (1) the Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable arm’s-length transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company or any Restricted Subsidiary; and
- (2) the Company delivers to the Trustee:
 - (A) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers’ Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and
 - (B) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (2)(A) above, an opinion as to the fairness to the Company or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees to directors of the Company who are not employees of the Company;
- (2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clause (a), (b) or (c) of the first paragraph of the covenant described above under the caption “—Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company or any Incurrence by the Company or any Restricted Subsidiary of Subordinated Shareholder Loan; and
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than Permitted Investments) not prohibited by the “Limitation on Restricted Payments” covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this Offering Memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date and (iii) any transaction between or among the Company and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary and between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries; *provided* that in the case of clause (iii) (a) such transaction is entered into in the ordinary course of business and (b) none of the minority shareholders or minority partners of or in such Restricted Subsidiary is a Person described in clauses (a) or (b) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary).

Limitation on Liens

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are secured equally and ratably with (or, if the obligation or liability to be secured by such Lien is subordinated in right of payment to the Notes, prior to) by such Lien.

Limitation on Sale-Leaseback Transactions

The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; *provided* that the Company may enter into a Sale and Leaseback Transaction if:

- (a) the Company could have (1) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the proviso in the first sentence of clause (a) of the covenant described above under “—Limitation on Indebtedness and Preferred Stock” and (2) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption “—Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (b) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (c) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company applies the proceeds of such transaction in compliance with, the covenant described below under the caption “—Limitation on Asset Sales.”

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (a) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (b) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of;
- (c) in the case of an Asset Sale that constitutes an Asset Disposition, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in the first sentence of clause (a) of the covenant under the caption “—Limitation on Indebtedness and Preferred Stock” after giving pro forma effect to such Asset Disposition;

- (d) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets. For purposes of this provision, each of the following will be deemed to be cash:
- (A) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and
 - (B) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Cash Proceeds to:

- (1) permanently repay Senior Indebtedness of the Company or any Restricted Subsidiary (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
- (2) make an Investment in Replacement Assets.

On the 361st day after an Asset Sale or such earlier date, if any, as the Company determines not to apply the Net Cash Proceeds relating to such Asset Sale as set forth in preceding paragraph (such date being referred as an "Excess Proceeds Trigger Date"), such aggregate amount of Net Cash Proceeds that has not been applied on or before the Excess Proceeds Trigger Date as permitted in the preceding paragraph ("Excess Proceeds") will be applied by the Company to make an Offer to Purchase to all Holders of Notes and all holders of other Indebtedness that is *pari passu* with the Notes or any Subsidiary Guarantee containing provisions similar to those set forth in the Indenture with respect to offers to purchase with the proceeds of sales of assets, to purchase the maximum principal amount of Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Offer to Purchase will be equal to 100% of the principal amount of the Notes and such other *pari passu* Indebtedness plus accrued and unpaid interest, if any, to the date of purchase, and will be payable in cash.

The Company may defer the Offer to Purchase until there are aggregate unutilized Excess Proceeds equal to or in excess of US\$10.0 million (or the Dollar Equivalent thereof) resulting from one or more Asset Sales, at which time, within 10 days thereof, the entire unutilized amount of Excess Proceeds will be applied as provided in the preceding paragraph. If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use such Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and such other *pari passu* Indebtedness tendered into such Offer to Purchase exceeds the amount of Excess Proceeds, the Notes and such other *pari passu* Indebtedness will be purchased on a *pro rata* basis based on the principal amount of Notes and such other *pari passu* Indebtedness tendered. Upon completion of each Offer to Purchase, the Excess Proceeds subject to such Asset Sale will no longer be deemed to be Excess Proceeds.

Limitation on the Company's Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than a Permitted Business; *provided, however*, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Business as long as any Investment therein was not prohibited when made by the covenant under the caption "—Limitation on Restricted Payments."

Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (a) in the approximate amounts and for the purposes specified under the caption “Use of Proceeds” in this Offering Memorandum and (b) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (a) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (b) neither the Company nor any Restricted Subsidiary Guarantees or provides credit support for the Indebtedness of such Restricted Subsidiary; (c) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company; (d) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or Lien on any property of the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption “—Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant described under the caption “—Limitation on Liens”; (e) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated as Unrestricted Subsidiaries in accordance with this paragraph; and (f) the Investment deemed to have been made thereby in such newly designated Unrestricted Subsidiary and each other newly designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under “—Limitation on Restricted Payments.” The Company will notify the Trustee in the event of such designation by the Board of Directors.

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (a) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (b) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption “—Limitation on Indebtedness and Preferred Stock”; (c) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption “—Limitation on Liens”; (d) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (e) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor; and (f) if such Restricted Subsidiary is not organized under the laws of the PRC, all Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary shall be pledged as required under “—Security to be Granted.” All designations must be evidenced by a Board Resolution delivered to the Trustee certifying compliance with the preceding provisions.

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to (a) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Business, (b) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens and (c) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (1) the business, results of operations or prospects of the Company and its Restricted Subsidiaries taken as a whole or (2) the ability of the Company or any Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company or such Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes or the applicable Subsidiary Guarantee on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Changes in Covenants when Notes Are Rated Investment Grade

If, on any date following the date of the Indenture, the Notes have an Investment Grade Rating from both of the Rating Agencies and no Default or Event of Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have an Investment Grade Rating from either of the Rating Agencies, the provisions of the Indenture summarized under the following captions will not apply to the Notes:

- (1) “—Certain Covenants—Limitation on Indebtedness and Preferred Stock”;
- (2) “—Certain Covenants—Limitation on Restricted Payments”;
- (3) “—Certain Covenants—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries”;
- (4) “—Certain Covenants—Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries”;
- (5) “—Certain Covenants—Limitation on Issuances of Guarantees by Restricted Subsidiaries”;
- (6) clause (d) of the first paragraph and clause (D) of the second paragraph of “—Consolidation, Merger and Sales of Assets”;
- (7) “—Certain Covenants—Limitation on Sale-Leaseback Transactions”;
- (8) “—Certain Covenants—Limitation on Asset Sales”;
- (9) “—Certain Covenants—Limitation on the Company’s Business Activities”; and
- (10) clause (2)(B) under the first paragraph of “—Certain Covenants—Limitation on Transactions with Shareholders and Affiliates.”

During any period that the foregoing covenants do not apply to the Notes, the Board of Directors may not designate any Restricted Subsidiary as an Unrestricted Subsidiary pursuant to the covenant summarized under the caption entitled “—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries.”

Such covenants will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company properly taken during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under the “Limitation on Restricted Payments” covenant will be made as if it had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

Provision of Financial Statements and Reports

- (a) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized stock exchange on which the Company’s Common Stock is at any time listed for trading, true and correct

copies of any financial or other report in the English language filed with such exchange; *provided* that, if at any time the Common Stock of the Company ceases to be listed for trading on The Stock Exchange of Hong Kong Limited or any other recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:

- (1) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally recognized firm of independent accountants; and
 - (2) as soon as they are available, but in any event within 45 calendar days after the end of the first semi-annual period of the Company, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally recognized firm of independent accountants.
- (b) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (1) within 120 days after the close of each fiscal year, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent semi-annual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio; and (2) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto. The Trustee shall not be responsible for the determination of the Fixed Charge Coverage Ratio or the verification thereof in the Officers' Certificate.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

- (a) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (b) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (c) default in the performance or breach of the provisions of the covenants described under "—Consolidation, Merger and Sale of Assets," "—Certain Covenants—Limitation on Indebtedness and Preferred Stock," "—Certain Covenants—Limitation on Restricted Payments," "—Limitation on Liens," the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions "—Repurchase of Notes upon a Change of Control Triggering Event" or "—Certain Covenants—Limitation on Asset Sales," or the failure by the Company to create, or cause its Restricted Subsidiaries to create, a first priority lien on the Collateral (subject to any Permitted Liens) in accordance with the covenant described under the caption "—Security to be Granted";
- (d) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (a), (b) or (c) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;
- (e) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$7.5 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (1) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (2) the failure to make a principal payment when due;

- (f) any final judgment or order for the payment of money in excess of US\$7.5 million (or the Dollar Equivalent thereof) in the aggregate for all such final judgments or orders shall be rendered against the Company or any Restricted Subsidiary and shall not be paid or discharged for a period of 60 days during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (g) an involuntary case or other proceeding is commenced against the Company, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary or for any substantial part of the property and assets of the Company, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (h) the Company, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary (1) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (2) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary or for all or substantially all of the property and assets of the Company, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary or (3) effects any general assignment for the benefit of creditors;
- (i) any Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;
- (j) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Security Documents or the Indenture, which adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; or
- (k) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Security Document or, other than in accordance with the Indenture and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Trustee ceases to have a first priority security interest in the Collateral (subject to any Permitted Liens).

If an Event of Default (other than an Event of Default specified in clause (g) or (h) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes, then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (g) or (h) above occurs with respect to the Company, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee, may waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

- (x) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and
- (y) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. In addition, if an Event of Default occurs and is continuing, the Trustee may, and shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, foreclose on the Collateral in accordance with the terms of the Security Documents and take such further action on behalf of the Holders of the Notes with respect to the Collateral as the Trustee deems appropriate. See “—Security to be Granted.”

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. Prior to taking any action under the Indenture, the Trustee will be entitled to security and indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action. A Holder may not pursue any remedy with respect to the Indenture or the Notes unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liability or expense;
- (4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's and its Restricted Subsidiaries' performance under the Indenture and that the Company has fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Trustee and the Paying Agent need not do anything to ascertain whether any Event of Default or Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and the Trustee or the Paying Agent may assume that no such event has occurred and that the Company is performing all its obligations under the Indenture and the Notes unless an officer of the Trustee has actual knowledge or the Trustee has received written notice of the occurrence of such event or facts establishing that the Company is not performing its obligations under the Indenture and the Notes or an Event of Default has occurred. Neither the Trustee nor the Paying Agent shall be required to verify any information in such notice.

Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

- (a) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of Bermuda, the Cayman Islands, the British Virgin Islands or Hong Kong or any jurisdiction thereof and shall expressly assume, by a supplemental indenture to the Indenture (in form and substance reasonably satisfactory to the Trustee), executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes and the Security Documents, as the case may be, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;
- (b) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (c) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (d) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the proviso in the first sentence of clause (a) of the covenant under the caption "—Certain Covenants—Limitation on Indebtedness and Preferred Stock";
- (e) the Company delivers to the Trustee (1) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (c) and (d)) and (2) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and such supplemental indenture complies with this provision and that all conditions precedent provided for herein relating to such transaction have been complied with;
- (f) each Subsidiary Guarantor, unless such Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under this covenant shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and
- (g) no Rating Decline shall have occurred.

No Subsidiary Guarantor will consolidate with or merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor), unless:

- (A) such Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction;
- (B) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (C) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (D) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in the first sentence of clause (a) of the covenant under the caption “—Certain Covenants—Limitation on Indebtedness and Preferred Stock”;
- (E) the Company delivers to the Trustee (1) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (C) and (D)) and (2) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for herein relating to such transaction have been complied with; and
- (F) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to any sale or other disposition that complies with the “Limitation on Asset Sales” covenant or any Subsidiary Guarantor whose Subsidiary Guarantee is unconditionally released in accordance with the provisions described under “The Subsidiary Guarantees—Release of Subsidiary Guarantees.”

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor survives such consolidation or merger.

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing provisions would not necessarily afford Holders protection in the event of highly leveraged or other transactions involving the Company that may adversely affect Holders.

No Payments for Consents

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or amendment.

Defeasance

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

- (a) the Company (a) has deposited with the Trustee, in trust, money and/or U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee a certificate of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture;
- (b) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and
- (c) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of or constitute a default under, any other agreement or instrument to which the Company or any Restricted Subsidiary is a party or by which the Company or any Restricted Subsidiary is bound.

In the case of either discharge or defeasance, the Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that the provisions of the Indenture will no longer be in effect with respect to clauses (c), (d), (e)(1) and (g) under the first paragraph and clauses (C), (D), (E)(1) and (F) under the second paragraph under “Consolidation, Merger and Sale of Assets” and all the covenants described herein under “—Certain Covenants,” other than as described under “—Certain Covenants—Government Approvals and Licenses; Compliance with Law,” clause (c) under “Events of Default” with respect to such clauses (c), (d), (e)(1) and (g) under the first paragraph and clauses (C), (D), (E)(1) and (F) under the second paragraph under “Consolidation, Merger and Sale of Assets” and with respect to the other events set forth in such clause, clause (d) under “Events of Default” with respect to such other covenants and clauses (e) and (f) under “Events of Default” shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee, in trust, of money and/or U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, and the satisfaction of the provisions described in clause (b) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the

amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company will remain liable for such payments.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when:

- (a) either:
 - (1) all of the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust by the Company and thereafter repaid to the Company) have been delivered to the Trustee for cancellation or
 - (2) all Notes not theretofore delivered to the Trustee for cancellation have become due and payable pursuant to an optional redemption notice or otherwise or will become due and payable within one year, and the Company or any Subsidiary Guarantor has irrevocably deposited or caused to be deposited with the Trustee funds, in cash in U.S. dollars, non-callable U.S. Government Obligations or a combination thereof, in an amount sufficient to pay and discharge the entire indebtedness on the Notes not theretofore delivered to the trustee for cancellation, for principal of, premium, if any, and interest on the Notes to the date of deposit together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment thereof at maturity or redemption, as the case may be;
- (b) the Company or any Subsidiary Guarantor has paid all other sums payable under the Indenture by the Company; and
- (c) no Default or Event of Default will have occurred and be continuing on the date of such deposit or will occur as a result of such deposit and such deposit will not result in a breach or violation of, or constitute a default under, any other instruments to which the Company or any Subsidiary Guarantor is a party or by which the Company or any Subsidiary Guarantor is bound.

The Trustee will acknowledge the satisfaction and discharge of the Indenture if the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

Amendments and Waiver

Amendments Without Consent of Holders

The Indenture, the Intercreditor Agreement or any Security Document may be amended, without the consent of any Holder, to:

- (a) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document;
- (b) provide for the assumption of the Company's or any Subsidiary Guarantor's obligations pursuant to the provision described under "Consolidation, Merger and Sale of Assets";
- (c) evidence and provide for the acceptance of appointment by a successor Trustee;
- (d) add any Subsidiary Guarantor or any Subsidiary Guarantee or release any Subsidiary Guarantor from any Subsidiary Guarantee as provided or permitted by the terms of the Indenture;

- (e) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (f) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor as provided or permitted by the terms of the Indenture;
- (g) add additional Collateral to secure the Notes or any Subsidiary Guarantee and create or register Liens on such additional Collateral;
- (h) permit Permitted *Pari Passu* Secured Indebtedness in accordance with the limitations set forth in the Indenture (including, without limitation, permitting the Trustee to enter into any amendments to the Intercreditor Agreement, the Security Documents or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted *Pari Passu* Secured Indebtedness, in accordance with the Indenture);
- (i) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
- (j) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream or any other applicable securities depository;
- (k) conform the text of the Indenture, the Notes or the Subsidiary Guarantees to any provision of this “Description of the Notes” to the extent that such provision in this “Description of the Notes” was intended to be a verbatim recitation of a provision in the Indenture, the Notes or the Subsidiary Guarantees; or
- (l) make any other change that provides additional rights or benefits to Holders or that does not materially and adversely affect the rights of any Holder.

Amendments With Consent of Holders

Amendments of the Indenture, the Intercreditor Agreement or any Security Document may be made by the Company, the Subsidiary Guarantors and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes; *provided, however*, that no such modification or amendment may, without the consent of each Holder affected thereby:

- (a) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (b) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (c) change the currency or time of payment of principal of, or premium, if any, or interest on, any Note;
- (d) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note or any Subsidiary Guarantee;
- (e) reduce the above stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (f) waive a default in the payment of principal of, premium, if any, or interest on the Notes (except a rescission of acceleration of the Notes by the Holders of a majority in aggregate principal amount of the Notes and a waiver of the Payment Default that resulted from such acceleration);
- (g) release any Subsidiary Guarantor from its Subsidiary Guarantee, except as provided in the Indenture;
- (h) release any Collateral, except as provided in the Indenture, the Intercreditor Agreement and the Security Documents;
- (i) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

- (j) amend, change or modify any Subsidiary Guarantee in a manner that adversely affects the Holders;
- (k) amend, change or modify any provision of any Security Document or the Intercreditor Agreement, or any provision of the Indenture relating to the Collateral, in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;
- (l) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale;
- (m) consent to the assignment or transfer by the Company or any Subsidiary Guarantor of any of their rights or obligations under the Indenture or the Subsidiary Guarantees, except as permitted pursuant to the provisions described under “Merger, Consolidation and Sale of Assets”;
- (n) change the redemption date or the redemption price of the Notes from that stated under the caption “Optional Redemption” or “Redemption for Taxation Reasons”;
- (o) amend, change or modify the obligation of the Company or any Subsidiary Guarantor to pay Additional Amounts; or
- (p) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes or any Subsidiary Guarantee in a manner which adversely affects the Holders.

Unclaimed Money

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Members, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company or any of the Subsidiary Guarantors in the Indenture, or in any of the Notes or the Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, member, officer, director, employee or controlling person of the Company or any of the Subsidiary Guarantors or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes and the Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under applicable securities laws.

Concerning the Trustee and the Paying Agent

The Bank of New York Mellon, acting through its London Branch, is to be appointed as Trustee under the Indenture; The Bank of New York Mellon (Luxembourg) S.A. is to be appointed as registrar (the “Registrar”); and The Bank of New York Mellon, acting through its London Branch, is to be appointed as paying and transfer agent (the “Paying Agent”) with regard to the Notes. Except during the continuance of a Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture, the Notes and the Security Documents, as the case may be, as a prudent person would exercise under the circumstances in the conduct of such person’s own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders shall have offered to the Trustee indemnity and/or security satisfactory to it against any loss, cost, expense or liability.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions; *provided, however*, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

If the Company maintains a paying agent with respect to the Notes in a member state of the European Union, such paying agent will be located in a member state of the European Union that is not obligated to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of ECOFIN Council meeting of November 26—27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive or such other directive.

The Bank of New York Mellon, acting through its London Branch, will initially act as Trustee under the Security Documents in respect of the Security over the Collateral. The Trustee, acting in its capacity as such, shall have such duties with respect to the Collateral pledged pursuant to the Security Documents as are set forth in the Indenture and the Security Documents. Under certain circumstances, the Trustee may have obligations under the Security Documents that are in conflict with the interests of the Holders. The Trustee will be under no obligation to exercise any rights or powers conferred under the Indenture or any of the Security Documents for the benefit of the Holders unless such Holders have offered to the Trustee indemnity or security satisfactory to the Trustee against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Trustee, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Trustee in respect of such risks.

Book-Entry; Delivery and Form

The Notes will be represented by a global note in registered form without interest coupons attached (the “Global Note”). On the Original Issue Date, the Global Note will be deposited with a common depository and registered in the name of the common depository or its nominee for the accounts of Euroclear and Clearstream. Any Additional Notes will be represented by additional Global Notes (the “Additional Global Notes” and, together with the Global Note, the “Global Notes”).

Global Notes

Ownership of beneficial interests in the Global Notes (the “book-entry interests”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under “—Certificated Notes,” the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depository for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of Global Notes for all purposes under the Indenture and “holders” of book-entry interests will not be considered the owners or “Holders” of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Trustee or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

Payments on the Global Notes

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and Additional Amounts) will be made to the Paying Agent. The Paying Agent will, in turn, make such payments to Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. The Company will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under “—Additional Amounts.”

Under the terms of the Indenture, the Company and the Trustee will treat the registered holder of the Global Notes (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, each of Euroclear and Clearstream will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided, however*, that no book-entry interest of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for certificated notes in certificated form, and to distribute such certificated notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Certificated Notes

If (1) the common depository or any successor to the common depository is at any time unwilling or unable to continue as a depository for the reasons described in the Indenture and a successor depository is not appointed by the Company within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “—Events of Default” and the Company has received a written request from a Holder, the Company will issue certificated notes in registered form in exchange for the Global Notes. Upon receipt of such notice from the common depository or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depository for the exchange of interests in the Global Notes for certificated notes and cause the requested certificated notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to Holders. Persons exchanging interests in a Global Note for certificated notes will be required to provide the registrar, through the relevant clearing system, with written instruction and other information

required by the Company and the registrar to complete, execute and deliver such certificated notes. In all cases, certificated notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Certificated notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, if a Global Note is exchanged for certificated notes, we will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, and make an announcement of such exchange through the SGX-ST that will include all material information with respect to the delivery of the certificated notes, including details of the paying agent in Singapore.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the mails (if intended for the Company or any Subsidiary Guarantor or the Trustee) addressed to the Company, such Subsidiary Guarantor or the Trustee, as the case may be, at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company and each of the Subsidiary Guarantors will irrevocably (i) submit to the nonexclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, the Indenture or any transaction contemplated thereby and (ii) designate and appoint Corporation Service Company for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Subsidiary Guarantees and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York without giving effect to applicable principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"*2016 Notes*" means the US\$300 million 11¾% Senior Notes due 2016 issued by the Company on January 21, 2011.

"*Acquired Indebtedness*" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

“*Affiliate*” means, with respect to any Person, any other Person (i) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person, (ii) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (i) of this definition or (iii) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (i) or (ii). For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“*Asset Acquisition*” means (1) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary, or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

“*Asset Disposition*” means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any Restricted Subsidiary.

“*Asset Sale*” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction and including any sale or issuance of the Capital Stock of any Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any Restricted Subsidiary to any Person other than the Company or any Restricted Subsidiary of any of its property or assets (including Capital Stock), in each case that is not governed by the covenant under the caption “—Consolidation, Merger and Sale of Assets”; *provided* that “Asset Sale” shall not include:

- (a) sales, transfers or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business,
- (b) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the “Limitation on Restricted Payments” covenant,
- (c) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions,
- (d) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries,
- (e) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien,
- (f) a transaction covered by the covenant under the caption “—Consolidation, Merger and Sale of Assets,” and
- (g) any surrender or waiver of contract rights or settlement, release or surrender of contract or tort claims in the ordinary course of business.

“*Attributable Indebtedness*” means, in respect of a Sale and Leaseback Transaction, at the time of determination, the present value, discounted at the interest rate implicit in such Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in such Sale and Leaseback Transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended.

“*Average Life*” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“*Board of Directors*” means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“*Board Resolution*” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“*Business Day*” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“*Capitalized Lease*” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

“*Capitalized Lease Obligations*” means the discounted present value of the rental obligations under a Capitalized Lease.

“*Capital Stock*” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

“*Change of Control*” means the occurrence of one or more of the following events:

- (1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, to any “person” (within the meaning of Section 13(d) of the Exchange Act), other than one or more Permitted Holders;
- (2) the Company consolidates with, or merges with or into, any Person (other than one or more Permitted Holders), or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;
- (3) the Permitted Holders are the beneficial owners of less than 30% of the total voting power of the Voting Stock of the Company;
- (4) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;

- (5) individuals who on the Original Issue Date constituted the Board of Directors (together with any new directors whose election by the Board of Directors was approved by a vote of at least a majority of the members of the Board of Directors then in office who were members of the Board of Directors on the Original Issue Date or whose election was previously so approved) cease for any reason to constitute a majority of the members of the Board of Directors then in office; or
- (6) the adoption of a plan relating to the liquidation or dissolution of the Company.

“*Change of Control Triggering Event*” means the occurrence of both a Change of Control and a Rating Decline.

“*Clearstream*” means Clearstream Banking, société anonyme, Luxembourg.

“*Collateral*” means all collateral securing, or purported to be securing, directly or indirectly, the obligations of the Company under the Notes and the Indenture and the obligations of any Subsidiary Guarantor Pledgor under its Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors and the Capital Stock of Believe Best Investments Limited held by the Subsidiary Guarantor Pledgors.

“*Commodity Agreement*” means any raw materials futures contract, forward contract, commodity swap agreement, commodity option agreement or other similar agreement or arrangement designed to protect against fluctuations in raw material prices.

“*Common Stock*” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

“*Consolidated EBITDA*” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense,
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains or sales of assets), and
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period), less all non-cash items increasing Consolidated Net Income,

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP, *provided* that (i) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any Restricted Subsidiary and (ii) in the case of any PRC CJV, Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“*Consolidated Fixed Charges*” means, for any period, the sum (without duplication) of (i) Consolidated Interest Expense for such period and (ii) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary.

“*Consolidated Interest Expense*” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or paid during such period by the Company and its Restricted Subsidiaries, without duplication, (i) interest expense attributable to Capitalized Lease Obligations and imputed interest with respect to Attributable Indebtedness, (ii) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (iii) the interest portion of any deferred payment obligation, (iv) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (v) the net costs associated with Hedging Obligations (including the amortization of fees), (vi) interest accruing on Indebtedness of any other Person that is Guaranteed by the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees) and (vii) any capitalized interest, *provided* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a *pro forma* basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

“*Consolidated Net Income*” means, with respect to any specified Person for any period, the aggregate net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
 - (a) subject to the exclusion contained in clause (5) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and
 - (b) the Company’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or any Restricted Subsidiary;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any Restricted Subsidiary or all or substantially all of the property and assets of such Person are acquired by the Company or any Restricted Subsidiary;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;
- (5) any net after-tax gains realized on the sale or other disposition of (A) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (B) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or any Restricted Subsidiary);
- (6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains.

“*Consolidated Net Worth*” means, at any date of determination, stockholders’ equity as set forth on the most recently available semi-annual or annual consolidated financial statements (which may be internal consolidated financial statements) of the Company prepared in accordance with GAAP (which the Company shall use its reasonable best efforts to compile in a timely manner), plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any Restricted Subsidiary, each item to be determined in conformity with GAAP.

“*Contractor Guarantees*” means Guarantees by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“*Cross Border Secured Indebtedness*” means (i) Indebtedness the proceeds of which are disbursed in one jurisdiction but which Indebtedness or credit support therefor is guaranteed by a guarantor located in another jurisdiction, or secured by Liens over assets located in another jurisdiction, and (ii) any Guarantees or Indebtedness (including reimbursement obligations in respect of credit support) related to the Indebtedness referred to in clause (i).

“*Currency Agreement*” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

“*Default*” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“*Disqualified Stock*” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in “Limitation on Asset Sales” and “Repurchase of Notes upon a Change of Control Triggering Event” covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of the Notes as are required to be repurchased pursuant to the “—Certain Covenants—Limitation on Asset Sales” and “Repurchase of Notes upon a Change of Control Triggering Event” covenants.

“*Dollar Equivalent*” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“*Entrusted Loans*” means borrowings by a PRC Restricted Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Restricted Subsidiary to the lending bank as security for such borrowings, *provided* that such borrowings are not reflected on the consolidated balance sheet of the Company.

“*Equity Offering*” means (i) any *bona fide* underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any *bona fide* underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a

Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price; *provided* that any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Company being no less than US\$20.0 million (or the Dollar Equivalent thereof); *provided* that any private placement of Common Stock of the Company shall result in such Common Stock being listed and eligible for dealings on The Stock Exchange of Hong Kong Limited or any other national stock exchange.

“Euroclear” means Euroclear Bank S.A./N.V.

“Fair Market Value” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent two semi-annual periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the “Two Semi-annual Period”) to (2) the aggregate Consolidated Fixed Charges during such Two Semi-annual Period. In making the foregoing calculation:

- (A) *pro forma* effect shall be given to any Indebtedness or Preferred Stock Incurred, repaid or redeemed during the period (the “Reference Period”) commencing on and including the first day of the Two Semi-annual Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Two Semi-annual Period), in each case as if such Indebtedness or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such Two Semi-annual Period shall not include any interest income actually earned during such Two Semi-annual Period in respect of the funds used to repay or redeem such Indebtedness or Preferred Stock;
- (B) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (C) *pro forma* effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (D) *pro forma* effect shall be given to Asset Dispositions and Asset Acquisitions (including giving *pro forma* effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (E) *pro forma* effect shall be given to asset dispositions and asset acquisitions (including giving *pro forma* effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (D) or (E) of this paragraph requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such *pro forma* calculation shall be based upon the two full semi-annual periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“GAAP” means generally accepted accounting principles in Hong Kong as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Agreement, Currency Agreement or Interest Rate Agreement.

“Holder” means the Person in whose name a Note is registered in the Note register.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms “Incurrence,” “Incurred” and “Incurring” have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (A) the Fair Market Value of such asset at such date of determination and (B) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations; and

- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include any Entrusted Loans, deferred payment obligations, capital commitments, pre-sale receipts in advance from customers or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business; *provided* that such Indebtedness is not reflected on the balance sheet of the Company or any Restricted Subsidiary (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation, *provided* that:

- (A) the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,
- (B) money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest, and
- (C) that the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to paragraph (b)(6) under the “Limitation on Indebtedness and Preferred Stock” covenant, and (ii) equal to the net amount payable if such Hedging Obligation terminated at that time due to default by such Person if not Incurred pursuant to such paragraph.

“*Independent Third Party*” means any Person that is not an Affiliate of the Company.

“*Intercreditor Agreement*” has the meaning set forth under “—Security to be Granted.”

“*Interest Rate Agreement*” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

“*Investment*” means:

- (i) any direct or indirect advance, loan or other extension of credit to another Person,
- (ii) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others),
- (iii) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person, or
- (iv) any Guarantee of any obligation of another Person to the extent such obligation is outstanding and Guaranteed.

For the purposes of the provisions of the “—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries” and “—Certain Covenants—Limitation on Restricted Payments” covenants: (i) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company’s proportional interest in the Fair Market Value of the assets (net of liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (ii) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“*Investment Grade*” means a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest Rating Categories, by S&P or any of its successors or assigns or a rating of “Aaa,” or “Aa,” “A” or “Baa,” as modified by a “1,” “2” or “3” indication, or an equivalent rating representing one of the four highest Rating Categories, by Moody’s or any of its successors or assigns or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P or Moody’s or both, as the case may be.

“*Lien*” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“*Measurement Date*” means January 21, 2011.

“*Moody’s*” means Moody’s Investors Service, Inc. and its affiliates.

“*Net Cash Proceeds*” means:

- (a) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or Temporary Cash Investments, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or Temporary Cash Investments and proceeds from the conversion of other property received when converted to cash or Temporary Cash Investments, net of
 - (1) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;
 - (2) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;
 - (3) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale; and
 - (4) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and
- (b) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or Temporary Cash Investments, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or Temporary Cash Investments and proceeds from the conversion of other property received when converted to cash or Temporary Cash Investments, net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“*Offer to Purchase*” means an offer to purchase the Notes by the Company from the Holders commenced by mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note register stating:

- (1) the provision of the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a *pro rata* basis;

- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “Offer to Purchase Payment Date”);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000.

On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a *pro rata* basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers’ Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee or an authenticating agent shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

The materials used in connection with an Offer to Purchase are required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“*Officer*” means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor, one of the directors or executive officers of such Subsidiary Guarantor.

“*Officers’ Certificate*” means a certificate signed by two Officers.

“*Opinion of Counsel*” means a written opinion from legal counsel who is acceptable to the Trustee that meets the requirements of the Indenture and is in a form reasonably satisfactory to the Trustee.

“*Original Issue Date*” means the date on which the Notes are originally issued under the Indenture.

“*Pari Passu Subsidiary Guarantee*” means a Guarantee by any Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes); *provided* that (i) the Company and such Subsidiary Guarantor were permitted to Incur such Indebtedness under the covenant under the caption “—Certain Covenants—Limitation on Indebtedness and Preferred Stock” and (ii) such Guarantee ranks *pari passu* with the Subsidiary Guarantee of such Subsidiary Guarantor.

“Payment Default” means (i) any default in the payment of interest on any Note when the same becomes due and payable, (ii) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (iii) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the caption “—Repurchase of Notes upon a Change of Control Triggering Event,” or an Offer to Purchase in the manner described under the caption “—Certain Covenants—Limitation on Asset Sales” or (iv) any Event of Default specified in clause (e) of the definition of Events of Default.

“Permitted Business” means any of the businesses of the Company and its Restricted Subsidiaries on the Original Issue Date and any business which is the same as or related, ancillary or complementary thereto.

“Permitted Holders” means any or all of the following:

- (1) Mr. Chu Mang Yee;
- (2) the estate and any spouse or immediate family member of the Person specified in clause (1) or the legal representative of any of the foregoing;
- (3) any Affiliate (other than an Affiliate as defined in clause (ii) or (iii) of the definition of Affiliate) of the Persons specified in clauses (1) and (2); and
- (4) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are more than 80% owned by Persons specified in clauses (1), (2) and (3).

“Permitted Investment” means:

- (1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;
- (2) Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP and not in excess of US\$1.0 million (or the Dollar Equivalent thereof) outstanding at any time;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation entered into in the ordinary course of business (and not for speculation) and designed solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) any securities or other Investments received as consideration in, or retained in connection with, sales or other dispositions of property or assets, including Asset Dispositions made in compliance with the covenant described under “—Certain Covenants—Limitation on Asset Sales”;
- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “—Certain Covenants—Limitation on Liens”;

- (10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;
- (11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditors, trade debtors or customers;
- (12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company's consolidated balance sheet;
- (13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;
- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (15) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries, in each case in the ordinary course of business; and
- (16) any Investment by the Company or any Restricted Subsidiary in any Person (other than a Restricted Subsidiary), *provided* that:
 - (i) the aggregate of all Investments made under this clause (16) since the Original Issue Date shall not exceed in aggregate an amount equal to 10% of Total Assets. Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (16) since the Original Issue Date resulting from:
 - (A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),
 - (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date under this clause of an obligation of any such Person, or
 - (C) to the extent that an Investment made after the Original Issue Date under this clause (16) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person pursuant to this clause (16);
 - (ii) such Person in which such Investment was made pursuant to this clause (16) is not a Person described in clauses (a) or (b) of the first paragraph of the covenant under the caption “— Limitation on Transactions with Shareholders and Affiliates” (other than by reason of a shareholder or partner of such Person being an officer or director of the Company or a Restricted Subsidiary or by reason of being a Restricted Subsidiary);
 - (iii) no Default has occurred and is continuing or would occur as a result of such Investment; and
 - (iv) in the case of any Investment by the Company or any Restricted Subsidiary in a Person of which less than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by the Company or its Restricted Subsidiaries, at the time of such Investment, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in clause (a) of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock.”

For the avoidance of doubt, the value of each Investment made pursuant to this clause (16) shall be valued at the time such Investment is made.

“*Permitted Liens*” means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers’ acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;
- (5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;
- (6) any interest or title of a lessor in the property subject to any operating lease;
- (7) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (8) Liens in favor of the Company or any Restricted Subsidiary;
- (9) Liens arising from attachment or the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;
- (10) (i) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof or (ii) Liens in favor of any bank having a right of setoff, revocation, refund or chargeback with respect to money or instruments of the Company or any Restricted Subsidiary on deposit with or in possession of such bank;
- (11) Liens existing on the Original Issue Date;
- (12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (b)(5) of the covenant under the caption entitled “Limitation on Indebtedness and Preferred Stock”; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) Liens (including extensions and renewals thereof) upon real or personal property acquired after the Original Issue Date; *provided* that (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (b)(7) of the covenant under the caption entitled “—Limitation on Indebtedness and Preferred Stock” and such Lien is created prior to, at the time of

or within 180 days after the later of the acquisition or the completion or construction, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of such cost and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item; *provided* that, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (13) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;

- (14) Liens securing Indebtedness which is permitted to be Incurred under clause (b)(17) of the covenant described under the caption entitled “—Certain Covenants—Limitation on Indebtedness and Preferred Stock”;
- (15) Liens under the Security Documents;
- (16) Liens securing any Permitted *Pari Passu* Secured Indebtedness that complies with each of the requirements set forth under “Security to be Granted—Permitted *Pari Passu* Secured Indebtedness”;
- (17) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (b)(13) of the covenant described under the caption entitled “—Limitation on Indebtedness and Preferred Stock”;
- (18) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;
- (19) Liens securing Indebtedness under Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Company or any Restricted Subsidiary from fluctuations in interest rates, currencies or the price of commodities and not for speculation;
- (20) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (21) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (22) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (23) Liens incurred or deposits made to secure Entrusted Loans; and
- (24) Liens securing Cross Border Secured Indebtedness permitted to be Incurred under clause (b)(14) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”; *provided* that, the aggregate book value of any property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated financial statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (24) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens.

“*Permitted Pari Passu Secured Indebtedness*” has the meaning set forth under “Security to be Granted—*Permitted Pari Passu Secured Indebtedness*.”

“*Permitted Subsidiary Indebtedness*” means Indebtedness of, and all Preferred Stock issued by, the Restricted Subsidiaries, taken as a whole (but excluding the amount of any Indebtedness of any Restricted Subsidiary permitted under clauses (b)(1), (b)(2), (b)(4), (b)(6), (b)(10) and (b)(13) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock”), *provided* that, on the date of the Incurrence of such Indebtedness or issuance of such Preferred Stock, as the case may be, and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock does not exceed an amount equal to 30% of the Total Assets.

“*Person*” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“*PRC*” means the People’s Republic of China, excluding Hong Kong Special Administrative Region, Macau and Taiwan.

“*PRC CJV*” means any future Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on October 13, 2000) and the Detailed Rules for the Implementation of the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995, as such laws may be amended.

“*PRC CJV Partner*” means with respect to a PRC CJV, the other party or parties to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

“*PRC Restricted Subsidiary*” means a Restricted Subsidiary organized under the laws of the PRC.

“*Preferred Stock*” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over any other class of Capital Stock of such Person.

“*Pre-Registration Mortgage Guarantees*” means any Guarantee by the Company or any Restricted Subsidiary in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided* that any such Guarantee shall be released in full upon the perfection of security interest in such properties under applicable law in favor of the relevant lender.

“*Rating Agencies*” means (i) S&P, (ii) Moody’s and (iii) if S&P or Moody’s or both shall not make a rating of the Notes publicly available, an internationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P or Moody’s or both, as the case may be.

“*Rating Category*” means (i) with respect to S&P, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); (ii) with respect to Moody’s, any of the following categories: “Ba,” “B,” “Caa,” “Ca,” “C” and “D” (or equivalent successor categories); and (iii) the equivalent of any such category of S&P or Moody’s used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (“+” and “-” for S&P; “1,” “2” and “3” for Moody’s; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from “BB+” to “BB,” as well as from “BB-” to “B+,” will constitute a decrease of one gradation).

“*Rating Date*” means (i) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (ii) in connection with actions contemplated under the caption “—Consolidation, Merger and Sale of Assets,” that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

“*Rating Decline*” means (i) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (ii) in connection with actions contemplated under the caption “—Consolidation, Merger and Sale of Assets,” the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

- (a) in the event the Notes are rated by both Moody’s and S&P on the Rating Date as Investment Grade, the rating of the Notes by either Rating Agency shall be below Investment Grade;
- (b) in the event the Notes are rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade;
- (c) in the event the Notes are rated below Investment Grade by both Rating Agencies on the Rating Date, the rating of the Notes by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories); or
- (d) in the event that none of the Rating Agencies has made a rating of the Notes on the Rating Date.

“*Replacement Assets*” means properties and assets (other than current assets) that will be used in a Permitted Business.

“*Restricted Subsidiary*” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“*S&P*” means Standard & Poor’s Ratings Services and its affiliates.

“*Sale and Leaseback Transaction*” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

“*Security Documents*” means, collectively, the pledge agreements and any other agreements or instruments that may evidence or create any security interest in favor of the Trustee and/or any Holders in any or all of the Collateral.

“*Senior Indebtedness*” of the Company or any Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or such Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to the Notes or, in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee; *provided* that Senior Indebtedness does not include (i) any obligation to the Company or any Restricted Subsidiary, (ii) trade payables or (iii) Indebtedness Incurred in violation of the Indenture.

“*Staged Acquisition Agreement*” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“*Significant Subsidiary*” means any Subsidiary that would be a “significant subsidiary” as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the United States Securities Act of 1933, as amended, as such Regulation is in effect on the date of the Indenture.

“*Stated Maturity*” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“*Subordinated Indebtedness*” means any Indebtedness of the Company or any Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes or any Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“*Subordinated Shareholder Loan*” means any loan to the Company or any Restricted Subsidiary from Permitted Holders which (i) is subordinated in right of payment to the Notes, (ii) by its terms (and by the terms of any security into which it is convertible or for which it is exchangeable) does not mature and is not required to be repaid, pursuant to a sinking fund obligation event of default or otherwise, in whole or in part, on or prior to the date that is one year after the Stated Maturity of the Notes and (iii) does not provide any cash payment of interest.

“*Subsidiary*” means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and which is “controlled” and consolidated by such Person in accordance with GAAP; *provided, however*, that with respect to clause (ii) the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be “controlled” by such Person under GAAP and to constitute a Subsidiary of such Person shall be deemed to be a designation of such corporation, association or other business entity as an Unrestricted Subsidiary by such Person and be subject to the requirements under the first paragraph of “Designation of Restricted and Unrestricted Subsidiaries” covenant.

“*Subsidiary Guarantee*” means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

“*Subsidiary Guarantor*” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided* that Subsidiary Guarantor will not include any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes.

“*Subsidiary Guarantor Pledgor*” means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; *provided* that a Subsidiary Guarantor Pledgor will not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

“*Temporary Cash Investment*” means any of the following:

- (1) direct obligations of the United States of America, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency thereof or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area and Hong Kong or any agency thereof, in each case maturing within one year;
- (2) time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America or any state thereof, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess

of US\$100.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;

- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing within 180 days of the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof or Hong Kong and rated at least “A” by S&P or Moody’s;
- (6) any mutual fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and
- (7) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits or structured deposit products with a term not exceeding six months that are principal protected with any banks or financial institutions organized under the laws of the PRC.

“*Total Assets*” means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent semi-annual period for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided* that only with respect to clause (b)(7) of “—Certain Covenants—Limitation on Indebtedness and Preferred Stock” covenant and the definition of “Permitted Subsidiary Indebtedness,” Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any Restricted Subsidiary to the bank or other similar financial institutional lender providing such Indebtedness.

“*Trade Payables*” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services and payable within 90 days.

“*Transaction Date*” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“*Unrestricted Subsidiary*” means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided herein and (2) any Subsidiary of an Unrestricted Subsidiary.

“*U.S. Government Obligations*” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of holder thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or

principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“*Voting Stock*” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“*Wholly Owned*” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

11.75% Senior Notes due 2016

Our US\$300,000,000 aggregate principal amount of 11.75% Senior Notes due 2016 (the “2016 Notes”) are our senior obligations and rank at least equally in right of payment with our existing and future unsubordinated indebtedness. As of the date of this offering memorandum, we had a total of US\$300 million principal amount of the 2016 Notes outstanding.

Guarantee and Collateral

Our obligations under the 2016 Notes are guaranteed by our existing subsidiaries other than those organized under the laws of the PRC and certain other specified subsidiaries.

We have agreed to pledge the capital stock of each guarantor to the 2016 Notes and certain other subsidiaries to secure the 2016 Notes. The collateral and the guarantees may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, we may, subject to certain conditions, incur additional indebtedness that would be secured by the collateral on an equal and ratable basis with the 2016 Notes and related guarantees.

Interest

The 2016 Notes bear interest at 11.75% annually, payable semi-annually in arrears.

Covenants, Events of Default and Change of Control

The indenture governing the 2016 Notes contains covenants, events of default and change of control provisions substantially the same as those in the indenture governing the notes offered in this offering.

Maturity and Redemption

The maturity date of the 2016 Notes is January 21, 2016. At any time on or after January 21, 2014, we may redeem the 2016 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth in the table below if redeemed during each period indicated below, plus any accrued and unpaid interest to the redemption date:

Period	Redemption Price
2014.....	105.8750%
2015 and thereafter.....	102.9375%

Additionally, if we or a guarantor of the 2016 Notes becomes obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2016 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2016 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Term Loan Agreements

As of June 30, 2012, we had bank facilities of HK\$65,080 million (US\$8,390 million) for short-term and long-term bank loans, of which HK\$28,505 million (US\$3,675 million) was drawn.

Certain of our PRC subsidiaries have entered into term loan agreements with various PRC financial institutions, including The Agricultural Bank of China, Bank of China, China Construction Bank, China CITIC Bank, China Merchants Bank, China Everbright Bank, Guangdong Development Bank, Guangzhou Rural Commercial Bank, Beijing Rural Commercial Bank and China Foreign Economy & Trade Trust Co., Ltd., to finance the development of projects and working capital requirements. These loans have terms

ranging from six months to ten years. As of June 30, 2012, the aggregate outstanding amount under these loans totaled HK\$28,505 million (US\$3,675 million), of which HK\$11,101 million (US\$1,431 million) was due within one year or on demand, and HK\$17,404 million (US\$2,244 million) was due in greater than one year.

Interest

The principal amounts outstanding under the term loans generally bear interest at floating rates calculated by reference to the relevant bank's benchmark interest rate, which in turn is generally linked to the PBOC-published rates. Floating interest rates are generally subject to review by the banks monthly, quarterly, annually, every 15 months, or simultaneously with the adjustment of the PBOC-published rate. Interest payments are generally payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of June 30, 2012, the weighted average interest rate on the aggregate outstanding amount of our term loans was 8.0% per annum.

Covenants

Under these term loans, many of our PRC subsidiary borrowers have agreed, among other things, not to take the following actions without first notifying the lenders or obtaining the lenders' prior consent:

- issue any bonds;
- create encumbrances on all or substantiality all of their property or assets;
- grant guarantees to any third parties or pledge or mortgage their material assets that may adversely affect their ability to repay their loans;
- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganizations;
- reduce their registered capital;
- acquire or invest in businesses not within the scope of businesses specified in their business licenses;
or
- enter into any arrangement that makes their loans subordinated to other indebtedness.

Under several term loans, certain of our PRC subsidiaries have agreed not to distribute dividends to their shareholders or repay shareholder loans without written consent of the lenders or before having fully repaid the term loans. Certain of our PRC subsidiaries have agreed with their lenders not to distribute dividends to their shareholders or repay shareholder loans (i) if their after-tax net profit is nil or negative or insufficient to cover losses from the previous accounting periods; or (ii) if their profit before tax in the relevant accounting period has not been used to pay off the principal, interests or other related expenses due in that accounting period or is insufficient to cover the principal, interests or other related expenses due in next period.

Financial Covenants

Under some of our term loans, certain of our PRC subsidiaries have agreed to comply with financial covenants, including in connection with the ratios of the outstanding loan amount over the appraised net market value of the mortgaged property, the total amount of guarantees provided by a borrower to its net assets, total liabilities to total assets, sum of actual plus contingent liabilities to net assets, total liabilities to total equity, contingent liabilities to total equity, current assets to current liabilities and long-term equity investment to net assets.

Events of Default

The term loans contain certain customary events of default, including cross-default, insolvency and breaches of the terms of the loan agreements. The lenders are entitled to terminate their respective agreements or demand immediate repayment of loans upon the occurrence of an event of default.

Trust Financing Arrangements

In the ordinary course of business, some of our subsidiaries also entered into trust financing arrangements to finance project development. As of June 30, 2012, we had raised an aggregate of RMB4950.5 million (US\$638.2 million) under trust financing arrangements.

Sino-Australian Trust Financing

On April 21, 2011, Shanghai Hopson Property Development Company Limited transferred part of its creditor rights under two loan agreements with Shanghai Lung Meng Real Estate Development Company Limited and Shanghai Long Jia Properties Limited, two of our wholly-owned subsidiaries, to Sino-Australian International Trust Co., Ltd. (“Sino-Australian Trust”) in exchange for junior units and options to subscribe for additional junior units under a trust scheme known as Sino-Australian Chang Xin No. 6 Hopson High Quality Assets Investment Collective Trust Plan (華澳長信6號合生創展優質資產投資集合信託計畫), which was established by Sino-Australian Trust (the “Sino-Australian Trust Scheme”) and had raised an aggregate of RMB785.6 million (US\$123.7 million) from senior-unit investors. On the same day, Shanghai Lung Meng Real Estate Development Company Limited and Shanghai Long Jia Properties Limited separately entered into loan agreements with Sino-Australian Trust, pursuant to which they agreed to perform the debt obligations transferred by Shanghai Hopson Property Development Company Limited to Sino-Australian Trust. In addition, on April 21, 2011, Shanghai Lung Meng Real Estate Development Company Limited entered into an agreement with Sino-Australian Trust to transfer its right to returns derived from its land use rights in connection with a parcel of land located in Min Hang district, Shanghai (the “Min Hang” land) and any property developed on the Min Hang land for a consideration of 25% of the total amount of funding raised by the Sino-Australian Trust Scheme minus related expenses but not exceeding RMB200 million. Shanghai Long Jia Properties Limited also entered into an agreement with Sino-Australian Trust to transfer its right to returns derived from its land use rights in connection with a parcel of land located in She Shan, Shanghai (the “She Shan” land) and any property developed on the She Shan land for a consideration of 50% of the total amount of funding raised by the Sino-Australian Trust Scheme minus related expenses but not exceeding RMB400 million. Shanghai Lung Meng Real Estate Development Company Limited pledged its 43% equity interests in Shanghai Long Jia Properties Limited to Sino-Australian Trust to secure performance by Shanghai Lung Meng Real Estate Development Company Limited and Shanghai Long Jia Properties Limited of their obligations under these two agreements. In addition, Sino-Australian Trust simultaneously entered into two loan agreements with Shanghai Zhengze Real Estate Company Limited, pursuant to which it agreed to extend loans in an aggregate amount of no more than RMB200 million to Shanghai Zhengze Real Estate Company Limited. In connection with these arrangements, we agreed to secure third parties to subscribe and pay for additional junior units under the Sino-Australian Trust Scheme if any of Shanghai Lung Meng Real Estate Development Company Limited, Shanghai Long Jia Properties Limited and Shanghai Zhengze Real Estate Company Limited fails to perform their obligations. In addition, Shanghai Hopson Company Limited also provided a guarantee in relation to these arrangements.

Minmetals Trust Financing

On September 26, 2011, Shanghai Hopson Property Development Company Limited entered into a creditor rights transfer agreement with Minmetals International Trust Company Limited (“Minmetals Trust”) (the “Creditor Rights Transfer Agreement”), pursuant to which it transferred its creditor rights under a loan agreement among Shanghai Hopson Property Development Company Limited, Ningbo Hopson Kam City Real Estate Company Limited and China Construction Bank (the “Loan Agreement”), for a consideration of the total amount of funding raised by a trust scheme known as Minmetals Trust-Ningbo Hopson Investment Collective Trust Plan (五礦信託-寧波合生債券投資集合資金信託計畫), which was established by Minmetals Trust (the “Minmetals Trust Scheme”) and had raised an aggregate of RMB170 million (US\$26.7

million). To secure the performance by Ningbo Hopson Kam City Real Estate Company Limited of its debt obligation under the Loan Agreement, we, Shanghai Hopson Property Development Company Limited and Ningbo Hopson Kam City Real Estate Company Limited simultaneously entered into the following agreements with Minmetals Trust:

- We entered into a guarantee agreement with Minmetals Trust, pursuant to which we agreed to be held liable if Shanghai Hopson Property Development Company Limited and Ningbo Hopson Kam City Real Estate Company Limited fail to perform their debt obligations under the Creditor Rights Transfer Agreement and Loan Agreement;
- Shanghai Hopson Property Development Company Limited entered into a pledge agreement with Minmetals Trust, pursuant to which it pledged its 49% equity interest in Ningbo Hopson Kam City Real Estate Company Limited to Minmetals Trust; and
- Ningbo Hopson Kam City Real Estate Company Limited entered into two pledge agreements with Minmetals Trust, pursuant to which it pledged its land use rights in connection with eight parcels of land located in Hangzhou, Jiangsu province to Minmetals Trust.

Guarantee and Security

We and certain of our PRC subsidiaries have entered into guarantee agreements with lenders in connection with certain loan agreements pursuant to which we and our subsidiaries have agreed to guarantee all liabilities of the subsidiary borrowers under these loans. Under some of these guarantee agreements, we also agreed not to guarantee the debt obligation of a third party or establish any mortgage or pledge over our assets to secure our debt obligations or the debt obligations of a third party, which could adversely affect our ability to perform our obligations under such guarantee agreements, without first obtaining the lenders' prior consent. We believe that the notes offered hereby would not adversely affect our ability to perform our obligations under such guarantee agreements.

Certain of our PRC subsidiaries have entered into security agreements with lenders in connection with certain loan agreements and trust financial arrangements, pursuant to which these subsidiaries have agreed to provide a security interest over their assets or their equity interests in other companies to secure the liabilities of other subsidiary borrowers under these loans and trust financial arrangements. For example, Guangzhou Xinda Investment Development Company entered into a pledge agreement with CITIC Trust Co., Ltd. in September 2012, pursuant to which it pledged its 65% equity interest in Guangzhou First Dyeing and Weaving Co., Ltd. to CITIC Trust Co., Ltd. to secure its obligation under the trust loan agreement between the two parties. The assets pledged by our subsidiaries include properties, construction-in-progress, land use rights, bank deposits, security funds, rent received or receivable, proceeds of sales, and rights and interests under certain project documents or insurance policies.

Customer Guarantees

In line with industry practice, we provide guarantees to mortgage banks in respect of mortgage loans taken out by purchasers of our properties. Such guarantee obligations typically terminate upon the delivery of the relevant property ownership certificates on the underlying property to the bank. As of June 30, 2012, the aggregate outstanding amount guaranteed was HK\$10,115 million (US\$1,304 million).

TAXATION

The discussion below is not intended to constitute a complete analysis of all tax consequences relating to ownership of the notes. Prospective purchasers of the notes should consult their own tax advisors concerning the tax consequences of their particular situations. This description is based on current laws, regulations and interpretations. These laws, regulations and interpretations, however, may change at any time, and any change could be retroactive to the date of issuance of the notes. These laws and regulations are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below.

Bermuda

Tax

Under present Bermuda law, no Bermuda withholding tax on interest payments, dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, we have obtained from the Minister of Finance of Bermuda, an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until March 28, 2035, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to us or to persons ordinarily resident in Bermuda.

Stamp Duty

As an exempted company, we are exempt from all stamp duties except on transactions involving “Bermuda property.” This term relates essentially to real and personal property physically situated in Bermuda, including shares in local (as opposed to exempted) companies. Neither we nor holders of the notes, as the case may be (other than persons ordinarily resident in Bermuda), are subject to stamp duty or other similar duty in relation to the notes (including the transfer thereof).

Hong Kong

The following summary of certain Hong Kong tax consequences of the purchase, ownership and disposition of the notes is based upon laws, regulations, decisions and practice now in effect, all of which are subject to prospective change and possibly retroactive change. The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the notes and does not purport to deal with the consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the notes should consult their own tax advisors concerning the application of Hong Kong tax laws to their particular situation as well as any consequences of the purchase, ownership and disposition of the notes arising under the laws of any other taxing jurisdiction.

Withholding Tax

No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the notes) or interest in respect of the notes or payments made by a guarantor pursuant to its guarantee of the notes.

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business. Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “Inland Revenue Ordinance”), as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a corporation carrying on a trade, profession or business in Hong Kong;
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business; or
- a financial institution (as defined in the Inland Revenue Ordinance and such interest arises through or from the carrying on by the financial institution of its business in Hong Kong.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note (for so long as the register of holders of the notes is maintained outside Hong Kong, as is expected to be the case).

PRC

Taxation of Interest and Capital Gains

We may be classified as a “resident enterprise” for PRC tax purposes. If we are deemed a “resident enterprise”, interest payable to the holders of the notes and any gains realized by the holders of the notes from the transfer of the notes may be treated as income derived from sources within China. Non-resident enterprise holders of the notes may be subject to PRC withholding tax or PRC tax at a rate of 10% (or a lower rate as applicable) on their interest income or capital gains, so long as they do not have an establishment or place of business in China or, despite the existence of establishment or place of business in China, the relevant income or gain is not effectively connected with such establishment or place of business in China. Non-resident individual holders may be subject to PRC withholding tax or PRC tax at a rate of 20% (or lower rate if available under an applicable tax treaty) on their interest income or capital gains. Currently, we are of the view that we are not required to withhold such tax. However, there can be no assurance that our view will not be challenged in the future. If we are not deemed a “resident enterprise” for PRC tax purposes, non-resident enterprise and non-resident individual holders of the notes will not be subject to PRC tax on interest received or gains from the transfer of the notes. It is unclear whether the PRC tax authorities would treat us as a PRC “resident enterprise.” and the application of interest income or capital gains tax to holders of notes is uncertain. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower tax rate, such lower rate may apply to holders of the notes who qualify for such treaty benefits.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated the date hereof (the “Purchase Agreement”), UBS AG, Hong Kong Branch, and Industrial and Commercial Bank of China (Asia) Limited (together the “Initial Purchasers”), have agreed to purchase from us, and we have agreed to sell to the Initial Purchasers, the following aggregate principal amount of the notes.

<u>Name</u>	<u>Principal Amount</u>
UBS AG, Hong Kong Branch.....	US\$195,000,000
Industrial and Commercial Bank of China (Asia) Limited	US\$105,000,000
Total.....	<u>US\$300,000,000</u>

The Purchase Agreement provides that the obligation of the Initial Purchasers to pay for and accept delivery of the notes is several and not joint and is subject to the approval of certain legal matters by their counsel and certain other conditions. Subject to the terms of the Purchase Agreement, the Initial Purchasers have agreed to purchase all of the notes if any of the notes are purchased. After the initial offering, the offering price and other selling terms may be varied from time to time by the Initial Purchasers. In addition, private banks will receive a placement fee in connection with the purchase of the Notes by their private bank clients.

We and the subsidiary guarantors have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and to contribute to payments which the Initial Purchasers may be required to make in respect thereof.

In the Purchase Agreement, we and the subsidiary guarantors have agreed that none of our company or any of the subsidiary guarantors will, directly or indirectly offer, sell, contract to sell, issue or otherwise dispose of any debt securities issued or guaranteed by us or any of the subsidiary guarantors and having a tenor of more than one year (other than the notes and the subsidiary guarantees) for a period of 90 days after the date of this offering memorandum without the prior written consent of the Initial Purchasers.

The notes are a new issue of securities with no established trading market. Approval in-principle has been received for the listing of the notes on the SGX-ST. We have been advised by the Initial Purchasers that, in connection with the offering of the notes, UBS AG, Hong Kong Branch, as stabilization agent may, on behalf of the Initial Purchasers, engage in transactions that stabilize, maintain or otherwise affect the price of the notes. Specifically, the Initial Purchasers may overallocate the offering, creating a syndicate short position. In addition, the Initial Purchasers may bid for, and purchase, the notes in the open market to cover syndicate shorts or to stabilize the price of the notes. Any of these activities may stabilize or maintain the market price of the notes above independent market levels. The Initial Purchasers are not required to engage in these activities, and may end any of these activities at any time. No assurance can be given as to the liquidity of, or the trading market for, the notes.

The notes and the subsidiary guarantees have not been and will not be registered under the U.S. Securities Act and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. See “Transfer Restrictions.”

Further, until 40 days after the commencement of the offering of the notes, an offer or sale of the notes within the United States by a dealer that is not participating in this offering may violate the registration requirement of the U.S. Securities Act in such offer or sale that is made otherwise than in accordance with Rule 144A.

We expect that delivery of the notes will be made against payment therefor on or about the closing date specified on the cover page of this offering memorandum, which will be on or about the fifth business day following the pricing date of the notes (this settlement cycle being referred to as “T+5”). Trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the notes on the date of pricing or any

of the next succeeding business day will be required, by virtue of the fact that the notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes on the date of pricing or succeeding business days should consult their own legal advisor.

Each of the Initial Purchasers has represented and agreed that (A) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the “FSMA”) with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom; and (B) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to it.

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2006 of Singapore.

Each of the Initial Purchasers has represented and agreed that (1) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any notes other than (i) to “professional investors” as defined in the SFO and any rules made thereunder; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (2) it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue any advertisement, invitation or document relating to the notes, whether in Hong Kong or elsewhere, which

is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO (Cap. 571) and any rules made thereunder.

Each of the Initial Purchasers has represented, warranted and undertaken that the notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the “Financial Instruments and Exchange Law”) and that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and other applicable laws and regulations of Japan.

Each of the Initial Purchasers has represented and agreed that: (i) it shall not make any solicitation in connection with any offering of the notes in Italy; (ii) no copies of this offering memorandum or any other documents relating to the notes will be distributed in Italy; and (iii) no notes may be offered, sold or delivered in Italy.

Each of the Initial Purchasers has represented and agreed that it has not offered or sold, and will not offer or sell, any notes in the Cayman Islands.

No invitation will be made directly or indirectly to any person resident in the British Virgin Islands to subscribe for any of the notes but the notes may be acquired by British Virgin Islands persons who receive the offer of the notes outside of the British Virgin Islands and in a manner which does not contravene the laws of the jurisdiction in which such offer is received.

No action is being taken or is contemplated by us that would permit a public offering of the notes or possession or distribution of any preliminary offering memorandum or offering memorandum or any amendment thereof, any supplement thereto or any other offering material relating to the notes in any jurisdiction where, or in any other circumstance in which, action for those purposes is required.

We have been advised that the Initial Purchasers presently intend to make a market in the notes, as permitted by applicable laws and regulations. The Initial Purchasers are not obligated, however, to make a market in the notes, and any such market making may be discontinued at any time without prior notice at the sole discretion of the Initial Purchasers. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the notes.

The Initial Purchasers and its affiliates have in the past engaged, and may in the future engage, in transactions with and perform services, including financial advisory and investment banking services, for us and our affiliates in the ordinary course of business. We may enter into hedging or other derivative transactions as part of our risk management strategy with one or more of the Initial Purchasers, which may include transactions relating to our obligations under the notes. Our obligations under these transactions may be secured by cash or other collateral.

In connection with this offering of the notes, each Initial Purchaser and/or its affiliate(s) may act as an investor for its own account and may take up the notes in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of ours or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering of the notes. Accordingly, references herein to the notes being offered should be read as including any offering of the notes to the Initial Purchasers and/or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

TRANSFER RESTRICTIONS

Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, resale, pledge or other transfer of notes.

The notes are subject to restrictions on transfer as summarized below. By purchasing notes (including the subsidiary guarantees), you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchasers:

1. You understand and acknowledge that:
 - the notes (including the subsidiary guarantees) have not been registered under the U.S. Securities Act or any other applicable securities laws;
 - the notes (including the subsidiary guarantees) are being offered for resale in transactions that do not require registration under the U.S. Securities Act or any other securities laws;
 - the notes (including the subsidiary guarantees) are being offered and sold only outside of the United States, to certain persons, other than U.S. persons, in offshore transactions in reliance on Rule 903 of Regulation S under the U.S. Securities Act; and
 - unless so registered, the notes (including the subsidiary guarantees) may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph 4 below.
2. You represent that you are not an affiliate (as defined in Rule 144 under the U.S. Securities Act) of ours, that you are not acting on our behalf and that you are not a U.S. person (as defined in Regulation S under the U.S. Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing notes (including the subsidiary guarantees) in an offshore transaction in accordance with Regulation S.
3. You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers have made any representation to you with respect to us or the offering of the notes (including the subsidiary guarantees), other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the notes. You agree that you have had access to such financial and other information concerning us and the notes as you have deemed necessary in connection with your decision to purchase the notes (including the subsidiary guarantees) including an opportunity to ask questions of and request information from us.
4. You represent that you are purchasing the notes (including the subsidiary guarantees) for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the notes (including the subsidiary guarantees) in violation of the U.S. Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing the notes, and each subsequent holder of the notes (including the subsidiary guarantees) by its acceptance of the notes will agree, that until the end of the Resale Restriction Period (as defined below), the notes (including the subsidiary guarantees) may be offered, sold or otherwise transferred only:
 - (a) to us;
 - (b) under a registration statement that has been declared effective under the U.S. Securities Act;
 - (c) outside the United States in compliance with Rule 903 or 904 under the U.S. Securities Act; or
 - (d) under any other available exemption from the registration requirements of the U.S. Securities Act,

subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control and in compliance with applicable state and other securities laws.

5. You also acknowledge that:

- the above restrictions on resale will apply from the closing date until the date that is 40 days after the later of the closing date and the last date that we or any of our affiliates was the owner of the notes or any predecessor of the notes (the "Resale Restriction Period"), and will not apply after the applicable Resale Restriction Period ends;
- we and the trustee reserve the right to require in connection with any offer, sale or other transfer of the notes under clause (d) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to us and the trustee; and
- each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT.

6. You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the notes is no longer accurate, you will promptly notify us and the Initial Purchasers. If you are purchasing any the notes (including the Subsidiary Guarantees) as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

RATINGS

The notes have been rated “CCC+” by S&P and “Caa1” by Moody’s. The ratings reflect the rating agencies’ assessment of the likelihood of timely payment of the principal of and interest on the notes. The ratings do not address the payment of any grossed up payments for withholding taxes and do not constitute recommendations to purchase, hold or sell the notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised, suspended or withdrawn by such rating agencies in the future if in their judgment circumstances so warrant. Each such rating should be evaluated independently of any other rating on the notes, on any other of our securities, or on us.

LEGAL MATTERS

Certain legal matters in connection with this offering will be passed upon for us by Latham & Watkins as to matters of U.S. federal and New York law, by Han Kun Law Offices as to matters of PRC law, by Minter Ellison as to matters of Hong Kong law, by MJM Limited as to matters of Bermuda law, by Maples and Calder as to matters of British Virgin Islands law and by Drake & Co. as to matters of Samoa law. Certain legal matters in connection with this offering will be passed upon for the Initial Purchasers by Davis Polk & Wardwell as to matters of U.S. federal and New York law and by Jingtian & Gongcheng, as to matters of PRC law.

INDEPENDENT AUDITOR

Our audited consolidated financial statements as of and for the years ended December 31, 2009, 2010 and 2011, included elsewhere in this offering memorandum, have been audited by PricewaterhouseCoopers, certified public accountants, as stated in their reports appearing in this offering memorandum, and in our annual report for the year ended December 31, 2009 (the “2009 Annual Report”). The auditor’s report on our consolidated financial statements for the year ended December 31, 2009 contained in the 2009 Annual Report is incorporated by reference in this offering memorandum; however, all other information contained in the 2009 Annual Report, including the financial information for the year ended December 31, 2008, is not incorporated by reference herein and does not form part of this offering memorandum.

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Report of the Independent Auditor

獨立核數師報告



羅兵咸永道

**TO THE SHAREHOLDERS OF
HOPSON DEVELOPMENT HOLDINGS LIMITED**
(incorporated in Bermuda with limited liability)

致合生創展集團有限公司
(於百慕達註冊成立之有限公司)
全體股東

We have audited the consolidated financial statements of Hopson Development Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 122 to 253, which comprise the consolidated and company balance sheets as at 31st December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

本核數師(以下簡稱「我們」)已審計列載於第122至253頁合生創展集團有限公司(以下簡稱「貴公司」)及其附屬公司(統稱「貴集團」)的綜合財務報表，此綜合財務報表包括於二零一一年十二月三十一日的綜合和公司資產負債表與截至該日止年度的綜合損益表、綜合全面收入報表、綜合現金流量表及綜合權益變動表，以及主要會計政策概要及其他附註解釋資料。

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

董事就綜合財務報表須承擔的責任

貴公司董事須負責根據香港會計師公會頒佈的香港財務報告準則及香港《公司條例》的披露規定編製綜合財務報表，以令綜合財務報表作出真實而公平的反映，及落實其認為編製綜合財務報表所必要的內部控制，以使綜合財務報表不存在由於欺詐或錯誤而導致的重大錯誤陳述。

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

核數師的責任

我們的責任是根據我們的審計對該等綜合財務報表提出意見，並按照百慕達《一九八一年公司法》第90條僅向整體股東報告我們的意見，除此之外本報告別無其他目的。我們不會就本報告的內容向任何其他人士負責或承擔任何責任。

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Report of the Independent Auditor (continued) 獨立核數師報告(續)

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30th March 2012

我們已根據香港會計師公會頒佈的香港審計準則進行審計。該等準則要求我們遵守道德規範，並規劃及執行審計，以合理確定綜合財務報表是否不存在任何重大錯誤陳述。

審計涉及執程序以獲取有關綜合財務報表所載金額及披露資料的審計憑證。所選定的程序取決於核數師的判斷，包括評估由於欺詐或錯誤而導致綜合財務報表存在重大錯誤陳述的風險。在評估該等風險時，核數師考慮與該公司編製綜合財務報表以作出真實而公平的反映相關的內部控制，以設計適當的審計程序，但目的並非對公司內部控制的有效性發表意見。審計亦包括評價董事所採用會計政策的合適性及所作出會計估計的合理性，以及評價綜合財務報表的整體列報方式。

我們相信，我們所獲得的審計憑證能充足和適當地為我們的審計意見提供基礎。

意見

我們認為，該等綜合財務報表已根據香港財務報告準則真實而公平地反映貴公司及貴集團於二零一一年十二月三十一日的事務狀況，及貴集團截至該日止年度的溢利及現金流量，並已按照香港《公司條例》的披露規定妥為編製。

羅兵咸永道會計師事務所
執業會計師

香港，二零一二年三月三十日

Balance Sheets

資產負債表

As at 31st December 2011 於二零一一年十二月三十一日

	Note 附註	Consolidated 綜合		Company 公司	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元	2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
ASSETS					
Non-current assets					
Land costs	6	714,967	622,193	—	—
Prepayments for acquisition of land	19	131,221	209,795	—	—
Properties and equipment	7	3,264,839	3,199,845	—	—
Investment properties	8	16,637,473	15,405,498	—	—
Intangible assets	11	41,245	124,837	—	—
Investments in subsidiaries	12	—	—	18,365,896	15,228,037
Investments in associates	13	151,685	43,433	—	—
Investments in jointly controlled entities	14	1,753,004	1,512,923	—	—
Available-for-sale financial assets	16	5,203,335	3,316,388	—	—
Deposit for proposed investment	17	—	560,210	—	—
Deferred tax assets	25	220,240	167,541	—	—
		28,118,009	25,162,663	18,365,896	15,228,037
Current assets					
Prepayments for acquisition of land	19	13,508,836	18,053,335	—	—
Properties under development for sale	9	49,064,535	31,967,756	—	—
Completed properties for sale	10	11,640,241	10,487,033	—	—
Financial assets at fair value through profit or loss	18	11,456	11,693	—	—
Accounts receivable	20	232,940	171,953	—	—
Prepayments, deposits and other current assets	19	3,634,376	2,565,026	268	290
Due from associates	41	31,890	30,382	—	—
Due from related companies	41	6,188	13,644	—	—
Loans to subsidiaries	12	—	—	137,345	218,274
Pledged/charged bank deposits	21	1,030,093	123,671	—	—
Cash and cash equivalents	21	2,618,161	2,573,604	680	20,449
		81,778,716	65,998,097	138,293	239,013
Total assets		109,896,725	91,160,760	18,504,189	15,467,050

Balance Sheets (continued)

資產負債表(續)

As at 31st December 2011 於二零一一年十二月三十一日

	Note 附註	Consolidated 綜合		Company 公司	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元	2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	27	173,600	175,237	173,600	175,237
Reserves	28	40,910,852	38,011,918	13,154,706	12,538,507
		41,084,452	38,187,155	13,328,306	12,713,744
Non-controlling interests		2,981,657	2,805,944	—	—
Total equity		44,066,109	40,993,099	13,328,306	12,713,744
LIABILITIES					
Non-current liabilities					
Land cost payable	22	81,481	111,178	—	—
Borrowings	24	21,718,581	20,047,524	2,290,102	2,697,576
Due to minority shareholders of subsidiaries	41	439,841	432,323	—	—
Deferred tax liabilities	25	5,816,801	5,551,128	—	—
		28,056,704	26,142,153	2,290,102	2,697,576
Current liabilities					
Accounts payable	23	5,120,006	5,645,612	—	—
Land cost payable	22	602,612	264,271	—	—
Borrowings	24	13,629,307	3,671,919	2,707,119	—
Deferred revenue		9,679,048	5,544,615	—	—
Accruals and other payables		2,962,465	2,196,200	159,137	37,947
Due to an associate	41	6,808	6,486	—	—
Due to related companies	41	81,704	344,057	—	—
Due to a jointly controlled entity	41	1,574,135	1,709,345	—	—
Current tax liabilities	26	4,117,827	4,643,003	19,525	17,783
		37,773,912	24,025,508	2,885,781	55,730
Total liabilities		65,830,616	50,167,661	5,175,883	2,753,306
Total equity and liabilities		109,896,725	91,160,760	18,504,189	15,467,050
Net current assets/(liabilities)		44,004,804	41,972,589	(2,747,488)	183,283
Total assets less current liabilities		72,122,813	67,135,252	15,618,408	15,411,320

CHU MANG YEE
朱孟依
Director
董事

ZHANG YI
張懿
Director
董事

The notes on pages 130 to 253 are an integral part of these financial statements.

第130至253頁之附註為此財務報表其中一部份。

Consolidated Income Statement

綜合損益表

For the year ended 31st December 2011 截至二零一一年十二月三十一日止年度

	Note 附註	2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Revenues	5	8,007,537	14,379,253
Cost of sales	30	(4,329,161)	(8,692,021)
Gross profit		3,678,376	5,687,232
Fair value gains on investment properties		107,397	3,795,624
Other income/gains, net	29	99,732	1,124,053
Selling and marketing expenses	30	(466,549)	(410,225)
General and administrative expenses	30	(1,009,398)	(1,117,712)
Operating profit		2,409,558	9,078,972
Finance income	32	29,098	17,039
Finance costs	32	(238,539)	(253,307)
Share of profit less loss of associates	13	351	1,071
Share of loss of jointly controlled entities	14	(3,284)	(666)
Profit before taxation		2,197,184	8,843,109
Taxation	33	(788,773)	(2,550,097)
Profit for the year		1,408,411	6,293,012
Attributable to:			
Equity holders of the Company	34	1,430,031	5,889,412
Non-controlling interests		(21,620)	403,600
		1,408,411	6,293,012
Earnings per share for profit attributable to equity holders of the Company during the year (in HK\$ per share)			
— basic	35	0.82	3.43
— diluted	35	0.82	3.42
Dividends	36	—	300,531

The notes on pages 130 to 253 are an integral part of these financial statements.

第130至253頁之附註為此財務報表其中一部份。

Consolidated Statement of Comprehensive Income

綜合全面收入報表

For the year ended 31st December 2011 截至二零一一年十二月三十一日止年度

	Note 附註	2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Profit for the year	年度溢利	1,408,411	6,293,012
Other comprehensive income	其他全面收入		
Fair value (loss)/gain on available-for-sale financial assets	可供出售財務資產之 公平值(虧損)/收益	(40,645)	542,775
Assets revaluation reserve realised upon disposal of properties held for sale	出售持作出售物業時 變現之資產重估儲備	(26,684)	(86,447)
Deferred tax	遞延稅項	2,156	24,880
Currency translation differences	貨幣匯兌差額	2,044,172	1,302,553
Other comprehensive income for the year, net of tax	年度其他全面收入， 扣除稅項後	1,978,999	1,783,761
Total comprehensive income for the year	年度全面收入總額	3,387,410	8,076,773
Total comprehensive income attributable to:	下列人士應佔全面 收入總額：		
Equity holders of the Company	本公司股權持有人	3,268,207	7,586,266
Non-controlling interests	非控制性權益	119,203	490,507
		3,387,410	8,076,773

The notes on pages 130 to 253 are an integral part of these financial statements.

第130至253頁之附註為此財務報表其中一部份。

Consolidated Cash Flow Statement

綜合現金流量表

For the year ended 31st December 2011 截至二零一一年十二月三十一日止年度

	Note 附註	2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Cash flows from operating activities	經營活動之現金流量		
Cash used in operations	37(a)	(926,706)	(6,193,801)
Interest received		29,098	17,039
Hong Kong profits tax paid		(45)	(15,028)
Mainland China corporate income tax paid		(1,144,532)	(1,220,350)
Mainland China land appreciation tax paid		(425,181)	(256,876)
Net cash used in operating activities		(2,467,366)	(7,669,016)
Cash flows from investing activities	投資活動之現金流量		
Additions of land costs		(66,922)	(282,056)
Additions of properties and equipment		(50,711)	(71,347)
Deposit for proposed investment		—	(550,678)
Dividend income		68,843	15,292
Additions of investment properties		(610,149)	(471,920)
Decrease/(increase) in deposit paid		292,484	(175,589)
Capital injection to a jointly controlled entity		—	(278,925)
Investment in a jointly controlled entity		(164,146)	—
Investment in an associate		(105,736)	—
Additions of available-for-sale financial assets		(1,161,112)	—
Acquisition of subsidiaries, net of cash acquired	37(b)	(684,453)	—
Decrease in prepayments for acquisition of land		86,830	64,843
Prepayment for acquisition of a jointly controlled entity		(1,504,151)	—
(Increase)/decrease in pledged/charged bank deposits		(878,488)	49,779
Net cash used in investing activities		(4,777,711)	(1,700,601)

Consolidated Cash Flow Statement (continued)

綜合現金流量表(續)

For the year ended 31st December 2011 截至二零一一年十二月三十一日止年度

	Note 附註	2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Cash flows from financing activities	融資活動之現金流量		
New short-term bank loans	新增短期銀行貸款	6,269,025	2,019,084
Repayments of short-term bank loans	償還短期銀行貸款	(2,690,804)	(4,228,791)
New long-term bank loans	新增長期銀行貸款	8,389,515	12,786,036
Repayments of long-term bank loans	償還長期銀行貸款	(3,882,722)	(1,610,374)
New senior notes	新增優先票據	2,288,733	—
Redemption of convertible bonds	贖回可換股債券	—	(2,211,510)
Repayment to a jointly controlled entity	償還墊款予一間共同 控制實體	(214,707)	(193,378)
(Repayment to)/advances from related companies	(償還墊款予)/墊款 來自關連公司	(270,743)	162,011
Interest paid	已付利息	(2,353,452)	(1,250,864)
Capital contributions by non-controlling interests	非控制性權益出資	—	16,635
Repurchase of own shares	購回本身股份	(70,379)	(270,298)
Dividends paid to the Company's equity holders	派發予本公司股權 持有人之股息	(300,531)	—
Net cash from financing activities	融資活動產生之 現金淨額	7,163,935	5,218,551
Net decrease in cash and cash equivalents	現金及現金等價物之 減少淨額	(81,142)	(4,151,066)
Cash and cash equivalents at 1st January	於一月一日之 現金及現金等價物	2,573,604	6,546,144
Exchange gain on cash and cash equivalents	現金及現金等價物之 匯兌收益	125,699	178,526
Cash and cash equivalents at 31st December	於十二月三十一日之 現金及現金等價物	2,618,161	2,573,604

The notes on pages 130 to 253 are an integral part of these financial statements.

第130至253頁之附註為此財務報表其中一部份。

Consolidated Statement of Changes in Equity

綜合權益變動表

For the year ended 31st December 2011 截至二零一一年十二月三十一日止年度

		Attributable to equity holders of the Company 本公司股權持有人應佔		Non-controlling interests 非控制性權益	Total 總計
		Share capital 股本 HK\$'000 千港元	Reserves 儲備 HK\$'000 千港元		
Balance as 1st January 2010	於二零一零年 一月一日之結餘	159,237	28,034,506	2,305,733	30,499,476
Profit for the year	年度溢利	—	5,889,412	403,600	6,293,012
Other comprehensive income:	其他全面收入：				
Fair value gain on available-for-sale financial assets	可供出售財務資產之公平值收益	—	542,775	—	542,775
Assets revaluation reserve realised upon disposal of properties held for sale (Note 28(ii))	出售持作出售物業時變現之資產重估儲備(附註28(ii))	—	(86,447)	—	(86,447)
Deferred tax	遞延稅項	—	24,880	—	24,880
Currency translation differences	貨幣匯兌差額	—	1,215,646	86,907	1,302,553
Other comprehensive income for the year, net of tax	年度其他全面收入，扣除稅項	—	1,696,854	86,907	1,783,761
Total comprehensive income for the year	年度全面收入總額	—	7,586,266	490,507	8,076,773
Transactions with owners:	與持有者交易：				
Proceeds from issue of shares, — Placements	發行股份之所得款項，— 配售	18,546	2,692,900	—	2,711,446
Repurchase of own shares	購回本身股份	(2,546)	(267,752)	—	(270,298)
Acquisition of additional equity interests of a subsidiary	進一步收購一間附屬公司之股權	—	(34,002)	(6,931)	(40,933)
Capital contribution by non-controlling interests	非控制性權益出資	—	—	16,635	16,635
		16,000	2,391,146	9,704	2,416,850
Balance at 31st December 2010	於二零一零年十二月三十一日之結餘	175,237	38,011,918	2,805,944	40,993,099

Consolidated Statement of Changes in Equity (continued)

綜合權益變動表(續)

For the year ended 31st December 2011 截至二零一一年十二月三十一日止年度

		Attributable to equity holders of the Company 本公司股權持有人應佔			
		Share capital	Reserves	Non-controlling interests	Total
		股本	儲備	非控制性權益	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元
Balance as 1st January 2011	於二零一一年一月一日之結餘	175,237	38,011,918	2,805,944	40,993,099
Profit for the year	年度溢利	—	1,430,031	(21,620)	1,408,411
Other comprehensive income:	其他全面收入：				
Fair value loss on available-for-sale financial assets	可供出售財務資產之公平值虧損	—	(40,645)	—	(40,645)
Assets revaluation reserve realised upon disposal of properties held for sale (Note 28(ii))	出售持作出售物業時變現之資產重估儲備(附註28(ii))	—	(26,684)	—	(26,684)
Deferred tax	遞延稅項	—	2,156	—	2,156
Currency translation differences	貨幣匯兌差額	—	1,903,349	140,823	2,044,172
Other comprehensive income for the year, net of tax	年度其他全面收入，扣除稅項	—	1,838,176	140,823	1,978,999
Total comprehensive income for the year	年度全面收入總額	—	3,268,207	119,203	3,387,410
Transactions with owners:	與持有者交易：				
Acquisition of equity interests of a subsidiary	收購一間附屬公司股本權益	—	—	56,510	56,510
Dividends paid	已付股息	—	(300,531)	—	(300,531)
Repurchase of own shares	購回本身股份	(1,637)	(68,742)	—	(70,379)
		(1,637)	(369,273)	56,510	(314,400)
Balance at 31st December 2011	於二零一一年十二月三十一日之結餘	173,600	40,910,852	2,981,657	44,066,109

The notes on pages 130 to 253 are an integral part of these financial statements.

第130至253頁之附註為此財務報表其中一部份。

Notes to the Consolidated Financial Statements

綜合財務報表附註

1 General Information

Hopson Development Holdings Limited (“the Company”) and its subsidiaries (together “the Group”) are mainly engaged in the development of residential properties in Mainland China. The Group is also involved in property investment, hotel operations and property management.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The consolidated financial statements have been approved for issue by the Board of Directors on 30th March 2012.

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the two years presented, unless otherwise stated.

2.1 Basis of Preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, which are measured at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

1 一般資料

合生創展集團有限公司(「本公司」)及其附屬公司(統稱「本集團」)主要於中國大陸從事住宅物業發展。本集團亦參與物業投資、酒店經營及物業管理。

本公司為於百慕達註冊成立的有限責任公司，其註冊辦事處地址為 Clarendon House, 2 Church Street, Hamilton HM11, Bermuda。

本公司於香港聯合交易所有限公司(「聯交所」)上市。

本綜合財務報表已於二零一二年三月三十日經董事會批准刊發。

2 主要會計政策概要

編製本綜合財務報表採用之主要會計政策載列如下。除另有說明外，該等政策已於兩個呈報年度內獲貫徹應用。

2.1 編製基準

本公司之綜合財務報表乃根據香港財務報告準則(「香港財務報告準則」)編製。綜合財務報表乃採用歷史成本慣例，並經按公平值計量的重估投資物業、可供出售財務資產及按公平值透過損益列賬之財務資產而予以修訂。

按香港財務報告準則編製財務報表時需採用若干重要之會計估計，亦要求管理層於採用本集團會計政策之過程中作出判斷。涉及較多判斷或複雜性之方面，或對本綜合財務報表而言屬重要之假設及估計，已在附註4內披露。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

In 2011, the Group adopted the following new or revised standards, amendments and interpretations of HKFRS, which are effective for accounting periods beginning on or after 1st January 2011 and relevant to the Group's operations.

HKAS 24 (Revised)	Related Party Disclosure
HKAS 32 Amendment	Financial Instruments: Presentation — Classification of Rights Issues
<i>Annual improvements to HKFRS published in May 2010</i>	
HKAS 1 Amendment	Presentation of Financial Statements
HKAS 27 Amendment	Consolidated and Separate Financial Statements
HKFRS 3 Amendment	Business Combinations
HKFRS 7 Amendment	Financial Instruments: Disclosures

The Group has assessed the impact of the adoption of these new or revised standards, amendments and interpretations and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies.

2 主要會計政策概要(續)

2.1 編製基準(續)

於二零一一年，本集團採納以下於二零一一年一月一日或之後開始會計期間生效並與本集團業務有關之香港財務報告準則新訂或經修訂準則、修訂及詮釋。

香港會計準則	關連方之披露
第24號	
(經修訂)	
香港會計準則	金融工具：呈列
第32號	一供股之分類
(修訂本)	

於二零一零年五月發佈之香港財務報告準則年度改進

香港會計準則	財務報表之呈列
第1號	
(修訂本)	
香港會計準則	綜合及獨立財務
第27號	報表
(修訂本)	
香港財務報告	業務合併
準則第3號	
(修訂本)	
香港財務報告	金融工具：披露
準則第7號	
(修訂本)	

本集團已評估採納該等新訂或經修訂準則、修訂及詮釋之影響，且認為並無對本集團之業績及財務狀況構成重大影響，亦無導致本集團會計政策大幅變動。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

Standards, Interpretations and Amendments to Existing Standards that are Relevant but not yet Effective

New or Revised Standards, Interpretations and Amendments

2 主要會計政策概要(續)

2.1 編製基準(續)

有關但尚未生效之準則、現有準則詮釋及修訂

新訂或經修訂準則、詮釋及修訂

		Effective for accounting periods beginning on or after 於以下日期或之後 開始之會計期間生效
HKFRS 7 Amendment 香港財務報告準則第7號(修訂本)	Disclosures — Transfers of Financial Assets 披露—金融資產的轉讓	1st July 2011 二零一一年七月一日
HKFRS 7 Amendment 香港財務報告準則第7號(修訂本)	Disclosures — Offsetting Financial Assets and Financial Liabilities 披露—抵銷金融資產及金融負債	1st January 2013 二零一三年一月一日
HKAS 1 Amendment 香港會計準則第1號(修訂本)	Presentation of Financial Statements 財務報表之呈列	1st July 2012 二零一二年七月一日
HKAS 12 Amendment 香港會計準則第12號(修訂本)	Deferred Tax: Recovery of Underlying Assets 遞延稅項：相關資產的收回	1st January 2012 二零一二年一月一日
HKAS 32 Amendment 香港會計準則第32號(修訂本)	Offsetting Financial Assets and Financial Liabilities 抵銷金融資產及金融負債	1st January 2014 二零一四年一月一日
HKAS 19 (2011) 香港會計準則第19號(二零一一年)	Employee Benefits 職工福利	1st January 2013 二零一三年一月一日
HKAS 27 (2011) 香港會計準則第27號(二零一一年)	Separate Financial Statements 獨立財務報表	1st January 2013 二零一三年一月一日
HKAS 28 (2011) 香港會計準則第28號(二零一一年)	Investments in Associates and Joint Ventures 於聯營公司及合營企業投資	1st January 2013 二零一三年一月一日
HKFRS 9 香港財務報告準則第9號	Financial Instruments 金融工具	1st January 2015 二零一五年一月一日
HKFRS 10 香港財務報告準則第10號	Consolidated Financial Statements 綜合財務報表	1st January 2013 二零一三年一月一日
HKFRS 11 香港財務報告準則第11號	Joint Arrangements 合營安排	1st January 2013 二零一三年一月一日
HKFRS 12 香港財務報告準則第12號	Disclosure of Interests in Other Entities 在其他主體權益的披露	1st January 2013 二零一三年一月一日
HKFRS 13 香港財務報告準則第13號	Fair Value Measurement 公平值計量	1st January 2013 二零一三年一月一日

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

Standards, Interpretations and Amendments to Existing Standards that are Relevant but not yet Effective (Continued)

The Group has already commenced an assessment of the impact of these new or revised standards amendments and interpretations, certain of which are relevant to the Group's operation and will give rise to changes in accounting policies, disclosures or measurement of certain items in the financial statements. However, the Group is not yet in a position to ascertain their impact on its results and financial position.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31st December.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2 主要會計政策概要(續)

2.1 編製基準(續)

有關但尚未生效之準則、現有準則詮釋及修訂(續)

本集團已開始評估此等新訂或經修訂準則、修訂及詮釋帶來之影響，當中若干與本集團之業務有關，並將導致須對會計政策、披露事宜或計量財務報表若干事項作出改動。然而，本集團尚未能確定其對本集團業績及財務狀況造成之影響。

2.2 綜合賬目

綜合財務報表包括本公司及其所有附屬公司截至十二月三十一日止的財務報表。

(a) 附屬公司

附屬公司指本集團有權管轄其財政及經營政策的所有主體，一般附帶超過半數投票權的股權。在評定本集團是否控制另一主體時，目前可行使或可兌換的潛在投票權的存在及影響均予考慮。

附屬公司在控制權轉移至本集團之日全面綜合入賬。附屬公司在控制權終止之日起停止綜合入賬。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

2 Summary of Significant Accounting Policies (Continued)

2.2 Consolidation (Continued)

(a) Subsidiaries (Continued)

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered as indicator of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 主要會計政策概要(續)

2.2 綜合賬目(續)

(a) 附屬公司(續)

本集團利用購買法將業務合併入賬。收購附屬公司的對價根據本集團所給予資產、所產生或承擔的負債及發行的股本工具的公平值計算。所轉讓的對價包括或有對價安排所產生的任何資產或負債的公平值。購買相關成本在產生時支銷。在業務合併中所購買可辨認的資產以及所承擔的負債及或有負債，首先以彼等於購買日期的公平值計量。就個別收購基準，本集團可按公平值或按非控制性權益應佔被購買方淨資產的比例，計量被收購方的非控制性權益。

轉讓的對價、被購買方任何非控制性權益，以及被收購方任何之前權益在購買日期的公平值，超過所購買可辨認淨資產公平值的數額，列為商譽。就廉價購買而言，若該數額低於所購入附屬公司淨資產的公平值，該差額直接在綜合損益表中確認。

集團內公司之間的交易、交易的結餘及未實現收益予以對銷。未實現損失亦予以對銷但會考慮所轉讓資產減值之顯示。附屬公司的會計政策已按需要作出改變，以確保與本集團採用的政策符合一致。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

2 Summary of Significant Accounting Policies (Continued)

2.2 Consolidation (Continued)

(a) Subsidiaries (Continued)

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Transactions with Non-controlling Interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions—that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2 主要會計政策概要(續)

2.2 綜合賬目(續)

(a) 附屬公司(續)

在本公司之資產負債表內，於附屬公司之投資按成本值扣除減值虧損準備列賬。附屬公司之業績由本公司按已收及應收股息入賬。

(b) 與非控制性權益之交易

倘與非控制性權益之交易並未造成失去控制權的情況，則入賬為權益交易——即與擁有人以其作為擁有人的身份進行的交易。任何已付對價之公平值與相關應佔收購附屬公司淨資產之賬面值的差額入賬為權益。出售非控制性權益之損益亦入賬為權益。

當本集團不再持有控制權或重大影響力，在主體的任何保留權益重新計量至公平值，賬面值的變動在損益中確認。公平值為就保留權益的後續入賬而言的初始賬面值，作為聯營、合營或金融資產。此外，之前就主體在其他全面收入中確認的任何數額猶如本集團已直接處置相關資產和負債。這意味著之前在其他全面收入中確認的數額重新分類至損益。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

2 Summary of Significant Accounting Policies (Continued)

2.2 Consolidation (Continued)

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 主要會計政策概要(續)

2.2 綜合賬目(續)

(c) 聯營公司

聯營公司是指凡本集團對其有重大影響力而無控制權的所有實體，通常附帶有20%至50%投票權的股權。於聯營公司之投資以權益會計法入賬，初始以成本確認。

如於聯營公司的擁有人權益被削減但仍保留重大影響力，只有按比例將之前在其他全面收入中確認的數額重新分類至損益(如適當)。

本集團應佔收購後聯營公司的溢利或虧損於綜合損益表內確認，而應佔收購後其他全面收入的變動則於其他全面收入內確認。投資賬面值會根據累計之收購後儲備變動而作出調整。如本集團應佔一家聯營公司之虧損等於或超過其在該聯營公司之權益，包括任何其他無抵押應收款，本集團不會確認進一步虧損，除非本集團已代聯營公司承擔責任或作出付款。

本集團與其聯營公司之間交易的未實現收益按集團在聯營公司權益的數額對銷。除非交易提供所轉讓資產減值之憑證，否則未實現虧損亦予以對銷。聯營公司的會計政策已按需要作出改變，以確保與本集團採用的政策符合一致。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

2 Summary of Significant Accounting Policies (Continued)

2.2 Consolidation (Continued)

(d) Joint Ventures

A jointly controlled entity is a joint venture where the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investment in jointly controlled entity is accounted for under the equity method of accounting, whereby the investment is initially recorded at cost and is adjusted thereafter to recognise the Group's share of the post-acquisition results, distributions received, other necessary alterations in the Group's proportionate interest in jointly controlled entity arising from changes in equity of jointly controlled entity that have not been included in the consolidated income statement of the jointly controlled entity. The excess of cost of investment over the Group's share of the aggregate fair value of the identifiable net assets acquired at the date of acquisition is tested annually for impairment, as well as when there is indication of impairment, and is carried at cost less accumulated impairment losses. The Group's share of post-acquisition results after taxation of jointly controlled entities is included in the consolidated income statement.

A joint venture which does not involve the establishment of a separate entity but involves the joint control and ownership by the Group and other parties of assets contributed to, or acquired for the purpose of, the joint venture is accounted for as a jointly controlled asset. The Group's share of jointly controlled assets and any liabilities incurred jointly with other joint venture partners are recognised and classified according to the nature of the relevant items. Income from the sale or use of the Group's share of the output of jointly controlled assets is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group, whilst the Group's share of expenses in respect of jointly controlled assets is recognised as incurred.

2 主要會計政策概要(續)

2.2 綜合賬目(續)

(d) 合營公司

共同控制實體乃一項合營企業，據此，本集團與其他合營方參與一項經濟活動，而該項經濟活動乃受共同控制，參與各方並無單獨控制權。於共同控制實體之投資乃按權益會計法入賬，據此，該項投資最初按成本記錄，並於其後就本集團應佔共同控制實體的收購後業績、來自共同控制實體的分派、因尚未計入綜合損益表內之共同控制實體權益變動而產生之本集團所佔共同控制實體權益比例的其他改變作出調整。投資成本值超逾本集團所佔於收購日期的可識別資產淨值之公平值總額之差額會每年並當有跡象出現減值時進行減值測試，及以成本值減累計減值虧損列賬。本集團所佔共同控制實體的收購後稅後業績已計入綜合損益表內。

就不涉及獨立實體的成立而涉及由本集團及其他人士共同控制及擁有之合營項目資產貢獻或就合營項目收購之資產，乃列作共同控制資產入賬。本集團應佔之共同控制資產及與其他合營夥伴共同招致的任何負債乃根據有關項目的性質予以確認及分類。因出售或使用本集團的應佔共同控制資產所產生之收入，於該項交易的相關經濟利益可能會流入本集團時予以確認，而本集團應佔有關共同控制資產的開支則於產生時予以確認。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

2 Summary of Significant Accounting Policies (Continued)

2.3 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors who make strategic decisions.

2.4 Foreign Currency Translation

(a) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured in Renminbi, which is the currency of the primary economic environment in which the Company and its subsidiaries operate (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the presentation currency.

(b) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

(c) Group Companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

2 主要會計政策概要(續)

2.3 分部報告

經營分部乃按向主要營運決策人提供之內部報告一致之方式呈報。負責分配資源及評估經營分部表現之主要營運決策人，已獲確定為作出決策之執行董事。

2.4 外幣換算

(a) 功能和呈列貨幣

本集團每個實體的財務報表所列項目均以人民幣(即本公司及其附屬公司營運所在的主要經濟環境的貨幣)(「功能貨幣」)計量。綜合財務報表以港元呈報，港元為本公司的呈列貨幣。

(b) 交易及結餘

外幣交易採用交易日的匯率換算為功能貨幣。結算此等交易產生的匯兌盈虧以及將外幣計值的貨幣資產和負債以年終匯率換算產生的匯兌盈虧在綜合損益表確認。

(c) 集團公司

所有功能貨幣與呈列貨幣不同之集團實體(概無擁有惡性通貨膨脹經濟體系之貨幣)之業績及財務狀況均按以下方法換算為呈列貨幣：

- (i) 各資產負債表呈列之資產及負債均以該資產負債表結算日之收市匯率折算；

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

2 Summary of Significant Accounting Policies (Continued)

2.4 Foreign Currency Translation (Continued)

(c) Group Companies (Continued)

- (ii) income and expenses for each consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Disposal of Foreign Operation and Partial Disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

2 主要會計政策概要(續)

2.4 外幣換算(續)

(c) 集團公司(續)

- (ii) 各綜合損益表之收入及開支均按平均匯率換算(除非該平均值並非於交易日通行匯率累計影響之合理近似值,在此情況下收入及開支乃按交易日之匯率換算);及
- (iii) 所有產生之匯兌差額均確認為股本內之獨立項目。

收購境外實體時產生之商譽及公平值調整乃作為該境外實體之資產及負債處理,並以期終匯率換算。

(d) 出售海外業務及部份出售

於出售海外業務(即出售本集團於海外業務之全部權益、或涉及失去包括海外業務的附屬公司的控制權、出售涉及失去對包括海外業務的共同控制實體的共同控制權、或出售涉及失去對包括海外業務的聯營公司的重大影響力),於本公司權益持有人應佔之業務之權益累計之全部匯兌差額被重新分類為損益。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

2 Summary of Significant Accounting Policies (Continued)

2.4 Foreign Currency Translation (Continued)

(d) Disposal of Foreign Operation and Partial Disposal (Continued)

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.5 Properties and Equipment

Properties and equipment other than construction in progress are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the consolidated income statement during the financial period in which they are incurred.

2 主要會計政策概要(續)

2.4 外幣換算(續)

(d) 出售海外業務及部份出售(續)

倘部份出售並未導致本集團失去對包括海外業務的附屬公司的控制權，則按比例分佔累計匯兌差額的部份被重新分配至非控股權益及不會確認為損益。就所有其他部份出售(即本集團於聯營公司或共同控制實體之擁有權權益下降而並未令本集團失去重大影響力或共同控制權)而言，按比例分佔累計匯兌差額的部份被重新分類為損益。

2.5 物業及設備

物業及設備(在建工程除外)按歷史成本減累計折舊和累計減值虧損列賬。歷史成本包括收購該項目直接應佔的開支。

其後成本只有在與該項目有關的未來經濟利益有可能流入本集團，而該項目的成本能可靠計量時，才包括在資產的賬面值或確認為獨立資產(視乎適用情況)。所有其他維修及保養在產生的財政期間內於綜合損益表支銷。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

2 Summary of Significant Accounting Policies (Continued)

2.5 Properties and Equipment (Continued)

Depreciation of properties and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Hotel property (superstructure)	28 to 30 years
Buildings	Shorter of useful life or lease term
Furniture and office equipment	5 years
Motor vehicles	3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Construction in progress is investments in buildings on which construction work has not been completed and which, upon completion, management intends to hold for providing goods or services in the ordinary course of business. These properties are carried at cost which includes construction expenditures, borrowing costs directly attributable to construction of such properties and other direct costs, less any impairment losses. On completion, the properties are transferred to the appropriate categories of properties and equipment at cost less accumulated impairment losses. No depreciation is provided for construction in progress until they are completed and put into commercial use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated income statement.

2 主要會計政策概要(續)

2.5 物業及設備(續)

物業及設備的折舊採用以下的估計可使用年期將成本按直線法分攤至剩餘價值計算：

酒店物業 (結構)	28至30年
樓宇	可使用年期或租期的較短者
傢俬及辦公室設備	5年
汽車	3至5年

資產的剩餘價值及可使用年期在每個結算日進行檢討，及在適當時調整。若資產的賬面值高於其估計可收回金額，其賬面值即時撇減至可收回金額(附註2.9)。

在建工程指於建設工程尚未完工，而於完工後，管理層擬因在日常業務過程中提供貨品或服務而持有之樓宇之投資。該等物業按成本列賬，當中包括就建設該等物業直接應計的建設開支、借貸成本及其他直接費用減去任何減值虧損。物業於完工後轉撥至適當的物業及設備分項，按成本減累積減值虧損列賬。在建工程直至完工及投入作商業用途前不作折舊。

出售之收益及虧損乃按所得款項與賬面值之差額釐定，並列入綜合損益表中。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

2 Summary of Significant Accounting Policies (Continued)

2.6 Investment Properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are performed annually by external independent valuers.

Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable.

2 主要會計政策概要(續)

2.6 投資物業

為獲得長期租金收益或資本增值或兩者兼備而持有，且並非由本集團佔用的物業分類為投資物業。投資物業亦包括屬於在建或發展作未來用途之投資物業。

投資物業包括以經營租賃持有的土地及以融資租賃持有的樓宇。以經營租賃持有的土地，如符合投資物業其餘定義，按投資物業分類及記賬。經營租賃猶如其為融資租賃而記賬。

投資物業初步按其成本計量，包括相關交易成本及借貸成本。

在初步確認後，投資物業按公平值列賬。公平值根據活躍市場價格計算，如有需要就個別資產的性質、地點或狀況的任何差異作出調整。如沒有此項資料，本集團利用其他估值方法，例如較不活躍市場的近期價格或貼現現金流量預測法。此等估值法根據國際估值準則委員會發出的指引執行。此等估值每年由外聘獨立估值師執行。

在建物業之公平值計量僅於公平值被視為能可靠計量時運用。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

2 Summary of Significant Accounting Policies (Continued)

2.6 Investment Properties (Continued)

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values of investment property are recognised in the consolidated income statement.

If an investment property becomes owner-occupied, it is reclassified as properties and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of properties and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income and taken directly to equity as a revaluation of properties and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated income statement.

Investment property held for sale without redevelopment is classified as non-current asset held for sale, under HKFRS 5.

2 主要會計政策概要(續)

2.6 投資物業(續)

投資物業的公平值反映(其中包括)來自現有租賃的租金收入,及在現時市場情況下未來租賃的租金收入假設。公平值亦反映,在類似基準下物業預期的任何現金流出。此等現金流出部份確認為負債,包括列為投資物業的土地有關的融資租賃負債;而其他,包括或然租金款項,不在財務報表列賬。

其後支出只有在與該項目有關的未來經濟利益有可能流入本集團,而該項目的成本能可靠衡量時,才計入在資產的賬面值中。所有其他維修及保養成本在產生的財政期間內於損益表支銷。

投資物業公平值變動於綜合損益表中確認。

倘投資物業成為業主自用,則重新分類為物業及設備,而就會計而言,其於重新分類當日之公平值成為其成本。

倘物業及設備項目因其用途改變而成為投資物業,根據香港會計準則第16號,該項目於轉讓當日之賬面值與公平值間之差異將於其他全面收入內確認,並作為物業及設備重估直接計入權益。然而,倘公平值收益導致過往之減值虧損出現轉回,有關收益將於綜合損益表內確認。

持作出售且並無重新發展之投資物業,按香港財務報告準則第5號分類為持作出售之非流動資產。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

2 Summary of Significant Accounting Policies (Continued)

2.7 Properties under Development for Sale and Completed Properties for Sale

Properties under development for sale and completed properties for sale are included in current assets at the lower of cost and net realisable value.

The costs of properties under development for sale and completed properties for sale consist of land costs, construction expenditures, amounts capitalised in respect of borrowing costs directly attributable to construction of such properties and other direct costs. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

2.8 Intangible Assets

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

2 主要會計政策概要(續)

2.7 可供出售之發展中物業及可供出售之已落成物業

可供出售之發展中物業及可供出售之已落成物業乃按成本值及可變現淨值兩者中的較低者列入流動資產內。

可供出售之發展中物業及可供出售之已落成物業之成本包括土地成本、建造開支、就因建造該等物業而直接產生之借貸成本及其他直接成本已資本化之款項。變現淨值乃於日常業務過程中管理層參照當時市況釐定的估計售價，減去預期至竣工時產生的其他成本以及銷售及市場推廣費用計算。

2.8 無形資產

商譽

商譽於收購附屬公司、聯營公司及共同控制實體時產生，並代表轉讓代價超出本公司於可識別資產淨值中之權益之公平淨值、被收購方之負債及或然負債及被收購方非控股權益之公平值之部份。

就減值測試而言，於業務合併中收購的商譽被分配至預期受惠於合併之協同效應之各現金產生單位(「現金產生單位」)或一組現金產生單位。獲分配商譽之各單位或一組單位代表就內部管理目的而言，商譽被監察之實體之最低層面。商譽於營運分部層面被監察。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

2 Summary of Significant Accounting Policies (Continued)

2.8 Intangible Assets (Continued)

Goodwill (Continued)

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.9 Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 主要會計政策概要(續)

2.8 無形資產(續)

商譽(續)

商譽減值審閱每年或倘出現事件或變動顯著出現潛在減值的情況下更頻密地進行。商譽的賬面值與可收回金額(即使用價值與公平值減銷售成本之較高者)比較。任何減值即時確認為開支，其後不會被撥回。

2.9 資產減值

擁有無限可用年期之資產毋須攤銷，並於每年進行減值測試及每當有事項或情況轉變顯示不可收回賬面值時檢討有否減值。受攤銷所限之資產在每當有事項或情況轉變顯示賬面值不可收回時檢討有否減值。減值虧損按資產賬面值超出其可收回金額之金額確認。可收回金額為資產之公平值減銷售成本與使用價值之較高者。於評估減值時，資產將按可單獨認別現金流量之最低水平(現金產生單位)集中歸類。出現減值之非財務資產(商譽除外)將於各個呈報日期就減值是否有機會撥回進行檢討。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

2 Summary of Significant Accounting Policies (Continued)

2.10 Financial Assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivable and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial Assets at Fair Value through Profit or Loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current asset.

(b) *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

(c) *Available-for-Sale Financial Assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

2 主要會計政策概要(續)

2.10 財務資產

本集團將其財務資產分類為以下類別：按公平值透過損益列賬之財務資產、貸款及應收款項及可供出售財務資產。分類取決於收購資產之目的。管理層於初步確認時釐定其財務資產之分類。

(a) 按公平值透過損益列賬之財務資產

按公平值透過損益列賬之財務資產為持作買賣用途之財務資產。主要收購目的為在短期內出售之財務資產分類為此類別。衍生工具亦分類為持作買賣用途，惟指定為對沖項目者則除外。此類別之資產分類為流動資產。

(b) 貸款及應收款項

貸款及應收款項為非衍生財務資產，有固定或可釐定付款額且不會在活躍市場上報價。此等款項計入流動資產內，但到期日由結算日起計超過十二個月者，則分類為非流動資產。

(c) 可供出售財務資產

可供出售財務資產為指定劃入該類別或未分類為任何其他類別之非衍生項目，除非管理層計劃於結算日起計十二個月內出售有關投資，否則可供出售財務資產將計入非流動資產內。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

2 Summary of Significant Accounting Policies (Continued)

2.10 Financial Assets (Continued)

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the consolidated income statement within “other income/gains, net”, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of “other income/gains, net” when the Group’s right to receive payments is established.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

Interest on available-for-sale debt securities calculated using the effective interest method is recognised in the consolidated income statement as part of “other income/gains, net”. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of “other income/gains, net” when the Group’s right to receive payments is established.

2 主要會計政策概要(續)

2.10 財務資產(續)

常規購買及出售之財務資產均於交易日(即本集團承諾購入或出售該資產當日)確認。對於並非按公平值透過損益列賬之所有財務資產，其投資初步按公平值加交易成本確認。按公平值透過損益列賬之財務資產則初步按公平值確認，而交易成本則在綜合損益表支銷。當從投資收取現金流量之權利已到期或已轉讓，而本集團已將擁有權之絕大部份風險和回報實際轉移時，財務資產即終止確認。可供出售財務資產及按公平值透過損益列賬之財務資產其後則按公平值列賬。貸款及應收款項利用實際利率法按攤銷成本列賬。

「按公平值透過損益列賬之財務資產」類別之公平值變動所產生損益，於產生期間在綜合損益表內呈列為「其他收入／收益，淨額」。按公平值透過損益列賬之財務資產之股息收入於本集團收取有關款項之權利確立時於綜合損益表確認為「其他收入／收益，淨額」一部份。

分類為可供出售之證券於售出或減值時，於權益中確認之累計公平值調整會於綜合損益表列賬。

可供出售債券證券以實際利率法計算之利息在綜合損益表內確認為「其他收入／收益，淨額」部份。可供出售股本工具之股息則於本集團收取有關款項之權利確定時在綜合損益表內確認為「其他收入／收益，淨額」一部份。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

2 Summary of Significant Accounting Policies (Continued)

2.10 Financial Assets (Continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

Impairment testing of accounts receivable is described in Note 2.11.

2 主要會計政策概要(續)

2.10 財務資產(續)

有報價之投資之公平值根據當時之買盤價計算。若某項財務資產之市場並不活躍(及就非上市證券而言)，本集團利用估值方法設定公平值。該等方法包括利用近期公平原則交易、參考大致相同之其他工具、貼現現金流量分析法和期權定價模式，充分利用市場數據而盡量少依賴實體特有之數據。

本集團於各結算日評估是否有客觀證據表明某項財務資產或某組財務資產經已減值。對於分類為可供出售之股本證券，證券公平值若大幅度或長期跌至低於其成本值，會被視為證券已經顯示減值。若可供出售財務資產存在此等證據，累計虧損(按收購成本與當時公平值之差額，減該財務資產之前在綜合損益表確認之任何減值虧損計算)自權益中剔除並在綜合損益表確認。在綜合損益表確認之股本工具減值虧損不會透過綜合損益表撥回。

應收賬款之減值測試於附註2.11概述。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

2 Summary of Significant Accounting Policies (Continued)

2.11 Accounts Receivable

Accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivable. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated income statement.

2.12 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.13 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled.

2 主要會計政策概要(續)

2.11 應收賬款

應收賬款為非衍生金融資產，有固定或可釐定付款額且不會在活躍市場上報價。這些款項初步按公平值確認，而其後則採用實際利率法按已攤銷成本扣除減值撥備計量。倘有客觀憑證顯示本集團將不能按應收賬款之原有條款收回所有到期款項，則會對應收賬款作出減值撥備。撥備之數額為資產賬面值與估計未來現金流量現值之間之差額，並按實際利率貼現。撥備之數額於綜合損益表中確認。

2.12 現金及現金等價物

現金及現金等價物包括手頭現金、存於銀行之通知存款，及其他原定期限為三個月或以內而流通量極高之短期投資。

2.13 股本

普通股分類為股本。發行新股或購股權直接應佔之新增成本乃於股本內列作所得款項(扣除稅項)之扣減。

倘任何本集團成員公司購買本公司之權益股本，則所支付之代價(包括任何直接應佔之新增成本減去所得稅)乃從本公司股權持有人應佔股本中扣除，直至該等股份被註銷。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

2 Summary of Significant Accounting Policies (Continued)

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

2.15 Borrowing Cost

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the assets for its intended use or sale.

All other borrowing costs are charged to the consolidated income statement in the period in which they are incurred.

2 主要會計政策概要(續)

2.14 借貸

借貸初步按公平值(扣除已產生之交易成本)確認。交易成本為收購、發行或出售財務資產或財務負債直接應佔之新增成本，包括向代理、顧問、經紀及交易商支付之費用及佣金、監管代理機構及證券交易所徵收之款項及過戶登記稅項及稅款。借貸其後按已攤銷成本列賬；所得款項(扣除交易成本)與贖回價值間之任何差額於借貸期使用實際利率法於綜合損益表內確認。

2.15 借貸成本

為建設任何合資格資產產生之借貸成本，於完成建設並預備有關資產作擬定用途或銷售所需期間內資本化。

所有其他借貸成本均於發生年度內在綜合損益表支銷。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

2 Summary of Significant Accounting Policies (Continued)

2.16 Current and Deferred Income Tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, associates and jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 主要會計政策概要(續)

2.16 即期及遞延所得稅

稅項費用包括即期及遞延所得稅。稅項均於綜合損益表確認，惟如有關稅項與於其他全面收入確認或直接於權益內確認之項目相關之情況則除外。在此情況下，稅項亦分別於其他全面收入確認或直接於權益中確認。

即期所得稅開支乃按結算日本公司及其附屬公司、聯營公司及共同控制實體經營業務及產生應課稅收入所在國家已頒佈或實質已頒佈之稅法計算。管理層定期評估適用稅法須受到相關詮釋規限情況下之納稅申報狀況，並在適當情況下按預期將支付稅務機關的款項基準計提撥備。

遞延所得稅乃利用負債法就資產與負債之稅基與彼等在綜合財務報表之賬面值兩者之暫時差額作全數撥備。然而，若遞延所得稅來自在交易(不包括業務合併)中對資產或負債的初步確認，而在交易時不影響會計損益或應課稅盈虧，則不作記賬。遞延所得稅採用在結算日前已頒佈或實質採用，並在有關之遞延所得稅資產變現或遞延所得稅負債結算時預期將會適用之稅率及法例而釐定。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

2 Summary of Significant Accounting Policies (Continued)

2.16 Current and Deferred Income Tax (Continued)

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Employee Benefits

(a) Pension Obligations

Group companies operate defined contribution plans only. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory or contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 主要會計政策概要(續)

2.16 即期及遞延所得稅(續)

遞延所得稅資產乃就有可能將未來應課稅溢利與可動用之暫時差額抵銷而確認。

遞延所得稅會就有關在附屬公司、聯營公司及共同控制實體之投資所產生之暫時差額而撥備，但假若本集團可控制暫時差額之撥回，並有可能在可預見未來不會撥回則除外。

當存在法律上可執行權利以將本期稅項資產抵銷本期稅項負債，以及當遞延收入稅項資產及負債乃關於同一稅務機關對應課稅實體或不同應課稅實體(而其有意按淨額基準償付餘款)所徵收之所得稅時，遞延所得稅資產可抵銷負債。

2.17 僱員福利

(a) 退休金責任

本集團屬下公司僅設有界定供款計劃。本集團向公營或私人管理退休保險計劃作出強制或合約性質供款。作出供款後，本集團毋須作進一步供款承擔。該等供款會於到期支付時確認為僱員福利開支。可提供現金退還或扣減未來付款之預付供款會確認為資產。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

2 Summary of Significant Accounting Policies (Continued)

2.17 Employee Benefits (Continued)

(b) Share-based Compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as expenses. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market performance vesting conditions (for example, profitability and sales growth targets). Non-market performance vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.18 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2 主要會計政策概要(續)

2.17 僱員福利(續)

(b) 股份補償

本集團設有一項以股權結算之股份補償計劃。就交換僱員所提供之服務所授出之購股權之公平值，乃確認為開支。將於歸屬期內支銷之款項總額乃經參考所授出購股權之公平值釐訂，且不包括任何非市況歸屬條件(如盈利能力及銷售增長目標)之影響。非市況歸屬條件乃於估計將可予歸屬之購股權數目時考慮。於每個結算日，實體均會修訂其估計將可予歸屬之購股權數目。於損益表確認對原來估計之修訂(如有)，對因應對權益作出調整。

於購股權獲行使時，所收取之所得款項(扣除任何直接應佔之交易成本)乃計入股本(面值)及股份溢價中。

2.18 撥備

在出現以下情況時作出撥備：本集團因已發生的事件而產生現有的法律或推定責任；可能需要有資源流出以償付責任；金額已經可靠估計。未來經營虧損概不作撥備。

如有多項類似責任，其需要在償付中流出資源的可能性是根據責任的類別作整體考慮。即使在同一責任類別所包含的任何一個項目相關的資源流出的可能性極低，仍須確認撥備。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

2 Summary of Significant Accounting Policies (Continued)

2.19 Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of properties and services in the ordinary course of the Group's activities. Revenue is recognised as follows:

(a) Sale of Properties

Revenue from sale of properties is recognised when the significant risks and rewards of the properties are transferred to the buyers, which is when the construction of the relevant properties have been completed, notification of delivery of properties have been issued to the buyers and collectability of related receivables pursuant to the sale agreements is reasonably assured.

Deposits and instalments received on properties sold prior to transfer of the significant risks and rewards of the properties are included as deferred revenue under current liabilities.

(b) Rental Income

Rental income is recognised on a straight-line basis over the period of the relevant leases.

(c) Property Management Fees, Property Design Fees and Marketing Consultancy Fees

Property management fees, property design fees and marketing consultancy fees are recognised when the services are rendered.

(d) Hotel Operations

Revenue from hotel operations is recognised upon provision of services.

(e) Interest Income

Interest income is recognised on a time-proportion basis using the effective interest method.

2 主要會計政策概要(續)

2.19 收入確認

收入包括於本集團一般業務中出售物業及服務收取或應收之代價之公平值。收入確認如下：

(a) 銷售物業

銷售物業所得之收入乃於物業之重大風險及回報轉移至買家時(即於已完成有關物業之興建、已向買家發出交付物業之通知及可合理確定根據銷售協議相關應收款項之可收回性之時)確認。

於物業之重大風險及回報轉移之前就銷售物業所收取之按金及分期款項乃計入流動負債項下之遞延收入。

(b) 租金收入

租金收入按有關租賃期限以直線法確認。

(c) 物業管理費、物業設計費及營銷顧問費

物業管理費、物業設計費及營銷顧問費於提供服務時確認。

(d) 酒店營運

酒店營運收益於提供服務時確認。

(e) 利息收入

利息收入採用實際利率法按時間比例確認。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

2 Summary of Significant Accounting Policies (Continued)

2.19 Revenue Recognition (Continued)

(f) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching with it and that the grant will be received.

Grants relating to income are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs they are intended to compensate. Grants relating to the purchase of properties and equipment are included in non-current liabilities as deferred income and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets. Amounts received for which the earning process has not been completed are accounted for as deferred revenue.

(g) Dividend Income

Dividend income is recognised when the right to receive payment is established.

2.20 Operating Leases (As the Lessee)

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) The Group is the Lessee other than Operating Lease of Land Use Rights

Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2 主要會計政策概要(續)

2.19 收入確認(續)

(f) 政府補助

政府補助於可合理地確定將會收取而本集團符合所有相關條件時確認入賬。

有關收入之政府補助均會於符合擬彌償成本所需之期間遞延並在綜合損益表確認入賬。有關購入物業及設備之政府補助計入非流動負債為遞延收入，在相關資產之預計年期內以直線基準計入綜合損益表內。賺取收益過程尚未完成的已收款項入賬列作遞延收入。

(g) 股息收入

股息收入在收取款項的權利確定時確認。

2.20 經營租賃(作為承租人)

當擁有權的重大部份風險及回報由出租人保留時，有關租賃分類為經營租賃。

(i) 本集團為承租人(土地使用權經營租賃除外)

根據經營租賃支付的款項(扣除收取出租人的任何獎勵)於租賃期內以直線法在綜合損益表支銷。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

2 Summary of Significant Accounting Policies (Continued)

2.20 Operating Leases (As the Lessee) (Continued)

(ii) *The Group is the Lessee Under Operating Lease of Land Use Rights*

The Group made upfront payments to obtain operating leases of land use rights on which properties will be developed.

For land use rights to be developed for investment properties which are measured at fair values, the upfront payments are included in the cost of investment properties and accounted for as finance lease (Note 2.6).

For land use rights to be developed for hotel properties and self-use buildings, the upfront payments are separately recorded as assets and amortised over the periods on a straight line basis. The amortisation during the period of time that is required to develop the properties for its intended use, the land amortisation is capitalised as the cost of construction in progress. In other periods, the land amortisation is charged to the consolidated income statement.

For land use rights to be developed for properties for sale, the upfront payments are included as properties under development for sale or completed properties for sale which are measured at the lower of cost and net realisable value.

2 主要會計政策概要(續)

2.20 經營租賃(作為承租人)(續)

(ii) 本集團為土地使用權經營租賃下之承租人

本集團就獲取發展物業之土地使用權之經營租賃需預先支付款項。

用作發展投資物業的土地使用權按公平值計量，而所支付款項則計入投資物業的成本並入賬列為融資租賃(附註2.6)。

用作發展酒店物業及自用樓宇之土地使用權，所付款項分開記錄為資產並於期內以直線法攤銷。於按其擬定用途發展物業之期間之攤銷，土地攤銷會被資本化以作為在建工程之成本。於其他期間，土地攤銷於綜合損益表中支銷。

有關發展作銷售用途的物業所使用的土地使用權、預付支付款項計入可供出售之發展中物業或可供出售之已落成物業，並按成本及可變現淨值兩者中之較低者列賬。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

2 Summary of Significant Accounting Policies *(Continued)*

2.21 Insurance Contracts

The Group regards its financial guarantee contracts in respect of mortgage facilities provided to certain property purchasers and guarantees provided to its joint ventures and subsidiaries as insurance contracts.

The Group assesses at each balance sheet date the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the consolidated income statement.

2.22 Dividend Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's Directors/shareholders.

3 Financial Risk Management

3.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest-rate risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Group's financial performance. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

2 主要會計政策概要(續)

2.21 保險合約

本集團將有關給予若干物業買家之按揭信貸及給予其合營企業及附屬公司之擔保之財務擔保合約視為保險合約。

本集團會於各結算日利用現時對未來現金流量之估計評估其於保險合約下之責任。此等保險責任之賬面值變動會於綜合損益表確認。

2.22 股息分派

向本公司股東分派的股息在股息獲本公司董事/股東批准的期間內於本集團及本公司的財務報表內列為負債。

3 財務風險管理

3.1 財務風險因素

本集團之業務令其承受多種財務風險：外匯風險、信貸風險、流動資金風險及現金流及公平值利率風險。本集團的整體風險管理政策專注於金融市場的不可預測性，並力求減低對本集團財務表現的潛在不利影響。本集團定期監察其承受風險情況，並認為至目前為止無須為任何此等財務風險進行對沖。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

3 Financial Risk Management (Continued)

3.1 Financial Risk Factors (Continued)

(a) 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 the Group's presentation currency are not taken into consideration.

Majority of the subsidiaries of the Group operates in Mainland China with most of the transactions denominated in Renminbi. The Group is exposed to foreign exchange risk arising from the exposure of Renminbi against US dollar and Hong Kong dollar. It has not hedged its foreign exchange rate risk.

In addition, the conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the Mainland China government.

At 31st December 2011, if Renminbi had weakened/strengthened by 1% against US dollar with all other variables held constant, post-tax profit for the year would have been HK\$49.2 million (2010: HK\$26.7 million) lower/higher, mainly as a result of foreign exchange losses/gains on translation of US dollar denominated senior notes and bank deposits.

At 31st December 2011, if Renminbi had weakened/strengthened by 1% against HK dollar with all other variables held constant, post-tax profit for the year would have been HK\$0.3 million (2010: HK\$0.4 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of HK dollar denominated bank deposits.

3 財務風險管理(續)

3.1 財務風險因素(續)

(a) 外匯風險

香港財務報告準則第7號所界定之外匯風險乃因以功能貨幣以外之貨幣計值之貨幣資產及負債而產生；但並無計及因將財務賬目換算為本集團之呈列貨幣所產生之匯兌差額。

本集團大部份附屬公司均於中國內地經營，而大部份交易均以人民幣計算。本集團須承受之外匯風險由人民幣兌美元及港元之匯率引致。本集團並無就外幣匯率風險作出對沖。

此外，將人民幣換算為外幣須受中國內地政府所頒佈之外匯管制規則及規例監管。

於二零一一年十二月三十一日，倘人民幣兌美元下跌/上升1%，而所有其他變數保持不變，則年度除稅後溢利將減少/增加49.2百萬港元(二零一零年：26.7百萬港元)，主要是由於換算以美元計值之優先票據及銀行存款而產生外匯虧損/收益所致。

於二零一一年十二月三十一日，倘人民幣兌港元下跌/上升1%，而所有其他變數保持不變，則年度除稅後溢利將增加/減少0.3百萬港元(二零一零年：0.4百萬港元)，主要是由於換算以港元計值之銀行存款而產生外匯收益/虧損所致。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

3 Financial Risk Management (Continued)

3.1 Financial Risk Factors (Continued)

(b) Credit Risk

The Group's credit risk is primarily attributable to deposits with banks and financial institutions and credit exposures to customers. The Group has credit policies in place and exposures to these credit risks are monitored on an ongoing basis.

The Group manages its deposits with banks and financial institutions by monitoring credit ratings. At 31st December 2011, deposits with banks amounted to HK\$3,648 million (2010: HK\$2,697 million) were placed with a number of international/national/provincial/municipal financial institutions with sound credit ratings.

In respect of credit exposures to customers, the Group normally receives deposits or progress payments from sales of residential properties to customers prior to the completion of transactions. In addition, the Group monitors the exposure to credit risk in respect of amounts due from joint ventures through jointly controlling their financial and operating policy decisions and reviewing their financial positions on a regular basis.

3 財務風險管理(續)

3.1 財務風險因素(續)

(b) 信貸風險

本集團之信貸風險主要是由銀行及財務機構存款及客戶信貸風險所引致。本集團制訂有信貸政策並按持續基準監控該等信貸風險。

本集團透過監控信貸評級管理其銀行及財務機構之存款。於二零一一年十二月三十一日，銀行存款為數3,648百萬港元(二零一零年：2,697百萬港元)乃存置於具良好信貸評級之多家國際/全國性/省級/市級財務機構。

就客戶所承受之信貸風險而言，本集團通常於完成有關交易前就出售住宅物業予客戶而收取按金或進度款項。此外，本集團透過共同控制合營企業之財務及營運政策及定期審閱該企業之財務狀況，以監控應收合營企業款項之信貸風險。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註 (續)

3 Financial Risk Management (Continued)

3.1 Financial Risk Factors (Continued)

(b) Credit Risk (Continued)

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the property sales proceeds received from the customers and sell the property to recover any amounts paid by the Group to the bank. In this regard, the Directors of the Company consider that the Group's credit risk is minimal (see also Note 38).

The maximum exposure to credit risk is represented by the carrying amount of each financial asset (other than equity securities included in financial assets at fair value through profit or loss and available-for-sale financial assets) in the balance sheet after deducting any impairment allowance, and guarantees provided to third parties. The Group's exposure to credit risk arising from accounts receivable is set out in Note 20.

3 財務風險管理 (續)

3.1 財務風險因素 (續)

(b) 信貸風險 (續)

本集團已為若干物業單位之買家安排銀行融資，並提供擔保以確保該等買家須承擔還款之責任。倘買家於擔保期限內未能支付其按揭，則持有按揭之銀行可能會要求本集團償還貸款之未償還款項及其任何應計利息。在該等情況下，本集團可扣留自客戶收取之物業銷售所得款項並出售物業以收回任何本集團支付予銀行之款項。就此而言，本公司董事認為，本集團之信貸風險已降至最低（參見附註38）。

所承受之最大信貸風險為資產負債表各財務資產（計入按公平值透過損益列賬的財務資產及可供出售財務資產之股本證券除外）之賬面值（扣減任何減值撥備）及向第三方提供的擔保。本集團就應收賬款所承受之信貸風險載於附註20。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

3 Financial Risk Management (Continued)

3.1 Financial Risk Factors (Continued)

(c) Liquidity Risk

In managing the liquidity risk, the Group regularly and closely monitors its current and expected liquidity requirements to maintain its rolling cash flow at a level which is considered adequate by the Group to finance the Group's operations and to maintain sufficient cash to meet its business development requirements.

The Group meets its working capital requirements mainly through sales of properties and borrowings from banks. Management has prepared cash flow projections for the period up to 31st March 2013 which have been adopted and approved by the Directors. Key assumptions used in the preparation of the cash flow projections include: (1) new bank borrowings will be successfully obtained by the Group; (2) certain existing bank borrowings due for repayment will be successfully renewed on substantially the same existing terms; (3) the level of sales volume and turnover in 2012 is expected to be satisfactory; (4) certain borrowings from other financial institutions will be repaid; and (5) payments for acquisition of land will be paid. In addition, management has taken into consideration the repayment of the Company's Senior Notes due in November 2012 in the preparation of the cash flow projections. The Directors believe the above key assumptions are reasonable based on the following:

- (1) Good relationship with banks has been maintained. Leveraged on the Group's quality projects and brand name, banks are supportive of the Group's business development;

3 財務風險管理(續)

3.1 財務風險因素(續)

(c) 流動資金風險

管理流動資金風險時，本集團定期並密切監控其現時及預期流動資金需求，以維持其滾存現金流量在本集團認為足夠之水平，以因應現金流量預測為本集團業務運作提供資金，以及維持足夠現金應付其業務發展所需。

本集團主要透過銷售物業及銀行借貸滿足其營運資金需要。管理層已編製截至二零一三年三月三十一日止期間之現金流量預測，並經董事採納及批准。用於編製現金流量預測之主要假設包括：(1)本集團將成功取得新的銀行借貸；(2)若干現有到期須償還之銀行借貸將根據銀行信貸之相同現有條款成功重續；(3)二零一二年預期會有滿意的銷售量及營業額；(4)將償還其他財務機構的若干借款，及(5)將支付已承諾之土地收購款項。此外，於編製現金流量預測時，管理層已考慮到需要償還款本公司於二零一二年十一月到期之優先票據。董事基於以下因素，認為上述主要假設乃屬合理：

- (1) 本集團與銀行一直維持良好關係。銀行鑒於本集團之優質項目及品牌而支持本集團之業務發展；

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

3 Financial Risk Management (Continued)

3.1 Financial Risk Factors (Continued)

(c) Liquidity Risk (Continued)

- (2) The Group's history has shown that bank loans have been settled in accordance with the repayment schedule without any default and therefore new bank loans are likely to be obtained successfully to finance projects;
- (3) Borrowings from other financial institutions will be repaid through operating cash and disposing of certain equity interests in listed investments; and
- (4) Payments for acquisition of land will be settled by cash flows from operating and financing activities.

Notwithstanding the above, should there be any material unexpected impact on the Group's anticipated cash flow position, the Group has a number of alternative plans to meet its business development requirements, which include (1) obtaining further bank loans by pledging certain property projects as collateral; (2) slowing down the construction of investment properties in order to provide additional resources for the development of properties for sale; (3) carrying out cost control measures; (4) accelerating property sales with flexible pricing; and (5) disposing of certain commercial property projects and equity interests in unlisted and listed investments. The Group will pursue such options as are appropriate with prudent assessment.

3 財務風險管理(續)

3.1 財務風險因素(續)

(c) 流動資金風險(續)

- (2) 本集團過往一直按銀行的償還計劃償還貸款，並無任何拖欠，因此，本集團很有可能成功取得新的銀行貸款以資助專案發展；
- (3) 以經營現金流將償還其他財務機構的借款及出售若干上市投資的股本權益；及
- (4) 以經營現金流及融資的現金流來支付已承諾之土地收購款項。

除了上述假設外，本集團預期之現金流量狀況若受到任何不能預知的重大影響，本集團有若干備選計劃以滿足其業務發展需要，包括(1)提供若干物業項目作抵押品取得更多銀行貸款；(2)放緩投資物業建築進度以投入更多額外資源開發出售的地產專案；(3)實施成本控制措施；(4)以靈活訂價加快售樓速度；及(5)出售若干商業物業項目及投資非上市及上市的股本權益。本集團在採用以上計劃時將作出審慎的評估。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

3 Financial Risk Management (Continued)

3.1 Financial Risk Factors (Continued)

(c) Liquidity Risk (Continued)

Although there is no significant sign of relaxation of real estate policies by the Central Government, the Directors are cautiously optimistic about the Group's business plans and its capabilities to maintain sufficient financial resources to meet its operational needs, considering certain data of the first two months in 2012, for example: (1) repayment of bank loans amounted to approximately RMB2.0 billion; (2) new bank loans in the aggregate amount of approximately RMB1.9 billion have been obtained; (3) the Group has received non-binding intent for credit lines from banks, the total banking facilities as at 29th February 2012 stood at approximately RMB48.8 billion of which unutilised banking facilities amounted to approximately RMB29.0 billion. The issuance of such non-binding offers for credit lines is not uncommon in the PRC, and (4) a healthy cash level of approximately RMB2.3 billion was held at 29th February 2012.

The Directors will actively and regularly review and monitor the Group's risk exposure to ensure that appropriate measures will be implemented and actions will be carried out on a timely and effective manner. The Directors consider that the Group will have sufficient financial resources in the foreseeable future to finance its operations.

Management has periodically prepared cash flow projections and the Group has a number of alternative plans to offset the potential impact on the Group's business development and current operation, should there be circumstances that the anticipated cash flow may be affected by any unexpected changes in global/Mainland China economic conditions. The Company's Directors consider that the Group will be able to maintain sufficient financial resources to meet its needs.

As at 31st December 2011, the Company's current liabilities exceeds current assets by HK\$2,747,488,000, primarily due to the Company's Senior Notes due in November 2012. As the repayment of these Senior Notes has been considered in the above cash flow projections, the Directors consider that the Company will have sufficient financial resources to meet its liabilities.

3 財務風險管理(續)

3.1 財務風險因素(續)

(c) 流動資金風險(續)

雖然中央政府目前還沒有明確表示會放寬房地產政策，但按二零一二年首兩個月的一些資料，董事對本集團之業務計劃及其維持充足財務資源以應付營運所需之能力抱有信心，例如：(1)償還銀行貸款約人民幣20億元；(2)已獲得新借銀行貸款合共約人民幣19億元；(3)考慮到本集團取得銀行不具約束力之信貸額意向書，於二零一二年二月二十九日之銀行信貸總額約為人民幣488億元，其中尚未動用之銀行信貸額度約為人民幣290億元，在中國發出該不具約束力之信貸額意向書並非不普遍，及(4)於二零一二年二月二十九日現金維持在約人民幣23億元的健康水準。

董事將積極地定期檢討及監察本集團涉及之風險，以確保適時及有效地執行恰當的措施。董事認為本集團在可預見之未來擁有充裕之財務資源提供其營運所需。

管理層定期編製現金流量預測，且本集團並備有不同方案，一旦全球/中國大陸經濟出現突變而對預期的現金流產生影響，該等方案可抵銷事件對集團業務發展及目前經營的影響。本公司董事認為本集團將能維持足夠的財務資源，應付其營運所需。

於二零一一年十二月三十一日，本公司的流動負債較流動資產超出2,747,488,000港元，主要由於本公司的優先票據於二零一二年十一月到期。由於在上述現金流量預測中已計入該等優先票據的償還，故董事認為本公司將擁有充足的財政資源應付其負債。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

3 Financial Risk Management (Continued)

3.1 Financial Risk Factors (Continued)

(c) Liquidity Risk (Continued)

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 財務風險管理(續)

3.1 財務風險因素(續)

(c) 流動資金風險(續)

下表顯示本集團及本公司之財務負債，按照相關到期組別，根據由結算日至合約到期日之剩餘期間進行分析。表內所披露之金額為合約性未貼現現金流量。

		Less than 1 year 1年內 HK\$'000 千港元	Between 1 and 2 years 1至2年 HK\$'000 千港元	Between 2 and 5 years 2至5年 HK\$'000 千港元	Over 5 years 超過5年 HK\$'000 千港元
Group	集團				
At 31st December 2011	於二零一一年 十二月三十一日				
Borrowings (including interests)	借貸(包含利息)	16,565,498	12,714,481	9,474,420	3,334,968
Accounts payable and accruals and other payables	應付賬款、應計款項 及其他應付款項	8,082,471	—	—	—
Land cost payable	應付土地成本	602,612	81,481	—	—
Due to an associate	應付一間聯營公司 之款項	6,808	—	—	—
Due to related companies	應付關連公司之款項	81,704	—	—	—
Due to a jointly controlled entity	應付一間共同控制 實體之款項	1,574,135	—	—	—
Due to minority shareholders of subsidiaries	應付附屬公司之 少數股東之款項	—	—	—	439,841
		26,913,228	12,795,962	9,474,420	3,774,809
At 31st December 2010	於二零一零年 十二月三十一日				
Borrowings (including interests)	借貸(包含利息)	5,112,513	9,577,647	9,874,834	3,164,628
Accounts payable and accruals and other payables	應付賬款、應計款項 及其他應付款項	7,841,812	—	—	—
Land cost payable	應付土地成本	264,271	111,178	—	—
Due to an associate	應付一間聯營公司 之款項	6,486	—	—	—
Due to related companies	應付關連公司之款項	344,057	—	—	—
Due to a jointly controlled entity	應付一間共同控制 實體之款項	1,709,345	—	—	—
Due to minority shareholders of subsidiaries	應付附屬公司之 少數股東之款項	—	—	—	432,323
		15,278,484	9,688,825	9,874,834	3,596,951

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

3 Financial Risk Management (Continued)

3 財務風險管理(續)

3.1 Financial Risk Factors (Continued)

3.1 財務風險因素(續)

(c) Liquidity Risk (Continued)

(c) 流動資金風險(續)

		Less than 1 year 1年內 HK\$'000 千港元	Between 1 and 2 years 1至2年 HK\$'000 千港元	Between 2 and 5 years 2至5年 HK\$'000 千港元	Over 5 years 超過5年 HK\$'000 千港元
Company	公司				
At 31st December 2011	於二零一一年 十二月三十一日				
Borrowings	借貸	3,215,250	273,969	2,902,421	—
Accruals and other payables	應計款項及其他 應付款項	159,137	—	—	—
		3,374,387	273,969	2,902,421	—
At 31st December 2010	於二零一零年 十二月三十一日				
Borrowings	借貸	221,326	2,945,340	—	—
Accruals and other payables	應計款項及其他 應付款項	37,947	—	—	—
		259,273	2,945,340	—	—

The table above excludes guarantees given to banks for mortgage facilities granted to certain buyers of the Group's properties (see Note 3.1(b) and 38) as management considers the risk as minimal.

上表不包括就授予本集團物業之若干買家之按揭貸款而向銀行作出之擔保(參見附註3.1(b)及38)，原因為管理層認為有關風險已降至最低。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

3 Financial Risk Management (Continued)

3.1 Financial Risk Factors (Continued)

(d) Cash Flow and Fair Value Interest-rate Risk

The Group's interest-rate risk arises from interest bearing bank deposits and borrowings. Bank deposits and borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group has not hedged its cash flow and fair value interest-rate risk.

At 31st December 2011, if interest rates had increased/decreased by one percentage-point and all other variables were held constant, the net finance income (after taking into account the interest expenses capitalised in the properties under development), would increase/decrease the Group's post-tax profit by approximately HK\$19 million (2010: HK\$19 million).

3 財務風險管理(續)

3.1 財務風險因素(續)

(d) 現金流及公平值利率風險

本集團之利率風險乃由有息銀行存款及借貸產生。銀行存款及以浮動利率發放之借貸令本集團承受現金流利率風險。而以固定利率發放之借貸則令本集團承受公平值利率風險。本集團並無就其現金流及公平值利率風險作出對沖。

於二零一一年十二月三十一日，倘利率上升/下降1個百分點，而所有其他變數保持不變，則財務收入淨額(計入發展中物業中已資本化之利息開支)將會使本集團之稅後溢利上升/下降約19百萬港元(二零一零年：19百萬港元)。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

3 Financial Risk Management (Continued)

3.2 Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity owners, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings, as shown in the consolidated balance sheet) less pledged/charged bank deposits and cash and cash equivalents. Total capital represents total equity as shown in the consolidated balance sheet.

The gearing ratios at 31st December 2011 and 2010 were as follows:

		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Total borrowings	總借貸	35,347,888	23,719,443
Less: pledged/charged bank deposits and cash and cash equivalents (Note 21)	減：已抵押／押記銀行存款及現金及現金等價物(附註21)	(3,648,254)	(2,697,275)
Net debt	負債淨額	31,699,634	21,022,168
Total equity	權益總額	44,066,109	40,993,099
Gearing ratio	資本負債比率	72%	51%

The increase in the gearing ratio was mainly due to the increase in borrowings from banks and other financial institutions during the year, for the purpose of financing land and construction cost payment.

3 財務風險管理(續)

3.2 資金風險管理

本集團管理資本之目標乃保障本集團能夠繼續根據持續基準經營，從而為股權持有人創造回報並使其他利益相關者受惠，以及維持最佳資本架構以降低資本成本。

本集團可透過調整派付予股權持有人之股息數額、發行新股或出售資產減少債務，藉以維持或調整資本架構。

本集團按資本負債比率基準監控資本。資本負債比率乃以負債淨額除以總資本計算。負債淨額乃以總借貸(包括綜合資產負債表所示之流動及非流動借貸)減已抵押／押記銀行存款及現金及現金等價物計算。總資本乃權益總額(如綜合資產負債表所示)。

於二零一一年及二零一零年十二月三十一日之資本負債比率如下：

資本負債比率上升主要由於年內銀行及財務機構之借貸增加，以為土地及建築成本撥資。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

3 Financial Risk Management (Continued)

3.3 Fair Value Estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value at 31st December 2011:

3 財務風險管理(續)

3.3 公平值估算

下表以估值法分析按公平值計量之財務工具。不同級別之定義如下：

- 就相同資產或負債於活躍市場之報價(未調整)(第1級)。
- 第1級內所包括就資產或負債可觀察之直接輸入數據(即如價格)或間接輸入數據(即自價所計算者)(報價除外)(第2級)。
- 就資產或負債而言並非根據可觀察市場數據之輸入數據(即不可觀察數據)(第3級)。

下表呈列於二零一一年十二月三十一日按公平值計量之本集團資產：

		Level 1 第1級 HK\$'000 千港元	Level 3 第3級 HK\$'000 千港元	Total 總計 HK\$'000 千港元
Assets	資產			
Financial assets at fair value through profit or loss	按公平值透過損益列賬的財務資產			
— Trading securities	— 買賣證券	11,456	—	11,456
Available-for-sale financial assets	可供出售財務資產			
— Equity securities	— 股本證券	2,130,561	3,072,774	5,203,335
Total assets	總資產	2,142,017	3,072,774	5,214,791

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

3 Financial Risk Management (Continued)

3.3 Fair Value Estimation (Continued)

The following table presents the Group's assets that are measured at fair value at 31st December 2010:

		Level 1 第1級 HK\$'000 千港元	Level 3 第3級 HK\$'000 千港元	Total 總計 HK\$'000 千港元
Assets	資產			
Financial assets at fair value through profit or loss	按公平值透過損益列賬的財務資產			
— Trading securities	一買賣證券	11,693	—	11,693
Available-for-sale financial assets	可供出售財務資產			
— Equity securities	一股本證券	2,164,706	1,151,682	3,316,388
Total assets	總資產	2,176,399	1,151,682	3,328,081

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily Mainland China and Hong Kong equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. There was no instrument included in level 2 at 31st December 2010 and 2011.

3 財務風險管理(續)

3.3 公平值估算(續)

下表呈列於二零一零年十二月三十一日按公平值計量之本集團資產：

於活躍市場所買賣金融工具之公平值乃根據於結算日之所報市場價格計算。倘即時及定時透過交易所、交易商、經紀、業界組別、報價服務或監管機構獲得報價，且該等價格屬實際及定期按公平基準進行之市場交易，則市場可視為活躍。本集團所持財務資產所用之市場報價為目前之買入價。此等工具已計入第1級。第1級計入之工具主要包括分類為證券交易或可供出售財務資產之中國大陸及香港之股本投資。

未有在活躍市場買賣之金融工具(如場外衍生工具)之公平值乃採用估值法釐定。此等估值方法使所得可觀察市場數據之用途發揮至極，並盡可能減少依賴實體特定估計。倘所有計算一項工具之公平值所需重大輸入數據屬可觀察時，有關工具會計入第2級。截至二零一零年及二零一一年十二月三十一日止並無工具計入第2級。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

3 Financial Risk Management (Continued)

3.3 Fair Value Estimation (Continued)

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Instruments included in level 3 represent unlisted equity securities.

Specific valuation techniques used to value financial instruments include market approach by applying multiple methodology with reference to similar companies and with regard to the risks and nature of the business.

The changes in level 3 instruments for the year ended 31st December 2011 are as follows:

		Available-for-sale financial assets 可供出售財務資產
		HK\$'000 千港元
At 1st January 2011	於二零一一年一月一日	1,151,682
Addition	新增	1,721,322
Fair value gain recognised in equity	於權益確認之公平值收益	97,493
Exchange difference	匯兌差額	102,277
At 31st December 2011	於二零一一年十二月三十一日	3,072,774

The nominal value less estimated credit adjustments of accounts receivable, accounts payable, balances with related parties and land cost payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments or based on the current bid price in the market.

3 財務風險管理(續)

3.3 公平值估算(續)

倘一個或多個重大輸入數據並非根據可觀察市場數據計算，有關工具會計入第3級。計入第3級之工具指非上市股本證券。

用於計算金融工具價值之特定估值包括應用倍數方法並參考同類公司以及業務風險及性質的市場法。

截至二零一一年十二月三十一日止年度，第3級工具變動如下：

應收賬款、應付賬款、與關連人士之結餘及應付土地成本之面值減去估計信貸調整後，乃假設與其公平值相若。就披露而言，財務負債之公平值乃按本集團可取得之類似金融工具之現行市場利率或根據市場現時之買入價，把未來合約現金流量貼現作出估算。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

4 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *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 judgements and estimates.

4 重要會計推算及判斷

推算及判斷乃持續進行之評估，並以過往經驗及其他因素作為基礎，包括在目前情況下對未來事件之合理預期。

4.1 重要會計推算及假設

本集團就未來作出推算及假設。在定義上，由此而生之會計推算極少與相關之實際結果相同。具相當風險導致下個財政年度之資產與負債賬面值作重大調整之推算及假設將於下文論述。

(a) *物業及設備及無形資產之估計減值*

物業及設備乃於有事件或情況變動顯示其賬面值可能不能收回時作減值檢討。無形資產乃於每個結算日或有事件或情況變動顯示其賬面值可能不能收回時作減值檢討。物業及設備及無形資產之可收回金額乃按其使用價值釐訂並考慮最近期市場資料及過往經驗。此等計算及估值須運用判斷及推算。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註 (續)

4 Critical Accounting Estimates and Judgements (Continued)

4.1 Critical Accounting Estimates and Assumptions (Continued)

(b) *Estimated Provision of Properties under Development for Sale and Completed Properties for Sale*

For the purpose of determining provision, 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 judgement and estimates.

(c) *Estimate of Fair Value of Investment Properties*

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, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) 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

4 重要會計推算及判斷(續)

4.1 重要會計推算及假設(續)

(b) 可供出售之發展中物業及可供出售之已落成物業估計撥備

就釐定撥備而言，發展中物業及持作出售之已落成物業按可獨立分辨現金流量之最低水平分類。該等資產之賬面值是否可收回，乃根據其公平值減銷售成本進行評估。公平值乃經計及基於過往經驗之竣工成本以及根據當前市況計算之銷售淨額後釐定。當有事件或情況變動顯示賬面值可能無法收回時計提撥備。評估須運用判斷及估計。

(c) 投資物業之公平值估計

公平值之最佳憑證為類似租賃及其他合約於活躍市場中之現行價格。倘缺乏有關資料，本集團將會把金額釐訂在合理之公平值估算範圍內。於作出判斷時，本集團將考慮多項資料來源，包括：

- (i) 於交投活躍之市場中不同性質、狀況或地點(或訂有不同租賃或其他合約)之物業之現行價格(經參考獨立估值)，並作出調整以反映上述不同之處；及

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

4 Critical Accounting Estimates and Judgements (Continued)

4.1 Critical Accounting Estimates and Assumptions (Continued)

(c) Estimate of Fair Value of Investment Properties (Continued)

- (ii) 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.

4 重要會計推算及判斷(續)

4.1 重要會計推算及假設(續)

(c) 投資物業之公平值估計(續)

- (ii) 經參考獨立估值後，於交投較淡靜之市場中類似物業之近期價格，並作出調整以反映自交易日期以來經濟環境之任何變動對該等價格之影響。

就發展中投資物業而言，其公平值反映市場參與者對物業價值於落成時之預期，減完成項目需扣減之成本以及就溢利及風險之適當調整。估值及進行估值時採用之所有主要假設應反映於結算日之市場狀況。主要假設包括已落成物業之價值、發展期、尚未支付建築成本、財務成本、其他專業費用、完成項目及完成後所賺取收入之相關風險，以及投資者回報佔價值或成本值之百分比。公平值經參考獨立估值後釐訂。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

4 Critical Accounting Estimates and Judgements (Continued)

4.1 Critical Accounting Estimates and Assumptions (Continued)

(c) Estimate of Fair Value of Investment Properties (Continued)

It may sometimes be difficult to determine reliably the fair value of the investment property under development. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract
- The stage of completion
- Whether the project/property is standard (typical for the market) or non-standard
- The level of reliability of cash inflows after completion
- The development risk specific to the property
- Past experience with similar constructions
- Status of construction permits

(d) Current Taxation and Deferred Taxation

The Group is subject to taxation in Mainland China and Hong Kong. Judgement 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.

4 重要會計推算及判斷(續)

4.1 重要會計推算及假設(續)

(c) 投資物業之公平值估計(續)

由於發展中投資物業公平值有時或會難以可靠釐定，故為評估發展中投資物業公平值是否可靠釐定，管理層將考慮(其中包括)以下因素：

- 建築合約條款
- 已落成階段
- 項目／物業是否屬標準(對市場而言屬普遍)或非標準
- 落成後現金流入之可靠程度
- 物業獨有之發展風險
- 類似建築工程之過往經驗
- 建築許可證之狀況

(d) 本期稅項及遞延稅項

本集團須繳納中國內地及香港稅項。於釐訂相關稅項之稅項撥備金額及支付時間時須作出判斷。於日常業務過程中有頗多未能確定最終稅項之交易及計算。倘該等事宜之最終稅務結果與初步記錄之金額不同，有關差異將影響作出釐定之期間內之所得稅及遞延稅項撥備。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

4 Critical Accounting Estimates and Judgements (Continued)

4.1 Critical Accounting Estimates and Assumptions (Continued)

(d) Current Taxation and Deferred Taxation (Continued)

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. 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.

The Group is subject to land appreciation taxes in Mainland China. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of Mainland China, and the Group has not finalised most of its land appreciation taxes clearance and payments with the local tax authorities in Mainland China. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these land appreciation taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the taxation and tax provisions in the periods in which such taxes have been finalised with local tax authorities.

4 重要會計推算及判斷(續)

4.1 重要會計推算及假設(續)

(d) 本期稅項及遞延稅項(續)

倘管理層認為未來應課稅溢利可用作對銷暫時性差異或稅項虧損可予動用時，則會確認與若干暫時性差異有關之遞延稅項資產淨值及稅項虧損。倘預期結果與原先之估算不同，有關差異會對有關估算出現變動之期間內遞延稅項資產及稅項之確認構成影響。

本集團須於中國內地繳納土地增值稅。然而，該等稅項的執行及支付，中國各城市的不同稅務司法權區有異，而本集團尚未與中國地方稅務機關落實大部份土地增值稅的結算及付款方法。因此，須作出重大判斷以釐定土地增值及其相關稅項的金額。本集團根據管理層按其對稅務規則的理解作出的最佳估計，確認此等土地增值稅。最終稅務結果可能與最初記錄的金額不同，而因當地稅務機關落實該等稅項而出現的有關差異將影響期間內的稅項及稅項撥備。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註 (續)

4 Critical Accounting Estimates and Judgements (Continued)

4.1 Critical Accounting Estimates and Assumptions (Continued)

(e) Depreciation

The Group's net book value of properties and equipment as at 31st December 2011 was approximately HK\$3,264,839,000. The Group depreciates the hotel properties, buildings, furniture and office equipment and motor vehicles on a straight line basis over the estimated useful life of 28 to 30 years, 50 years, 5 years and 3 to 5 years, respectively, and after taking into account their estimated residual value, commencing from the date the asset is placed into productive use. The estimated useful lives and dates that the Group places the properties and equipment into productive use reflects the Directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's assets.

4.2 Critical Accounting Judgements

(a) Revenue Recognition

The Group has recognised revenue from the sale of properties in the ordinary course of business, as disclosed in note 2.19. 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.

4 重要會計推算及判斷 (續)

4.1 重要會計推算及假設 (續)

(e) 折舊

本集團之物業及設備於二零一一年十二月三十一日之賬面淨值約為3,264,839,000港元。本集團由資產可投入作生產用途之日起，以直線法於分別28至30年、50年、5年以及3至5年之估計可用年期期間，在計及資產估計剩餘價值後，對酒店物業、樓宇、傢俬及辦公室設備以及汽車計算折舊。估計可用年期及本集團把物業及設備投入生產用途之日期，反映董事對本集團擬自運用本集團資產產生未來經濟利益之期間之估計。

4.2 重要會計判斷

(a) 收入確認

誠如附註2.19所披露，本集團已確認來自於一般業務中出售物業的收益。對於實體何時將擁有權的重大風險及回報轉移至買家須對交易狀況進行審查。大多數情況下，在各物業交付予買家之後，所有權風險和收益的轉移時間會與物業的衡平權益轉歸買家的時間相一致。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

4 Critical Accounting Estimates and Judgements (Continued)

4.2 Critical Accounting Judgements (Continued)

(a) Revenue Recognition (Continued)

As disclosed in note 38, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will expire when the relevant property ownership certificates are lodged with the various banks. In order to obtain mortgages, the purchasers would have settled certain percentage of the total contract amount in accordance with the related PRC regulations upon delivery of the properties. The Directors are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour their contractual obligations of the bank loans. In addition, based on past experiences, there were no significant defaults of mortgage facilities by the purchasers resulting in execution of the bank guarantees. Accordingly, the Directors believe that significant risks and rewards associated with ownership of the properties have been transferred to the purchasers.

4 重要會計推算及判斷(續)

4.2 重要會計判斷(續)

(a) 收入確認(續)

誠如附註 38 所披露，本集團就為本集團物業若干買家安排的按揭貸款提供擔保。當相關物業所有權證交予各銀行時，該等擔保將告到期。根據中華人民共和國有關法規，為取得按揭貸款，買家在物業交吉之前，需已交付合同總金額的一定比例。董事認為，該等付款為買家履行銀行貸款的合約責任提供了充分證據。再者，根據過往經驗，買家並無重大按揭貸款拖欠事件，以致進行擔保賠付。因此，董事認為，物業所有權的重大風險與回報已被轉移至買家。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

4 Critical Accounting Estimates and Judgements (Continued)

4.2 Critical Accounting Judgements (Continued)

(b) 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. The Group has certain tracts of land for which development has not commenced according to the specified terms of the respective land grant contracts. Judgement 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 the Group. In making this judgement, the Group evaluates 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.

4 重要會計推算及判斷(續)

4.2 重要會計判斷(續)

(b) 閒置土地法規之財務涵意

根據中國法例及法規，倘物業發展商未能根據土地批授合約之條款發展土地，包括土地指定用途以及物業發展之施工及完工時限，則中國政府可能視土地為閒置，並向該發展商發出警告或徵收罰款或收回土地。本集團有若干土地並無按照各自之土地批授合約特定條款進行發展。本集團在評估該等土地會否遭接受閒置土地之懲罰或遭政府收回而帶來任何不利財務影響時須作出判斷。在作出此判斷時，本集團將評估土地整體之發展程度，以及就延長施工時限或修訂發展規劃與政府機關進行磋商之狀況。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

4 Critical Accounting Estimates and Judgements (Continued)

4.2 Critical Accounting Judgements (Continued)

(c) *Distinction Between Investment Properties and Owner-occupied Properties*

The Group determines whether a property qualifies as an investment property. In making its judgement, the Group considers 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), the Group accounts 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. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

4 重要會計推算及判斷(續)

4.2 重要會計判斷(續)

(c) *分辨投資物業與自用物業*

本集團會釐訂物業是否合資格成為投資物業。於作出判斷時，本集團會考慮該物業能否產生大致獨立於公司所持其他資產之現金流量。自用物業所產生之現金流量不只由該物業佔有，亦會由生產或供應過程中所使用之其他資產佔有。

部份物業可分為持作賺取租金或資本增值之部份，而另一部份可持作生產或供應貨物或服務或行政用途。倘該等部份可分開出售(或根據融資租賃分開出租)，則本集團將會把該部份分開入賬。倘該等部份不可分開出售，則該物業僅會於持作生產或供應貨物或服務或行政用途之部份只佔極少部份時，被確認為投資物業。於釐訂附屬服務對物業未能合資格成為投資物業是否重要時須作出判斷。本集團於作出判斷時均會對每項物業作獨立考慮。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

5 Segment Information

The chief operating decision maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Executive Directors consider the business from both a business and geographic perspective. Reportable business segments identified are property development, property investment, hotel operations and property management. Geographically, the Executive Directors consider that the reportable business segments can be further segregated into three main geographical areas, namely Southern China (SC) (including Guangzhou, Huizhou, Zhongshan and Hong Kong), Northern China (NC) (including Beijing, Tianjin, Dalian, Taiyuan and Qinhuangdao) and Eastern China (EC) (including Shanghai, Hangzhou and Ningbo).

The Executive Directors assess the performance of the operating segments based on a measure of adjusted segment results. Corporate expense, finance income and finance costs are not included in the results for each operating segment that is reviewed by the Executive Directors.

Segment assets consist primarily of properties and equipment, investment properties, investments in jointly controlled entities, prepayments for acquisition of land, properties under development for sale, completed properties for sale, prepayments, deposits and other current assets and cash and cash equivalents. They exclude available-for-sale financial assets and deposit for proposed investment which are managed on a central basis, and deferred tax assets. These are part of the reconciliation to total balance sheet assets.

5 分部資料

最高營運決策者已定為執行董事。執行董事審閱本集團內部報告，以評估表現及分配資源。管理層已根據該等報告釐定營運分部。

執行董事會從商業及地理角度考慮業務。已識別之可呈報業務分部包括物業發展、物業投資、酒店營運及物業管理。就地理方面而言，執行董事認為可呈報業務分部可進一步劃分為三個主要地區，包括華南(包括廣州、惠州、中山及香港)、華北(包括北京、天津、大連、太原及秦皇島)及華東(包括上海、杭州及寧波)。

執行董事根據經調整分部業績評估營運分部之表現。公司開支、財務收入及財務成本並無計入執行董事所審閱之各營運分部業績。

分部資產主要包括物業及設備、投資物業、於共同控制實體之投資、收購土地之預付款項、可供出售之發展中物業、已落成之可供出售物業、預付款項、按金及其他流動資產及現金及現金等價物。其不包括集中管理可供出售財務資產、建議投資之按金及遞延稅項資產，並為資產負債表資產合計之對賬一部分。

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

5 Segment Information (Continued)

Segment Results by Business Lines and Geographical Areas

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the consolidated income statement.

Revenues comprise turnover which included gross proceeds from sale of properties, revenue from rental and hotel operation, and property management income.

5 分部資料(續)

按業務及地區劃分之分部業績

分部間銷售乃按公平交易條款進行。向執行董事呈報之對外來收益按與綜合損益表一致之方式計量。

收益由物業銷售所得款項總額、租金及酒店營運收益以及物業管理收入的營業額組成。

		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Sales of properties	物業銷售	7,170,325	13,696,356
Property management income	物業管理收入	490,115	410,634
Income from hotel operation	酒店營運收入	199,444	179,792
Rental income	租金收入		
— Investment properties	— 投資物業	41,712	98
— Others	— 其他	105,941	92,373
		8,007,537	14,379,253

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

5 Segment Information (Continued)

Segment Results by Business Lines and Geographical Areas (Continued)

The segment results by business lines and by geographical areas for the year ended 31st December 2011 are as follows:

5 分部資料(續)

按業務及地區劃分之分部業績(續)

截至二零一一年十二月三十一日止年度按業務及地區劃分之分部業績如下：

		Property development 物業發展			Property investment 物業投資			Hotel operations 酒店營運		Property management 物業管理	Group 集團
		SC 華南	EC 華東	NC 華北	SC 華南	EC 華東	NC 華北	SC 華南	NC 華北		
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
Year ended 31st December 2011	截至二零一一年 十二月三十一日 止年度										
Total revenues	總收益	2,651,026	1,921,790	3,118,211	20,189	21,523	—	34,628	164,816	497,346	8,429,529
Inter-segment revenues	分部間收益	(358,641)	—	(56,120)	—	—	—	—	—	(7,231)	(421,992)
Revenues	收益	2,292,385	1,921,790	3,062,091	20,189	21,523	—	34,628	164,816	490,115	8,007,537
Adjusted segment results	經調整分部業績	449,270	901,509	835,850	58,694	3,747	10,536	9,969	(164,997)	18,796	2,123,374
Depreciation	折舊	(8,622)	(2,787)	(7,867)	(152)	(125)	—	(7,126)	(117,789)	(2,091)	(146,559)
Amortisation	攤銷	—	—	—	—	—	—	(3,128)	(3,394)	—	(6,522)
Fair value gains on investment properties	投資物業之 公平值收益	—	—	—	82,382	4,828	20,187	—	—	—	107,397
Share of profit less loss of associates	分佔聯營公司 溢利減虧損	296	—	55	—	—	—	—	—	—	351
Share of loss of jointly controlled entities	分佔共同控制 實體虧損	—	—	(3,284)	—	—	—	—	—	—	(3,284)

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

5 Segment Information (Continued)

Segment Results by Business Lines and Geographical Areas (Continued)

The segment results by business lines and by geographical areas for the year ended 31st December 2010 are as follows:

5 分部資料(續)

按業務及地區劃分之分部業績(續)

截至二零一零年十二月三十一日止年度按業務及地區劃分之分部業績如下：

		Property development 物業發展			Property investment 物業投資			Hotel operations 酒店營運		Property management 物業管理	Group 集團
		SC	EC	NC	SC	EC	NC	SC	NC		
		華南	華東	華北	華南	華東	華北	華南	華北	HK\$'000	HK\$'000
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
		千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	
Year ended	截至二零一零年										
31st December 2010	十二月三十一日										
	止年度										
Total revenues	總收益	5,052,562	2,885,163	6,075,622	98	—	—	31,693	240,515	411,347	14,697,000
Inter-segment revenues	分部間收益	(183,519)	—	(41,099)	—	—	—	—	(92,416)	(713)	(317,747)
Revenues	收益	4,869,043	2,885,163	6,034,523	98	—	—	31,693	148,099	410,634	14,379,253
Adjusted segment results	經調整分部業績	1,891,116	962,895	2,516,914	1,687,466	1,579,726	514,979	13,187	(153,779)	28,968	9,041,472
Depreciation	折舊	(8,336)	(2,057)	(6,850)	(178)	(118)	—	(6,750)	(92,813)	(1,820)	(118,922)
Amortisation	攤銷	—	—	—	—	—	—	(2,691)	(3,154)	—	(5,845)
Fair value gains on investment properties	投資物業之公平值收益	—	—	—	1,694,803	1,584,659	516,162	—	—	—	3,795,624
Share of profit less loss of associates	分佔聯營公司溢利減虧損	1,258	—	(187)	—	—	—	—	—	—	1,071
Share of loss of a jointly controlled entity	分佔一間共同控制實體虧損	—	—	(666)	—	—	—	—	—	—	(666)

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

5 Segment Information (Continued)

Segment Results by Business Lines and Geographical Areas (Continued)

The segment assets by business lines and by geographical areas as at 31st December 2011 are as follows:

5 分部資料(續)

按業務及地區劃分之分部業績(續)

於二零一一年十二月三十一日按業務及地區劃分之分部資產如下：

	Property development			Property investment			Hotel operations			Property management	Group
	物業發展			物業投資			酒店營運			物業管理	集團
	SC	EC	NC	SC	EC	NC	SC	EC	NC		
華南	華東	華北	華南	華東	華北	華南	華東	華北			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元
As at 31st December 2011	於二零一一年十二月三十一日										
	31,692,887	18,324,211	33,518,088	5,370,445	10,491,960	1,119,520	931,398	87,427	2,776,352	160,862	104,473,150
Segment assets include:	分部資產包括：										
Investments in associates	於聯營公司之投資										
Investments in jointly controlled entities	於共同控制實體之投資										
	2,339	—	149,346	—	—	—	—	—	—	—	151,685
	168,373	—	1,584,631	—	—	—	—	—	—	—	1,753,004
For the year ended 31st December 2011	截至二零一一年十二月三十一日止年度										
Additions to non-current assets (other than financial instruments and deferred tax assets)	添置非流動資產(不包括金融工具及遞延稅項資產)										
	172,753	6,517	114,890	165,399	645,137	19,537	29,234	57,226	17,459	4,280	1,232,432

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

5 Segment Information (Continued)

Segment Results by Business Lines and Geographical Areas (Continued)

The segment assets by business lines and by geographical areas as at 31st December 2010 are as follows:

5 分部資料(續)

按業務及地區劃分之分部業績(續)

於二零一零年十二月三十一日按業務及地區劃分之分部資產如下：

	Property development			Property investment			Hotel operations			Property management	Group
	物業發展			物業投資			酒店營運			物業管理	集團
	SC	EC	NC	SC	EC	NC	SC	EC	NC		
	華南	華東	華北	華南	華東	華北	華南	華東	華北		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	
As at 31st December 2010	於二零一零年										
	十二月三十一日										
	25,831,989	13,098,329	28,798,138	5,192,093	9,207,410	1,027,794	525,512	28,624	2,828,796	577,936	87,116,621
Segment assets include:	分部資產包括：										
Investments in associates	於聯營公司之投資										
	1,939	—	41,494	—	—	—	—	—	—	—	43,433
Investment in a jointly controlled entity	於一間共同控制實體之投資										
	—	—	1,512,923	—	—	—	—	—	—	—	1,512,923
For the year ended	截至二零一零年										
31st December 2010	十二月三十一日止年度										
Additions to non-current assets (other than financial instruments and deferred tax assets)	添置非流動資產 (不包括金融工具及遞延稅項資產)										
	15,122	2,527	21,244	134,721	270,042	69,309	6,179	17,662	208,015	394	745,215

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

5 Segment Information (Continued)

Segment Results by Business Lines and Geographical Areas (Continued)

Reconciliation of reportable segment profit from operations to profit before taxation is as follows:

		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Reportable segment profit from operations	可呈報分部經營溢利	2,123,374	9,041,472
Dividend income from available-for-sale financial assets	於可供出售財務資產獲取之股息收入	68,184	14,910
Unallocated corporate income, net	未分配公司收入，淨額	215,067	22,995
Finance income	財務收入	29,098	17,039
Finance costs	財務成本	(238,539)	(253,307)
Profit before taxation	除稅前溢利	2,197,184	8,843,109

Reconciliation of reportable segment assets to total assets are:

		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Total segment assets	分部資產總值	104,473,150	87,116,621
Available-for-sale financial assets	可供出售財務資產	5,203,335	3,316,388
Deposit for proposed investment	建議投資之按金	—	560,210
Deferred tax assets	遞延稅項資產	220,240	167,541
Total assets	總資產	109,896,725	91,160,760

The Group primarily operates in Mainland China. All revenues for the year ended 31st December 2011 and 2010 are from Mainland China.

As at 31st December 2011 and 2010, all non-current assets, other than financial instruments and deferred tax assets are located in Mainland China.

5 分部資料(續)

按業務及地區劃分之分部業績(續)

可呈報分部之經營溢利與除稅前溢利對賬如下：

可呈報分部之資產與總資產對賬如下：

本集團主要於中國大陸經營業務。截至二零一一年及二零一零年十二月三十一日止年度，所有收益均來自中國大陸。

於二零一一年及二零一零年十二月三十一日，所有非流動資產(不包括金融工具及遞延稅項資產)均位於中國大陸。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

6 Land Costs

Land costs represent prepaid operating lease payments for hotel properties and self-use buildings.

6 土地成本

土地成本指酒店物業及自用樓宇之預付經營租賃款項。

		Group 集團	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
At 1st January	於一月一日	622,193	329,440
Additions	新增	44,154	201,055
Transfer from properties under development for sale and prepayments for acquisition of land	轉撥自可供出售之發展中物業及收購土地預付款項	22,711	78,750
Amortisation	攤銷	(6,522)	(5,845)
Exchange difference	匯兌差額	32,431	18,793
At 31st December	於十二月三十一日	714,967	622,193

		Group 集團	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
In Mainland China, held on: Land use rights of between 10 and 50 years	於中國大陸·按以下方式持有： 介乎10年至50年之土地 使用權	711,563	618,871
In Hong Kong, held on: Leases of over 50 years	於香港·按以下方式持有： 50年以上之租約	3,404	3,322
		714,967	622,193

As at 31st December 2011, net book amount of approximately HK\$76,490,000 (2010: HK\$90,069,000) of the Group's land was pledged as collateral for the Group's banking facilities (Note 24).

於二零一一年十二月三十一日，本集團賬面淨值約76,490,000港元(二零一零年：90,069,000港元)之土地已抵押作本集團之銀行信貸之抵押品(附註24)。

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

7 Properties and Equipment

7 物業及設備

		Group 集團					
		Construction in progress	Hotel properties	Buildings	Furniture and office equipment	Motor vehicles	Total
		在建工程	酒店物業	樓宇	傢俬及 辦公室設備	汽車	總額
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元
Year ended	截至二零一一年						
31st December 2011	十二月三十一日 止年度						
Opening net book amount	期初賬面淨值	607,442	2,175,026	233,786	158,106	25,485	3,199,845
Additions (including capitalisation of land amortisation)	新增(包括資本化 土地攤銷)	35,253	—	—	8,031	7,427	50,711
Acquisition of equity interests of a subsidiary (Note 37(b))	收購一間附屬 公司股本權益 (附註37(b))	—	—	—	4,815	—	4,815
Depreciation	折舊	—	(94,519)	(4,090)	(42,588)	(5,362)	(146,559)
Disposals	出售	—	—	—	(362)	(130)	(492)
Transfer	轉撥	(418,929)	—	418,929	—	—	—
Exchange difference	匯兌差額	20,625	105,588	21,894	7,099	1,313	156,519
Closing net book amount	期終賬面淨值	244,391	2,186,095	670,519	135,101	28,733	3,264,839
At 31st December 2011	於二零一一年 十二月三十一日						
Cost	成本	244,391	2,471,694	699,306	365,189	66,797	3,847,377
Accumulated depreciation	累計折舊	—	(285,599)	(28,787)	(230,088)	(38,064)	(582,538)
Net book amount	賬面淨值	244,391	2,186,095	670,519	135,101	28,733	3,264,839

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

7 Properties and Equipment (Continued)

7 物業及設備(續)

		Group 集團					Total 總額
		Construction in progress 在建工程 HK\$'000 千港元	Hotel properties 酒店物業 HK\$'000 千港元	Buildings 樓宇 HK\$'000 千港元	Furniture and office equipment 傢俬及 辦公室設備 HK\$'000 千港元	Motor vehicles 汽車 HK\$'000 千港元	
Year ended 31st December 2010	截至二零一零年 十二月三十一日 止年度						
Opening net book amount	期初賬面淨值	1,180,351	1,566,295	222,664	181,650	24,069	3,175,029
Additions (including capitalisation of land amortisation)	新增(包括資本化 土地攤銷)	47,206	—	—	18,179	5,962	71,347
Depreciation	折舊	—	(63,919)	(3,933)	(46,169)	(4,901)	(118,922)
Disposals	出售	—	—	(13)	(1,335)	(488)	(1,836)
Transfer	轉撥	(650,536)	643,235	7,301	—	—	—
Exchange difference	匯兌差額	30,421	29,415	7,767	5,781	843	74,227
Closing net book amount	期終賬面淨值	607,442	2,175,026	233,786	158,106	25,485	3,199,845
At 31st December 2010	於二零一零年 十二月三十一日						
Cost	成本	607,442	2,354,838	257,219	337,280	57,426	3,614,205
Accumulated depreciation	累計折舊	—	(179,812)	(23,433)	(179,174)	(31,941)	(414,360)
Net book amount	賬面淨值	607,442	2,175,026	233,786	158,106	25,485	3,199,845

Hotel properties with a net book amount of approximately HK\$1,979,463,000 (2010: HK\$1,946,733,000) as at 31st December 2011 were pledged as collateral for the Group's banking facilities (Note 24).

於二零一一年十二月三十一日，賬面淨值約1,979,463,000港元(二零一零年：1,946,733,000港元)之酒店物業已抵押作本集團銀行信貸之抵押品(附註24)。

Construction in progress mainly represents buildings and hotel properties, which will be held for the long-term. All construction in progress is located in Mainland China on land held under land use rights expiring from 2042 through 2046.

在建工程主要指長期持有之樓宇及酒店物業。所有在建工程位於中國大陸，以及位於根據於二零四二年至二零四六年期間屆滿之土地使用權持有之土地。

Depreciation expenses have been included in general and administrative expenses in the consolidated income statement.

折舊開支已包括在綜合損益表之一般及行政費用內。

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

8 Investment Properties

8 投資物業

		Group 集團	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Completed investment properties	已落成投資物業	5,275,688	3,698,307
Investment properties under development	發展中投資物業	11,361,785	11,707,191
		16,637,473	15,405,498

		Group 集團	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
At 1st January	於一月一日	15,405,498	8,378,105
Additions (including capitalisation of interest)	新增(包括資本化利息)	829,969	471,920
Transfer (to)/from completed properties and properties under development for sale	轉撥(至)/自己落成物業及可供出售之發展中物業	(481,188)	2,335,722
Fair value gains on investment properties	投資物業公平值收益	107,397	3,795,624
Exchange difference	匯兌差額	775,797	424,127
At 31st December	於十二月三十一日	16,637,473	15,405,498

All investment properties are located in Mainland China on land held under land use rights expiring from 2037 through 2058 (2010: 2037 through 2058). They were stated at fair values with reference to valuations performed on an open market value basis by DTZ Debenham Tie Leung Limited, independent qualified valuers, as at 31st December 2011.

As at 31st December 2011, approximately HK\$5,906,934,000 (2010: HK\$4,137,958,000) of the Group's investment properties were pledged as collateral for the Group's banking facilities (Note 24).

所有投資物業均位於中國大陸及位於根據於二零三七年至二零五八年(二零一零年：於二零三七年至二零五八年)期間屆滿的土地使用權持有之土地。所有投資物業已參考合資格獨立估值師戴德梁行有限公司於二零一一年十二月三十一日按公開市場價格基準進行之估值，以公平值列賬。

於二零一一年十二月三十一日，本集團約5,906,934,000港元(二零一零年：4,137,958,000港元)之投資物業已抵押作本集團銀行信貸之抵押品(附註24)。

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

9 Properties under Development for Sale

9 可供出售之發展中物業

		Group 集團	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Amount comprises:	金額包括：		
Land costs	土地成本	32,325,047	20,970,601
Construction costs and capitalised expenditures	建築成本及已資本化開支	14,731,713	9,386,290
Finance costs capitalised	已資本化財務成本	2,007,775	1,610,865
		49,064,535	31,967,756
Expected to be completed and available for sale after more than twelve months	預期將於超過十二個月後竣工及可供出售	41,377,736	26,131,885
Expected to be completed and available for sale within twelve months	預期將於十二個月內竣工及可供出售	7,686,799	5,835,871
		49,064,535	31,967,756

All properties under development for sale are located in Mainland China and are located on land held under land use rights expiring from 2037 through 2081.

As at 31st December 2011, approximately HK\$6,054,370,000 (2010: HK\$4,055,569,000) of the Group's properties under development for sale were pledged as collateral for the Group's banking facilities (Note 24).

As at 31st December 2011, approximately 239,000 square metre (2010: 239,000 square metre) of land with a carrying amount of HK\$272 million (2010: HK\$259 million) was restricted for development, transfer and pledge due to a pending litigation (Note 39).

所有可供出售之發展中物業均位於中國大陸及位於根據土地使用權而持有之土地，該等土地使用權於二零三七年至二零八一年屆滿。

於二零一一年十二月三十一日，本集團約6,054,370,000港元(二零一零年：4,055,569,000港元)之可供出售之發展中物業已抵押作本集團銀行信貸之抵押品(附註24)。

於二零一一年十二月三十一日，約239,000平方米(二零一零年：239,000平方米)賬面值為272,000,000港元(二零一零年：259,000,000港元)之土地開發，因一項待決訴訟而受到發展、轉讓及質押限制(附註39)。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

10 Completed Properties for Sale

All completed properties for sale are located in Mainland China and are located on land held under land use rights expiring from 2037 through 2078.

As at 31st December 2011, approximately HK\$2,569,851,000 (2010: HK\$1,623,111,000) of the Group's completed properties for sale were pledged as collateral for the Group's banking facilities (Note 24).

10 可供出售之已落成物業

全部可供出售之已落成物業均位於中國大陸及位於根據土地使用權而持有之土地，該等土地使用權於二零三七年至二零七八年屆滿。

於二零一一年十二月三十一日，本集團約2,569,851,000港元(二零一零年：1,623,111,000港元)之可供出售之已落成物業已抵押作本集團銀行信貸之抵押品(附註24)。

11 Intangible Assets

11 無形資產

		Group 集團 Goodwill 商譽	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
At 1st January	於一月一日	124,837	120,660
Transfer	轉撥	(85,542)	—
Exchange difference	匯兌差額	1,950	4,177
At 31st December	於十二月三十一日	41,245	124,837
Cost	成本	53,663	136,666
Accumulated impairment charge	累計減值費用	(12,418)	(11,829)
Net book amount	賬面淨值	41,245	124,837

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

12 Subsidiaries

12 附屬公司

(a) Investments in subsidiaries

(a) 於附屬公司之投資

		Company 公司	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Unlisted shares, at cost	非上市股份·按成本值	92,389	88,021
Due from subsidiaries	應收附屬公司款項	18,273,507	15,140,016
		18,365,896	15,228,037

Amounts due from subsidiaries are unsecured, non-interest bearing and without pre-determined repayment terms.

應收附屬公司款項為無抵押、免息及並無預定還款時間。

Details of the principal subsidiaries as at 31st December 2011 are set out in Note 42.

於二零一一年十二月三十一日之主要附屬公司詳情載於附註42。

(b) Loans to subsidiaries

(b) 附屬公司之貸款

		Company 公司	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Current Loans to subsidiaries	流動 附屬公司之貸款	137,345	218,274

Loans to subsidiaries are unsecured and carry interest at 8.0% to 8.9% (2010: 8.0% to 8.9%) per annum.

附屬公司之貸款乃無抵押，年利率為8.0厘至8.9厘(二零一零年：8.0厘至8.9厘)。

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

13 Investments in Associates

13 於聯營公司之投資

		Group 集團	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
At 1st January	於一月一日	43,433	40,925
Addition	新增	105,736	—
Share of profit less loss of associates	分佔聯營公司溢利減虧損	351	1,071
Exchange difference	匯兌差額	2,165	1,437
At 31st December	於十二月三十一日	151,685	43,433

The Group's interest in associates, which are unlisted, is as follows:

本集團於非上市聯營公司之權益如下：

Name 名稱	Particulars of issued shares held 所持已發行 股份詳情	Place of incorporation 註冊成立地點	Principal activities 主要業務	Assets HK\$'000 千港元	Liabilities HK\$'000 千港元	Revenues HK\$'000 千港元	Profit/ (loss) 溢利/ (虧損) HK\$'000 千港元	Interest held 所持 權益 %
2011 二零一一年								
Guangdong Huasheng Cultural Development Company Limited 廣東華生教育文化發展有限公司	Registered capital of RMB5,000,000 註冊股本 人民幣5,000,000元	Mainland China 中國大陸	Operation of school 營辦學校	4,357	2,019	1,020	296	40%
Beijing BHL Logistics Limited 北京京泰物流置業有限公司	Registered capital of US\$20,000,000 註冊股本 20,000,000美元	Mainland China 中國大陸	Property development 物業發展	53,173	7,984	11,810	1,596	25%
Tianjing Jingjin Financial and Property Investment Company Limited 天津京津金融產業投資有限公司	Registered capital of RMB300,000,000 註冊股本人民幣 300,000,000元	Mainland China 中國大陸	Property development 物業發展	115,546	11,388	—	(1,541)	30%
2010 二零一零年								
Guangdong Huasheng Cultural Development Company Limited 廣東華生教育文化發展有限公司	Registered capital of RMB5,000,000 註冊股本 人民幣5,000,000元	Mainland China 中國大陸	Operation of school 營辦學校	3,919	1,979	1,691	1,258	40.0%
Beijing BHL Logistics Limited 北京京泰物流置業有限公司	Registered capital of US\$20,000,000 註冊股本 20,000,000美元	Mainland China 中國大陸	Property development 物業發展	47,954	14,747	50,333	(187)	25.0%

Investments in associates at 31st December 2010 included goodwill of HK\$8,286,000. The amount was impaired and recognised in the Group's share of profit less loss of associates.

於二零一零年十二月三十一日，於聯營公司之投資包括商譽8,286,000港元。該款項已減值並在本集團分佔聯營公司溢利減虧損中確認。

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

14 Investments in Jointly Controlled Entities 14 於共同控制實體之投資

		Group 集團		
		Share of net assets 分佔淨資產 HK\$'000 千港元	Advance 墊款 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1st January 2011	於二零一一年一月一日	874,333	638,590	1,512,923
Addition	新增	48,901	115,245	164,146
Share of post-acquisition results	分佔收購後業績	(3,284)	—	(3,284)
Exchange difference	匯兌差額	44,556	34,663	79,219
At 31st December 2011	於二零一一年 十二月三十一日	964,506	788,498	1,753,004
At 1st January 2010	於二零一零年一月一日	571,470	617,222	1,188,692
Capital injection	注資	278,925	—	278,925
Share of post-acquisition results	分佔收購後業績	(666)	—	(666)
Exchange difference	匯兌差額	24,604	21,368	45,972
At 31st December 2010	於二零一零年 十二月三十一日	874,333	638,590	1,512,923

As at 31st December 2011, investments in jointly controlled entities represent the Group's investments in Beijing Dongfangwenhua International Properties Company Limited ("BJ Dongfangwenhua"), a company with a property development project in Beijing Mainland China and Guangzhou Dongtai Textile Company Limited ("GZ Dongtai"), a company with a property development project in Guangzhou, Mainland China.

In 2007, the Group acquired 60.98% equity interest in BJ Dongfangwenhua, for a total consideration and capital contribution of HK\$820,190,000 (equivalent to approximately RMB795,584,000). The Group is responsible for contributing 97% of the capital of BJ Dongfangwenhua and is entitled to 57.14% of the voting power in the Board of Directors of BJ Dongfangwenhua. Ordinary resolutions of BJ Dongfangwenhua require 75% of the voting of the Board of Directors. Besides, the Group is entitled to 100% of the profit arising from the office building (South) and 45% of the profit arising from the office building (North) in the property development project.

於二零一一年十二月三十一日，於共同控制實體之投資乃指本集團於北京東方文華國際置業有限公司(「北京東方文華」)，一間擁有中國北京一個物業發展項目之公司之投資，及廣州東泰紡織產業有限公司(「廣州東泰」)，一間擁有中國廣州一個物業發展項目之公司之投資。

於二零零七年，本集團收購北京東方文華之60.98%股本權益，代價及資本注資總額為820,190,000港元(相等於約人民幣795,584,000元)。本集團有責任分擔北京東方文華之97%資本貢獻及有權擁有北京東方文華57.14%董事會投票權。北京東方文華之普通決議案須董事會75%投票權。此外，本集團亦有權分佔北京東方文華來自寫字樓(南)之100%溢利及來自物業發展項目寫字樓(北)中之45%溢利。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

14 Investments in Jointly Controlled Entities (Continued)

In 2011, the Group acquired 65% of equity interest in GZ Dongtai, for a total consideration and capital contribution of HK\$164,146,000 (equivalent to approximately RMB136,500,000). The Group is entitled to 57.14% of the voting power in the Board of Directors of GZ Dongtai. Ordinary resolutions of GZ Dongtai require 66.7% of the voting of the Board of Directors.

The Group's share of the assets and liabilities as at 31st December 2010 and 2011, and the Group's share of revenues and results of the jointly controlled entities for the year ended 31st December 2010 and 2011 are as follows:

14 於共同控制實體之投資(續)

於二零一一年，本集團收購廣州東泰65%之股本權益，總代價及資本貢獻為164,146,000港元(相當於約人民幣136,500,000元)。本集團於廣州東泰擁有57.14%的董事會投票權。廣州東泰之普通決議案須董事會66.7%的投票。

本集團於二零一零年及二零一一年十二月三十一日所分佔之資產及負債，以及本集團於截至二零一零年及二零一一年十二月三十一日止年度所分佔共同控制實體之收益及業績如下：

		Group 集團	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Assets	資產		
Non-current assets	非流動資產	101,556	1,518
Current assets (Note)	流動資產(附註)	2,706,591	2,478,739
		2,808,147	2,480,257
Liabilities	負債		
Non-current liabilities	非流動負債	(878,687)	(837,145)
Current liabilities	流動負債	(964,954)	(768,779)
		(1,843,641)	(1,605,924)
Net assets	資產淨值	964,506	874,333
Revenues	收益	—	1,585
Cost of sales and expenses	銷售成本及開支	(3,284)	(2,251)
Loss before taxation	除稅前虧損	(3,284)	(666)
Taxation	稅項	—	—
Loss for the year	本年度虧損	(3,284)	(666)

Note: Current assets include the Group's amount due to a jointly controlled entity of HK\$1,574,135 (2010: HK\$1,709,345) as at 31st December 2011.

附註：流動資產包括二零一一年十二月三十一日本集團應付一間共同控制實體之款項，為1,574,135港元(二零一零年：1,709,345港元)。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

15 Investments in Jointly Controlled Assets

Certain subsidiaries of the Group entered into a jointly controlled assets arrangement with Guangzhou Zhuguang Real Estate Development Company Limited, an independent third party, under which each of the Group companies and Guangzhou Zhuguang Real Estate Development Company Limited contributed land and other assets for the development of properties located in Guangzhou, Guangdong Province, Mainland China. During the year ended 31st December 2011, the Group's participating interest in these jointly controlled assets was 95.5% (2010: 95.5%). The Group's share of the net gain of the jointly controlled assets for the year amounted to HK\$24,428,000 (2010: HK\$140,182,000) and the net assets of the jointly controlled assets as at 31st December 2011 amounted to HK\$1,387,541,000 (2010: HK\$1,295,173,000).

15 於共同控制資產之投資

本集團若干附屬公司與一名獨立第三方廣州珠光房地產開發有限公司訂立一項共同控制資產安排，據此，本集團旗下公司及廣州珠光房地產開發有限公司各就開發位於中國大陸廣東省廣州之物業提供土地及其他資產。於截至二零一一年十二月三十一日止年度內，本集團擁有該等共同控制資產95.5%（二零一零年：95.5%）之參與權益。本集團年度應佔共同控制資產收益淨額為24,428,000港元（二零一零年：140,182,000港元），而本集團於二零一一年十二月三十一日應佔共同控制資產淨值部份為1,387,541,000港元（二零一零年：1,295,173,000港元）。

16 Available-for-sale Financial Assets

16 可供出售財務資產

		Group 集團	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
At 1st January	於一月一日	3,316,388	2,671,719
Addition	新增	1,721,322	—
Fair value (loss)/gain recognised in equity (Note 28)	於權益中確認之公平值 (虧損)/收益(附註28)	(40,645)	542,775
Exchange difference	匯兌差額	206,270	101,894
At 31st December	於十二月三十一日	5,203,335	3,316,388

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

16 Available-for-sale Financial Assets (Continued) 16 可供出售財務資產(續)

Available-for-sale financial assets include the following:

可供出售財務資產包括以下各項：

		Group 集團	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Listed securities:	上市證券：		
— Equity securities — Mainland China, at market value (Note (a))	— 股本證券 — 中國大陸，按市值(附註(a))	2,130,561	2,164,706
Unlisted securities:	非上市證券：		
— Equity securities — Mainland China (Note (b))	— 股本證券 — 中國大陸(附註(b))	3,072,774	1,151,682
		5,203,335	3,316,388

(a) The investment represents equity securities listed on the Shanghai Stock Exchange.

The investment is denominated in Renminbi.

(b) The investments represent 4.29% and 4.99% attributable equity interests in two financial institutions in Mainland China respectively.

The investments are denominated in Renminbi.

(a) 本投資指於上海證券交易所上市之股本證券。

投資乃以人民幣計值。

(b) 本投資指應佔兩間中國大陸金融機構4.29%及4.99%之股本權益。

投資乃以人民幣計值。

17 Deposit for Proposed Investment

As at 31st December 2010, the balance represented deposit paid for proposed investment in 4.99% equity interest in a financial institution in Mainland China. During the year, the acquisition of the investment was completed and classified as available-for-sale financial assets.

17 建議投資之按金

於二零一零年十二月三十一日，該結餘指就於一間中國大陸金融機構4.99%股本權益之建議投資支付之按金。於本年中，該項投資之收購已完成，並分類為可供出售財務資產。

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

18 Financial Assets at Fair Value through Profit or Loss

18 按公平值透過損益列賬之財務資產

		Group 集團	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Listed securities:	上市證券：		
— Equity securities — Hong Kong, at market value	— 股本證券 — 香港，按市值	11,086	11,340
Unlisted securities:	非上市證券：		
— Equity securities — Mainland China	— 股本證券 — 中國大陸	370	353
		11,456	11,693

Financial assets at fair value through profit or loss are presented within operating activities as part of changes in working capital in the consolidated cash flow statement (Note 37).

按公平值透過損益列賬之財務資產於綜合現金流量表經營活動內列作營運資金之部分變動(附註37)。

Changes in fair values of financial assets at fair value through profit or loss are recorded in other income/gains, net, in the consolidated income statement (Note 29).

按公平值透過損益列賬之財務資產之公平值變動乃列入綜合損益表之其他收入/收益，淨額內(附註29)。

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

19 Prepayments for Acquisition of Land and Prepayments, Deposits and other Current Assets

19 收購土地預付款項及預付款項、按金及其他流動資產

		Group 集團		Company 公司	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元	2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Non-current Prepayments for acquisition of land (i)	非流動 收購土地 預付款項(i)	131,221	209,795	—	—
Current Prepayments for acquisition of land (i)	流動 收購土地 預付款項(i)	13,508,836	18,053,335	—	—
Other receivables (ii)	其他應收款項(ii)	238,789	579,345	—	—
Deposits for acquisition of equity interest (iii)	收購股本權益 之按金(iii)	1,773,834	571,984	—	—
Guarantee deposit	擔保按金	25,903	24,679	—	—
Prepaid construction expenditures	預付建築 開支	31,990	30,399	—	—
Land tender deposits	土地投標按金	61,675	344,329	—	—
Prepaid sales taxes	預付銷售稅	599,812	337,794	—	—
Utility and other deposits	公用設施及其他按金	373,549	317,375	—	—
Receivable from disposal of a subsidiary (iv)	出售一間附屬公司 之應收款項(iv)	172,668	205,542	—	—
Others	其他	356,156	153,579	268	290
Prepayments, deposits and other current assets	預付款項、按金及其他 流動資產	3,634,376	2,565,026	268	290

(i) Prepayments for acquisition of land represents advances made for the acquisitions of land use rights in Beijing, Shanghai, Guangzhou, Tianjin and Dalian, Mainland China. Formal land use right certificates have not yet been obtained as at 31st December 2011.

The balance includes an amount of approximately HK\$4,630 million (2010: HK\$4,400 million) for the land situated in Chaoyang district of Beijing in connection with the Group's acquisition of 80% equity interest in Believe Best Investments Limited which, through its wholly owned subsidiary, possesses the right to develop the Jing Run Project on the land (Note 41(f)).

(i) 收購土地之預付款項指就於中國大陸北京、上海、廣州、天津及大連收購土地使用權而作出之墊款。於二零一一年十二月三十一日，尚未取得正式土地使用權證。

結餘包括位於北京朝陽區之地塊約4,630,000,000港元(二零一零年：4,400,000,000港元)，該地塊乃與本集團收購信佳投資有限公司之80%權益有關，而該公司透過其附屬公司持有發展京潤項目地塊之權利(附註41(f))。

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

19 Prepayments for Acquisition of Land and Prepayments, Deposits and other Current Assets (Continued)

(i) (Continued)

The balance also includes an amount of approximately HK\$4,195 million (2010: HK\$3,997 million) for the land situated in Panyu District of Guangdong in connection with the Group's acquisition of the entire equity interest in Panyu Zhujiang Real Estate Limited which possesses the right to develop the land (Note 41(e)).

(ii) Other receivables relate to the Group's participation in first class land development projects in Mainland China with fixed guaranteed returns based on a pre-determined percentage of funds invested by the Group.

Other receivables are denominated in Renminbi. Their carrying amounts approximate fair values.

(iii) This represents deposits made to independent third parties for the acquisition of equity interests in certain Mainland China entities ("the entities") whose principal activities are property holding and development. The acquisitions are not yet completed as at 31st December 2011.

As at 31st December 2011, the Group also had other payables of approximately HK\$584,775,000 (2010: Nil) due to one of the entities.

(iv) The balance represents consideration receivable from the disposal of a subsidiary, Nam Fong Guangzhou Plaza Limited to Jumbo Advance Investment Limited, a related party.

19 收購土地預付款項及預付款項、按金及其他流動資產 (續)

(i) (續)

結餘款項亦包括位於廣東番禺區之地塊約4,195,000,000港元(二零一零年: 3,997,000,000港元), 該地塊乃與本集團收購番禺珠江房地產有限公司之全部權益有關, 而該公司擁有發展該土地之開發權(附註41(e))。

(ii) 其他應收款項與本集團參與中國大陸有保證固定回報(根據本集團所投入資金某個預先釐訂百分比計算)之土地一級開發項目有關。

其他應收款項以人民幣計值, 賬面值與公平值相若。

(iii) 此乃指就收購若干中國大陸實體(「該等實體」)(其主要業務為物業持有及開發)之股東權益而向獨立第三方作出之按金。於二零一一年十二月三十一日, 收購尚未完成。

於二零一一年十二月三十一日, 本集團亦有其他應付其中一間該等實體之款項約584,775,000港元(二零一零年: 無)。

(iv) 有關結餘指就向關連人士鉅偉投資有限公司出售一間附屬公司南方越秀廣場有限公司而應收之代價。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

20 Accounts Receivable

Consideration in respect of properties sold is generally payable by the buyers at the time of completion of the sale and purchase agreements. Rentals in respect of leased properties and property management fees are generally payable in advance on a monthly basis.

The ageing analysis of accounts receivable is as follows:

		Group 集團	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
0 to 3 months	0至3個月	72,889	58,501
3 to 6 months	3至6個月	13,836	7,458
6 to 9 months	6至9個月	7,359	8,871
9 to 12 months	9至12個月	8,817	9,128
Over 12 months	超過12個月	130,039	87,995
		232,940	171,953

Accounts receivable is denominated in Renminbi. Carrying values of accounts receivable approximate their fair values.

As at 31st December 2011, approximately 11% (2010: 14%) of the accounts receivable was due from one (2010: one) customer. Other than this, there is no concentration of credit risk with respect to accounts receivable as the Group has a large number of customers.

As at 31st December 2011, accounts receivable of HK\$72,889,000 (2010: HK\$58,501,000) were neither past due nor impaired.

20 應收賬款

已出售物業之代價一般須於買賣協議完成當日由買方支付。租賃物業之租金及物業管理費一般須每月預付。

應收賬款之賬齡分析如下：

應收賬款以人民幣計值。其賬面值與其公平值相若。

於二零一一年十二月三十一日，應收賬款中約有11%（二零一零年：14%）乃由一名（二零一零年：一名）客戶結欠。除此以外，由於本集團顧客眾多，應收賬款並無信貸集中之風險。

於二零一一年十二月三十一日，應收賬款72,889,000港元（二零一零年：58,501,000港元）既無逾期，亦無減值。

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

20 Accounts Receivable (Continued)

As at 31st December 2011, accounts receivable of HK\$160,051,000 (2010: HK\$113,452,000) were past due but not impaired. These relate to a number of independent customers and the ageing analysis of these accounts receivable is as follows:

		Group 集團	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
3 to 6 months	3至6個月	13,836	7,458
6 to 9 months	6至9個月	7,359	8,871
9 to 12 months	9至12個月	8,817	9,128
Over 12 months	超過12個月	130,039	87,995
		160,051	113,452

During the year, no impairment loss on accounts receivable (2010: nil) was recognised in the consolidated income statement.

The maximum exposure to credit risk is the carrying amount of accounts receivable mentioned above.

20 應收賬款 (續)

於二零一一年十二月三十一日，應收賬款160,051,000港元(二零一零年：113,452,000港元)已逾期但未減值。此等款項與多名獨立客戶有關，該等應收賬款之賬齡分析如下：

年內，應收賬款概無減值虧損(二零一零年：無)於綜合損益表確認。

本集團所面臨之最大信貸風險為上文所述應收賬款之賬面值。

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

21 Pledged/Charged Bank Deposits and Cash and Cash Equivalents 21 已抵押／押記銀行存款以及現金及現金等價物

		Group 集團		Company 公司	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元	2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Cash at bank and on hand	銀行及手頭現金	3,648,200	2,344,666	680	20,449
Short-term bank deposits	短期銀行存款	54	352,609	—	—
		3,648,254	2,697,275	680	20,449
Less: pledged/charged bank deposits	減：已抵押／押記銀行存款	(1,030,093)	(123,671)	—	—
Cash and cash equivalents	現金及現金等價物	2,618,161	2,573,604	680	20,449

As at 31st December 2011, the Group's pledged/charged bank deposits mainly represented deposits charged by certain banks in respect of the granting of banking facilities and the processing of mortgage facilities granted by the banks to buyers of the Group's properties.

As at 31st December 2010, the Group's cash at bank of HK\$14,095,000 was restricted due to a pending litigation. In June 2011, the bank deposit was temporarily transferred to the Higher People's Court of Henan Province and was classified as prepayments, deposits and other current assets as at 31st December 2011 (Note 39).

The carrying amounts of pledged/charged bank deposits and cash and cash equivalents are denominated in the following currencies:

於二零一一年十二月三十一日，本集團之已抵押／押記銀行存款主要代表已抵押予若干銀行，以便授出銀行信貸及銀行處理有關向本集團物業買家授予按揭信貸額。

於二零一零年十二月三十一日，本集團之14,095,000港元銀行現金乃因待決訴訟而受到限制。於二零一一年六月，銀行存款暫存於河南省高級人民法院，並於二零一一年十二月三十一日被分類為預付款項、按金及其他流動資產(附註39)。

已抵押／押記銀行存款以及現金及現金等價物之賬面值乃以下列貨幣列值：

		Group 集團		Company 公司	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元	2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Renminbi	人民幣	3,606,257	2,645,247	—	—
US dollar	美元	14,431	6,598	83	449
Hong Kong dollar	港元	27,566	45,430	597	20,000
		3,648,254	2,697,275	680	20,449

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

21 Pledged/Charged Bank Deposits and Cash and Cash Equivalents (Continued)

Cash and cash equivalents include presale proceeds of HK\$593,338,000 (2010: HK\$566,675,000), which are to be used for purchases of construction materials and payments of construction fee of the relevant property projects.

21 已抵押／押記銀行存款以及現金及現金等價物(續)

現金及現金等價物包括預售所得款項593,338,000港元(二零一零年: 566,675,000港元), 該等款項將用於購買建材及支付有關物業項目之建造費用。

22 Land Cost Payable

22 應付土地成本

		Group 集團	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Land premium payable	應付土地出讓金	449,006	79,592
Land compensation payable	應付土地補償款	235,087	295,857
		684,093	375,449
Less: Amount due within one year included in current liabilities	減: 計入流動負債須於一年內償還之金額	(602,612)	(264,271)
		81,481	111,178

Land cost payable is denominated in Renminbi. Their carrying amounts approximate fair values.

應付土地成本以人民幣計值, 賬面值與公平值相若。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

23 Accounts Payable

The ageing analysis of accounts payable (including amounts due to related companies of trading nature) is as follows:

		Group 集團	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
0-3 months	0至3個月	5,120,006	5,645,612

As at 31st December 2011, approximately HK\$2,516,006,000 (2010: HK\$2,534,380,000) of accounts payable were due to certain related companies in respect of property construction fees (Note 41(b)).

Accounts payable is denominated in Renminbi. Carrying values of accounts payable approximate their fair values.

23 應付賬款

應付賬款之賬齡分析(包括應付予關連公司屬於交易性質之賬款)如下:

於二零一一年十二月三十一日, 應付賬款中約2,516,006,000港元(二零一零年: 2,534,380,000港元)為就物業建築費應付若干關連公司之賬款(附註41(b))。

應付賬款以人民幣計值。其賬面值與其公平值相若。

24 Borrowings

		Group 集團		Company 公司	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元	2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Non-current	非流動				
Bank and financial institution borrowings	銀行及財務機構借貸	19,428,479	17,349,948	—	—
Senior notes	優先票據	2,290,102	2,697,576	2,290,102	2,697,576
		21,718,581	20,047,524	2,290,102	2,697,576
Current	流動				
Bank and financial institution borrowings	銀行及財務機構借貸	10,922,188	3,671,919	—	—
Senior notes	優先票據	2,707,119	—	2,707,119	—
		13,629,307	3,671,919	2,707,119	—
Total borrowings	總借貸	35,347,888	23,719,443	4,997,221	2,697,576

24 借貸

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

24 Borrowings (Continued)

In November 2005, the Company issued 8.125% senior notes with an aggregate nominal value 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 senior notes mature in seven years (November 2012) and are repayable at their nominal value of US\$350,000,000. The Company will be entitled at its option to redeem all or a portion of the senior notes on and after 9th November 2009 at the redemption prices specified in the offering circular, plus accrued and unpaid interest to the redemption date.

In January 2011, the Company issued 11.75% senior notes with an aggregate nominal value of US\$300,000,000 (equivalent to approximately HK\$2,340,000,000), for a total consideration of approximately HK\$2,340,000,000. The senior notes mature in five years (January 2016) and are repayable at their nominal value of US\$300,000,000. The Company will be entitled at its option to redeem all or a portion of the senior notes on or after 21st January 2014 at the redemption prices specified in the offering circular, plus accrued and unpaid interests to the redemption date.

The senior notes recognised in the balance sheet are as follows:

		Group and Company 集團及公司	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
At 1st January	於一月一日	2,697,576	2,676,697
Addition	新增	2,288,733	—
Amortisation of premium	攤銷溢價	(547)	(526)
Amortisation of issue costs	攤銷發行成本	21,506	13,085
Exchange difference	匯兌差額	(10,047)	8,320
At 31st December	於十二月三十一日	4,997,221	2,697,576

24 借貸(續)

於二零零五年十一月，本公司發行總面值達350,000,000美元(約相當於2,730,000,000港元)之8.125厘優先票據，總代價約為2,733,182,000港元。優先票據於七年後(二零一二年十一月)到期，並須按其面值350,000,000美元償還。本公司將有權選擇於二零零九年十一月九日或以後按發售通函所訂明之贖回價(加上截至贖回日期應付及未付之利息)贖回全部或部份優先票據。

於二零一一年一月，本公司發行總面值達300,000,000美元之11.75厘優先票據(相當於約2,340,000,000港元)，總代價約為2,340,000,000港元。優先票據於五年後(二零一六年一月)到期，並須按其面值300,000,000美元償還。本公司將有權選擇於二零一四年一月二十一日或以後按發售通函所訂明之贖回價(加上截至贖回日期應付及未付之利息)贖回全部或部份優先票據。

於資產負債表確認之優先票據如下：

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

24 Borrowings (Continued)

The senior notes are jointly and severally guaranteed by certain subsidiaries and are secured by the capital stock of the subsidiaries. The net assets of these subsidiaries were approximately HK\$6,394,511,000 (2010: HK\$4,717,647,000) as at 31st December 2011.

The maturity analysis of the borrowings is as follows:

	Bank and financial institution borrowings		Senior notes		Total		
	銀行及財務機構借貸		優先票據		總計		
	2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元	2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元	2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元	
Within one year	一年內	10,922,188	3,671,919	2,707,119	—	13,629,307	3,671,919
Between one and two years	一年至兩年內	10,886,234	5,626,010	—	2,697,576	10,886,234	8,323,586
Between two and five years	兩年至五年內	5,383,169	8,862,973	2,290,102	—	7,673,271	8,862,973
Over five years	超過五年	3,159,076	2,860,965	—	—	3,159,076	2,860,965
		30,350,667	21,021,867	4,997,221	2,697,576	35,347,888	23,719,443

The carrying amounts of the borrowings are denominated in the following currencies with the respective weighted average effective interest rates:

		2011 二零一一年 Effective HK\$'000 interest rate 千港元 實際利率		2010 二零一零年 Effective HK\$'000 interest rate 千港元 實際利率	
Renminbi	人民幣				
— Bank and financial institution borrowings	— 銀行及財務機構借貸	30,350,667	7.9%	21,021,867	5.8%
US dollar	美元				
— Senior notes	— 優先票據	4,997,221	10%	2,697,576	8.6%

24 借貸(續)

優先票據由若干附屬公司共同及個別提供擔保，並以附屬公司之股本作抵押。於二零一一年十二月三十一日，該等附屬公司之資產淨值約為6,394,511,000港元(二零一零年：4,717,647,000港元)。

借貸之到期分析如下：

借貸賬面值以下列貨幣為單位及其各自之實際加權平均利率如下：

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

24 Borrowings (Continued)

The carrying amounts and the fair values of the borrowings are as follows:

24 借貸(續)

借貸之賬面值及公平值如下：

		Carrying amount		Fair values	
		賬面值		公平值	
		2011	2010	2011	2010
		二零一一年	二零一零年	二零一一年	二零一零年
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元
Bank and financial institution borrowings	銀行及財務機構借貸	30,350,667	21,021,867	29,929,294	21,092,979
Senior notes	優先票據	4,997,221	2,697,576	3,993,300	2,621,289
		35,347,888	23,719,443	33,922,594	23,714,268

The fair values of the bank and financial institution borrowings are based on cash flows discounted using rates based on the Group's average borrowings rate of 6.6% to 11.1% per annum as at the year end (2010: 5.4% to 5.9% per annum), depending on the currency denomination of the borrowings. The fair values of the senior notes are based on the market price as at the year end.

於年底，銀行及財務機構借貸的公平值乃根據本集團平均借貸年利率6.6厘至11.1厘(二零一零年：年利率5.4厘至5.9厘)釐訂之利率(視乎借貸貨幣種類)計算之折算現金流釐訂。優先票據之公平值乃以年終時市場價格為基準。

As at 31st December 2011, the Group's bank and financial institution borrowings were secured by:

於二零一一年十二月三十一日，本集團之銀行及財務機構之信貸乃以下列抵押品擔保：

- | | |
|---|--|
| (i) the Group's land cost of approximately HK\$76,490,000 (2010: HK\$90,069,000); | (i) 本集團約76,490,000港元(二零一零年：90,069,000港元)之土地成本； |
| (ii) the Group's hotel properties of approximately HK\$1,979,463,000 (2010: HK\$1,946,733,000); | (ii) 本集團約1,979,463,000港元(二零一零年：1,946,733,000港元)之酒店物業； |
| (iii) the Group's properties under development for sale of approximately HK\$6,054,370,000 (2010: HK\$4,055,569,000); | (iii) 本集團約6,054,370,000港元(二零一零年：4,055,569,000港元)之可供出售之發展中物業； |
| (iv) the Group's completed properties for sale of approximately HK\$2,569,851,000 (2010: HK\$1,623,111,000); | (iv) 本集團約2,569,851,000港元(二零一零年：1,623,111,000港元)之可供出售之已落成物業；及 |
| (v) the Group's investment properties of approximately HK\$5,906,934,000 (2010: HK\$4,137,958,000); | (v) 本集團約5,906,934,000港元(二零一零年：4,137,958,000港元)之投資物業。 |

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

24 Borrowings (Continued)

- (vi) the Group's available-for-sale financial assets of approximately HK\$5,203,335,000 (2010: nil);
- (vii) the Group's equity interests in a subsidiary of approximately HK\$245,896,000 (2010: nil); and
- (viii) the Group's bank deposit of approximately HK\$271,370,000 (2010: nil).

24 借貸(續)

- (vi) 本集團之可供出售財務資產約為5,203,335,000港元(二零一零年:零元);
- (vii) 本集團之一間附屬公司之股本權益約為245,896,000港元(二零一零年:零元);及
- (viii) 本集團之銀行存款約為271,370,000港元(二零一零年:零元)。

25 Deferred Income Tax

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The offset amounts are as follows:

25 遞延所得稅

遞延稅項資產及負債僅在本期稅項資產及負債有合法可強制執行權利互相抵銷及遞延所得稅與同一稅務機關有關，方可互相抵銷。抵銷金額載列如下：

		Group 集團	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Deferred tax assets:	遞延稅項資產：		
— Deferred tax assets to be recovered after more than twelve months	— 將於十二個月後收回之遞延稅項資產	200,485	165,205
— Deferred tax assets to be recovered within twelve months	— 將於十二個月內收回之遞延稅項資產	19,755	2,336
		220,240	167,541
Deferred tax liabilities:	遞延稅項負債：		
— Deferred tax liabilities to be realised after more than twelve months	— 將於十二個月後變現之遞延稅項負債	(4,837,485)	(4,963,673)
— Deferred tax liabilities to be realised within twelve months	— 將於十二個月內變現之遞延稅項負債	(979,316)	(587,455)
		(5,816,801)	(5,551,128)
		(5,596,561)	(5,383,587)

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

25 Deferred Income Tax (Continued)

25 遞延所得稅(續)

The net movements in deferred taxation are as follows:

遞延稅項淨變動如下：

		Group 集團	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Assets/(liabilities)	資產/(負債)		
At 1st January	於一月一日	(5,383,587)	(4,311,456)
Disposal of subsidiaries	出售附屬公司	—	(521)
Recognised in the consolidated income statement (Note 33)	於綜合損益表 確認(附註33)	43,805	(926,041)
Credited directly to equity (Note 28)	直接增加權益(附註28)	2,156	24,880
Exchange difference	匯兌差額	(258,935)	(170,449)
At 31st December	於十二月三十一日	(5,596,561)	(5,383,587)

The movements in deferred tax assets and deferred tax liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

遞延稅項資產及遞延稅項負債之變動(並無考慮相同司法權區內之結餘抵銷)如下：

Deferred Tax Liabilities

遞延稅項負債

		Revaluation surplus 重估盈餘	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
At 1st January	於一月一日	(5,551,128)	(4,502,743)
Recognised in the consolidated income statement (Note 33)	於綜合損益表 確認(附註33)	495	(895,668)
Credited directly to equity (Note 28)	直接增加權益(附註28)	2,156	24,880
Exchange difference	匯兌差額	(268,324)	(177,597)
At 31st December	於十二月三十一日	(5,816,801)	(5,551,128)

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

25 Deferred Income Tax (Continued)

25 遞延所得稅(續)

Deferred Tax Assets

遞延稅項資產

		Tax losses	
		稅務虧損	
		2011	2010
		二零一一年	二零一零年
		HK\$'000	HK\$'000
		千港元	千港元
At 1st January	於一月一日	167,541	191,287
Recognised in the consolidated income statement (Note 33)	於綜合損益表確認(附註33)	43,310	(30,373)
Disposal of subsidiaries	出售附屬公司	—	(521)
Exchange difference	匯兌差額	9,389	7,148
At 31st December	於十二月三十一日	220,240	167,541

Deferred tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31st December 2011, the Group did not recognise deferred tax assets of approximately HK\$270,054,000 (2010: HK\$227,280,000) in respect of tax losses amounting to approximately HK\$1,269,862,000 (2010: HK\$1,078,801,000).

Tax losses amounting to approximately HK\$712,072,000 (2010: HK\$579,732,000) are expiring from 2012 through 2016. The remaining tax losses do not have expiry dates.

As at 31st December 2011, deferred tax liabilities of HK\$1,436,985,000 (2010: HK\$1,369,210,000) have not been recognised for withholding tax on the unremitted earnings of certain subsidiaries, as these earnings are expected to be reinvested.

遞延稅項資產乃因應相關稅務利益可透過未來應課稅溢利變現而就所結轉之稅項虧損作確認。於二零一一年十二月三十一日，本集團並無確認遞延稅項資產約270,054,000港元(二零一零年：227,280,000港元)，涉及稅項虧損約1,269,862,000港元(二零一零年：1,078,801,000港元)。

為數約712,072,000港元(二零一零年：579,732,000港元)之稅項虧損將於二零一二年至二零一六年期間屆滿。其餘稅項虧損沒有屆滿時限。

於二零一一年十二月三十一日，本集團尚未就若干附屬公司未匯出盈利的預扣稅確認遞延稅項負債1,436,985,000港元(二零一零年：1,369,210,000港元)，原因為此等盈利預期將用作再投資。

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

26 Current Tax Liabilities

26 本期稅項負債

	Group 集團		Company 公司	
	2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元	2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Hong Kong profits tax payable 應付香港利得稅	5,949	3,425	—	—
Mainland China corporate income tax payable 應付中國大陸企業所得稅	93,764	692,742	19,525	17,783
Mainland China land appreciation tax payable 應付中國大陸土地增值稅	4,018,114	3,946,836	—	—
	4,117,827	4,643,003	19,525	17,783

27 Share Capital

27 股本

		Number of ordinary shares 普通股數目 '000 千股	Par value 面值 HK\$'000 千港元
At 1st January 2010 於二零一零年一月一日		1,592,368	159,237
Issue of shares 發行股份			
— Placements 一配售		185,461	18,546
Repurchase of own shares 購回本身股份		(25,462)	(2,546)
At 31st December 2010 於二零一零年十二月三十一日		1,752,367	175,237
At 1st January 2011 於二零一一年一月一日		1,752,367	175,237
Repurchase of own shares 購回本身股份		(16,364)	(1,637)
At 31st December 2011 於二零一一年十二月三十一日		1,736,003	173,600

The total authorised number of ordinary shares is 3,000,000,000 shares (2010: 2,000,000,000 shares) with a par value of HK\$0.1 per share (2010: HK\$0.1 per share). All issued shares are fully paid.

法定普通股總數為3,000,000,000股(二零一零年: 2,000,000,000股)每股面值0.1港元(二零一零年: 每股0.1港元)之股份。所有已發行股份均已繳足股款。

In September and October 2011, the Company repurchased 16,364,000 shares for approximately HK\$70,379,000. These shares were subsequently cancelled.

於二零一一年九月及十月,本公司購回16,364,000股股份,代價約70,379,000港元。該等股份其後註銷。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

27 Share Capital (Continued)

Share Options

The Company has an employee share options scheme, under which it may grant options to employees (including executive directors of the Company) to subscribe for shares in the Company, subject to a limit that the total number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the share options schemes of the Company shall not exceed 30% of the shares in issue from time to time. The exercise price will be determined by the Company's board of directors and shall at least be the highest of (i) the closing price of the Company's shares on the date of offer of the options, (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of offer of the options, (iii) the net asset value per share as determined in accordance with the Hong Kong Financial Reporting Standards and with reference to the latest published audited financial statements in the annual report or the latest published unaudited interim financial information in the interim report (whichever is more recent) of the Group on the date of offer of the relevant options; and (iv) the nominal value of the Company's shares of HK\$0.1 each. This employee share options scheme will remain in force for a period of 10 years from 2002 up to 2012.

There was no share option granted and exercised during the years ended 31st December 2011 and 31st December 2010.

As at 31st December 2011 and 31st December 2010, there were no outstanding share options.

27 股本(續)

購股權

本公司有一項僱員購股權計劃，據此，本公司可向僱員(包括本公司執行董事)授出購股權以認購本公司股份，惟按本公司購股權計劃，所有已授出但未行使之購股權予以行使時發行之股份總數，不得超過本公司不時已發行股份之30%。行使價將由本公司董事會釐定，並將不少於下列四者之最高者：(i)本公司股份於提供購股權日之收市價；(ii)於緊接提供購股權當日前五個交易日本公司股份之平均收市價；(iii)於提供有關購股權當日，按照香港財務報告準則計算並參考本集團最近期刊發之年報內經審核財務報表或最近期刊發之中期報告內未經審核中期財務資料(以較近期者為準)所釐定每股資產淨值；及(iv)本公司股份面值(每股0.1港元)。本僱員購股權計劃於二零零二年至二零一二年之十年期間維持有效。

於截至二零一一年十二月三十一日及二零一零年十二月三十一日止年度，概無購股權獲授出或予以行使。

於二零一一年十二月三十一日及二零一零年十二月三十一日，概無未行使之購股權。

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

28 Reserves

28 儲備

		Group 集團						
		Share premium	Capital redemption reserve	Statutory reserve (i)	Assets revaluation reserve (iii)	Currency translation differences	Retained earnings	Total
		股份溢價	資本贖回儲備	法定儲備(i)	資產重估儲備(iii)	貨幣匯兌差額	保留盈利	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元	千港元
At 1st January 2011	於二零一一年一月一日	10,793,525	2,546	161,117	2,988,251	3,582,279	20,484,200	38,011,918
Currency translation differences	貨幣匯兌差額	—	—	—	—	1,903,349	—	1,903,349
Profit for the year	年度溢利	—	—	—	—	—	1,430,031	1,430,031
Repurchase of own shares	購回本身股份	(100,793)	1,637	—	—	—	30,414	(68,742)
Dividends paid	已付股息	—	—	—	—	—	(300,531)	(300,531)
Fair value loss on available-for-sale financial assets (Note 16)	可供出售財務資產之公平值虧損(附註16)	—	—	—	(40,645)	—	—	(40,645)
Realised upon disposal of properties held for sale (ii)	出售持作出售物業時變現(ii)	—	—	—	(26,684)	—	—	(26,684)
Deferred tax (Note 25)	遞延稅項(附註25)	—	—	—	2,156	—	—	2,156
At 31st December 2011	於二零一一年十二月三十一日	10,692,732	4,183	161,117	2,923,078	5,485,628	21,644,114	40,910,852

		Group 集團							
		Share premium	Capital redemption reserve	Statutory reserve (i)	Assets revaluation reserve (iii)	Convertible bonds reserve	Currency translation differences	Retained earnings	Total
		股份溢價	資本贖回儲備	法定儲備(i)	資產重估儲備(iii)	可換股債券儲備	貨幣匯兌差額	保留盈利	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元
At 1st January 2010	於二零一零年一月一日	8,232,259	—	161,117	2,507,043	227,734	2,366,633	14,539,720	28,034,506
Currency translation differences	貨幣匯兌差額	—	—	—	—	—	1,215,646	—	1,215,646
Profit for the year	年度溢利	—	—	—	—	—	—	5,889,412	5,889,412
Issue of shares — Placements	發行股份 — 配售	2,692,900	—	—	—	—	—	—	2,692,900
Repurchase of own shares	購回本身股份	(131,634)	2,546	—	—	—	—	(138,664)	(267,752)
Acquisition of additional equity interest of a subsidiary	進一步收購一間附屬公司之股權	—	—	—	—	—	—	(34,002)	(34,002)
Redemption of convertible bonds	贖回可換股債券	—	—	—	—	(227,734)	—	227,734	—
Fair value gain on available-for-sale financial assets (Note 16)	可供出售財務資產之公平值收益(附註16)	—	—	—	542,775	—	—	—	542,775
Realised upon disposal of properties held for sale (ii)	出售持作出售物業時變現(ii)	—	—	—	(86,447)	—	—	—	(86,447)
Deferred tax (Note 25)	遞延稅項(附註25)	—	—	—	24,880	—	—	—	24,880
At 31st December 2010	於二零一零年十二月三十一日	10,793,525	2,546	161,117	2,988,251	—	3,582,279	20,484,200	38,011,918

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

28 Reserves (Continued)

28 儲備(續)

		Company 公司						
		Share premium	Capital redemption reserve	Convertible bonds reserve	Currency translation differences	Retained earnings	Total	
		股份溢價	資本贖回 儲備	可換股債券 儲備	貨幣匯兌 差額	保留盈利	總計	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
		千港元	千港元	千港元	千港元	千港元	千港元	
At 1st January 2011	於二零一一年 一月一日	10,793,525	2,546	—	1,216,660	525,776	12,538,507	
Currency translation differences	貨幣匯兌差額	—	—	—	617,070	—	617,070	
Profit for the year	年度溢利	—	—	—	—	368,402	368,402	
Repurchase of own shares	購回本身股份	(100,793)	1,637	—	—	30,414	(68,742)	
Dividends paid	已付股息	—	—	—	—	(300,531)	(300,531)	
At 31st December 2011	於二零一一年 十二月三十一日	10,692,732	4,183	—	1,833,730	624,061	13,154,706	
At 1st January 2010	於二零一零年 一月一日	8,232,259	—	227,734	789,760	596,215	9,845,968	
Currency translation differences	貨幣匯兌差額	—	—	—	426,900	—	426,900	
Loss for the year	年度虧損	—	—	—	—	(159,509)	(159,509)	
Redemption of convertible bonds	贖回可換股債券	—	—	(227,734)	—	227,734	—	
Issue of shares — Placements	發行股份 — 配售	2,692,900	—	—	—	—	2,692,900	
Repurchase of own shares	購回本身股份	(131,634)	2,546	—	—	(138,664)	(267,752)	
At 31st December 2010	於二零一零年 十二月三十一日	10,793,525	2,546	—	1,216,660	525,776	12,538,507	

Notes:

附註:

(i) As stipulated by regulations in Mainland China, the Company's subsidiaries established and operated in Mainland China are required to appropriate a portion of their after-tax profit (after offsetting prior year losses) to the statutory reserves and enterprise expansion fund, at rates determined by their respective boards of directors. The statutory reserves can be utilised to offset prior year losses or be utilised for the issuance of bonus shares, whilst the enterprise expansion fund can be utilised for the development of business operations. When the statutory reserves reach an amount equal to 50% of the registered capital of the Company's subsidiaries, further appropriation needs not be made.

(i) 按照中國大陸法規所訂明，本公司於中國大陸成立及經營之附屬公司須自其除稅後溢利(經抵銷過往年度虧損後)中撥出一部分至法定儲備及企業發展基金，比率乃由各董事會釐定。法定儲備可用作抵銷過往年度虧損或用作發行紅股，而企業發展基金則可用作發展業務。當法定儲備達到相當於本公司附屬公司註冊資本50%之金額時，將毋須進一步作出撥款。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

28 Reserves (Continued)

Notes: (Continued)

- (ii) Upon completion of the acquisition of Guangzhou Nonggongshang Construction and Development Company Limited in 2007, Guangzhou Zhujiang Qiaodao Real Estate Limited ("GZQREL") became a subsidiary of the Group and the fair value gain in respect of the 69.5% interest in GZQREL previously held by the Group (as a jointly controlled entity) of approximately HK\$2,180,096,000 net of tax has been accounted for as an asset revaluation reserve directly in equity on acquisition. Upon subsequent delivery of the properties developed by GZQREL, which represents partial disposal of the business of GZQREL, the related portion of the asset revaluation reserve is released to the consolidated income statement.
- (iii) Assets revaluation reserve represents revaluation reserve of available-for-sale financial assets, and fair value gain in respect of 69.5% interest in GZQREL previously held by the Group (see (ii) above).

28 儲備(續)

附註：(續)

- (ii) 於二零零七年完成收購廣州市農工商集團建設開發公司(「農工商公司」)後，廣州珠江僑都房地產有限公司(「僑都」)成為本集團之附屬公司，本集團先前持有僑都(作為一間共同控制實體)的69.5%權益之公平值收益約2,180,096,000港元(已扣除稅項)已於收購時直接在權益列作資產估值儲備。在往後交付由僑都開發之物業時(指出售僑都部分業務)，資產重估儲備之有關部分將撥入綜合損益表。
- (iii) 資產重估儲備指可供出售財務資產及有關本集團先前所持僑都69.5%權益公平值收益之重估儲備(參見上文(ii))。

29 Other Income/Gains, Net

29 其他收入／收益，淨額

		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Gain on disposal of subsidiaries	出售附屬公司之收益	—	958,217
Dividend income	股息收入	68,843	15,292
Government grants	政府補助	31,161	149,943
Fair value (loss)/gain on financial assets at fair value through profit or loss	按公平值透過損益列賬之財務資產之公平值(虧損)／收益	(272)	601
		99,732	1,124,053

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

30 Expenses by Nature

Expenses included in cost of sales, selling and marketing costs and general and administrative expenses are analysed as follows:

30 按性質劃分之開支

開支包括銷售成本、銷售及市場推廣成本，以及一般及行政費用，分析如下：

		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Advertising costs	廣告開支	314,768	242,174
Amortisation of land costs	土地成本攤銷	6,522	5,845
Auditor's remuneration	核數師酬金	5,500	5,280
Cost of completed properties sold	出售已落成物業之成本	3,751,401	8,210,779
Depreciation of properties and equipment	物業及設備折舊	146,559	118,922
Direct operating expenses arising from investment properties that	以下類別投資物業產生之直接經營開支		
— generate rental income	— 產生租金收入	25,688	5,489
— did not generate rental income	— 並無產生租金收入	144	2,531
Employees' benefits costs (including Directors' emoluments) (Note 31)	僱員福利成本 (包括董事酬金)(附註31)	620,413	445,466
Loss on disposal of properties and equipment	出售物業及設備虧損	492	1,836
Net exchange gain (included in general and administrative expenses)	匯兌收益淨額 (計入一般及行政費用)	(262,032)	(82,612)
Operating lease rental in respect of premises	物業之經營租賃租金	40,586	30,975

31 Employees' Benefits Costs (Including Directors' Emoluments)

31 僱員福利成本(包括董事酬金)

		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Salaries and allowances	薪金及津貼	479,500	343,394
Sales commission and bonus	銷售佣金及花紅	43,853	31,607
Pension costs	退休金成本		
— Defined contribution plans	— 界定供款計劃	96,960	70,547
— Provision/(write-back of provision) for long-service payment	— 長期服務金撥備/(撥備撥回)	100	(82)
		620,413	445,466

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

31 Employees' Benefits Costs (Including Directors' Emoluments) (Continued)

(a) Pensions — Defined Contribution Plans

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (“the MPF Scheme”), a defined contribution scheme managed by an independent trustee. Under the MPF scheme, each of the Group (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and employees are subject to a cap of HK\$1,000 and thereafter contributions are voluntary.

As stipulated by rules and regulations in Mainland China, the Group contributes to state-sponsored retirement plans for its employees in Mainland China. The Group's employees make monthly contributions to the plans at approximately 8% of the relevant income (comprising salaries, allowances and bonus), while the Group contributes 12% to 22% of such income and has no further obligations for the actual payment of pensions beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

31 僱員福利成本(包括董事酬金) (續)

(a) 退休金 — 界定供款計劃

本集團已替其香港僱員安排參與一項由一位獨立信託人管理之定額供款計劃，即強制性公積金計劃(「強積金計劃」)。根據強積金計劃，本集團(僱主)及其僱員各自須按強制性公積金法例所界定各自按該僱員收入之5%向該計劃作每月供款。僱主及僱員所作之每月供款之上限各為1,000港元，而多於1,000港元之供款則屬自願性質。

按照中國大陸之規則及法規所規定，本集團為其於中國大陸之僱員選擇一個由國家資助之退休計劃。本集團僱員每月按其相關收入(包括薪金、津貼及花紅)約8%對計劃作出供款，本集團則按該等收入12%至22%作出供款。除這些供款外，本集團並無其他對實際退休金付款責任。國家資助之退休計劃負責支付退休僱員之全部退休金。

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

31 Employees' Benefits Costs (Including Directors' Emoluments) (Continued)

(b) Directors' Emoluments

The remuneration of each director for the year ended 31st December 2011 is set out below:

31 僱員福利成本(包括董事酬金)(續)

(b) 董事酬金

截至二零一一年十二月三十一日止年度，各董事之酬金載列如下：

Name of director		Fees	Salaries and allowances	Share-based payments	Employer's contribution to pension scheme	Total
董事姓名		袍金	薪金及津貼	以股份為基礎之償付	僱主對退休金計劃之供款	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元
Executive directors		執行董事				
Mr. Au Wai Kin	歐偉建先生	—	240	—	12	252
Ms. Chu Kut Yung (iii)	朱桔榕女士(iii)	—	92	—	—	92
Mr. Chu Mang Yee	朱孟依先生	—	—	—	—	—
Mr. Liao Ruo Qing	廖若清先生	—	3,614	—	12	3,626
Mr. Xiang Bin	項斌先生	—	2,000	—	12	2,012
Mr. Xue Hu (iv)	薛虎先生(iv)	—	3,614	—	12	3,626
Ms. Zhao Ming Feng (i)	趙明豐女士(i)	—	2,550	—	11	2,561
Mr. Zhang Yi (ii)	張懿先生(ii)	—	1,389	—	—	1,389
		—	13,499	—	59	13,558
Independent non-executive directors		獨立非執行董事				
Mr. Lee Tsung Hei, David	李頌熹先生	260	—	—	—	260
Mr. Wong Shing Kay, Oliver	黃承基先生	260	—	—	—	260
Mr. Tan Leng Cheng, Aaron	陳龍清先生	260	—	—	—	260
		780	—	—	—	780

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

31 Employees' Benefits Costs (Including Directors' Emoluments) (Continued)

(b) Directors' Emoluments (Continued)

The remuneration of each director for the year ended 31st December 2010 is set out below:

Name of director	Fees	Salaries and allowances	Share-based payments	Employer's contribution to pension scheme	Total
董事姓名	袍金	薪金及津貼	以股份為基礎之償付	僱主對退休金計劃之供款	總計
	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
Executive directors					
執行董事					
Mr. Au Wai Kin	—	240	—	12	252
Mr. Chen Chang Ying	—	385	—	—	385
Mr. Chu Mang Yee	—	—	—	—	—
Mr. Liao Ruo Qing	—	2,951	—	22	2,973
Mr. Xiang Bin	—	2,000	—	12	2,012
Mr. Xue Hu (iv)	—	2,951	—	22	2,973
Ms. Zhao Ming Feng (i)	—	3,000	—	12	3,012
	—	11,527	—	80	11,607
Independent non-executive directors					
獨立非執行董事					
Mr. Lee Tsung Hei, David	240	—	—	—	240
Mr. Wong Shing Kay, Oliver	240	—	—	—	240
Mr. Yuen Pak Yiu, Phillip	240	—	—	—	240
Mr. Tan Leng Cheng, Aaron	120	—	—	—	120
	840	—	—	—	840

Notes:

(i) Ms. Zhao Ming Feng resigned on 7th November 2011.

(ii) Mr. Zhang Yi was appointed on 7th November 2011.

(iii) Ms. Chu Kut Yung was appointed on 7th November 2011.

(iv) Mr. Xue Hu resigned on 1st March 2012.

During the year, Mr. Chu Mang Yee waived emoluments of HK\$240,000 (2010: HK\$240,000).

附註:

(i) 趙明豐女士於二零一一年十一月七日辭任。

(ii) 張懿先生於二零一一年十一月七日獲委任。

(iii) 朱栢榕女士於二零一一年十一月七日獲委任。

(iv) 薛虎先生於二零一二年三月一日辭任。

年內，朱孟依先生放棄酬金240,000港元(二零一零年：240,000港元)。

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

31 Employees' Benefits Costs (Including Directors' Emoluments) (Continued)

(c) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2010: four) directors whose emoluments are reflected in the analysis presented above. The emoluments paid and payable to the remaining one (2010: one) individual are as follows:

	2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Salaries and allowances 薪金及津貼	2,272	2,272
Employer's contribution to pension scheme 僱主對退休金計劃之供款	12	2
	2,284	2,274

The emoluments fell within the following band:

	2011 二零一一年 Number of individuals 個別人士 數目	2010 二零一零年 Number of individuals 個別人士 數目
HK\$2,000,001 to HK\$2,500,000 2,000,001 港元至 2,500,000 港元	1	1

31 僱員福利成本(包括董事酬金)(續)

(c) 五名最高薪人士

本年度本集團五名最高薪人士包括四名(二零一零年:四名)董事,彼等之酬金已於上文所呈列之分析反映。已付及應付予其餘一名(二零一零年:一名)個別人士之酬金如下:

酬金介乎以下組別:

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

32 Finance Income and Costs

32 財務收入及成本

		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Interest expense:	利息開支：		
— on loans from banks and financial institutions wholly repayable within five years	— 須於五年內悉數償還之銀行及財務機構貸款	1,808,043	989,928
— on loans from banks not wholly repayable within five years	— 不須於五年內悉數償還之銀行貸款	69,376	38,685
— on senior notes wholly repayable within five years	— 須於五年內悉數償還之優先票據	496,992	234,864
— on convertible bonds wholly repayable within five years	— 須於五年內悉數償還之可換股債券	—	4,852
Total borrowing costs incurred	所涉及之總借貸成本	2,374,411	1,268,329
Less: Amount capitalised as part of the cost of properties under development	減：撥充作為發展中物業之部份成本之款項	(2,135,872)	(1,015,022)
		238,539	253,307
Interest income from banks	銀行利息收入	(29,098)	(17,039)
Net finance costs	財務成本淨額	209,441	236,268

The average interest rate of borrowing costs capitalised for the year ended 31st December 2011 was approximately 8.2% (2010: 5.9%) per annum.

截至二零一一年十二月三十一日止年度，撥充資本的借貸成本平均年利率約為8.2厘(二零一零年：5.9厘)。

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

33 Taxation

33 稅項

		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Taxation consists of:	稅項包括：		
Current tax	本期稅項		
Hong Kong profits tax (Note (a))	香港利得稅(附註(a))	2,341	(1,599)
Mainland China corporate income tax (Note (b))	中國大陸企業所得稅(附註(b))	526,845	1,034,209
Mainland China land appreciation tax (Note (c))	中國大陸土地增值稅(附註(c))	303,392	591,446
		832,578	1,624,056
Deferred tax	遞延稅項		
Mainland China corporate income tax (Note (b))	中國大陸企業所得稅(附註(b))	(29,525)	957,124
Mainland China land appreciation tax (Note (c))	中國大陸土地增值稅(附註(c))	(14,280)	(31,083)
		(43,805)	926,041
Taxation (Note (d))	稅項(附註(d))	788,773	2,550,097

The Company is exempted from taxation in Bermuda until March 2016. Subsidiaries in the British Virgin Islands are 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.

There was no share of the jointly controlled entity's taxation for the year ended 31st December 2011 and 2010.

(a) Hong Kong Profits Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year.

(b) Mainland China Corporate Income Tax

Subsidiaries established and operated in Mainland China are subject to Mainland China corporate income tax at the rate of 25% (2010: 25%) for the year ended 31st December 2011.

本公司獲豁免繳納百慕達稅項，直至二零一六年三月止。英屬處女群島附屬公司乃根據英屬處女群島國際商業公司法(現為英屬處女群島商業公司法2004)，或英屬處女群島之英屬處女群島商業公司法2004，註冊成立，故毋須支付任何形式之英屬處女群島稅項。

截至二零一一年及二零一零年十二月三十一日止年度並無分佔該共同控制實體稅項。

(a) 香港利得稅

年內香港利得稅之估計應課稅溢利按16.5%(二零一零年：16.5%)的稅率撥備。

(b) 中國大陸企業所得稅

截至二零一一年十二月三十一日止年度，於中國大陸成立及經營之附屬公司乃按25%(二零一零年：25%)之稅率繳納中國大陸企業所得稅。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

33 Taxation (Continued)

(c) Mainland China Land Appreciation Tax

Mainland China land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

- (d) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the group companies as follows:

33 稅項(續)

(c) 中國大陸土地增值稅

中國大陸土地增值稅就土地增值，即出售房地產所得款項扣除可扣減項目(包括土地及發展開支及建築成本)，按累進稅率30%至60%徵收。

- (d) 本集團除稅前溢利與按照集團公司加權平均適用溢利稅率計算之理論金額有所差異，詳情如下：

		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Profit before taxation	除稅前溢利	2,197,184	8,843,109
Less: Share of profit less loss of associates	減：分佔聯營公司溢利 減虧損	(351)	(1,071)
Less: Share of loss of jointly controlled entities	減：分佔共同控制實體 虧損	3,284	666
		2,200,117	8,842,704
Tax calculated at domestic tax rates applicable to profits in the respective countries	按於各國之溢利適用國內 稅率計算之稅項	550,572	2,125,355
Income not subject to tax	不用課稅收入	(23,794)	(164,899)
Expenses not deductible for tax	不可扣稅支出	2,387	125,968
Land appreciation tax deductible for calculation of income tax purposes	可扣減作為計算所得稅用途之 土地增值稅	(72,278)	(140,091)
Utilisation of previously unrecognised tax losses	動用過往未確認 稅項虧損	(5,149)	(3,049)
Deferred tax asset not recognised	未確認遞延稅項資產	47,923	46,450
		499,661	1,989,734
Land appreciation tax	土地增值稅	289,112	560,363
Taxation	稅項	788,773	2,550,097

The weighted average applicable tax rate was 25% (2010: 24%).

加權平均適用稅率為25%(二零一零年：24%)。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

34 Profit Attributable to Equity Holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of a profit of HK\$368,402,000 (2010: loss of HK\$159,509,000).

34 本公司股權持有人應佔溢利

本公司股權持有人應佔溢利，其中溢利368,402,000港元(二零一零年：虧損159,509,000港元)已於本公司財務報表內反映。

35 Earnings Per Share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

35 每股盈利

基本

每股基本盈利乃根據本公司股權持有人應佔溢利除以年內已發行普通股之加權平均數得出。

		2011 二零一一年	2010 二零一零年
Profit attributable to equity holders of the Company (HK\$'000)	本公司股權持有人應佔溢利(千港元)	1,430,031	5,889,412
Weighted average number of ordinary shares in issue ('000)	已發行普通股之加權平均數(千股)	1,748,096	1,717,330
Basic earnings per share (HK\$ per share)	每股基本盈利(每股港元)	0.82	3.43

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There was no dilutive potential ordinary shares for the year ended 31st December 2011. For the year ended 31st December 2010, the convertible bonds were assumed to have been converted into ordinary shares, and the net profit was adjusted to eliminate the interest expense less the related tax effect. The number of shares calculated as above was compared with the number of shares that would have been issued assuming the conversion of convertible bonds.

攤薄

計算每股攤薄盈利時，已對已發行普通股之加權平均數作出調整，以假設所有具攤薄潛力之普通股獲悉數轉換。於截至二零一一年十二月三十一日止年度，概無任何具攤薄潛力之普通股。於截至二零一零年十二月三十一日止年度，就可換股債券而言，假設所有可換股債券已兌換成普通股，純利經撇銷利息支出扣減有關稅務影響加以調整。以上述方法計算之股份數目將和假設兌換可換股債券而已發行之股份數目進行對比。

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

35 Earnings Per Share (Continued)

35 每股盈利(續)

Diluted (Continued)

攤薄(續)

		2011 二零一一年	2010 二零一零年
Profit attributable to equity holders of the Company (HK\$'000)	本公司股權持有人應佔溢利(千港元)	1,430,031	5,889,412
Interest expense on convertible bonds (net of tax) (HK\$'000)	可換股債券之利息開支(扣除稅項)(千港元)	—	3,760
Profit for calculation of diluted earnings per share (HK\$'000)	計算每股攤薄盈利之溢利(千港元)	1,430,031	5,893,172
Weighted average number of ordinary shares in issue ('000)	已發行普通股之加權平均數(千股)	1,748,096	1,717,330
Adjustments for shares to be issued on conversion of convertible bonds ('000)	調整涉及於轉換可換股債券時將予發行之股份(千股)	—	5,357
Weighted average number of ordinary shares for diluted earnings per share ('000)	計算每股攤薄盈利之普通股加權平均數(千股)	1,748,096	1,722,687
Diluted earnings per share (HK\$ per share)	每股攤薄盈利(每股港元)	0.82	3.42

36 Dividends

36 股息

		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Interim dividend paid of nil (2010: nil) per ordinary share	已付中期股息每股普通股零港元(二零一零年：零港元)	—	—
Proposed final dividend of nil (2010: HK\$0.1715) per ordinary share	擬派末期股息每股普通股零港元(二零一零年：0.1715港元)	—	300,531
		—	300,531

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

37 Notes to the Consolidated Cash Flow Statement

37 綜合現金流量表附註

(a) Cash used in operations

(a) 經營所用之現金

		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Profit before taxation	除稅前溢利	2,197,184	8,843,109
Adjustments for:	調整：		
— Interest income	— 利息收入	(29,098)	(17,039)
— Finance costs	— 財務成本	238,539	253,307
— Dividend income	— 股息收入	(68,843)	(15,292)
— Gain on disposal of subsidiaries	— 出售附屬公司收益	—	(958,217)
— Share of loss of jointly controlled entities	— 分佔共同控制實體之虧損	3,284	666
— Share of profit less loss of associates	— 分佔聯營公司溢利減虧損	(351)	(1,071)
— Depreciation of properties and equipment	— 物業及設備折舊	146,559	118,922
— Loss on disposal of properties and equipment	— 出售物業及設備虧損	492	1,836
— Amortisation of land costs	— 土地成本攤銷	6,522	5,845
— Fair value gains on investment properties	— 投資物業公平值收益	(107,397)	(3,795,624)
— Fair value loss/(gain) on financial assets at fair value through profit or loss	— 按公平值透過損益列賬之財務資產之公平值虧損/(收益)	272	(601)
— Net exchange gain	— 匯兌收益淨額	(262,032)	(82,612)
Changes in working capital (excluding the effects of acquisition, disposal of subsidiaries and exchange differences on consolidation):	營運資金變動(不包括收購、出售附屬公司及匯兌差額對綜合賬目之影響)：		
— Properties under development for sale and completed properties for sale	— 可供出售之發展中物業及可供出售之已落成物業	(6,011,102)	(3,075,071)
— Accounts receivable	— 應收賬款	(51,184)	(19,633)
— Prepayments for acquisition of land	— 收購土地之預付款項	(640,809)	(7,661,085)
— Prepayments, deposits and other current assets	— 預付款項、按金及其他流動資產	(100,457)	(707,630)
— Accounts payable	— 應付賬款	(786,254)	2,558,072
— Land cost payable	— 應付土地成本	147,452	24,939
— Deferred revenue	— 遞延收入	3,765,850	(1,934,476)
— Accruals and other payables	— 應計款項及其他應付款項	624,667	267,854
Cash used in operations	經營所用之現金	(926,706)	(6,193,801)

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

37 Notes to the Consolidated Cash Flow Statement (Continued)

(b) Acquisition of subsidiaries

During the year ended 31st December 2011, the Group completed the acquisition of the equity interests in Tianjin Zeye Modern Agriculture Development Limited, Tianjin Ruiwan Investment and Development Company Limited and Beijing Ruiyu Investment Management Limited, at a total consideration of RMB993,181,000 (approximately HK\$1,183,360,000). The major assets of the subsidiaries are land lots for property development in Mainland China, and accordingly, the transactions have been accounted for as the acquisition of assets.

37 綜合現金流量表附註(續)

(b) 收購附屬公司

截至二零一一年十二月三十一日止年度，本集團已完成收購天津市澤業現代農業開發有限公司、天津瑞灣投資發展有限公司及北京銳宇投資管理有限公司之股本權益，代價總額為人民幣993,181,000元(約1,183,360,000港元)。該等附屬公司之主要資產為於中國大陸內作物業發展之多幅地塊，故有關交易以資產收購入賬。

		HK\$'000 千港元
Net assets acquired:	所收購之淨資產：	
Properties and equipment	物業及設備	4,815
Properties under development for sale	可供出售之發展中物業	1,337,138
Prepayments, deposits and other current assets	預付款、按金及其他流動資產	56,488
Cash and cash equivalents	現金及現金等價物	401
Land cost payable	土地成本應付款項	(135,540)
Accruals and other payables	應計款項及其他應付款項	(23,432)
Non-controlling interests	非控股性權益	(56,510)
		1,183,360
Satisfied by:	以下列方式償付：	
Cash consideration	現金代價	684,854
Prepaid consideration (included in prepayments, deposits and other current assets)	預付款代價(包括預付款項、按金及其他流動資產)	498,506
		1,183,360
Net cash (outflow)/inflow arising on acquisition:	產生自收購之淨現金(流出)／流入：	
Cash consideration paid	已付現金代價	(684,854)
Cash and cash equivalents acquired	已收購之現金及現金等價物	401
		(684,453)

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

38 Financial Guarantees

38 財務擔保

	Group 集團		Company 公司	
	2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元	2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Financial guarantees not provided for in the financial statements are as follows:				
Guarantees given to banks for mortgage facilities granted to certain buyers of the Group's properties	10,315,065	10,501,787	—	—
Guarantees given to banks for bank borrowings of subsidiaries	—	—	17,131,925	13,565,035
Guarantees given to bank for bank borrowings of a jointly controlled entity	878,734	1,175,185	878,734	1,175,185
	11,193,799	11,676,972	18,010,659	14,740,220

Guarantees given to banks for mortgage facilities granted to certain buyers of the Group's properties represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees were to be discharged upon earlier of (i) issuance of the real estate ownership certificate which are generally be available within three months after the purchasers take possession of the relevant properties; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

該擔保代表若干銀行授出之按揭融資之擔保，乃有關為本集團物業之若干買家安排之按揭貸款。根據該擔保的條款，倘該等買家拖欠按揭付款，本集團須負責償還違約買方拖欠銀行之尚未償還按揭本金連同應計利息及罰款，而本集團有權取得相關物業之法定所有權以及佔用權。當(i)發出房地產所有權證(一般於買家佔用相關物業的三個內發出)；或(ii)該等物業的買家已償清按揭貸款(以較早者為準)，該擔保將會解除。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

38 Financial Guarantees (Continued)

The Directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty (see also note 3.1(b)) and therefore no provision has been made in the financial statements.

39 Pending Litigation

Summary of litigation instituted by YTO Group Corporation (中國一拖集團有限公司) against Guangzhou Laureland Property Co., Ltd. (廣州羅蘭德房地產有限公司) and Guangzhou Ziyun Village Real Estate Company Limited, a subsidiary of the Group, in relation to a dispute over guarantee

In December 2004, YTO Group Corporation (“YTO Group”) and Guangzhou Laureland Property Co., Ltd. (“Laureland Co”), both independent third parties entered into an agreement, whereby Laureland Co agreed to provide a counter-guarantee by pledging its seven villas as security for repayment in respect of the amount of RMB127,138,320 under the guarantee provided by YTO Group in respect of a bank loan obtained by Henan Jian Ye Company. A balance of RMB93,138,320 was due and payable by Laureland Co to YTO Group.

In June 2007, YTO Group, as plaintiff, instituted a proceeding against Laureland Co, as defendant, in the Intermediate People’s Court of Luoyang City (“Luoyang Court”), claiming for the payment of the said balance of RMB93,138,320. In July 2007, YTO Group issued “supplementary pleadings” adding Guangzhou Ziyun Village Real Estate Company Limited (“Ziyun Co”), a subsidiary of the Group a co-defendant and pleading that certain transfer(s) of assets at an undervalue be declared void and that the co-defendant be ordered to repay the said balance.

38 財務擔保(續)

董事認為，倘出現拖欠付款的情況，相關物業的可變現淨值足以彌補尚未償還的按揭本金連同累計利息及罰款（請同時參閱附註3.1(b)）及因此，於財務報表中概無作出撥備。

39 待決訴訟

中國一拖集團有限公司就擔保糾紛向廣州羅蘭德房地產有限公司及本集團旗下附屬公司廣州紫雲山莊房地產有限公司提出訴訟概要

於二零零四年十二月，中國一拖集團有限公司（「一拖集團」）與廣州羅蘭德房地產有限公司（「羅蘭德公司」）均為獨立第三方，雙方訂立協議，當中羅蘭德公司同意透過質押其七幢別墅為抵押品提供反擔保以償還一拖集團就河南建業公司取得銀行貸款而提供為數人民幣127,138,320元之擔保。羅蘭德公司逾期應付一拖集團結餘人民幣93,138,320元。

於二零零七年六月，一拖集團（作為原告人）於洛陽市中級人民法院（「洛陽市法院」）向羅蘭德公司（作為被告人）提出訴訟，要求償還上述結餘人民幣93,138,320元。於二零零七年七月，一拖集團發出「補充起訴」，加入本集團旗下附屬公司廣州紫雲山莊房地產有限公司（「紫雲公司」）為共同被告並要求宣佈若干低價資產轉讓無效及勒令共同被告人償還上述結餘。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

39 Pending Litigation (Continued)

In August 2007, the Luoyang Court made an injunction to freeze the sum of RMB11,446,100 in the bank account of Ziyun Co and the land use rights of certain land situated in Nanan Village, Zengcheng Xintang Town, Guangzhou Province. In March 2008, the court released the said land and made an order to freeze the land use rights of certain other land situated in the same location.

On the basis of the damage arising from the injunction as aforementioned, Ziyun Co instituted a proceeding in the Luoyang Court against YTO Group and Laureland Co, pleading that the co-defendants be enjoined from infringing the rights of Ziyun Co and seeking compensation for its economic loss of RMB20,000,200.

In May 2008, the Luoyang Court heard the proceedings in relation to YTO Group's claims and ordered that (i) Laureland Co shall repay the sum of RMB93,138,320 owed to YTO Group, (ii) YTO Group shall have priority in sums recovered by auction or sale of the mortgaged properties and (iii) Ziyun Co shall be liable for sums which Laureland Co may be unable to settle. Ziyun Co appealed against the decision and applied to set aside the judgement.

In August 2010, the Higher People's Court of Henan Province upheld the decision of the Luoyang Court and ordered that Ziyun Co shall pay the costs of the appeal.

In June 2011, the bank deposits of Ziyun Co amounting to RMB12 million was temporarily transferred to the Higher People's Court of Henan Province.

In July 2011, the Supreme People's Court of the PRC accepted the application for retrial and in February 2012, the court hearing in the Higher People's Court of Henan Province was conducted, but judgment has not been handed down.

The Group, in consultation with its internal and external legal counsels, considers that they have adequate grounds (based on external legal opinion that Ziyun Co is not a party to the loan agreement) to defend the case. Therefore, no provision has been made at this stage.

39 待決訴訟(續)

於二零零七年八月，洛陽市法院頒令凍結紫雲公司銀行賬戶總數人民幣11,446,100元及位於廣州市增城區新塘鎮南安村之若干土地之土地使用權。於二零零八年三月，法院解除上述土地，並勒令凍結位於同一地點之若干其他土地之土地使用權。

根據誠如上述禁制令所帶來之損害，紫雲公司於洛陽市法院向一拖集團及羅蘭德公司提出訴訟，要求禁制就紫雲公司違反權利而成為共同被告及要求就其經濟損失人民幣20,000,200元作出賠償。

於二零零八年五月，洛陽市法院審理有關一拖集團之訴訟，並頒令(i)羅蘭德公司償還結欠一拖集團之款項人民幣93,138,320元，(ii)一拖集團可優先透過拍賣或出售抵押物業而獲得退款及(iii)紫雲公司須就羅蘭德公司可能未能清償之款項負上責任。紫雲公司就判決提出上訴及申請駁回判決。

於二零一零年八月，河南省高等人民法院維持洛陽市法院的判決並頒令紫雲公司支付訟費。

於二零一一年六月，紫雲公司的銀行存款人民幣12,000,000元已暫時轉撥至河南省高級人民法院。

於二零一一年七月，中國最高人民法院已接納重審的申請，而於二零一二年二月，河南省高級人民法院已展開聆訊，惟尚未有作出判決。

在諮詢內部及外聘法律顧問後，本集團認為現存充份的理由(基於外聘法律顧問指出紫雲公司並非貸款協議的訂約方)就該案件作出辯護。因此，現階段並無需要作出撥備。

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

40 Commitments

(a) Capital Commitments

Capital expenditures at the balance sheet date but not yet incurred are as follows:

40 承擔

(a) 資本承擔

於結算日尚未產生之資本開支如下：

		Group 集團	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Contracted but not provided for	已訂約但未撥備		
— Property construction costs	— 物業建築成本	2,752,993	1,785,112
— Acquisition of land and equity interest in certain entities (Note)	— 收購若干實體之土地及股本權益(附註)	11,335,438	6,245,172
— Capital contribution to an associate	— 一間聯營公司之出資	264,315	—
		14,352,746	8,030,284
Authorised but not contracted for	已授權但未訂約		
— Acquisition of land and equity interests in certain entities	— 收購若干實體之土地及股本權益	101,546	7,858,919
— Property construction costs	— 物業建築成本	1,523,439	3,525,727
		1,624,985	11,384,646
		15,977,731	19,414,930

Note: Included in the balance is an amount of RMB4,291,279,000 (approximately HK\$5,293,300,000) (Note 41(g)) which is to be satisfied by the issuance of shares of the Company upon the completion of the acquisition.

附註：該結餘包括一筆人民幣4,291,279,000元(約5,293,300,000港元)的款項(附註41(g))，將於收購完成後透過本公司發行股份而支付。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

40 Commitments (Continued)

(b) Operating Lease Commitments

The Group has operating lease commitments in respect of premises under various non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating lease are as follows:

		Group 集團	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Amounts payable	下列期內應付之款項		
— Within one year	— 一年內	34,798	29,959
— Within two to five years	— 兩年至五年內	67,846	74,285
— After five years	— 五年後	40,641	40,099
		143,285	144,343

The Company has no operating lease commitment as at 31st December 2011 (2010: nil).

(c) Future Minimum Rental Receivable

The Group leased out certain properties under operating leases. The future minimum rental receivable under non-cancellable operating leases is as follows:

		Group 集團	
		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Within one year	一年內	111,214	81,602
Within two to five years	兩年至五年內	325,667	237,929
After five years	五年後	139,373	170,792
		576,254	490,323

The Company has no future rental receivable as at 31st December 2011 (2010: nil).

40 承擔(續)

(b) 經營租賃承擔

本集團就多份有關租賃物業之不可註銷經營租賃協議而有經營租賃承擔。根據不可註銷經營租約於日後之最低應付經營租金總額如下：

本公司於二零一一年十二月三十一日並無經營租賃承擔(二零一零年：無)。

(c) 未來最低應收租金

本集團根據經營租賃出租若干物業。依據不可撤銷經營租賃之未來最低應收租金如下：

本公司於二零一一年十二月三十一日並無任何未來應收租金(二零一零年：無)。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

41 Related-party Transactions

The Company is controlled by Mr. Chu Mang Yee, who owns approximately 62.83% to 63.42% (2010: 57.5% to 62.83%) of the Company's shares during the year ended 31st December 2011. The remaining shares are widely held.

The ultimate holding company is Sounda Properties Limited.

(a) The Following Significant Transactions were Carried out with Related Parties:

Sales of Goods and Services (note)

		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Property management services to related companies	提供予關連公司之物業管理服務	2,672	5,967
Property design services to related companies	提供予關連公司之物業設計服務	12,852	16,312
		15,524	22,279

41 關連人士交易

本公司由朱孟依先生控制，其於截至二零一一年十二月三十一日止年度內擁有約62.83%至63.42%（二零一零年：57.5%至62.83%）本公司股份。餘下股份由其他人士廣泛持有。

最終控股公司為新達置業有限公司。

(a) 下列為與關連人士進行之重要交易：

銷售貨品及服務(附註)

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

41 Related-party Transactions (Continued)

(a) The Following Significant Transactions
were Carried out with Related Parties:
(Continued)

Purchase of Goods and Services (note) (Continued)

41 關連人士交易(續)

(a) 下列為與關連人士進
行之重要交易：(續)

購買貨品及服務(附註)
(續)

		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Property construction services from related companies	關連公司提供之物業建築服務	571,916	2,275,708
Property design services from related companies	關連公司提供之物業設計服務	3,320	2,759
Decoration services from related companies	關連公司提供之裝飾服務	48,357	42,487
Office rental services from related companies	關連公司提供之辦公室租賃服務	2,506	1,203
Property management services from related companies	關連公司提供之物業管理服務	945	1,104
Property construction supervision services from a related company	一間關連公司提供之物業建築監督服務	6,827	6,418
Electrical power installation, intelligent building installation work, budgeting and cost control consultation services from related companies	關連公司提供之電力安裝、智能大廈安裝工程、預算及成本控制顧問服務	144,552	109,403
		778,423	2,439,082

Note:

These related companies are owned by the brother and the brother-in-law of Mr. Chu Mang Yee (the controlling shareholder and Chairman of the Board of Directors of the Company).

附註：

該等關連公司為由朱孟依先生(本公司控股股東兼董事會主席)之胞弟及妹夫擁有之公司。

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

41 Related-party Transactions (Continued)

(b) Amounts due from/to Related Parties were as Follows:

		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Due from associates	應收聯營公司款項	31,890	30,382
Due from related companies (Note)	應收關連公司款項(附註)	6,188	13,644
Due to an associate	應付一間聯營公司之款項	6,808	6,486
Due to related companies (Note)	應付關連公司之款項(附註)	81,704	344,057
Due to a jointly controlled entity	應付一間共同控制實體之款項	1,574,135	1,709,345

As at 31st December 2011, all outstanding balances with related companies, associates and jointly controlled entities were unsecured, non-interest bearing and without pre-determined repayment terms.

As at 31st December 2011, the Group also had accounts payable of approximately HK\$2,516,006,000 (2010: HK\$2,534,380,000) due to certain related companies (Note) in respect of property construction fees (Note 23).

Note:

These related companies are owned by the brother and the brother-in-law of Mr. Chu Mang Yee (the controlling shareholder and Chairman of the Board of Directors of the Company).

(c) Amount due to Minority Shareholders of Subsidiaries

The amount due to minority shareholders represents shareholders' loans to subsidiaries from the minority shareholders, which is unsecured, non-interest bearing and without pre-determined repayment terms. The amount is considered equity in nature.

41 關連人士交易(續)

(b) 應收/付關連公司之款項如下:

		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Due from associates	應收聯營公司款項	31,890	30,382
Due from related companies (Note)	應收關連公司款項(附註)	6,188	13,644
Due to an associate	應付一間聯營公司之款項	6,808	6,486
Due to related companies (Note)	應付關連公司之款項(附註)	81,704	344,057
Due to a jointly controlled entity	應付一間共同控制實體之款項	1,574,135	1,709,345

於二零一一年十二月三十一日，與關連公司、聯營公司及共同控制實體之全部結餘均無抵押、免息及並無預定還款期。

於二零一一年十二月三十一日，本集團亦有應付若干關連公司(附註)物業建築費約2,516,006,000港元(二零一零年：2,534,380,000港元)(附註23)。

附註：

該等關連公司為由朱孟依先生(本公司控股股東兼董事會主席)之胞弟及妹夫擁有之公司。

(c) 應付附屬公司少數股東之款項

應付少數股東款項指少數股東向附屬公司借出之股東貸款，有關款項為無抵押、免息及無預定還款期。有關金額之性質被視為權益。

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

41 Related-party Transactions (Continued)

(d) Key Management Compensation:

		2011 二零一一年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元
Fees	袍金	780	840
Salaries and allowances	薪金及津貼	13,499	11,527
Pension costs	退休金成本	59	80
		14,338	12,447

(e) Undertaking Provided by Mr. Chu Mang Yee, the Chairman of the Company, to the Group in Relation to the Acquisition of Panyu Zhujiang Real Estate Limited

In March 2010, the Group completed the acquisition of the entire interest in Panyu Zhujiang Real Estate Limited ("Panyu Zhujiang") from Guangdong Hanjiang Construction Installation Project Limited ("Hanjiang"), a related company.

Panyu Zhujiang possesses the right to develop a piece of land in Panyu District, Guangdong, China (the "Land"). Pursuant to the Agreement, Hanjiang will perform and complete all necessary demolition and preparation work to obtain the land use right certificate of Land, at its own expense, within one year from the date of the agreement.

In relation to the Group's acquisition of Panyu Zhujiang, Mr. Chu Mang Yee, has undertaken to the Group to guarantee the due and punctual performance by Hanjiang of its obligations in relation to the Land (subject to a maximum amount of RMB3,600 million). As at 31st December 2011, Hanjiang was in the process to apply the land use right of the Land.

41 關連人士交易(續)

(d) 主要管理層報酬：

(e) 本公司主席朱孟依先生就收購番禺珠江房地產有限公司向本集團作出之承諾

於二零一零年三月，本集團完成向一間關連公司廣東韓江建築安裝工程有限公司(「韓江」)收購番禺珠江房地產有限公司(「番禺珠江」)之全部權益。

番禺珠江擁有中國廣東番禺區內一塊土地(「土地」)的發展權。根據該協議，由協議起計的一年內，韓江將自費處理並完成全部所需的拆除及準備工作以獲得土地的土地使用權。

就有關本集團收購番禺珠江而言，朱孟依先生已向本集團保證韓江如期履行其有關土地的債務(最高款項可達人民幣3,600,000,000元)。於二零一一年十二月三十一日，韓江正在申請土地使用權。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

41 Related-party Transactions (Continued)

(f) Undertaking Provided by Mr. Chu Mang Yee, the Chairman of the Company, to the Group in Relation to Acquisition of Believe Best

In 2007, the Group completed the acquisition of 80% of the issued share capital of Believe Best Investments Limited (“Believe Best”) from Mr. Chu Mang Yee, Chairman of the Company. Believe Best has, through its indirect wholly-owned subsidiary (the project company), acquired a piece of land for development in Chaoyang District, Beijing, China (known as the “Jing Run Project”).

In relation to the Group’s interest in the Jing Run Project through its 80% interest in Believe Best, Mr. Chu Mang Yee, has (i) fully guaranteed the bank loans which were used by the project company for the demolition and relocation of the extra public greenfield site peripheral to the Jing Run Project at the request of the local government; and (ii) undertaken to the Group to be responsible for the excess amount, if any, being the difference in the unit cost per square metre (including the demolition and relocation fees for the extra public greenfield site and the land transfer fees as compared with the original agreed valuation price of Jing Run Project) for the gross floor area to be developed, payable by the project company in respect of any increase in plot ratio as the government may approve. The demolition and relocation on the construction site have been completed, building construction is in progress and pre-sale permit in respect of one phase of the Jing Run Project has been obtained. The demolition and relocation work on the extra public greenfield is ongoing and related costs of approximately RMB1,460 million had been incurred by the Group up to 31st December 2011 (2010: RMB1,430 million). Such additional costs may be compensated by an increase in plot ratio for the Jing Run Project. However, government approval for increase in plot ratio is pending.

41 關連人士交易(續)

(f) 本公司主席朱孟依先生就收購信佳向本集團提供之承諾

於二零零七年，本集團完成向本公司主席朱孟依先生收購信佳投資有限公司(「信佳」)已發行股本之80%權益。信佳則透過其間接全資附屬公司(項目公司)收購一幅位於中國北京市朝陽區可供發展之土地(名為「京潤項目」)。

就有關本集團透過其於信佳80%權益而擁有京潤項目之權益而言，朱孟依先生已(i)全數擔保本集團之項目公司應當地政府之要求，就京潤項目周邊額外公用綠化土地之拆遷而可能需要之任何銀行貸款；及(ii)向本集團承諾倘當地政府就完成額外公用綠化土地之拆遷而增加批出之容積率，而每平方米之成本(包括較京潤項目原定估價為高之額外公共綠化土地之拆遷費用及土地轉讓費)高於原本議定之估價，朱孟依先生承擔支付該項目公司可建築面積超出之金額。建設用地之拆遷經已完成，樓宇正在施工中，並已獲得有關京潤項目一期之預售許可證。額外公用綠化土地之拆遷工作正在進行中，而本集團於截至二零一一年十二月三十一日已產生約人民幣1,460,000,000元之相關成本(二零一零年：人民幣1,430,000,000元)。額外成本或會於增加京潤項目之容積率得以補償。然而，政府尚未發出增加容積率之批准。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

41 Related-party Transactions (Continued)

(g) Acquisition of Sun Excel Investments Limited

On 3rd November 2010, the Group entered into an agreement with Farrich Investments Limited ("Farrich"), a related company, to acquire the entire interest in Sun Excel Investments Limited ("Sun Excel") for a consideration of RMB6,605,066,000.

The sole asset of Sun Excel is its interests under the equity transfer agreement for the acquisition of the entire interests in 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 B"). Project Co A and Project Co B hold the land use rights of a piece of land in Tongzhou District, Beijing.

The consideration will be satisfied by (i) cash of RMB2,313,787,000 and (ii) the issuance of shares of the Company for the remaining balance of RMB4,291,279,000. The acquisition has not yet been completed as at the year end and the deadline of completion of the acquisition was extended for one year to 2nd November 2012.

41 關連人士交易(續)

(g) 收購日佳投資有限公司

於二零一零年十一月三日，本集團與一間關連公司遠富投資有限公司(「遠富」)訂立協議，以人民幣6,605,066,000元作為代價收購日佳投資有限公司(「日佳」)之全部權益。

日佳唯一的資產為其於權益轉讓協議項下收購北京創合豐威科技投資管理有限公司(項目公司A)及北京盛創恒達科技投資管理有限公司(項目公司B)全部權益的權益。項目公司A及項目公司B分別持有北京通州區內一幅的土地之土地使用權。

代價將以(i)現金人民幣2,313,787,000元及(ii)就餘下人民幣4,291,279,000元的結餘發行本公司的股份的方式支付。於年底，收購尚未完成，而完成收購的期限已延長一年至二零一二年十一月二日。

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

42 Details of Principal Subsidiaries

The following is a list of the principal subsidiaries at 31st December 2011:

42 主要附屬公司詳情

以下為於二零一一年十二月三十一日之主要附屬公司名單：

Name of company 公司名稱	Place of incorporation and operations 註冊成立及營運地點	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 集團應佔股權百分比		Principal activities 主要業務
			Directly 直接	Indirectly 間接	
Hopson Development International Limited 合生創展國際有限公司	British Virgin Islands 英屬處女群島	US\$2,000 2,000美元	100%	—	Investment holding 投資控股
Addup International Limited 永熹國際有限公司	Hong Kong 香港	HK\$1 1港元	—	100%	Investment holding 投資控股
Archibald Properties Limited 愛寶置業有限公司	British Virgin Islands 英屬處女群島	US\$2 2美元	—	100%	Investment holding 投資控股
Beijing Hopson Beifang Education and Technology Limited ^a 北京合生北方教育科技有限公司 ^a	Mainland China 中國大陸	RMB1,000,000 人民幣1,000,000元	—	49%(ii)	Provision of training and consultancy services 提供技術培訓及教育諮詢
Beijing Hopson Beifang Real Estate Development Limited [#] 北京合生北方房地產開發有限公司 [#]	Mainland China 中國大陸	US\$220,580,000 220,580,000美元	—	100%	Property development 物業發展
Beijing Hopson Lu Zhou Real Estate Development Limited [#] 北京合生綠洲房地產開發有限公司 [#]	Mainland China 中國大陸	RMB463,370,000 人民幣463,370,000元	—	100%	Property development 物業發展
Beijing Hopson Wang Jing Real Estate Development Company Limited [#] 北京合生望景房地產開發有限公司 [#]	Mainland China 中國大陸	RMB364,990,000 人民幣364,990,000元	—	100%	Property development 物業發展
Beijing Hopson Xing Ye Real Estate Development Limited [#] 北京合生興業房地產開發有限公司 [#]	Mainland China 中國大陸	US\$31,600,000 31,600,000美元	—	100%	Property development 物業發展

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

42 Details of Principal Subsidiaries (Continued)

42 主要附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及營運地點	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 集團應佔股權百分比		Principal activities 主要業務
			Directly 直接	Indirectly 間接	
Beijing Hopson Yujing Real Estate Development Limited [#] 北京合生愉景房地產開發有限公司 [#]	Mainland China 中國大陸	US\$165,760,000 165,760,000美元	—	100%	Property development 物業發展
Beijing Long Jia Jincheng Property Development Company Limited 北京龍嘉錦程房地產開發有限公司	Mainland China 中國大陸	RMB10,000,000 人民幣10,000,000元	—	100%	Property development 物業發展
Beijing Long Jia Runhe Real Estate Development Limited 北京龍嘉潤合房地產開發有限公司	Mainland China 中國大陸	RMB10,000,000 人民幣10,000,000元	—	100%	Property development 物業發展
Beijing Long Xiang Landmark Property Development Company Limited 北京龍祥置地房地產開發有限公司	Mainland China 中國大陸	RMB10,000,000 人民幣10,000,000元	—	100%	Property development 物業發展
Beijing Long Yuan Shun Jing Real Estate Development Limited 北京龍源順景房地產開發有限公司	Mainland China 中國大陸	RMB20,000,000 人民幣20,000,000元	—	100%	Property development 物業發展
Beijing Xingjingrun Property Co., Ltd. [#] 北京新京潤房地產有限公司 [#]	Mainland China 中國大陸	US\$147,030,000 147,030,000美元	—	80%	Property development 物業發展
Beijing Yishang Property Development Limited ^Δ 北京益上房地產開發有限公司 ^Δ	Mainland China 中國大陸	RMB10,000,000 人民幣10,000,000元	—	100%	Property development 物業發展
Believe Best Investments Limited 信佳投資有限公司	British Virgin Islands 英屬處女群島	US\$200 200美元	—	80%	Investment holding 投資控股
Chia Lung Group Company Limited 佳龍集團有限公司	Samoa 薩摩亞國	US\$6,500,000 6,500,000美元	—	100%	Investment holding 投資控股
Dalian Hopson Hotel Investment Management Company Limited [®] 大連合生酒店投資管理有限公司 [®]	Mainland China 中國大陸	RMB30,000,000 人民幣30,000,000元	—	100%	Hotel operation 酒店經營

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

42 Details of Principal Subsidiaries (Continued)

42 主要附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及營運地點	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 集團應佔股權百分比		Principal activities 主要業務
			Directly 直接	Indirectly 間接	
Dalian Hopson Xing Ye Real Estate Development Company Limited ^o 大連合生興業房地產開發有限公司 ^o	Mainland China 中國大陸	RMB50,000,000 人民幣50,000,000元	—	100%	Property development 物業發展
Dynawell Investment Limited 頤和投資有限公司	Hong Kong 香港	HK\$10,000 10,000港元	—	100%	Investment holding 投資控股
Ever New Properties Limited 恒新置業有限公司	Hong Kong 香港	HK\$2 ordinary HK\$3 non-voting deferred shares (i) 2港元普通股 3港元無投票權遞延股份(i)	—	100%	Investment holding and property investment 投資控股及物業投資
Funland Properties Limited 奔騰置業有限公司	British Virgin Islands 英屬處女群島	US\$2 2美元	—	100%	Investment holding 投資控股
Grand Avenue Limited 勁途有限公司	Hong Kong 香港	HK\$22,500,000 22,500,000港元	—	100%	Investment holding 投資控股
Guangdong Esteem Property Services Limited [#] 廣東康景物業服務有限公司 [#]	Mainland China 中國大陸	HK\$5,000,000 5,000,000港元	—	100%	Property management 物業管理
Guangdong Hopson Dijing Real Estate Co. Ltd. [#] 廣東合生帝景房地產有限公司 [#]	Mainland China 中國大陸	US\$37,500,000 37,500,000美元	—	100%	Property development 物業發展
Guangdong Hopson Hong Jing Real Estate Company Limited [#] 廣東合生泓景房地產有限公司 [#]	Mainland China 中國大陸	RMB200,280,000 人民幣200,280,000元	—	100%	Property development 物業發展

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

42 Details of Principal Subsidiaries (Continued)

42 主要附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及營運地點	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group		Principal activities 主要業務
			集團應佔股權百分比		
			Directly 直接	Indirectly 間接	
Guangdong Hopson Leijing Real Estate Co. Limited [#] 廣東合生樂景房地產有限公司 [#]	Mainland China 中國大陸	RMB44,500,000 人民幣44,500,000元	—	100%	Property development 物業發展
Guangdong Hopson Minghui Real Estate Limited ¹ 廣東合生明暉房地產有限公司 ¹	Mainland China 中國大陸	RMB41,532,852 人民幣41,532,852元	—	90%	Property development 物業發展
Guangdong Hopson Yuehua Real Estate Limited [#] 廣東合生越華房地產有限公司 [#]	Mainland China 中國大陸	RMB41,500,000 人民幣41,500,000元	—	100%	Property development 物業發展
Guangdong Huajingxincheng Real Estate Limited [#] 廣東華景新城房地產有限公司 [#]	Mainland China 中國大陸	RMB93,500,018 人民幣93,500,018元	—	100%	Property development 物業發展
Guangdong Huanan New City Real Estate Limited ¹ 廣東華南新城房地產有限公司 ¹	Mainland China 中國大陸	RMB464,750,000 人民幣464,750,000元	—	100%	Property development 物業發展
Guangdong Huanan Real Estate Limited ¹ 廣東華南房地產有限公司 ¹	Mainland China 中國大陸	RMB48,046,856 人民幣48,046,856元	—	70%	Property development 物業發展
Guangdong Jinan Real Estate Limited ¹ 廣東暨南房地產有限公司 ¹	Mainland China 中國大陸	RMB65,084,340 人民幣65,084,340元	—	90%	Property development 物業發展
Guangdong New Tai An Real Estate Limited [#] 廣東新泰安房地產有限公司 [#]	Mainland China 中國大陸	RMB19,100,000 人民幣19,100,000元	—	100%	Property development 物業發展

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

42 Details of Principal Subsidiaries (Continued)

42 主要附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及營運地點	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 集團應佔股權百分比		Principal activities 主要業務
			Directly 直接	Indirectly 間接	
			Guangzhou Hechuang Construction Company Limited ^o 廣州合創工程總承包有限公司 ^o	Mainland China 中國大陸	
Guangzhou Hopson Cuijing Real Estate Limited ¹ 廣州合生翠景房地產有限公司 ¹	Mainland China 中國大陸	RMB53,550,000 人民幣53,550,000元	—	97%	Property development 物業發展
Guangzhou Hopson Dongyu Real Estate Limited ¹ 廣州合生東宇房地產有限公司 ¹	Mainland China 中國大陸	RMB42,500,000 人民幣42,500,000元	—	100%	Property development 物業發展
Guangzhou Hopson Junjing Real Estate Limited ¹ 廣州合生駿景房地產有限公司 ¹	Mainland China 中國大陸	RMB221,670,000 人民幣221,670,000元	—	95%	Property development 物業發展
Guangzhou Hopson Keji Garden Real Estate Limited ¹ 廣州合生科技園房地產有限公司 ¹	Mainland China 中國大陸	RMB133,340,000 人民幣133,340,000元	—	95%	Property development 物業發展
Guangzhou Hopson Qinghui Real Estate Limited ¹ 廣州合生清暉房地產有限公司 ¹	Mainland China 中國大陸	RMB42,287,624 人民幣42,287,624元	—	100%	Property development 物業發展
Guangzhou Hopson Qingyuan Water Supply Limited ^o 廣州合生清源淨水有限公司 ^o	Mainland China 中國大陸	RMB3,000,000 人民幣3,000,000元	—	100%	Water supply 供水
Guangzhou Hopson Xingjing Business Services Limited 廣州合生星景商務有限公司	Mainland China 中國大陸	RMB500,000 人民幣500,000元	—	100%	Provision of clubhouse and residential services 提供會所及住宅服務
Guangzhou Hopson Yihui Real Estate Limited ¹ 廣州合生怡暉房地產有限公司 ¹	Mainland China 中國大陸	RMB131,420,019 人民幣131,420,019元	—	100%	Property development 物業發展

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

42 Details of Principal Subsidiaries (Continued)

42 主要附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及營運地點	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group		Principal activities 主要業務
			集團應佔股權百分比		
			Directly 直接	Indirectly 間接	
Guangzhou Hopson Yijing Real Estate Limited ¹ 廣州合生逸景房地產有限公司 ¹	Mainland China 中國大陸	RMB82,073,720 人民幣82,073,720元	—	99.5%	Property development 物業發展
Guangzhou Hopson Yujing Real Estate Limited ¹ 廣州合生愉景房地產有限公司 ¹	Mainland China 中國大陸	RMB47,250,000 人民幣47,250,000元	—	70%	Property development 物業發展
Guangzhou Jian Nan Property Development Limited [#] 廣州建南房產發展有限公司 [#]	Mainland China 中國大陸	US\$12,000,000 12,000,000美元	—	100%	Property development 物業發展
Guangzhou Nonggongshang Construction and Development Company Limited [#] 廣州市農工商集團建設開發公司 [#]	Mainland China 中國大陸	RMB2,170,243 人民幣2,170,243元	—	100%	Property development 物業發展
Guangzhou Sanlian Huaqiao Estate Company Limited ^A 廣州三聯華僑房產有限公司 ^A	Mainland China 中國大陸	RMB30,000,000 人民幣30,000,000元	—	67%	Property development 物業發展
Guangzhou Wanxiangying Real Estate Company Limited ^A 廣州市萬想營物業發展有限公司 ^A	Mainland China 中國大陸	RMB1,000,000 人民幣1,000,000元	—	100%	Property development 物業發展
Guangzhou Xin Chang Jiang Development Limited ^o 廣州新長江建設開發有限公司 ^o	Mainland China 中國大陸	RMB60,000,000 人民幣60,000,000元	—	95.5%	Property development 物業發展
Guangzhou Yi Cheng Real Estate Development Limited ¹ 廣州市溢晟房地產開發有限公司 ¹	Mainland China 中國大陸	RMB42,000,000 人民幣42,000,000元	—	75%	Property development 物業發展
Guangzhou Yi Hui Real Estate Development Limited ¹ 廣州市溢輝房地產開發有限公司 ¹	Mainland China 中國大陸	RMB37,000,000 人民幣37,000,000元	—	75%	Property development 物業發展

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

42 Details of Principal Subsidiaries (Continued)

42 主要附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及營運地點	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 集團應佔股權百分比		Principal activities 主要業務
			Directly 直接	Indirectly 間接	
Guangzhou Yijing Arts and Culture Company Limited ^o 廣州藝景文化藝術發展有限公司 ^o	Mainland China 中國大陸	RMB500,000 人民幣500,000元	—	100%	Investment holding 投資控股
Guangzhou Yiming Real Estate Development Company Limited [#] 廣州頤明房地產開發有限公司 [#]	Mainland China 中國大陸	RMB43,800,000 人民幣43,800,000元	—	100%	Property development 物業發展
Guangzhou Zhujiang Qiaodao Real Estate Limited ¹ 廣州珠江橋都房地產有限公司 ¹	Mainland China 中國大陸	RMB535,500,000 人民幣535,500,000元	—	99.5%	Property development 物業發展
Guangzhou Ziyun Village Real Estate Company Limited [#] 廣州紫雲山莊房地產有限公司 [#]	Mainland China 中國大陸	US\$2,000,000 2,000,000美元	—	100%	Property development 物業發展
Hopson Development (Consultants) Limited 合生創展(顧問)有限公司	British Virgin Islands 英屬處女群島	US\$2 2美元	—	100%	Provision of property design and advisory services 提供物業設計及顧問服務
Hopson Development (Properties) Limited 合生創展(置業)有限公司	Hong Kong 香港	HK\$10,000 10,000港元	—	100%	Property investment 物業投資
Hopson (Guangzhou) Industries Limited [#] 合生(廣州)實業有限公司 [#]	Mainland China 中國大陸	US\$4,830,000 4,830,000美元	—	100%	Property development 物業發展
Hopson Holdings Limited 合生集團有限公司	Hong Kong 香港	HK\$2 ordinary HK\$10,000 non-voting deferred shares (i) 2港元普通股 10,000港元 無投票權 遞延股份(i)	—	100%	Investment holding 投資控股

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

42 Details of Principal Subsidiaries (Continued)

42 主要附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及營運地點	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 集團應佔股權百分比		Principal activities 主要業務
			Directly 直接	Indirectly 間接	
Hopson Properties (China) Limited 合生中國房地產有限公司	British Virgin Islands 英屬處女群島	US\$1 1美元	—	100%	Investment holding 投資控股
Huizhou Daya Bay New Coastal City Development and Investment Co., Ltd. ^o 惠州大亞灣新海岸城市建設投資有限公司 ^o	Mainland China 中國大陸	RMB72,500,000 人民幣72,500,000元	—	60%	Property development 物業發展
Huizhou Haolong Industrial Development Company Limited ^o 惠州市灝龍實業發展有限公司 ^o	Mainland China 中國大陸	RMB10,000,000 人民幣10,000,000元	—	100%	Property development 物業發展
Huizhou Hopson Xin Neng Properties Limited [#] 惠州市合生信能置業有限公司 [#]	Mainland China 中國大陸	HK\$50,000,000 50,000,000港元	—	100%	Property development 物業發展
Huizhou Yapai Real Estate Company Limited [#] 惠州市亞派房地產有限公司 [#]	Mainland China 中國大陸	RMB250,000,000 人民幣250,000,000元	—	100%	Property development 物業發展
Huizhou Yaxin Real Estate Company Limited [#] 惠州市亞新房地產有限公司 [#]	Mainland China 中國大陸	RMB119,000,000 人民幣119,000,000元	—	100%	Property development 物業發展
Ji Run Property Investments Limited 吉潤置業投資有限公司	Hong Kong 香港	HK\$1,000,000 1,000,000港元	—	80%	Investment holding 投資控股
Karworld Holdings Limited 嘉和集團有限公司	Hong Kong 香港	HK\$10,000 10,000港元	—	100%	Investment holding 投資控股
Kun Shan Hopson Property Development Company Limited 昆山合生房地產開發有限公司	Mainland China 中國大陸	RMB200,000,000 人民幣200,000,000元	—	100%	Property development 物業發展
Malaysian Teoghew Industrial Estate Development (Guang Zhou) Ltd. ^A 廣州馬潮工業村發展有限公司 ^A	Mainland China 中國大陸	HK\$25,000,000 25,000,000 港元	—	55%	Property development 物業發展

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

42 Details of Principal Subsidiaries (Continued)

42 主要附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及營運地點	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 集團應佔股權百分比		Principal activities 主要業務
			Directly 直接	Indirectly 間接	
Max Clear Investments Limited 先卓投資有限公司	Hong Kong 香港	HK\$1 1港元	—	100%	Investment holding 投資控股
Nambour Properties Limited 南博置業有限公司	British Virgin Islands 英屬處女群島	US\$2 2美元	—	100%	Investment holding 投資控股
Ningbo Hopson Ci City Leisure Sports Company Limited ^o 寧波合生慈城休閒體育發展有限公司 ^o	Mainland China 中國大陸	US\$10,000,000 10,000,000美元	—	100%	Property development 物業發展
Ningbo Hopson Kam City Real Estate Company Limited ^o 寧波合生錦城房地產有限公司 ^o	Mainland China 中國大陸	RMB150,000,000 人民幣150,000,000元	—	100%	Property development 物業發展
Ningbo Hopson Ming City Real Estate Company Limited ^o 寧波合生名城房地產有限公司 ^o	Mainland China 中國大陸	RMB10,000,000 人民幣10,000,000元	—	100%	Property development 物業發展
Ningbo Hopson Real Estate Company Limited ^o 寧波合生創展房地產有限公司 ^o	Mainland China 中國大陸	RMB220,000,000 人民幣220,000,000元	—	100%	Investment holding 投資控股
Outward Expanse Investments Limited 廣大投資有限公司	British Virgin Islands 英屬處女群島	US\$2 2美元	—	100%	Investment holding 投資控股
Panyu Zhujiang Real Estate Company Limited 番禺珠江房地產有限公司	Mainland China 中國大陸	RMB100,000,000 人民幣100,000,000元	—	100%	Property development 物業發展
Plaza Royale Water Palace Convention Hotel Tianjin Co. Limited ^a 天津帝景溫泉酒店有限公司 ^a	Mainland China 中國大陸	RMB72,000,000 人民幣72,000,000元	—	70%	Hotel operation 酒店經營
Pomeroy Properties Limited 邦萊置業有限公司	British Virgin Islands 英屬處女群島	US\$2 2美元	—	100%	Investment holding 投資控股
Prestige Dragon Development Limited 譽龍發展有限公司	Hong Kong 香港	HK\$10,000 10,000港元	—	100%	Investment holding 投資控股

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

42 Details of Principal Subsidiaries (Continued)

42 主要附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及營運地點	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 集團應佔股權百分比		Principal activities 主要業務
			Directly 直接	Indirectly 間接	
Right Strong International Limited 信能國際有限公司	Hong Kong 香港	HK\$1 1港元	—	100%	Investment holding 投資控股
Shanghai Dazhan Investment Management Company Limited ^o 上海大展投資管理有限公司 ^o	Mainland China 中國大陸	RMB3,050,000 人民幣3,050,000元	—	100%	Property development 物業發展
Shanghai Hechuang Lin Hai Property Development Company Limited 上海合創臨海房地產開發有限公司	Mainland China 中國大陸	RMB600,000,000 人民幣600,000,000元	—	100%	Property development 物業發展
Shanghai Hopson Jin Ting Real Estate Development Limited 上海合生錦廷房地產開發有限公司	Mainland China 中國大陸	RMB50,000,000 人民幣50,000,000元	—	100%	Property development 物業發展
Shanghai Hopson Property Development Company Limited [#] 上海合生房地產開發有限公司 [#]	Mainland China 中國大陸	US\$59,900,000 59,900,000美元	—	100%	Property development 物業發展
Shanghai Hopson San Lin Real Estate Development Limited 上海合生三麟房地產開發有限公司	Mainland China 中國大陸	RMB50,000,000 人民幣50,000,000元	—	100%	Property development 物業發展
Shanghai Long Jia Properties Limited ^o 上海龍嘉置業有限公司 ^o	Mainland China 中國大陸	RMB20,000,000 人民幣20,000,000元	—	100%	Property development 物業發展
Shanghai Lung Meng Real Estate Development Company Limited [#] 上海龍盟房地產開發有限公司 [#]	Mainland China 中國大陸	US\$44,370,000 44,370,000美元	—	100%	Property development 物業發展
Shanghai Shangzhi Haiyun Properties Company Limited ^o 上海上實海雲置業有限公司 ^o	Mainland China 中國大陸	RMB800,000,000 人民幣800,000,000元	—	100%	Property development 物業發展
Shanghai Son Xiang Real Estate Development Company Limited [#] 上海三象房產發展有限公司 [#]	Mainland China 中國大陸	US\$8,000,000 8,000,000美元	—	100%	Property development 物業發展
Shanghai Yu Tai Real Estate Development Company Limited ^o 上海御泰房地產發展有限公司 ^o	Mainland China 中國大陸	RMB400,000,000 人民幣400,000,000元	—	100%	Property development 物業發展

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

42 Details of Principal Subsidiaries (Continued)

42 主要附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及營運地點	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 集團應佔股權百分比		Principal activities 主要業務
			Directly 直接	Indirectly 間接	
			Shanghai Ze Yu Properties Limited ^o 上海澤宇置業有限公司 ^o	Mainland China 中國大陸	
Shanghai Zhengze Real Estate Development Company Limited ^o 上海正澤房地產有限公司 ^o	Mainland China 中國大陸	RMB50,000,000 人民幣50,000,000元	—	100%	Property development 物業發展
Shanxi Hopson Dijing Construction Company Limited ^d 山西合生帝景建設有限公司 ^d	Mainland China 中國大陸	RMB185,000,000 人民幣185,000,000元	—	100%	Property development 物業發展
Shine Wealth Consultants Limited 亮豐顧問有限公司	British Virgin Islands 英屬處女群島	US\$1 1美元	—	100%	Provision of consultancy 提供顧問服務
Size Up Investments Limited 廣都投資有限公司	Hong Kong 香港	HK\$1 1港元	—	100%	Investment holding 投資控股
Solawide Properties Limited 崇偉置業有限公司	British Virgin Islands 英屬處女群島	US\$2 2美元	—	100%	Investment holding 投資控股
Suizhong Haisheng Tourism Development Corporation ^o 綏中海盛旅遊置業發展有限公司 ^o	Mainland China 中國大陸	RMB10,000,000 人民幣10,000,000元	—	51%	Property development 物業發展
Sun Advance Investments Limited 日進投資有限公司	British Virgin Islands 英屬處女群島	US\$1 1美元	—	100%	Investment holding 投資控股
Sun Yick Properties Limited 新益置業有限公司	British Virgin Islands 英屬處女群島	US\$2 2美元	—	100%	Investment holding 投資控股
Suzhou Ruiyin Properties Limited 蘇州瑞銀置業有限公司	Mainland China 中國大陸	RMB480,000,000 人民幣480,000,000元	—	100%	Property development 物業發展
Tianjin Babo Real Estate Development Company Limited ^d 天津市巴博房地產開發有限公司 ^d	Mainland China 中國大陸	RMB30,000,000 人民幣30,000,000元	—	100%	Property development 物業發展
Tianjin Hopson Binhai Real Estate Development Company 天津合生濱海房地產開發有限公司	Mainland China 中國大陸	RMB375,826,000 人民幣375,826,000元	—	98.9%	Property development 物業發展

Notes to the Consolidated Financial Statements (continued)

綜合財務報表附註(續)

42 Details of Principal Subsidiaries (Continued)

42 主要附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及營運地點	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 集團應佔股權百分比		Principal activities 主要業務
			Directly 直接	Indirectly 間接	
Tianjin Hopson Environmental Protection and Energy Saving Technology Development Company Limited [^] 天津合生環保節能技術開發有限公司 [^]	Mainland China 中國大陸	US\$500,000 500,000美元	—	75%	Research and development of environmental technology and product 研究及開發環保技術及產品
Tianjin Hopson Zhujiang Real Estate Development Limited ¹ 天津合生珠江房地產開發有限公司 ¹	Mainland China 中國大陸	RMB280,000,000 人民幣280,000,000元	—	92.3%	Property development 物業發展
Tianjin Jade Buddha Temple Museum Management Company Limited 天津市寶坻區玉佛宮博物館經營管理有限公司	Mainland China 中國大陸	RMB200,000 人民幣200,000元	—	100%	Museum operation 博物館經營管理
Tianjin Meixin Architectural Design Company Limited ^o 天津美新建築設計有限公司 ^o	Mainland China 中國大陸	RMB3,000,000 人民幣3,000,000元	—	100%	Architectural Design 建築設計
Tianjin Ruiwan Investment and Development Company Limited 天津瑞灣投資發展有限公司	Mainland China 中國大陸	RMB115,000,000 人民幣115,000,000元	—	90%	Property development 物業發展
Tumen Properties Limited 祥能置業有限公司	British Virgin Islands 英屬處女群島	US\$2 2美元	—	100%	Investment holding 投資控股
Trisum Investment Limited 豐深投資有限公司	Hong Kong 香港	HK\$5,000,000 5,000,000港元	—	100%	Investment holding 投資控股
Value-Added Guangzhou Limited ^o 廣州市加益有限公司 ^o	Mainland China 中國大陸	RMB8,000,000 人民幣8,000,000元	—	70%	Property development 物業發展
Zhejiang Ke Hua Digital Plaza Company Limited ^o 浙江科華數碼廣場有限公司 ^o	Mainland China 中國大陸	RMB10,000,000 人民幣10,000,000元	—	95%	Property development 物業發展
Zhongshan Hopson Hao Jing Real Estate Company Limited ^o 中山市合生灑景房地產有限公司 ^o	Mainland China 中國大陸	RMB10,000,000 人民幣10,000,000元	—	100%	Property development 物業發展

Notes to the Consolidated Financial Statements (continued)
綜合財務報表附註(續)

42 Details of Principal Subsidiaries (Continued)

42 主要附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及營運地點	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 集團應佔股權百分比		Principal activities 主要業務
			Directly 直接	Indirectly 間接	
			Zhongshan Hopson Hong Jing Real Estate Company Limited [°] 中山市合生宏景房地產有限公司 [°]	Mainland China 中國大陸	
Zhongshan Hopson Xi Jing Real Estate Company Limited [°] 中山市合生熙景房地產有限公司 [°]	Mainland China 中國大陸	RMB10,000,000 人民幣10,000,000元	—	100%	Property development 物業發展
Zhongxian International Company Limited [°] 中先國際控股有限公司 [°]	Mainland China 中國大陸	RMB2,250,000 人民幣2,250,000元	—	100%	Property development 物業發展

[#] These are wholly owned foreign enterprises established in Mainland China.

[#] 該等為於中國大陸成立之全資擁有外資企業。

[△] These are equity joint ventures established in Mainland China.

[△] 該等為於中國大陸成立之合資合營企業。

[†] These are cooperative joint ventures established in Mainland China.

[†] 該等為於中國大陸成立之合作合營企業。

[°] These are domestic enterprises established in Mainland China.

[°] 該等為於中國大陸成立之內資企業。

[^] These are foreign enterprises established in Mainland China.

[^] 該等為於中國大陸成立之外資企業。

Notes:

附註：

(i) The non-voting deferred shares have no voting rights and are not entitled to any dividend or distributions upon winding up unless a sum of HK\$100,000,000,000,000 has been distributed to the holders of the ordinary shares and thereafter one-half of the assets are distributable to holders of the non-voting deferred shares.

(i) 無投票權遞延股份並無投票權，無權收取任何股息或無權於清盤時享有分派，除非100,000,000,000,000港元已分派予普通股持有人，則其後資產之一半可分派予無投票權遞延股份持有人。

(ii) This is a subsidiary because the Group has the power to govern the financial and operating policies of these companies through contractual arrangements, notwithstanding that the Group's equity interests in these companies are not more than 50%.

(ii) 儘管本集團於該等公司之股本權益並不超過50%，該公司為附屬公司乃由於本集團有權透過合約安排規管該等公司之財務及經營政策。

Report of the Independent Auditor

獨立核數師報告



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

**TO THE SHAREHOLDERS OF
HOPSON DEVELOPMENT HOLDINGS LIMITED**
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Hopson Development Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 120 to 249, which comprise the consolidated and company balance sheets as at 31st December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

致合生創展集團有限公司
(於百慕達註冊成立之有限公司)
全體股東

本核數師(以下簡稱「我們」)已審計列載於第120至249頁合生創展集團有限公司(以下簡稱「貴公司」)及其附屬公司(統稱「貴集團」)的綜合財務報表,此綜合財務報表包括於二零一零年十二月三十一日的綜合和公司資產負債表與截至該日止年度的綜合損益表、綜合全面收入報表、綜合現金流量表及綜合權益變動表,以及主要會計政策概要及其他附註解釋資料。

董事就綜合財務報表須承擔的責任

貴公司董事須負責根據香港會計師公會頒佈的香港財務報告準則及香港《公司條例》的披露規定編製綜合財務報表,以令綜合財務報表作出真實而公平的反映,及落實其認為編製綜合財務報表所必要的內部控制,以使綜合財務報表不存在由於欺詐或錯誤而導致的重大錯誤陳述。

核數師的責任

我們的責任是根據我們的審計對該等綜合財務報表提出意見,並按照百慕達《一九八一年公司法》第90條僅向全體股東報告我們的意見,除此之外本報告別無其他目的。我們不會就本報告的內容向任何其他人士負上或承擔任何責任。

Report of the Independent Auditor (continued) 獨立核數師報告(續)

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31st March 2011

我們已根據香港會計師公會頒佈的香港審計準則進行審計。該等準則要求我們遵守道德規範，並規劃及執行審計，以合理確定綜合財務報表是否不存在任何重大錯誤陳述。

審計涉及執行情序以獲取有關綜合財務報表所載金額及披露資料的審計憑證。所選定的程序取決於核數師的判斷，包括評估由於欺詐或錯誤而導致綜合財務報表存在重大錯誤陳述的風險。在評估該等風險時，核數師考慮與該公司編製綜合財務報表以作出真實而公平的反映相關的內部控制，以設計適當的審計程序，但目的並非對公司內部控制的有效性發表意見。審計亦包括評價董事所採用會計政策的合適性及所作出會計估計的合理性，以及評價綜合財務報表的整體列報方式。

我們相信，我們所獲得的審計憑證能充足和適當地為我們的審計意見提供基礎。

意見

我們認為，該等綜合財務報表已根據香港財務報告準則真實而公平地反映貴公司及貴集團於二零一零年十二月三十一日的事務狀況，及貴集團截至該日止年度的溢利及現金流量，並已按照香港《公司條例》的披露規定妥為編製。

羅兵咸永道會計師事務所
執業會計師

香港，二零一一年三月三十一日

Balance Sheets

資產負債表

As at 31st December 2010 於二零一零年十二月三十一日

	Note 附註	Consolidated 綜合			Company 公司	
		As at 31st December 於十二月三十一日		As at 1st January 於一月一日	As at 31st December 於十二月三十一日	
		2010 二零一零年	2009 二零零九年	2009 二零零九年	2010 二零一零年	2009 二零零九年
		HK\$'000 千港元	Restated 經重列 HK\$'000 千港元	Restated 經重列 HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
ASSETS						
Non-current assets						
Land costs	6	622,193	329,440	749,663	—	—
Prepayments for acquisition of land	19	209,795	266,962	2,436,630	—	—
Properties and equipment	7	3,199,845	3,175,029	2,405,623	—	—
Investment properties	8	15,405,498	8,378,105	2,856,094	—	—
Properties under development for long-term investment		—	—	125,856	—	—
Intangible assets	11	124,837	120,660	120,455	—	—
Investments in subsidiaries	12	—	—	—	15,228,037	14,665,885
Investments in associates	13	43,433	40,925	42,201	—	—
Investment in a jointly controlled entity	14	1,512,923	1,188,692	801,240	—	—
Available-for-sale financial assets	16	3,316,388	2,671,719	476,250	—	—
Deposit for proposed investment	17	560,210	—	—	—	—
Deferred tax assets	25	167,541	191,287	173,378	—	—
		25,162,663	16,362,819	10,187,390	15,228,037	14,665,885
Current assets						
Prepayments for acquisition of land	19	18,053,335	7,363,482	6,142,999	—	—
Properties under development for sale	9	31,967,756	30,556,607	30,544,173	—	—
Completed properties for sale	10	10,487,033	7,835,600	7,336,763	—	—
Financial assets at fair value through profit or loss	18	11,693	11,083	11,655	—	—
Accounts receivable	20	171,953	146,895	72,577	—	—
Prepayments, deposits and other current assets	19	2,565,026	1,620,126	1,528,568	290	224
Due from an associate	41	30,382	29,365	26,538	—	—
Due from related companies	41	13,644	13,664	6,979	—	—
Loans to subsidiaries	12	—	—	—	218,274	217,638
Pledged/charged bank deposits	21	123,671	168,479	271,450	—	—
Cash and cash equivalents	21	2,573,604	6,546,144	2,142,696	20,449	21,303
		65,998,097	54,291,445	48,084,398	239,013	239,165
Total assets		91,160,760	70,654,264	58,271,788	15,467,050	14,905,050

Balance Sheets

資產負債表

As at 31st December 2010 於二零一零年十二月三十一日

		Note 附註	Consolidated 綜合			Company 公司	
			As at As at 31st December 於十二月三十一日		As at 1st January 於一月一日	As at 31st December 於十二月三十一日	
			2010 二零一零年	2009 二零零九年	2009 二零零九年	2010 二零一零年	2009 二零零九年
			HK\$'000 千港元	Restated 經重列 HK\$'000 千港元	Restated 經重列 HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
EQUITY	權益						
Capital and reserves attributable to the Company's equity holders	本公司股權持有人應佔股本及儲備						
Share capital	股本	27	175,237	159,237	147,237	175,237	159,237
Reserves	儲備	28	38,011,918	28,034,506	20,032,657	12,538,507	9,845,968
			38,187,155	28,193,743	20,179,894	12,713,744	10,005,205
Non-controlling interests	非控制性權益		2,805,944	2,305,733	2,384,179	—	—
Total equity	權益總額		40,993,099	30,499,476	22,564,073	12,713,744	10,005,205
LIABILITIES	負債						
Non-current liabilities	非流動負債						
Land cost payable	應付土地成本	22	111,178	271,028	106,173	—	—
Borrowings	借貸	24	20,047,524	10,116,598	12,330,211	2,697,576	2,676,697
Due to minority shareholders of subsidiaries	應付附屬公司少數股東之款項	41	432,323	419,411	49,983	—	—
Deferred tax liabilities	遞延稅項負債	25	5,551,128	4,502,743	3,890,102	—	—
			26,142,153	15,309,780	16,376,469	2,697,576	2,676,697
Current liabilities	流動負債						
Accounts payable	應付賬款	23	5,645,612	2,941,424	2,933,721	—	—
Land cost payable	應付土地成本	22	264,271	302,418	323,696	—	—
Borrowings	借貸	24	3,671,919	6,232,260	4,262,798	—	2,169,685
Deferred revenue	遞延收入		5,544,615	7,260,538	4,458,379	—	—
Accruals and other payables	應計款項及其他		2,196,200	1,728,752	2,249,864	37,947	37,146
Due to an associate	應付一間聯營公司之款項	41	6,486	6,269	6,258	—	—
Due to related companies	應付關連公司之款項	41	344,057	173,721	174,920	—	—
Due to a jointly controlled entity	應付一間共同控制實體之款項	41	1,709,345	1,842,289	759,380	—	—
Current tax liabilities	本期稅項負債	26	4,643,003	4,357,337	4,162,230	17,783	16,317
			24,025,508	24,845,008	19,331,246	55,730	2,223,148
Total liabilities	負債總額		50,167,661	40,154,788	35,707,715	2,753,306	4,899,845
Total equity and liabilities	權益及負債總額		91,160,760	70,654,264	58,271,788	15,467,050	14,905,050
Net current assets/(liabilities)	流動資產/(負債)淨值		41,972,589	29,446,437	28,753,152	183,283	(1,983,983)
Total assets less current liabilities	總資產減流動負債		67,135,252	45,809,256	38,940,542	15,411,320	12,681,902

CHU MANG YEE
朱孟依
Director
董事

XUE HU
薛虎
Director
董事

The notes on pages 128 to 249 are an integral part of these financial statements.

第128至249頁之附註為此財務報表其中一部份。

Consolidated Income Statement

綜合損益表

For the year ended 31st December 2010 截至二零一零年十二月三十一日止年度

	Note	2010	2009
	附註	二零一零年 HK\$'000 千港元	二零零九年 HK\$'000 千港元
Revenues	收益	5	
Cost of sales	銷售成本	30	
		14,379,253	11,225,246
		(8,692,021)	(6,557,985)
Gross profit	毛利		4,667,261
Fair value gains on investment properties	投資物業公平值收益		4,700,097
Other income/gains, net	其他收入／收益，淨額	29	734,033
Selling and marketing costs	銷售及市場推廣成本	30	(378,757)
General and administrative expenses	一般及行政費用	30	(995,041)
		5,687,232	4,667,261
		3,795,624	4,700,097
		1,124,053	734,033
		(410,225)	(378,757)
		(1,117,712)	(995,041)
Operating profit	經營溢利		8,727,593
Finance income	財務收入	32	13,551
Finance costs	財務成本	32	(333,639)
Share of profit less loss of associates	分佔聯營公司溢利減虧損	13	(1,346)
Share of (loss)/profit of a jointly controlled entity	分佔一間共同控制實體(虧損)／溢利	14	385,759
		9,078,972	8,727,593
		17,039	13,551
		(253,307)	(333,639)
		1,071	(1,346)
		(666)	385,759
Profit before taxation	除稅前溢利		8,791,918
Taxation	稅項	33	(2,699,383)
		8,843,109	8,791,918
		(2,550,097)	(2,699,383)
Profit for the year	年度溢利		6,092,535
		6,293,012	6,092,535
Attributable to:	應佔：		
Equity holders of the Company	本公司股權持有人	34	5,799,573
Non-controlling interests	非控制性權益		292,962
		5,889,412	5,799,573
		403,600	292,962
		6,293,012	6,092,535
Earnings per share for profit attributable to equity holders of the Company during the year (in HK\$ per share)	按年內本公司股權持有人應佔溢利計算之每股盈利(每股港元)		
— basic	— 基本	35	3.77
— diluted	— 攤薄	35	3.69
Dividends	股息	36	146,498
		300,531	146,498

The notes on pages 128 to 249 are an integral part of these financial statements.

第128至249頁之附註為此財務報表其中一部份。

Consolidated Statement of Comprehensive Income

綜合全面收入報表

For the year ended 31st December 2010 截至二零一零年十二月三十一日止年度

	Note 附註	2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Profit for the year		6,293,012	6,092,535
Other comprehensive income			
Fair value gain on available-for-sale financial assets		542,775	1,082,325
Assets revaluation reserve realised upon disposal of properties held for sales		(86,447)	(282,222)
Deferred tax		24,880	47,106
Currency translation differences		1,302,553	92,369
Other comprehensive income for the year, net of tax		1,783,761	939,578
Total comprehensive income for the year		8,076,773	7,032,113
Total comprehensive income attributable to:			
Equity holders of the Company		7,586,266	6,735,283
Non-controlling interests		490,507	296,830
		8,076,773	7,032,113

The notes on pages 128 to 249 are an integral part of these financial statements.

第128至249頁之附註為此財務報表其中一部份。

Consolidated Cash Flow Statement

綜合現金流量表

For the year ended 31st December 2010 截至二零一零年十二月三十一日止年度

	Note 附註	2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Cash flows from operating activities	經營活動之現金流量		
Cash (used in)/generated from operations	經營(所用)/產生之現金 37(a)	(6,193,801)	6,251,936
Interest received	已收利息	17,039	13,551
Hong Kong profits tax (paid)/refunded	(已付)/退還香港 利得稅	(15,028)	2,678
Mainland China corporate income tax paid	已付中國大陸企業 所得稅	(1,220,350)	(1,301,248)
Mainland China land appreciation tax paid	已付中國大陸土地 增值稅	(256,876)	(186,234)
Net cash (used in)/from operating activities	經營活動(所用)/產生之 現金淨額	(7,669,016)	4,780,683
Cash flows from investing activities	投資活動之現金流量		
Additions of land costs	購入土地成本	(282,056)	—
Additions of properties and equipment	購入物業及設備	(71,347)	(856,999)
Proceeds from disposal of certain equity interest in a subsidiary	出售一間附屬公司若干 股本權益所得款項	—	5,561
Deposit for proposed investment	建議投資之按金	(550,678)	—
Dividend income	股息收入	15,292	31,313
Additions of an available-for-sale financial asset	購入可供出售財務資產	—	(1,112,197)
Additions of properties under development for long-term investment	購入持作長期投資之 發展中物業	—	(24,357)
Additions of investment properties	購入投資物業	(471,920)	(342,555)
(Increase)/decrease in deposit paid	已付按金(增加)/減少	(175,589)	44,261
Proceeds from disposal of subsidiaries	出售附屬公司所得款項 37(b)	—	212,837
Capital injection to a jointly controlled entity	向一間共同控制 實體注資	(278,925)	—
Decrease/(increase) in prepayments for acquisition of land for long-term investment	收購土地作長期投資之 預付款項減少/ (增加)	64,843	(266,891)
Increase in amounts due from related companies	應收關連公司款項 增加	—	(8,163)
Decrease/(Increase) in pledged/charged bank deposits	已抵押/押記銀行存款 減少/(增加)	49,779	(7,293)
Net cash used in investing activities	投資活動所用之 現金淨額	(1,700,601)	(2,324,483)

Consolidated Cash Flow Statement (continued) 綜合現金流量表(續)

For the year ended 31st December 2010 截至二零一零年十二月三十一日止年度

	Note 附註	2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Cash flows from financing activities	融資活動之現金流量		
New short-term bank loans	新增短期銀行貸款	2,019,084	124,838
Repayments of short-term bank loans	償還短期銀行貸款	(4,228,791)	(736,608)
New long-term bank loans	新增長期銀行貸款	12,786,036	6,411,204
Repayments of long-term bank loans	償還長期銀行貸款	(1,610,374)	(5,376,865)
Redemption of convertible bonds	贖回可換股債券	(2,211,510)	—
Repayments to an associate	償還一間聯營公司款項	—	(2,779)
Advance from a minority shareholder	一名少數股東墊款	—	155,600
(Repayment)/advances from a jointly controlled entity	一間共同控制實體 (償還墊款)/墊款	(193,378)	1,080,695
Advances from related companies	關連公司墊款	162,011	—
Interest paid	已付利息	(1,250,864)	(993,077)
Net proceeds from share placements	發行股份之淨所得款項	—	1,579,663
Capital contributions by non-controlling interests	非控制性權益出資	16,635	—
Repurchase of own shares	購回本身股份	(270,298)	—
Dividends paid to a minority shareholder	派發予一名少數股東之 股息	—	(1,722)
Dividends paid to Company's equity holders	派發予本公司股權 持有人之股息	—	(301,097)
Net cash from financing activities	融資活動產生之 現金淨額	5,218,551	1,939,852
Net (decrease)/increase in cash and cash equivalents	現金及現金等價物之 (減少)/增加淨額	(4,151,066)	4,396,052
Cash and cash equivalents at 1st January	於一月一日之 現金及現金等價物	6,546,144	2,142,696
Exchange gain on cash and cash equivalents	現金及現金等價物之 匯兌收益	178,526	7,396
Cash and cash equivalents at 31st December	於十二月三十一日之 現金及現金等價物	2,573,604	6,546,144

The notes on pages 128 to 249 are an integral part of these financial statements.

第128至249頁之附註為此財務報表其中一部份。

Consolidated Statement of Changes in Equity

綜合權益變動表

For the year ended 31st December 2010 截至二零一零年十二月三十一日止年度

		Attributable to equity holders of the Company 本公司股權持有人應佔		Non-controlling interests 非控制性權益	Total 總計
		Share capital 股本 HK\$'000 千港元	Reserves 儲備 HK\$'000 千港元		
Balance at 1st January 2009	於二零零九年一月一日之結餘	147,237	20,032,657	2,384,179	22,564,073
Profit for the year	年度溢利	—	5,799,573	292,962	6,092,535
Other comprehensive income:	其他全面收入：				
Fair value gain on available-for-sale financial assets	可供出售財務資產之公平值收益	—	1,082,325	—	1,082,325
Assets revaluation reserve realised upon disposal of properties held for sale (Note 28)	出售持作出售物業時變現之資產重估儲備(附註28)	—	(282,222)	—	(282,222)
Deferred tax	遞延稅項	—	47,106	—	47,106
Currency translation differences	貨幣匯兌差額	—	88,501	3,868	92,369
Other comprehensive income for the year, net of tax	年度其他全面收入，扣除稅項	—	935,710	3,868	939,578
Total comprehensive income for the year	年度全面收入總額	—	6,735,283	296,830	7,032,113
Proceeds from issue of shares, net of share issue expenses — Placements	發行股份之所得款項，扣除股份發行開支 — 配售	12,000	1,567,663	—	1,579,663
Disposal of certain equity interest in a subsidiary	出售一間附屬公司若干股權	—	—	5,697	5,697
Disposal of subsidiaries	出售附屬公司	—	—	(379,251)	(379,251)
Dividends paid	已付股息	—	(301,097)	(1,722)	(302,819)
		12,000	1,266,566	(375,276)	903,290
Balance at 31st December 2009	於二零零九年十二月三十一日之結餘	159,237	28,034,506	2,305,733	30,499,476

Consolidated Statement of Changes in Equity (continued) 綜合權益變動表(續)

For the year ended 31st December 2010 截至二零一零年十二月三十一日止年度

		Attributable to equity holders of the Company 本公司股權持有人應佔			
		Share capital	Reserves	Non-controlling interests	Total
		股本	儲備	非控制性權益	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元
Balance at 1st January 2010	於二零一零年一月一日之結餘	159,237	28,034,506	2,305,733	30,499,476
Profit for the year	年度溢利	—	5,889,412	403,600	6,293,012
Other comprehensive income:	其他全面收入：				
Fair value gain on available-for-sale financial assets	可供出售財務資產之公平值收益	—	542,775	—	542,775
Assets revaluation reserve realised upon disposal of properties held for sale (Note 28)	出售持作出售物業時變現之資產重估儲備(附註28)	—	(86,447)	—	(86,447)
Deferred tax	遞延稅項	—	24,880	—	24,880
Currency translation differences	貨幣匯兌差額	—	1,215,646	86,907	1,302,553
Other comprehensive income for the year, net of tax	年度其他全面收入，扣除稅項	—	1,696,854	86,907	1,783,761
Total comprehensive income for the year	年度全面收入總額	—	7,586,266	490,507	8,076,773
Proceeds from issue of shares, net of share issue expenses — Placements	發行股份之所得款項，扣除股份發行開支—配售	18,546	2,692,900	—	2,711,446
Repurchase of own shares	購回本身股份	(2,546)	(267,752)	—	(270,298)
Acquisition of additional equity interests of a subsidiary	進一步收購一間附屬公司的股權	—	(34,002)	(6,931)	(40,933)
Capital contribution by non-controlling interests	非控制性權益出資	—	—	16,635	16,635
		16,000	2,391,146	9,704	2,416,850
Balance at 31st December 2010	於二零一零年十二月三十一日之結餘	175,237	38,011,918	2,805,944	40,993,099

The notes on pages 128 to 249 are an integral part of these financial statements.

第128至249頁之附註為此財務報表其中一部份。

Notes to the Consolidated Financial Statements

綜合財務報表附註

1 GENERAL INFORMATION

Hopson Development Holdings Limited (“the Company”) and its subsidiaries (together “the Group”) are mainly engaged in the development of residential properties in Mainland China. The Group is also involved in property investment, hotel operations and property management.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been approved for issue by the Board of Directors on 31st March 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the two years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, which are measured at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

1 一般資料

合生創展集團有限公司(「本公司」)及其附屬公司(統稱「本集團」)主要於中國大陸從事住宅物業發展。本集團亦參與物業投資、酒店經營及物業管理。

本公司為於百慕達註冊成立的有限責任公司，其註冊辦事處地址為 Clarendon House, 2 Church Street, Hamilton HM11, Bermuda。

本公司於香港聯合交易所有限公司(「聯交所」)上市。

本綜合財務報表已於二零一一年三月三十一日經董事會批准刊發。

2 主要會計政策概要

編製本綜合財務報表採用之主要會計政策載列如下。除另有說明外，該等政策已於兩個呈報年度內獲貫徹應用。

2.1 編製基準

本公司之綜合財務報表依照香港財務報告準則(「香港財務報告準則」)編製。本綜合財務報表乃按歷史成本慣例編製，並經按公平值計量之重估投資物業、可供出售財務資產及按公平值透過損益列賬之財務資產修訂。

按香港財務報告準則編製財務報表時需採用若干重要之會計估計，亦要求管理層於採用本集團會計政策之過程中作出判斷。涉及較多判斷或複雜性之方面，或對本綜合財務報表而言屬重要之假設及估計，已在附註4內披露。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Change in accounting policy

During the year, the Group changed its accounting policy for land held for development for sale.

Land held for development for sale meet the definition of both inventories under HKAS 2 “Inventories” and leasehold land under HKAS 17 “Leases”.

Previously, land held for development for sale were classified as prepaid operating lease and payments were amortised on a straight line basis over the period of the lease in accordance with HKAS 17. During the period of time that is required to develop the properties for its intended use, the land amortisation was capitalised as part of the costs of the properties under development. In all other periods, the land amortisation was charged to the income statement.

Subsequent to the change in accounting policy, land relating to property held for development for sale are classified as inventories in accordance with HKAS 2 and measured at the lower of cost and net realisable value.

Management believes that the new classification of land held for development for sale as inventories results in a more relevant presentation of the financial position of the Group, and of its performance for the year. The revised treatment reflects the management’s intention on the use of the land and results in a presentation consistent with the industry practice.

2 主要會計政策概要(續)

2.1 編製基準(續)

(a) 會計政策之變更

本集團在年內更改其持有發展作出售用途的土地的會計政策。

持有發展作出售用途的土地符合香港會計準則第2號「存貨」項下的存貨及香港會計準則第17號「租賃」項下的租賃土地的定義。

以往，持有發展作出售用途的土地被分類為預付經營租賃，而土地款項則根據香港會計準則第17號按直線法於租賃期內攤銷。在規定須發展作擬定用途之物業之期限內，土地攤銷額資本化作為發展中物業成本一部分。於所有其他期間內，土地攤銷額乃自損益表內扣除。

隨著會計政策改變，與持有發展作出售用途的物業有關的土地根據香港會計準則第2號被分類為存貨，並按成本及變現淨值兩者之間的較低者計量。

管理層相信，持有發展作出售用途的土地最新分類為存貨使本集團的財務狀況及年內業績以更具關聯性的方式呈列。經修訂的處理方式反映管理層在使用土地方面的意向，亦使呈列方式與行業慣例一致。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2 主要會計政策概要(續)

2.1 Basis of preparation (Continued)

(a) Change in accounting policy (Continued)

The change in accounting policy has no material impact on the retained earnings as at 1st January 2009 and 31st December 2009, and the profit for the current and prior years. Land costs relating to properties developed for sale were reclassified to properties under development for sale and completed properties for sale in the consolidated balance sheet of the Group as at 1st January 2009 and 31st December 2009 as follows:

2.1 編製基準(續)

(a) 會計政策之變更(續)

會計政策之變更對於二零零九年一月一日及二零零九年十二月三十一日之保留盈利以及本年度及過往年度之溢利並無造成重大影響。與發展作出售用途之物業有關的土地成本已在本集團於二零零九年一月一日及二零零九年十二月三十一日之綜合資產負債表內，重新分類為可供出售之發展中物業及可供出售之已落成物業如下：

As at 1st January 2009

於二零零九年一月一日

		As previously reported 過往呈列 HK\$'000 千港元	Re-classification 重新分類 HK\$'000 千港元	Reclassified balance 分類後餘額 HK\$'000 千港元
Current assets	流動資產			
Land costs	土地成本	24,163,460	(24,163,460)	—
Properties under development for sale	可供出售之發展中物業	8,910,522	21,633,651	30,544,173
Completed properties for sale	可供出售之已落成物業	4,806,954	2,529,809	7,336,763

As at 31st December 2009

於二零零九年十二月三十一日

		As previously reported 過往呈列 HK\$'000 千港元	Re-classification 重新分類 HK\$'000 千港元	Reclassified balance 分類後餘額 HK\$'000 千港元
Current assets	流動資產			
Land costs	土地成本	24,580,807	(24,580,807)	—
Properties under development for sale	可供出售之發展中物業	9,611,470	20,945,137	30,556,607
Completed properties for sale	可供出售之已落成物業	4,199,930	3,635,670	7,835,600

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.1 Basis of preparation** (Continued)(b) *The adoption of new/revised HKFRS*

In 2010, the Group adopted the following new standards, amendments and interpretations of HKFRS, which are effective for accounting periods beginning on or after 1st January 2010 and relevant to the Group's operations.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK-Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

2 主要會計政策概要 (續)**2.1 編製基準** (續)(b) *採納新訂／經修訂香港財務報告準則*

於二零一零年，本集團採納以下於二零一零年一月一日或之後開始會計期間生效並與本集團業務有關之香港財務報告準則新訂準則、修訂及詮釋。

香港會計準則第27號 (經修訂)	綜合及獨立財務報表
香港財務報告準則第3號 (經修訂)	業務合併
香港詮釋第5號	財務報表之呈列 — 借款人對包含償還要求條款之定期貸款之歸類

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) The adoption of new/revised HKFRS (Continued)

Annual improvements to HKFRS published in May 2009

HKAS 1 Amendment	Presentation of Financial Statements
HKAS 7 Amendment	Statement of Cash Flows
HKAS 17 Amendment	Leases
HKAS 18 Amendment	Revenue
HKAS 36 Amendment	Impairment of Assets
HKAS 38 Amendment	Intangible Assets
HKFRS 5 Amendment	Non-current Assets Held for Sale and Discontinued Operations
HKFRS 8 Amendment	Operating Segments

The Group has assessed the impact of the adoption of these new standards, amendments and interpretations and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the consolidated financial statements, except for HKAS 27 (Revised) and HKFRS 3 (Revised) as set out below:

2 主要會計政策概要(續)

2.1 編製基準(續)

(b) 採納新訂／經修訂香港財務報告準則(續)

於二零零九年五月發佈之香港財務報告準則年度改進

香港會計準則第1號(修訂本)	財務報表之呈列
香港會計準則第7號(修訂本)	現金流量表
香港會計準則第17號(修訂本)	租賃
香港會計準則第18號(修訂本)	收益
香港會計準則第36號(修訂本)	資產減值
香港會計準則第38號(修訂本)	無形資產
香港財務報告準則第5號(修訂本)	持作出售非流動資產及已終止經營業務
香港財務報告準則第8號(修訂本)	營運分部

本集團已評估採納該等新訂準則、修訂及詮釋之影響，且認為並無對本集團之業績及財務狀況構成重大影響，亦無導致本集團會計政策及綜合財務報表呈報方法大幅變動，惟下述香港會計準則第27號(經修訂)及香港財務報告準則第3號(經修訂)除外：

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.1 Basis of preparation** (Continued)(b) *The adoption of new/revised HKFRS* (Continued)

HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests that do not result in the change of control to be recorded as equity transactions and these transactions will no longer result in goodwill or gains and losses. When control is lost, any remaining interest in the entity is remeasured to fair value, the difference between its fair value and carrying amount is recognised in the consolidated income statement.

The adoption of HKAS 27 (Revised) has resulted in the difference between the consideration paid and the relevant share of the carrying net asset value acquired from the non-controlling interest of HK\$34,002,000 to be recorded in equity.

HKFRS 3 (Revised) continued to apply the acquisition method to business combinations, with some significant changes. For example, all acquisition-related costs should be expensed. The cost of acquisition includes the fair value at the acquisition date of any contingent purchase consideration. In a business combination undertaken in phases/stages, the previously held equity interest in the acquiree is remeasured at fair value and the difference between its fair value and carrying amount is recognised in the consolidated income statement. There is a choice, on the basis of each acquisition, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

2 主要會計政策概要 (續)**2.1 編製基準** (續)(b) *採納新訂／經修訂香港財務報告準則* (續)

香港會計準則第27號(經修訂)規定所有與非控制性權益進行並且不導致控制權變動之交易之影響，應記錄為股權交易，而該等交易將不再導致商譽或收益及虧損。當失去控制權，實體之任何餘下權益重新計量至公平值，而公平值與賬面值之差額在綜合損益表內入賬。

採納香港會計準則第27號(經修訂)已導致已付代價及與從非控制性權益收購所得資產賬面淨值有關份額之差額34,002,000港元，目前記錄為權益。

香港財務報告準則第3號(經修訂)繼續對業務合併應用收購方法，並有若干重大變動。例如，所有與收購相關之成本應予支銷。收購成本包括任何或然購買代價於收購日期之公平值。對於分階段進行之業務合併而言，先前持有之被收購公司股權乃按公平值重新計量，而其公平值與賬面值之差額在綜合損益表內確認。根據各次收購為準，可選擇按公平值或按非控制性權益所佔被收購公司資產淨值之份額比例，來計量被收購公司非控制性權益。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.1 Basis of preparation** (Continued)(b) *The adoption of new/revised HKFRS* (Continued)

The adoption of HKFRS 3 (Revised) does not result in any impact on the Group's result in the current year nor the financial position at the year end.

Standards, interpretations and amendments to existing standards that are relevant but not yet effective

New or revised standards, interpretations and amendments		Effective for accounting periods beginning on or after at the following date or after the start of the accounting period
新訂或經修訂之準則、詮釋及修訂		於以下日期或之後開始之會計期間生效
HKAS 24 (Revised) 香港會計準則第24號(經修訂)	Related Party Disclosure 關連人士之披露	1st January 2011 二零一一年一月一日
HKAS 32 Amendment 香港會計準則第32號(修訂本)	Classification of Rights Issues 供股之分類	1st February 2010 二零一零年二月一日
HKAS 12 Amendments 香港會計準則第12號(修訂本)	Deferred Tax: Recovery of Underlying Assets 遞延稅項：收回相關資產	1st January 2012 二零一二年一月一日
HKFRS 9 香港財務報告準則第9號	Financial Instruments 金融工具	1st January 2013 二零一三年一月一日
HK(IFRIC)-Int 14 Amendment 香港(國際財務報告詮釋委員會) - 詮釋第14號(修訂本)	Prepayment of a Minimum Funding Requirement 最低資金要求之預付款項	1st January 2011 二零一一年一月一日
HK(IFRIC)-Int 19 香港(國際財務報告詮釋委員會) - 詮釋第19號	Extinguishing Financial Liabilities with Equity Instruments 以權益工具抵銷財務負債	1st July 2010 二零一零年七月一日
HKFRSs Amendments 香港財務報告準則(修訂本)	Improvements to HKFRSs 2010 二零一零年香港財務報告準則之改進	1st January 2011 二零一一年一月一日

The Group has already commenced an assessment of the impact of these new or revised standards, interpretations and amendments, certain of which are relevant to the Group's operation and will give rise to changes in accounting policies, disclosures or measurement of certain items in the financial statements. However, the Group is not yet in a position to ascertain their impact on its results of operations and financial position.

2 主要會計政策概要 (續)**2.1 編製基準** (續)(b) *採納新訂/經修訂香港財務報告準則* (續)

採納香港財務報告準則第3號(經修訂)對本集團本年度之業績和年末之財務狀況概無任何影響。

有關但尚未生效之準則、現有準則詮釋及修訂

本集團已開始評估此等新訂或經修訂準則、詮釋及修訂帶來之影響，當中若干與本集團之業務有關，並將導致須對會計政策作出改動、披露事宜或計量財務報表若干事項。然而，本集團尚未能確定其對本集團營運業績及財務狀況造成之影響。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.2 Consolidation**

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31st December.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2 主要會計政策概要 (續)**2.2 綜合賬目**

綜合財務報表包括本公司及其所有附屬公司截至十二月三十一日止的財務報表。

(a) 附屬公司

附屬公司指本集團有權管控其財政及經營政策的所有主體，一般附帶超過半數投票權的股權。在評定本集團是否控制另一主體時，目前可行使或可兌換的潛在投票權的存在及影響均予考慮。

附屬公司在控制權轉移至本集團之日全面綜合入賬。附屬公司在控制權終止之日起停止綜合入賬。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(a) Subsidiaries (Continued)

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

2 主要會計政策概要(續)

2.2 綜合賬目(續)

(a) 附屬公司(續)

本集團利用購買法將業務合併入賬。收購附屬公司的對價根據本集團所給予資產、所產生或承擔的負債及發行的股本工具的公平值計算。所轉讓的對價包括或有對價安排所產生的任何資產或負債的公平值。購買相關成本在產生時支銷。在業務合併中所購買可辨認的資產以及所承擔的負債及或有負債，首先以彼等於購買日期的公平值計量。就個別收購基準，本集團可按公平值或按非控制性權益應佔被購買方淨資產的比例，計量被收購方的非控制性權益。

轉讓的對價、被購買方任何非控制性權益，以及被收購方任何之前權益在購買日期的公平值，超過所購買可辨認淨資產公平值的數額，列為商譽。就廉價購買而言，若該數額低於所購入附屬公司淨資產的公平值，該差額直接在損益表中確認。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.2 Consolidation** (Continued)(a) *Subsidiaries* (Continued)

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered as indicator of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost together with advances by the Company, which are neither planned nor likely to be settled in the foreseeable future, less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) *Transactions with non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2 主要會計政策概要 (續)**2.2 綜合賬目** (續)(a) *附屬公司* (續)

集團內公司之間的交易、交易的結餘及未實現收益予以對銷。未實現損失亦予以對銷但會考慮所轉讓資產減值之顯示。附屬公司的會計政策已按需要作出改變，以確保與本集團採用的政策符合一致。

在本公司之資產負債表內，於附屬公司之投資按成本值(連同本公司之墊款，於可見之未來並無計劃亦無可能償付該等款項)扣除減值虧損準備列賬。附屬公司之業績由本公司按已收及應收股息入賬。

(b) *與非控制性權益之交易*

本集團將其與非控制性權益進行的交易視為與本集團權益持有者進行的交易。來自非控制性權益的購買，所支付的任何對價與相關應佔所收購附屬公司淨資產賬面值的差額記錄為權益。向非控制性權益的處置的盈虧亦記錄在權益中。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(b) Transactions with non-controlling interests (Continued)

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Note 2.8).

2 主要會計政策概要(續)

2.2 綜合賬目(續)

(b) 與非控制性權益之交易(續)

當本集團不再持有控制權或重大影響力，在主體的任何保留權益重新計量至公平值，賬面值的變動在損益中確認。公平值為就保留權益的後續入賬而言的初始賬面值，作為聯營、合營或金融資產。此外，之前就主體在其他全面收入中確認的任何數額猶如本集團已直接處置相關資產和負債。這意味著之前在其他全面收入中確認的數額重新分類至損益。

如聯營公司的權益持有被削減但仍保留重大影響力，只有按比例將之前在其他全面收入中確認的數額重新分類至損益(如適當)。

(c) 聯營公司

聯營公司是指凡本集團對其有重大影響力而無控制權的所有實體，通常附帶有20%至50%投票權的股權。於聯營公司之投資以權益會計法入賬，初始以成本確認。本集團於聯營公司的投資包括收購時確認的商譽(扣除任何累計減值虧損)(參見附註2.8)。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(c) Associates (Continued)

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 主要會計政策概要(續)

2.2 綜合賬目(續)

(c) 聯營公司(續)

本集團應佔收購後聯營公司的溢利或虧損於損益表內確認，而應佔收購後其他全面收入的變動則於其他全面收入內確認。投資賬面值會根據累計之收購後儲備變動而作出調整。如本集團應佔一家聯營公司之虧損等於或超過其在該聯營公司之權益，包括任何其他無抵押應收款，本集團不會確認進一步虧損，除非本集團已代聯營公司承擔責任或作出付款。

本集團與其聯營公司之間交易的未實現收益按集團在聯營公司權益的數額對銷。除非交易提供所轉讓資產減值之憑證，否則未實現虧損亦予以對銷。聯營公司的會計政策已按需要作出改變，以確保與本集團採用的政策符合一致。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(d) Joint ventures

A jointly controlled entity is a joint venture where the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investment in jointly controlled entity is accounted for under the equity method of accounting, whereby the investment is initially recorded at cost and is adjusted thereafter to recognise the Group's share of the post-acquisition results, distributions received, other necessary alterations in the Group's proportionate interest in jointly controlled entity arising from changes in equity of jointly controlled entity that have not been included in the income statement of the jointly controlled entity. The excess of cost of investment over the Group's share of the aggregate fair value of the identifiable net assets acquired at the date of acquisition is tested annually for impairment, as well as when there is indication of impairment, and is carried at cost less accumulated impairment losses. The Group's share of post-acquisition results after taxation of jointly controlled entities is included in the income statement.

2 主要會計政策概要(續)

2.2 綜合賬目(續)

(d) 合營企業

共同控制實體乃一項合營企業，據此，本集團與其他合營方參與一項經濟活動，而該項經濟活動乃受共同控制，參與各方並無單獨控制權。於共同控制實體之投資乃按權益會計法入賬，據此，該項投資最初按成本記錄，並於其後就本集團應佔共同控制實體的收購後業績、來自共同控制實體的分派、因尚未計入損益表內之共同控制實體權益變動而產生之本集團所佔共同控制實體權益比例的其他改變作出調整，投資成本值超逾本集團所佔於收購日期的可識別資產淨值之公平值總額之差額會每年並當有跡象出現減值時進行減值測試，及以成本值減累計減值虧損列賬。本集團所佔共同控制實體的收購後稅後業績已計入損益表內。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(d) Joint ventures (Continued)

A joint venture which does not involve the establishment of a separate entity but involves the joint control and ownership by the Group and other parties of assets contributed to, or acquired for the purpose of, the joint venture is accounted for as a jointly controlled asset. The Group's share of jointly controlled assets and any liabilities incurred jointly with other joint venture partners are recognised and classified according to the nature of the relevant items. Income from the sale or use of the Group's share of the output of jointly controlled assets is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group, whilst the Group's share of expenses in respect of jointly controlled assets is recognised as incurred.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors who make strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured in Renminbi, which is the currency of the primary economic environment in which the Company and its subsidiaries operate (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the presentation currency.

2 主要會計政策概要(續)

2.2 綜合賬目(續)

(d) 合營企業(續)

就不涉及獨立實體的成立而涉及由本集團及其他人士共同控制及擁有之合營項目資產貢獻或就合營項目收購之資產，乃列作共同控制資產入賬。本集團應佔之共同控制資產及與其他合營夥伴共同招致的任何負債乃根據有關項目的性質予以確認及分類。因出售或使用本集團的應佔共同控制資產所產生之收入，於該項交易的相關經濟利益可能會流入本集團時予以確認，而本集團應佔有關共同控制資產的開支則於產生時予以確認。

2.3 分部報告

經營分部乃按向主要營運決策人提供之內部報告一致之方式呈報。負責分配資源及評估經營分部表現之主要營運決策人，已獲確定為作出決策之執行董事。

2.4 外幣換算

(a) 功能和呈列貨幣

本集團每個實體的財務報表所列項目均以人民幣(即本公司及其附屬公司營運所在的主要經濟環境的貨幣)(「功能貨幣」)計量。綜合財務報表以港元呈報，港元為本公司的呈列貨幣。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

2 主要會計政策概要(續)

2.4 外幣換算(續)

(b) 交易及結餘

外幣交易採用交易日的匯率換算為功能貨幣。結算此等交易產生的匯兌盈虧以及將外幣計值的貨幣資產和負債以年終匯率換算產生的匯兌盈虧在損益表確認。

(c) 集團公司

所有功能貨幣與呈列貨幣不同之集團實體(概無擁有惡性通貨膨脹經濟體系之貨幣)之業績及財務狀況均按以下方法換算為呈列貨幣：

- (i) 各資產負債表呈列之資產及負債均以該資產負債表結算日之收市匯率折算；
- (ii) 各損益表之收入及開支均按平均匯率換算(除非該平均值並非於交易日通行匯率累計影響之合理近似值，在此情況下收入及開支乃按交易日之匯率換算)；及
- (iii) 所有產生之匯兌差額均確認為股本內之獨立項目。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(c) Group companies (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Properties and equipment

Properties and equipment other than construction in progress are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of properties and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Hotel property (superstructure)	28 to 30 years
Buildings	Shorter of useful life or lease term
Furniture and office equipment	5 years
Motor vehicles	3 to 5 years

2 主要會計政策概要(續)

2.4 外幣換算(續)

(c) 集團公司(續)

綜合賬目時，換算境外業務之投資淨額及借貸及其他指定作為該等投資套期的貨幣工具所產生之匯兌差額乃計入股東權益內。於出售境外業務時，計入股東權益內之匯兌差額於損益表中確認為出售收益或虧損之部份。

收購境外實體時產生之商譽及公平值調整乃作為該境外實體之資產及負債處理，並以期終匯率換算。

2.5 物業及設備

物業及設備(在建工程除外)按歷史成本減累計折舊和累計減值虧損列賬。歷史成本包括收購該項目直接應佔的開支。

其後成本只有在與該項目有關的未來經濟利益有可能流入本集團，而該項目的成本能可靠計量時，才包括在資產的賬面值或確認為獨立資產(視乎適用情況)。所有其他維修及保養在產生的財政期間內於損益表支銷。

物業及設備的折舊採用以下的估計可使用年期將成本按直線法分攤至剩餘價值計算：

酒店物業 (結構)	28至30年
樓宇	可使用年期或租期的較短者
傢俬及辦公室設備	5年
汽車	3至5年

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Properties and equipment (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Construction in progress is investments in buildings on which construction work has not been completed and which, upon completion, management intends to hold for providing goods or services in the ordinary course of business. These properties are carried at cost which includes construction expenditures, borrowing costs directly attributable to construction of such properties and other direct costs, less any impairment losses. On completion, the properties are transferred to the appropriate categories of properties and equipment at cost less accumulated impairment losses. No depreciation is provided for construction in progress until they are completed and put into commercial use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

2 主要會計政策概要(續)

2.5 物業及設備(續)

資產的剩餘價值及可使用年期在每個結算日進行檢討，及在適當時調整。若資產的賬面值高於其估計可收回金額，其賬面值即時撇減至可收回金額(附註2.9)。

在建工程指於建設工程尚未完工，而於完工後，管理層擬因在日常業務過程中提供貨品或服務而持有之樓宇之投資。該等物業按成本列賬，當中包括就建設該等物業直接應計的建設開支、借貸成本及其他直接費用減去任何減值虧損。物業於完工後轉撥至適當的物業及設備分項，按成本減累積減值虧損列賬。在建工程直至完工及投入作商業用途前不作折舊。

出售之收益及虧損乃按所得款項與賬面值之差額釐定，並列入損益表中。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are performed annually by external independent valuers.

Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable.

2 主要會計政策概要(續)

2.6 投資物業

為獲得長期租金收益或資本增值或兩者兼備而持有，且並非由本集團佔用的物業分類為投資物業。投資物業亦包括屬於在建或發展作未來用途之投資物業。

投資物業包括以經營租賃持有的土地及以融資租賃持有的樓宇。以經營租賃持有的土地，如符合投資物業其餘定義，按投資物業分類及記賬。經營租賃猶如其為融資租賃而記賬。

投資物業初步按其成本計量，包括相關交易成本及借貸成本。

在初步確認後，投資物業按公平值列賬。公平值根據活躍市場價格計算，如有需要就個別資產的性質、地點或狀況的任何差異作出調整。如沒有此項資料，本集團利用其他估值方法，例如較不活躍市場的近期價格或貼現現金流量預測法。此等估值法根據國際估值準則委員會發出的指引執行。此等估值每年由外聘獨立估值師執行。

在建物業之公平值計量僅於公平值被視為能可靠計量時運用。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.6 Investment properties** (Continued)

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values of investment property are recognised in the consolidated income statement.

If an investment property becomes owner-occupied, it is reclassified as properties and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of properties and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income and taken directly to equity as a revaluation of properties and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

Investment property held for sale without redevelopment is classified as non-current asset held for sale, under HKFRS 5.

2 主要會計政策概要 (續)**2.6 投資物業** (續)

投資物業的公平值反映(其中包括)來自現有租賃的租金收入,及在現時市場情況下未來租賃的租金收入假設。公平值亦反映,在類似基準下物業預期的任何現金流出。此等現金流出部份確認為負債,包括列為投資物業的土地有關的融資租賃負債;而其他,包括或然租金款項,不在財務報表列賬。

其後支出只有在與該項目有關的未來經濟利益有可能流入本集團,而該項目的成本能可靠衡量時,才計入在資產的賬面值中。所有其他維修及保養成本在產生的財政期間內於損益表支銷。

投資物業公平值變動於綜合損益表中確認。

倘投資物業成為業主自用,則重新分類為物業及設備,而就會計而言,其於重新分類當日之公平值成為其成本。

倘物業及設備項目因其用途改變而成為投資物業,根據香港會計準則第16號,該項目於轉讓當日之賬面值與公平值間之差異將於其他全面收入內確認,並作為物業及設備重估直接計入權益。然而,倘公平值收益導致過往之減值虧損出現轉回,有關收益將於損益表內確認。

持作出售且並無重新發展之投資物業,按香港財務報告準則第5號分類為持作出售之非流動資產。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Properties under development for sale and completed properties for sale

Properties under development for sale and completed properties for sale are included in current assets at the lower of cost and net realisable value.

The costs of properties under development for sale and completed properties for sale consist of land costs, construction expenditures, amounts capitalised in respect of borrowing costs directly attributable to construction of such properties and other direct costs. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

2.8 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and jointly controlled entities is included in investments in associates and investment in a jointly controlled entity respectively.

Separately recognised goodwill is tested annually for impairment, as well as when there is indication of impairment, and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

2 主要會計政策概要(續)

2.7 可供出售之發展中物業及可供出售之已落成物業

可供出售之發展中物業及可供出售之已落成物業乃按成本值及可變現淨值兩者中的較低者列入流動資產內。

可供出售之發展中物業及可供出售之已落成物業之成本包括土地成本、建造開支、就因建造該等物業而直接產生之借貸成本及其他直接成本已資本化之款項。變現淨值乃於日常業務過程中管理層參照當時市況釐定的估計售價，減去預期至竣工時產生的其他成本以及銷售及市場推廣費用計算。

2.8 無形資產

商譽

商譽指收購成本高於本集團於收購日期應佔所收購附屬公司／聯營公司／共同控制實體可識別資產淨值之公平值之差額。收購附屬公司產生之商譽計入無形資產。收購聯營公司及共同控制實體產生之商譽分別計入於聯營公司之投資及於一間共同控制實體之投資中。

獨立確認之商譽每年或當有減值跡象時進行減值測試及按成本減累計減值虧損列賬。商譽之減值虧損概不予回撥。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.8 Intangible assets** (Continued)*Goodwill* (Continued)

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

2.9 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 主要會計政策概要 (續)**2.8 無形資產** (續)*商譽* (續)

出售實體之收益及虧損包括有關已售出實體之商譽賬面值。

為進行減值測試，商譽被劃分至現金產生單位。獲劃分商譽者為預期於產生商譽之業務合併中受惠之現金產生單位或現金產生單位組別，並根據經營分部劃分。

2.9 資產減值

擁有無限可用年期之資產毋須攤銷，並於每年進行減值測試及每當有事項或情況轉變顯示不可收回賬面值時檢討有否減值。受攤銷所限之資產在每當有事項或情況轉變顯示賬面值不可收回時檢討有否減值。減值虧損按資產賬面值超出其可收回金額之金額確認。可收回金額為資產之公平值減銷售成本與使用價值之較高者。於評估減值時，資產將按可單獨識別現金流量之最低水平（現金產生單位）集中歸類。出現減值之非財務資產（商譽除外）將於各個呈報日期就減值是否有機會撥回進行檢討。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivable and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current asset.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

2 主要會計政策概要(續)

2.10 財務資產

本集團將其財務資產分類為以下類別：按公平值透過損益列賬之財務資產、貸款及應收款項及可供出售財務資產。管理層於初步確認時釐定其財務資產之分類。

(a) *按公平值透過損益列賬之財務資產*

按公平值透過損益列賬之財務資產為持作買賣用途之財務資產。主要收購目的為在短期內出售之財務資產分類為此類別。衍生工具亦分類為持作買賣用途，惟指定為對沖項目者則除外。此類別之資產分類為流動資產。

(b) *貸款及應收款項*

貸款及應收款項為非衍生財務資產，有固定或可釐定付款額且不會在活躍市場上報價。此等款項計入流動資產內，但到期日由結算日起計超過十二個月者，則分類為非流動資產。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.10 Financial assets** (Continued)(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the consolidated income statement within “other income/gains, net”, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of “other income/gains, net” when the Group’s right to receive payments is established.

2 主要會計政策概要 (續)**2.10 財務資產** (續)(c) *可供出售財務資產*

可供出售財務資產為指定劃入該類別或未分類為任何其他類別之非衍生項目，除非管理層計劃於結算日起計十二個月內出售有關投資，否則可供出售財務資產將計入非流動資產內。

常規購買及出售之財務資產均於交易日(即本集團承諾購入或出售該資產當日)確認。對於並非按公平值透過損益列賬之所有財務資產，其投資初步按公平值加交易成本確認。按公平值透過損益列賬之財務資產則初步按公平值確認，而交易成本則在綜合損益表支銷。當從投資收取現金流量之權利已到期或已轉讓，而本集團已將擁有權之絕大部份風險和回報實際轉移時，財務資產即終止確認。可供出售財務資產及按公平值透過損益列賬之財務資產其後則按公平值列賬。貸款及應收款項利用實際利率法按攤銷成本列賬。

「按公平值透過損益列賬之財務資產」類別之公平值變動所產生損益，於產生期間在綜合損益表內呈列為「其他收入／收益，淨額」。按公平值透過損益列賬之財務資產之股息收入於本集團收取有關款項之權利確立時於綜合損益表確認為「其他收入／收益，淨額」一部份。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.10 Financial assets** (Continued)

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

Interest on available-for-sale debt securities calculated using the effective interest method is recognised in the consolidated income statement as part of "other income/gains, net". Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of "other income/gains, net" when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

Impairment testing of accounts receivable is described in Note 2.11.

2 主要會計政策概要 (續)**2.10 財務資產** (續)

分類為可供出售之證券於售出或減值時，於權益中確認之累計公平值調整會於綜合損益表列賬。

可供出售債券證券以實際利率法計算之利息在綜合損益表內確認為「其他收入／收益，淨額」部份。可供出售股本工具之股息則於本集團收取有關款項之權利確定時在綜合損益表內確認為「其他收入／收益，淨額」一部份。

有報價之投資之公平值根據當時之買盤價計算。若某項財務資產之市場並不活躍（及就非上市證券而言），本集團利用估值方法設定公平值。該等方法包括利用近期公平原則交易、參考大致相同之其他工具、貼現現金流量分析法和期權定價模式，充分利用市場數據而盡量少依賴實體特有之數據。

本集團於各結算日評估是否有客觀證據表明某項財務資產或某組財務資產經已減值。對於分類為可供出售之股本證券，證券公平值若大幅度或長期跌至低於其成本值，會被視為證券已經顯示減值。若可供出售財務資產存在此等證據，累計虧損（按收購成本與當時公平值之差額，減該財務資產之前在綜合損益表確認之任何減值虧損計算）自權益中剔除並在綜合損益表確認。在綜合損益表確認之股本工具減值虧損不會透過綜合損益表撥回。

應收賬款之減值測試於附註2.11概述。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Accounts receivable

Accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivable. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled.

2 主要會計政策概要(續)

2.11 應收賬款

應收賬款為非衍生金融資產，有固定或可釐定付款額且不會在活躍市場上報價。這些款項初步按公平值確認，而其後則採用實際利率法按已攤銷成本減減值撥備計量。倘有客觀憑證顯示本集團將不能按應收賬款之原有條款收回所有到期款項，則會對應收賬款作出減值撥備。撥備之數額為資產賬面值與估計未來現金流量現值之間之差額，並按實際利率貼現。撥備之數額於損益表中確認。

2.12 現金及現金等價物

現金及現金等價物包括手頭現金、存於銀行之通知存款，及其他原定期限為三個月或以內而流通量極高之短期投資。

2.13 股本

普通股分類為股本。發行新股或購股權直接應佔之新增成本乃於股本內列作所得款項(扣除稅項)之扣減。倘任何本集團成員公司購買本公司之權益股本，則所支付之代價(包括任何直接應佔之新增成本減去所得稅)乃從本公司股權持有人應佔股本中扣除，直至該等股份被註銷。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.14 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Convertible bonds that can be converted to equity share capital at the option of the holders, where the number of shares that would be issued on conversion and the value of the consideration that would be received do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition, the liability component of the convertible bonds is determined using a market interest rate for an equivalent non-convertible bond. The remainder of the proceeds is allocated to the conversion option as equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity. The equity component is recognised in equity, net of any tax effects.

When the bond is converted, the relevant equity component and the carrying amount of the liability component at the time of conversion are transferred to share capital and share premium for the shares issued. When the bond is redeemed, the relevant equity component is transferred to retained earnings.

2 主要會計政策概要 (續)**2.14 借貸**

借貸初步按公平值(扣除已產生之交易成本)確認。交易成本為收購、發行或出售財務資產或財務負債直接應佔之新增成本，包括向代理、顧問、經紀及交易商支付之費用及佣金、監管代理機構及證券交易所徵收之款項及過戶登記稅項及稅款。借貸其後按已攤銷成本列賬；所得款項(扣除交易成本)與贖回價值間之任何差額於借貸期使用實際利率法於損益表內確認。

如於轉換時可發行之股份數目及可收取之代價之價值不會改變，則可由持有人選擇轉換為權益股本的可換股債券乃列作包含負債部分及權益部分之複合金融工具。

於初步確認時，可換股債券之負債部分的價值使用相若非可換股債券之市場利率釐定。所得款項之餘額列作轉換權下之權益部分。與發行複合金融工具有關之交易成本按所得款項的分配比例列入負債及權益部分。

負債部分其後按使用實際利率法計算的攤銷成本列值，直至可換股債券被註銷或到期為止。權益部分於權益內確認，並扣除任何稅項影響。

如債券獲轉換，有關之權益部分及負債之賬面值於轉換時就所發行之股份撥入股本及股份溢價列賬。如債券獲贖回，有關之權益部分撥入保留盈利。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.15 Borrowing cost**

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the assets for its intended use.

All other borrowing costs are charged to the income statement in the period in which they are incurred.

2.16 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the Company and its subsidiaries, associates and jointly controlled entity operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 主要會計政策概要 (續)**2.15 借貸成本**

為建設任何合資格資產產生之借貸成本，於完成建設並預備有關資產作擬定用途所需期間內資本化。

所有其他借貸成本均於發生年度內在損益表支銷。

2.16 即期及遞延所得稅

稅項費用包括即期及遞延所得稅。稅項均於綜合損益表確認，惟如有關稅項與於其他全面收入確認或直接於權益內確認之項目相關之情況則除外。在此情況下，稅項亦分別於其他全面收入確認或直接於權益中確認。

即期所得稅開支乃按結算日本公司及其附屬公司、聯營公司及共同控制實體經營業務及產生應課稅收入所在國家已頒佈或實質已頒佈之稅法計算。管理層定期評估適用稅法須受到相關詮釋規限情況下之納稅申報狀況，並在適當情況下按預期將支付稅務機關的款項基準計提撥備。

遞延所得稅乃利用負債法就資產與負債之稅基與彼等在綜合財務報表之賬面值兩者之暫時差額作全數撥備。然而，若遞延所得稅來自在交易(不包括業務合併)中對資產或負債的初步確認，而在交易時不影響會計損益或應課稅盈虧，則不作記賬。遞延所得稅採用在結算日前已頒佈或實質採用，並在有關之遞延所得稅資產變現或遞延所得稅負債結算時預期將會適用之稅率及法例而釐定。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.16 Current and deferred income tax** (Continued)

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Employee benefits*(a) Pension obligations*

Group companies operate defined contribution plans only. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory or contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 主要會計政策概要 (續)**2.16 即期及遞延所得稅** (續)

遞延所得稅資產乃就有可能將未來應課稅溢利與可動用之暫時差額抵銷而確認。

遞延所得稅會就有關在附屬公司、聯營公司及共同控制實體之投資所產生之暫時差額而撥備，但假若本集團可控制暫時差額之撥回，並有可能在可預見未來不會撥回則除外。

當存在法律上可執行權利以將本期稅項資產抵銷本期稅項負債，以及當遞延收入稅項資產及負債乃關於同一稅務機關對應課稅實體或不同應課稅實體（而其有意按淨額基準償付餘款）所徵收之所得稅時，遞延所得稅資產可抵銷負債。

2.17 僱員福利*(a) 退休金責任*

本集團屬下公司僅設有界定供款計劃。本集團向公營或私人管理退休保險計劃作出強制或合約性質供款。作出供款後，本集團毋須作進一步供款承擔。該等供款會於到期支付時確認為僱員福利開支。可提供現金退還或扣減未來付款之預付供款會確認為資產。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.17 Employee benefits** (Continued)*(b) Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as expenses. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.18 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2 主要會計政策概要 (續)**2.17 僱員福利** (續)*(b) 股份補償*

本集團設有一項以股權結算之股份補償計劃。就交換僱員所提供之服務所授出之購股權之公平值，乃確認為開支。將於歸屬期內支銷之款項總額乃經參考所授出購股權之公平值釐訂，且不包括任何非市況歸屬條件（如盈利能力及銷售增長目標）之影響。非市況歸屬條件乃於估計將可予歸屬之購股權數目時考慮。於每個結算日，實體均會修訂其估計將可予歸屬之購股權數目。

於購股權獲行使時，所收取之所得款項（扣除任何直接應佔之交易成本）乃計入股本（面值）及股份溢價中。

2.18 撥備

在出現以下情況時作出撥備：本集團因已發生的事件而產生現有的法律或推定責任；可能需要有資源流出以償付責任；金額已經可靠估計。未來經營虧損概不作撥備。

如有多項類似責任，其需要在償付中流出資源的可能性是根據責任的類別作整體考慮。即使在同一責任類別所包含的任何一個項目相關的資源流出的可能性極低，仍須確認撥備。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of properties and services in the ordinary course of the Group's activities. Revenue is recognised as follows:

(a) Sale of properties

Revenue from sale of properties is recognised when the significant risks and rewards of the properties are transferred to the buyers, which is when the construction of the relevant properties have been completed, notification of delivery of properties have been issued to the buyers and collectability of related receivables pursuant to the sale agreements is reasonably assured.

Deposits and instalments received on properties sold prior to transfer of the significant risks and rewards of the properties are included as deferred revenue under current liabilities.

(b) Rental income

Rental income is recognised on a straight-line basis over the period of the relevant leases.

(c) Property management fees, property design fees and marketing consultancy fees

Property management fees, property design fees and marketing consultancy fees are recognised when the services are rendered.

(d) Hotel operations

Revenue from hotel operations is recognised upon provision of services.

(e) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2 主要會計政策概要(續)

2.19 收入確認

收入包括於本集團一般業務中出售物業及服務收取或應收之代價之公平值。收入確認如下：

(a) 銷售物業

銷售物業所得之收入乃於物業之重大風險及回報轉移至買家時(即於已完成有關物業之興建、已向買家發出交付物業之通知及可合理確定根據銷售協議相關應收款項之可收回性之時)確認。

於物業之重大風險及回報轉移之前就銷售物業所收取之按金及分期付款項乃計入流動負債項下之遞延收入。

(b) 租金收入

租金收入按有關租賃期限以直線法確認。

(c) 物業管理費、物業設計費及營銷顧問費

物業管理費、物業設計費及營銷顧問費於提供服務時確認。

(d) 酒店營運

酒店營運收益於提供服務時確認。

(e) 利息收入

利息收入採用實際利率法按時間比例確認。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.19 Revenue recognition** (Continued)*(f) Government grants*

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching with it and that the grant will be received.

Grants relating to income are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate. Grants relating to the purchase of properties and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets. Amounts received for which the earning process has not been completed are accounted for as deferred revenue.

(g) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.20 Operating leases (as the lessee)

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) The Group is the lessee other than operating lease of land use rights

Payments made under operating leases (net of any incentives received from the lessor), are charged to the income statement on a straight-line basis over the period of the lease.

2 主要會計政策概要 (續)**2.19 收入確認** (續)*(f) 政府補助*

政府補助於可合理地確定將會收取而本集團符合所有相關條件時確認入賬。

有關收入之政府補助均會於符合擬彌償成本所需之期間遞延並在損益表確認入賬。有關購入物業及設備之政府補助計入非流動負債為遞延收入，在相關資產之預計年期內以直線基準計入損益表內。賺取收益過程尚未完成的已收款項入賬列作遞延收入。

(g) 股息收入

股息收入在收取款項的權利確定時確認。

2.20 經營租賃(作為承租人)

當擁有權的重大部份風險及回報由出租人保留時，有關租賃分類為經營租賃。

(i) 本集團為承租人(土地使用權經營租賃除外)

根據經營租賃支付的款項(扣除收取出租人的任何獎勵)於租賃期內以直線法在損益表支銷。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Operating leases (as the lessee) (Continued)

- (ii) *The Group is the lessee under operating lease of land use rights*

The Group made upfront payments to obtain operating leases of land use rights on which properties will be developed.

For land use rights to be developed for investment properties which are measured at fair values, the upfront payments are included in the cost of investment properties and accounted for as finance lease (Note 2.6).

For land use rights to be developed for hotel properties and self-use buildings, the upfront payments are separately recorded as assets and amortised over the periods on a straight line basis. The amortisation during the period of time that is required to develop the properties for its intended use, the land amortisation is capitalised as the cost of construction in progress. In other periods, the land amortisation is charged to the income statement.

2 主要會計政策概要(續)

2.20 經營租賃(作為承租人) (續)

- (ii) 本集團為土地使用權經營租賃下之承租人

本集團就獲取發展物業之土地使用權之經營租賃需預先支付款項。

用作發展投資物業的土地使用權按公允價值計量，而所支付款項則計入投資物業的成本並入賬列為融資租賃(附註2.6)。

用作發展酒店物業及自用樓宇之土地使用權，所付款項分開記錄為資產並於期內以直線法攤銷。於按其擬定用途發展物業之期間之攤銷，土地攤銷會被資本化以作為在建工程之成本。於其他期間，土地攤銷於損益表中支銷。

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Operating leases (as the lessee) (Continued)

- (ii) *The Group is the lessee under operating lease of land use rights (Continued)*

For land use rights to be developed for properties for sale, there is change in accounting policy during the year. As described in Note 2.1(a), the land relating to property held for development for sale are included as properties under development for sale or completed properties for sale which are measured at the lower of cost and net realisable value.

2.21 Insurance contracts

The Group regards its financial guarantee contracts in respect of mortgage facilities provided to certain property purchasers and guarantees provided to its joint ventures and subsidiaries as insurance contracts.

The Group assesses at each balance sheet date the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the income statement.

2 主要會計政策概要(續)

2.20 經營租賃(作為承租人)(續)

- (ii) 本集團為土地使用權經營租賃下之承租人(續)

有關發展作銷售用途的物業所使用的土地使用權之會計政策於年內有所改變。誠如附註2.1(a)，有關持作發展供銷售用途之物業之土地計入可供出售之發展中物業或可供出售之已落成物業，並按成本及可變現淨值兩者中之較低者列賬。

2.21 保險合約

本集團將有關給予若干物業買家之按揭信貸及給予其合營企業及附屬公司之擔保之財務擔保合約視為保險合約。

本集團會於各結算日利用現時對未來現金流量之估計評估其於保險合約下之責任。此等保險責任之賬面值變動會於損益表確認。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.22 Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's Directors/shareholders.

3 FINANCIAL RISK MANAGEMENT**3.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest-rate risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Group's financial performance. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

(a) 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 the Group's presentation currency are not taken into consideration.

Majority of the subsidiaries of the Group operates in Mainland China with most of the transactions denominated in Renminbi. The Group is exposed to foreign exchange risk arising from the exposure of Renminbi against US dollar and Hong Kong dollar. It has not hedged its foreign exchange rate risk.

2 主要會計政策概要 (續)**2.22 股息分派**

向本公司股東分派的股息在股息獲本公司董事／股東批准的期間內於本集團的財務報表內列為負債。

3 財務風險管理**3.1 財務風險因素**

本集團之業務令其承受多種財務風險：外匯風險、信貸風險、流動資金風險及現金流及公平值利率風險。本集團的整體風險管理政策專注於金融市場的不可預測性，並力求減低對本集團財務表現的潛在不利影響。本集團定期監察其承受風險情況，並認為至目前為止無須為任何此等財務風險進行對沖。

(a) 外匯風險

香港財務報告準則第7號所界定之外匯風險乃因以功能貨幣以外之貨幣計值之貨幣資產及負債而產生；但並無計及因將財務賬目換算為本集團之呈列貨幣所產生之匯兌差額。

本集團大部份附屬公司均於中國內地經營，而大部份交易均以人民幣計算。本集團須承受之外匯風險由人民幣兌美元及港元之匯率引致。本集團並無就外幣匯率風險作出對沖。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

3 FINANCIAL RISK MANAGEMENT (Continued)**3.1 Financial risk factors** (Continued)*(a) Foreign exchange risk* (Continued)

In addition, the conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the Mainland China government.

At 31st December 2010, if Renminbi had weakened/strengthened by 1% against US dollar with all other variables held constant, post-tax profit for the year would have been HK\$26.7 million (2009: HK\$22.7 million) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD denominated senior notes and bank deposits.

At 31st December 2010, if Renminbi had weakened/strengthened by 1% against HK dollar with all other variables held constant, post-tax profit for the year would have been HK\$0.4 million (2009: HK\$1.2 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of HK dollar denominated bank deposits.

(b) Credit risk

The Group's credit risk is primarily attributable to deposits with banks and credit exposures to customers. The Group has credit policies in place and exposures to these credit risks are monitored on an ongoing basis.

3 財務風險管理 (續)**3.1 財務風險因素** (續)*(a) 外匯風險* (續)

此外，將人民幣換算為外幣須受中國內地政府所頒佈之外匯管制規則及規例監管。

於二零一零年十二月三十一日，倘人民幣兌美元下跌/上升1%，而所有其他變數保持不變，則年度除稅後溢利將減少/增加26.7百萬港元(二零零九年：22.7百萬港元)，主要是由於換算以美元計值之優先票據及銀行存款而產生外匯虧損/收益所致。

於二零一零年十二月三十一日，倘人民幣兌港元下跌/上升1%，而所有其他變數保持不變，則年度除稅後溢利將增加/減少0.4百萬港元(二零零九年：1.2百萬港元)，主要是由於換算以港元計值之銀行存款而產生外匯收益/虧損所致。

(b) 信貸風險

本集團之信貸風險主要是由銀行存款及客戶信貸風險所引致。本集團制訂有信貸政策並按持續基準監控該等信貸風險。

3 FINANCIAL RISK MANAGEMENT (Continued)**3.1 Financial risk factors** (Continued)*(b) Credit risk* (Continued)

The Group manages its deposits with banks and financial institutions by monitoring credit ratings. At 31st December 2010, deposits with banks amounted to HK\$2,697 million (2009: HK\$6,714 million) were placed with a number of international/national/provincial/municipal financial institutions with sound credit ratings.

In respect of credit exposures to customers, the Group normally receives deposits or progress payments from sales of residential properties to customers prior to the completion of transactions. In addition, the Group monitors the exposure to credit risk in respect of amounts due from joint ventures through jointly controlling their financial and operating policy decisions and reviewing their financial positions on a regular basis.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the property sales proceeds received from the customers and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is minimal (see also Note 38).

3 財務風險管理 (續)**3.1 財務風險因素** (續)*(b) 信貸風險* (續)

本集團透過監控信貸評級管理其銀行及金融機構之存款。於二零一零年十二月三十一日，銀行存款為數2,697百萬港元(二零零九年：6,714百萬港元)乃存置於具良好信貸評級之多家國際／全國性／省級／市級金融機構。

就客戶所承受之信貸風險而言，本集團通常於完成有關交易前就出售住宅物業予客戶而收取按金或進度款項。此外，本集團透過共同控制合營企業之財務及營運政策及定期審閱該企業之財務狀況，以監控應收合營企業款項之信貸風險。

本集團已為若干物業單位之買家安排銀行融資，並提供擔保以確保該等買家須承擔還款之責任。倘買家於擔保期限內未能支付其按揭，則持有按揭之銀行可能會要求本集團償還貸款之未償還款項及其任何應計利息。在該等情況下，本集團可扣留自客戶收取之物業銷售所得款項並出售物業以收回任何本集團支付予銀行之款項。就此而言，本公司董事認為，本集團之信貸風險已降至最低(參見附註38)。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

3 FINANCIAL RISK MANAGEMENT (Continued)**3.1 Financial risk factors** (Continued)*(b) Credit risk* (Continued)

The maximum exposure to credit risk is represented by the carrying amount of each financial asset (other than equity securities included in financial assets at fair value through profit or loss and available-for-sale financial assets) in the balance sheet after deducting any impairment allowance, and guarantees provided to third parties. The Group's exposure to credit risk arising from accounts receivable is set out in Note 20.

(c) Liquidity risk

In managing the liquidity risk, the Group regularly and closely monitors its current and expected liquidity requirements to maintain its rolling cash flow at a level which is considered adequate by the Group to finance the Group's operations and to maintain sufficient cash to meet its business development requirements. Management has periodically prepared cash flow projections and the Group has a number of alternative plans to offset the potential impact on the Group's business development and current operation, should there be circumstances that the anticipated cash flow may be affected by any unexpected changes in global/Mainland China economic conditions. The Company's Directors consider that the Group will be able to maintain sufficient financial resources to meet its needs.

3 財務風險管理(續)**3.1 財務風險因素**(續)*(b) 信貸風險*(續)

所承受之最大信貸風險為資產負債表各財務資產(計入按公平值透過損益列賬的財務資產及可供出售財務資產之股本證券除外)之賬面值(扣減任何減值撥備)及向第三方提供的擔保。本集團就應收賬款所承受之信貸風險載於附註20。

(c) 流動資金風險

在管理流動資金風險時，本集團經常密切監控其現時及預期的流動資金需要，以維持其滾存現金流量在本集團認為足夠的水平，以應付本集團營運所需資金，以及保持足夠的現金以應付其業務發展所需。管理層已定期編製現金流量預測，本集團並備有不同方案，一旦全球/中國大陸經濟出現突變而對預期的現金流產生影響，該等方案可抵銷事件對本集團業務發展及現有業務的影響。本公司董事認為本集團將能維持足夠的財務資源，應付其所需。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

		Less than 1 year 1年內 HK\$'000 千港元	Between 1 and 2 years 1至2年 HK\$'000 千港元	Between 2 and 5 years 2至5年 HK\$'000 千港元	Over 5 years 超過5年 HK\$'000 千港元
Group	集團				
At 31st December 2010	於二零一零年 十二月三十一日				
Borrowings (including interests)	借貸(包含利息)	5,112,513	9,577,647	9,874,834	3,164,628
Accounts payable and accruals and other payables	應付賬款、應計款項及 其他應付款項	7,841,812	—	—	—
Land cost payable	應付土地成本	264,271	111,178	—	—
Due to an associate	應付一間聯營公司之款項	6,486	—	—	—
Due to related companies	應付關連公司之款項	344,057	—	—	—
Due to a jointly controlled entity	應付一間共同控制 實體之款項	1,709,345	—	—	—
		15,278,484	9,688,825	9,874,834	3,164,628
At 31st December 2009	於二零零九年 十二月三十一日				
Borrowings (including interests)	借貸(包含利息)	7,171,431	2,599,710	8,143,341	1,030,226
Accounts payable and accruals and other payables	應付賬款、應計款項及 其他應付款項	4,670,176	—	—	—
Land cost payable	應付土地成本	302,418	271,028	—	—
Due to an associate	應付一間聯營公司之款項	6,269	—	—	—
Due to related companies	應付關連公司之款項	173,721	—	—	—
Due to a jointly controlled entity	應付一間共同控制 實體之款項	1,842,289	—	—	—
		14,166,304	2,870,738	8,143,341	1,030,226
Company	公司				
At 31st December 2010	於二零一零年 十二月三十一日				
Borrowings	借貸	221,326	2,945,340	—	—
Accruals and other payables	應計款項及其他應付款項	37,947	—	—	—
		259,273	2,945,340	—	—
At 31st December 2009	於二零零九年 十二月三十一日				
Borrowings	借貸	2,395,070	220,561	2,935,161	—
Accruals and other payables	應計款項及其他應付款項	37,146	—	—	—
		2,432,216	220,561	2,935,161	—

3 財務風險管理(續)

3.1 財務風險因素(續)

(c) 流動資金風險(續)

下表顯示本集團及本公司之財務負債，按照相關到期組別，根據由結算日至合約到期日之剩餘期間進行分析。表內所披露之金額為合約性未貼現現金流量。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

3 FINANCIAL RISK MANAGEMENT (Continued)**3.1 Financial risk factors** (Continued)(c) *Liquidity risk* (Continued)

The table above excludes guarantees given to banks for mortgage facilities granted to certain buyers of the Group's properties (see Note 38 and 3.1(b)) as management considers the risk as minimal.

(d) *Cash flow and fair value interest-rate risk*

The Group's interest-rate risk arises from interest bearing bank deposits and borrowings. Bank deposits and borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group has not hedged its cash flow and fair value interest-rate risk.

At 31st December 2010, if interest rates had increased/decreased by one percentage-point and all other variables were held constant, the finance income and the finance costs, net of amount capitalised in the properties under development, would increase/decrease the Group's post-tax profit by approximately HK\$19 million (2009: HK\$49 million).

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

3 財務風險管理(續)**3.1 財務風險因素**(續)(c) *流動資金風險*(續)

上表不包括就授予本集團物業之若干買家之按揭貸款而向銀行作出之擔保(參見附註38及3.1(b))，原因為管理層認為有關風險已降至最低。

(d) *現金流及公平值利率風險*

本集團之利率風險乃由有息銀行存款及借貸產生。銀行存款及以浮動利率發放之借貸令本集團承受現金流利率風險。而以固定利率發放之借貸則令本集團承受公平值利率風險。本集團並無就其現金流及公平值利率風險作出對沖。

於二零一零年十二月三十一日，倘利率上升/下降1個百分點，而所有其他變數保持不變，則財務收入及財務成本(扣除發展中物業中已資本化之款項)將會使本集團之稅後溢利上升/下降約19百萬港元(二零零九年：49百萬港元)。

3.2 資金風險管理

本集團管理資本之目標乃保障本集團能夠繼續根據持續基準經營，從而為股權持有人創造回報並使其他利益相關者受惠，以及維持最佳資本架構以降低資本成本。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

3 FINANCIAL RISK MANAGEMENT (Continued)**3.2 Capital risk management** (Continued)

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity owners, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings, as shown in the consolidated balance sheet) less pledged/charged bank deposits and cash and cash equivalents. Total capital represents total equity as shown in the consolidated balance sheet.

The gearing ratios at 31st December 2010 and 2009 were as follows:

		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Total borrowings	總借貸	23,719,443	16,348,858
Less: Pledged/charged bank deposits and cash and cash equivalents (Note 21)	減：已抵押／押記銀行存款及現金及現金等價物(附註21)	(2,697,275)	(6,714,623)
Net debt	負債淨額	21,022,168	9,634,235
Total equity	權益總額	40,993,099	30,499,476
Gearing ratio	資本負債比率	51%	32%

The increase in the gearing ratio was mainly due to the increase in bank borrowings and decrease in cash and bank deposits during the year.

3 財務風險管理 (續)**3.2 資金風險管理** (續)

本集團可透過調整派付予股權持有人之股息數額、發行新股或出售資產減少債務，藉以維持或調整資本架構。

本集團按資本負債比率基準監控資本。資本負債比率乃以負債淨額除以總資本計算。負債淨額乃以總借貸(包括綜合資產負債表所示之流動及非流動借貸)減已抵押／押記銀行存款及現金及現金等價物計算。總資本乃權益總額(如綜合資產負債表所示)。

於二零一零年及二零零九年十二月三十一日之資本負債比率如下：

資本負債比率增加主要由於年內銀行借貸增加及現金及銀行存款減少所致。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value at 31st December 2010:

3 財務風險管理(續)

3.3 公平值估算

下表以估值法分析按公平值計量之財務工具。不同級別之定義如下：

- 就相同資產或負債於活躍市場之報價(未調整)(第1級)。
- 第1級內所包括就資產或負債可觀察之直接輸入數據(即如價格)或間接輸入數據(即自價所計算者)(報價除外)(第2級)。
- 就資產或負債而言並非根據可觀察市場數據之輸入數據(即不可觀察數據)(第3級)。

下表呈列於二零一零年十二月三十一日按公平值計量之本集團資產：

		Level 1 第1級 HK\$'000 千港元	Level 3 第3級 HK\$'000 千港元	Total 總計 HK\$'000 千港元
Assets	資產			
Financial assets at fair value through profit or loss	按公平值透過損益列賬的財務資產			
— Trading securities	一買賣證券	11,693	—	11,693
Available-for-sale financial assets	可供出售財務資產			
— Equity securities	一股本證券	2,164,706	1,151,682	3,316,388
Total assets	總資產	2,176,399	1,151,682	3,328,081

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

3 FINANCIAL RISK MANAGEMENT (Continued)**3.3 Fair value estimation** (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily Mainland China and Hong Kong equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. There is no instrument included in level 2 at 31st December 2010.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Instruments included in level 3 represent unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

3 財務風險管理 (續)**3.3 公平值估算** (續)

於活躍市場所買賣金融工具之公平值乃根據於結算日之所報市場價格計算。倘即時及定時透過交易所、交易商、經紀、業界組別、報價服務或監管機構獲得報價，且該等價格屬實際及定期按公平基準進行之市場交易，則市場可視為活躍。本集團所持財務資產所用之市場報價為目前之買入價。此等工具已計入第1級。第1級計入之工具主要包括分類為證券交易或可供出售財務資產之中國大陸及香港之股本投資。

未有在活躍市場買賣之金融工具(如場外衍生工具)之公平值乃採用估值法釐定。此等估值方法使所得可觀察市場數據之用途發揮至極，並盡可能減少依賴實體特定估計。倘所有計算一項工具之公平值所需重大輸入數據屬可觀察時，有關工具會計入第2級。截至二零一零年十二月三十一日止並無工具計入第2級。

倘一個或多個重大輸入數據並非根據可觀察市場數據計算，有關工具會計入第3級。計入第3級之工具指非上市股本證券。

用於計算金融工具價值之特定估值包括：

- 類似工具之市場報價或交易商報價。
- 如貼現現金流量分析等其他方法乃用於釐定其餘金融工具之公平值。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

3 FINANCIAL RISK MANAGEMENT (Continued)**3.3 Fair value estimation** (Continued)

The changes in level 3 instruments for the year ended 31st December 2010 are as follows:

		Available-for-sale financial assets 可供出售財務資產 HK\$'000 千港元
Opening balance	年初結餘	1,113,144
Exchange difference	匯兌差額	38,538
Closing balance	年終結餘	1,151,682

The nominal value less estimated credit adjustments of accounts receivable, accounts payable, balances with related parties and land cost payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments or based on the current bid price in the market.

截至二零一零年十二月三十一日止年度，第3級工具變動如下：

應收賬款、應付賬款、與關連人士之結餘及應付土地成本之面值減去估計信貸調整後，乃假設與其公平值相若。就披露而言，財務負債之公平值乃按本集團可取得之類似金融工具之現行市場利率或根據市場現時之買入價，把未來合約現金流量貼現作出估算。

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4 重要會計推算及判斷

推算及判斷乃持續進行之評估，並以過往經驗及其他因素作為基礎，包括在目前情況下對未來事件之合理預期。

4.1 重要會計推算及假設

本集團就未來作出推算及假設。在定義上，由此而生之會計推算極少與相關之實際結果相同。具相當風險導致下個財政年度之資產與負債賬面值作重大調整之推算及假設將於下文論述。

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(a) *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 judgements and estimates.

(b) *Estimated provision of properties under development for sale and completed properties for sale*

For the purpose of determining provision, 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 judgement and estimates.

4 重要會計推算及判斷(續)

4.1 重要會計推算及假設(續)

(a) *物業及設備及無形資產之估計減值*

物業及設備乃於有事件或情況變動顯示其賬面值可能不能收回時作減值檢討。無形資產乃於每個結算日或有事件或情況變動顯示其賬面值可能不能收回時作減值檢討。物業及設備及無形資產之可收回金額乃按其使用價值釐訂並考慮最近期市場資料及過往經驗。此等計算及估值須運用判斷及推算。

(b) *可供出售之發展中物業及可供出售之已落成物業估計撥備*

就釐定撥備而言，發展中物業及持作出售之已落成物業按可獨立分辨現金流量之最低水平分類。該等資產之賬面值是否可收回，乃根據其公平值減銷售成本進行評估。公平值乃經計及基於過往經驗之竣工成本以及根據當前市況計算之銷售淨額後釐定。當有事件或情況變動顯示賬面值可能無法收回時計提撥備。評估須運用判斷及估計。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**4.1 Critical accounting estimates and assumptions** (Continued)(c) *Estimate of fair value of investment properties*

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, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) 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
- (ii) 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.

4 重要會計推算及判斷(續)**4.1 重要會計推算及假設**(續)(c) *投資物業之公平值估計*

公平值之最佳憑證為類似租賃及其他合約於活躍市場中之現行價格。倘缺乏有關資料，本集團將會把金額釐訂在合理之公平值估算範圍內。於作出判斷時，本集團將考慮多項資料來源，包括：

- (i) 於交投活躍之市場中不同性質、狀況或地點(或訂有不同租賃或其他合約)之物業之現行價格(經參考獨立估值)，並作出調整以反映上述不同之處；及
- (ii) 經參考獨立估值後，於交投較淡靜之市場中類似物業之近期價格，並作出調整以反映自交易日期以來經濟環境之任何變動對該等價格之影響。

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(c) *Estimate of fair value of investment properties (Continued)*

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.

4 重要會計推算及判斷(續)

4.1 重要會計推算及假設(續)

(c) *投資物業之公平值估計(續)*

就發展中投資物業而言，其公平值反映市場參與者對物業價值於落成時之預期，減完成項目需扣減之成本以及就溢利及風險之適當調整。估值及進行估值時採用之所有主要假設應反映於結算日之市場狀況。主要假設包括已落成物業之價值、發展期、尚未支付建築成本、財務成本、其他專業費用、完成項目及完成後所賺取收入之相關風險，以及投資者回報佔價值或成本值之百分比。公平值經參考獨立估值後釐訂。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**4.1 Critical accounting estimates and assumptions** (Continued)(c) *Estimate of fair value of investment properties* (Continued)

It may sometimes be difficult to determine reliably the fair value of the investment property under development. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract
- The stage of completion
- Whether the project/property is standard (typical for the market) or non-standard
- The level of reliability of cash inflows after completion
- The development risk specific to the property
- Past experience with similar constructions
- Status of construction permits

(d) *Current taxation and deferred taxation*

The Group is subject to taxation in Mainland China and Hong Kong. Judgement 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.

4 重要會計推算及判斷 (續)**4.1 重要會計推算及假設** (續)(c) *投資物業之公平值估計* (續)

由於發展中投資物業公平值有時或會難以可靠釐定，故為評估發展中投資物業公平值是否能可靠釐定，管理層將考慮(其中包括)以下因素：

- 建築合約條款
- 已落成階段
- 項目/物業是否屬標準(對市場而言屬普遍)或非標準
- 落成後現金流入之可靠程度
- 物業獨有之發展風險
- 類似建築工程之過往經驗
- 建築許可證之狀況

(d) *本期稅項及遞延稅項*

本集團須繳納中國內地及香港稅項。於釐訂相關稅項之稅項撥備金額及支付時間時須作出判斷。於日常業務過程中有頗多未能確定最終稅項之交易及計算。倘該等事宜之最終稅務結果與初步記錄之金額不同，有關差異將影響作出釐定之期間內之所得稅及遞延稅項撥備。

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(d) Current taxation and deferred taxation (Continued)

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. 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.

The Group is subject to land appreciation taxes in Mainland China. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of Mainland China, and the Group has not finalised most of its land appreciation taxes clearance and payments with the local tax authorities in Mainland China. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these land appreciation taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the taxation and tax provisions in the periods in which such taxes have been finalised with local tax authorities.

4 重要會計推算及判斷(續)

4.1 重要會計推算及假設(續)

(d) 本期稅項及遞延稅項(續)

倘管理層認為未來應課稅溢利可用作對銷暫時性差異或稅項虧損可予動用時，則會確認與若干暫時性差異有關之遞延稅項資產淨值及稅項虧損。倘預期結果與原先之估算不同，有關差異會對有關估算出現變動之期間內遞延稅項資產及稅項之確認構成影響。

本集團須於中國內地繳納土地增值稅。然而，該等稅項的執行及支付，在中國各城市的不同稅務司法權區有異，而本集團尚未與中國地方稅務機關落實大部份土地增值稅的結算及付款方法。因此，須作出重大判斷以釐定土地增值及其相關稅項的金額。本集團根據管理層按其對稅務規則的理解作出的最佳估計，確認此等土地增值稅。最終稅務結果可能與最初記錄的金額不同，而因當地稅務機關落實該等稅項而出現的有關差異將影響期間內的稅項及稅項撥備。

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(e) Depreciation

The Group's net book value of properties and equipment as at 31st December 2010 was approximately HK\$3,199,845,000. The Group depreciates the hotel property, building, furniture and office equipment and motor vehicles on a straight line basis over the estimated useful life of 28 to 30 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 the Group places the properties and equipment into productive use reflects the Directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's assets.

(f) 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 from the acquisition and the excess of fair value of the net assets of subsidiaries acquired over the costs of acquisition.

4 重要會計推算及判斷(續)

4.1 重要會計推算及假設(續)

(e) 折舊

本集團之物業及設備於二零一零年十二月三十一日之賬面淨值約為3,199,845,000港元。本集團由資產可投入作生產用途之日起，以直線法於分別28至30年、50年、5年以及3至5年之估計可用年期期間，在計及資產估計剩餘價值後，對酒店物業、樓宇、傢俬及辦公室設備以及汽車計算折舊。估計可用年期及本集團把物業及設備投入生產用途之日期，反映董事對本集團擬自運用本集團資產產生未來經濟利益之期間之估計。

(f) 收購附屬公司

收購附屬公司之初始會計處理涉及識別及釐定予以分配予被收購實體之可識別資產、負債及或然負債之公平值。投資物業及持作出售發展中物業之公平值乃經參照該等資產之預期現金流量淨值之市價或現值釐定。在釐定公平值時所使用之假設及作出之估計出現任何變動以及管理層能否可靠計量被收購實體之或然負債，均將對該等資產及負債之賬面值以及自收購所得商譽及被收購附屬公司淨資產公平值高於收購的成本金額產生影響。

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Critical accounting judgements

(a) Revenue recognition

The Group has recognised revenue from the sale of properties in the ordinary course of business, as disclosed in note 2.19. 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.

As disclosed in note 38, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will expire when the relevant property ownership certificates are lodged with the various banks. In order to obtain mortgages, the purchasers would have settled certain percentage of the total contract amount in accordance with the related PRC regulations upon delivery of the properties. The Directors are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour their contractual obligations of the bank loans. In addition, based on past experiences, there were no significant defaults of mortgage facilities by the purchasers resulting in execution of the bank guarantees. Accordingly, the Directors believe that significant risks and rewards associated with ownership of the properties have been transferred to the purchasers.

4 重要會計推算及判斷(續)

4.2 重要會計判斷

(a) 收入確認

誠如附註2.19所披露，本集團已確認來自於一般業務中出售物業的收益。對於實體何時將擁有權的重大風險及回報轉移至買家須對交易狀況進行審查。大多數情況下，在各物業交付予買家之後，所有權風險和收益的轉移時間會與物業的衡平權益轉歸買家的時間相一致。

誠如附註38所披露，本集團就為本集團物業若干買家安排的按揭貸款提供擔保。當相關物業所有權證交予各銀行時，該等擔保將告到期。根據中華人民共和國有關法規，為取得按揭貸款，買家在物業交吉之前，需已交付合同總金額的一定比例。董事認為，該等付款為買家履行銀行貸款的合約責任提供了充分證據。再者，根據過往經驗，買家並無重大按揭貸款拖欠事件，以致進行擔保賠付。因此，董事認為，物業所有權的重大風險與回報已被轉移至買家。

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Critical accounting judgements (Continued)

(b) 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. The Group has certain tracts of land for which development has not commenced according to the specified terms of the respective land grant contracts. Judgement 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 the Group. In making this judgement, the Group evaluates 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.

(c) Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property. In making its judgement, the Group considers 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.

4 重要會計推算及判斷(續)

4.2 重要會計判斷(續)

(b) 閒置土地法規之財務涵意

根據中國法例及法規，倘物業發展商未能根據土地批授合約之條款發展土地，包括土地指定用途以及物業發展之施工及完工時限，則中國政府可能視土地為閒置，並向該發展商發出警告或徵收罰款或收回土地。本集團有若干土地並無按照各自之土地批授合約特定條款進行發展。本集團在評估該等土地會否遭接受閒置土地之懲罰或遭政府收回而帶來任何不利財務影響時須作出判斷。在作出此判斷時，本集團將評估土地整體之發展程度，以及就延長施工時限或修訂發展規劃與政府機關進行磋商之狀況。

(c) 分辨投資物業與自用物業

本集團會釐訂物業是否合資格成為投資物業。於作出判斷時，本集團會考慮該物業能否產生大致獨立於公司所持其他資產之現金流量。自用物業所產生之現金流量不只由該物業佔有，亦會由生產或供應過程中所使用之其他資產佔有。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**4.2 Critical accounting judgements** (Continued)(c) *Distinction between investment properties and owner-occupied properties* (Continued)

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), the Group accounts 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. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

5 SEGMENT INFORMATION

The chief operating decision maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

4 重要會計推算及判斷(續)**4.2 重要會計判斷**(續)(c) *分辨投資物業與自用物業*(續)

部份物業可分為持作賺取租金或資本增值之部份，而另一部份可持作生產或供應貨物或服務或行政用途。倘該等部份可分開出售(或根據融資租賃分開出租)，則本集團將會把該部份分開入賬。倘該等部份不可分開出售，則該物業僅會於持作生產或供應貨物或服務或行政用途之部份只佔極少部份時，被確認為投資物業。於釐訂附屬服務對物業未能合資格成為投資物業是否重要時須作出判斷。本集團於作出判斷時均會對每項物業作獨立考慮。

5. 分部資料

主要營運決策人已獲確定為執行董事。執行董事審閱本集團內部報告，以評估表現及分配資源。管理層已據該等報告釐定營運分部。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

5 SEGMENT INFORMATION (Continued)

The Executive Directors consider the business from both a business and geographic perspective. Reportable business segments identified are property development, property investment, hotel operations and property management. Geographically, the Executive Directors consider that the reportable business segments can be further segregated into three main geographical areas, namely Southern China (SC) (including Guangzhou, Huizhou, Zhongshan and Hong Kong), Northern China (NC) (including Beijing, Tianjin, Dalian, Taiyuan and Qinhuangdao) and Eastern China (EC) (including Shanghai, Hangzhou and Ningbo).

The Executive Directors assess the performance of the operating segments based on a measure of adjusted segment results. Corporate expense, finance income and finance costs are not included in the results for each operating segment that is reviewed by the Executive Directors.

Segment assets consist primarily of properties and equipment, investment properties, investment in a jointly controlled entity, properties under development for sale, completed properties for sale, prepayments, deposits and other current assets and cash and cash equivalents. They exclude available-for-sale financial assets and deposit for proposed investments which are managed on a central basis, and deferred tax assets. These are part of the reconciliation to total balance sheet assets.

Segment results by business lines and geographical areas

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the consolidated income statement.

Revenue comprise turnover which included gross proceeds from sale of properties, revenue from rental and hotel operation, and property management income.

5. 分部資料(續)

執行董事會從商業及地理角度考慮業務。已識別之可呈報業務分部包括物業發展、物業投資、酒店營運及物業管理。就地理方面而言，執行董事認為可呈報業務分部可進一步劃分為三個主要地區，包括華南(包括廣州、惠州、中山及香港)、華北(包括北京、天津、大連、太原及秦皇島)及華東(包括上海、杭州及寧波)。

執行董事根據經調整分部業績評估營運分部之表現。公司開支、財務收入及財務成本並無計入執行董事所審閱之各營運分部業績。

分部資產主要包括物業及設備、投資物業、於一間共同控制實體之投資、可供出售之發展中物業、已落成之可供出售物業、預付款項、按金及其他流動資產及現金及現金等價物。其不包括集中管理可供出售財務資產、建議投資之按金及遞延稅項資產，並為資產負債表資產合計之對賬一部分。

按業務及地區劃分之分部業績

分部間銷售乃按公平交易條款進行。向執行董事呈報之對外銷售額按與綜合損益表一致之方式計量。

收益包括營業額，其中包括物業銷售總所得款項、租金收益以及酒店營運及物業管理收入。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

5 SEGMENT INFORMATION (Continued)

5. 分部資料(續)

Segment results by business lines and geographical areas (Continued)

按業務及地區劃分之分部業績(續)

		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Sales of properties	物業銷售	13,696,356	10,631,159
Property management income	物業管理收入	410,634	431,355
Income from hotel operation	酒店營運收入	179,792	131,558
Rental income	租金收入		
— Investment properties	— 投資物業	98	—
— Others	— 其他	92,373	31,174
		14,379,253	11,225,246

The segment results by business lines and by geographical areas for the year ended 31st December 2010 are as follows:

截至二零一零年十二月三十一日止年度按業務及地區劃分之分部業績如下：

		Property development 物業發展			Property investment 物業投資			Hotel operations 酒店營運		Property management 物業管理	Group 集團
		SC 華南 HK\$'000 千港元	EC 華東 HK\$'000 千港元	NC 華北 HK\$'000 千港元	SC 華南 HK\$'000 千港元	EC 華東 HK\$'000 千港元	NC 華北 HK\$'000 千港元	SC 華南 HK\$'000 千港元	NC 華北 HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
		Year ended 31st December 2010	截至二零一零年 十二月三十一日 止年度								
Total revenues	總收益	5,052,562	2,885,163	6,075,622	98	—	—	31,693	240,515	411,347	14,697,000
Inter-segment revenues	分部間收益	(183,519)	—	(41,099)	—	—	—	—	(92,416)	(713)	(317,747)
Revenues	收益	4,869,043	2,885,163	6,034,523	98	—	—	31,693	148,099	410,634	14,379,253
Adjusted segment results	經調整分部業績	1,891,116	962,895	2,516,914	1,687,466	1,579,726	514,979	13,187	(153,779)	28,968	9,041,472
Depreciation	折舊	(8,336)	(2,057)	(6,850)	(178)	(118)	—	(6,750)	(92,813)	(1,820)	(118,922)
Amortisation	攤銷	—	—	—	—	—	—	(2,691)	(3,154)	—	(5,845)
Fair value gains on investment properties	投資物業之 公平值收益	—	—	—	1,694,803	1,584,659	516,162	—	—	—	3,795,624
Share of profit less loss of associates	分佔聯營公司溢利 減虧損	1,258	—	(187)	—	—	—	—	—	—	1,071
Share of loss of a jointly controlled entity	分佔一間共同控制 實體虧損	—	—	(666)	—	—	—	—	—	—	(666)

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

5 SEGMENT INFORMATION (Continued)

Segment results by business lines and geographical areas (Continued)

The segment results by business lines and by geographical areas for the year ended 31st December 2009 are as follows:

		Property development 物業發展			Property investment 物業投資			Hotel operations 酒店營運		Property management 物業管理	Group 集團
		SC 華南	EC 華東	NC 華北	SC 華南	EC 華東	NC 華北	SC 華南	NC 華北	HK\$'000 千港元	HK\$'000 千港元
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元 (Note) (附註)	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元 (Note) (附註)	HK\$'000 千港元	HK\$'000 千港元 (Note) (附註)	HK\$'000 千港元	HK\$'000 千港元
Year ended 31st December 2009	截至二零零九年十二月三十一日止年度										
Total revenues	總收益	3,880,730	3,675,466	3,165,270	31,174	—	24,631	106,927	444,313	11,328,511	
Inter-segment revenues	分部間收益	(70,911)	—	(19,396)	—	—	—	—	(12,958)	(103,265)	
Revenues	收益	3,809,819	3,675,466	3,145,874	31,174	—	24,631	106,927	431,355	11,225,246	
Adjusted segment results	經調整分部業績	1,439,897	1,510,900	1,505,148	1,710,754	3,020,245	7,050	(144,681)	79,825	9,129,138	
Depreciation	折舊	(6,004)	(1,953)	(11,366)	(11)	(81)	(7,306)	(62,832)	(1,697)	(91,250)	
Amortisation	攤銷	(2,777)	(1,962)	(900)	—	—	(2,620)	(1,150)	—	(9,409)	
Fair value gains on investment properties	投資物業之公平值收益	—	—	—	1,679,579	3,020,518	—	—	—	4,700,097	
Share of profit less loss of associates	分佔聯營公司溢利減虧損	(522)	—	(824)	—	—	—	—	—	(1,346)	
Share of profit of a jointly controlled entity	分佔一間共同控制實體溢利	—	—	385,759	—	—	—	—	—	385,759	

Note: Includes segment results of Tianjin which was separately disclosed in 2009.

附註：包括於二零零九年分開披露之天津之分部業績。

The segment assets by business lines and by geographical areas as at 31st December 2010 are as follows:

於二零一零年十二月三十一日按業務及地區劃分之分部資產如下：

		Property development 物業發展			Property investment 物業投資			Hotel operations 酒店營運		Property management 物業管理	Group 集團	
		SC 華南	EC 華東	NC 華北	SC 華南	EC 華東	NC 華北	SC 華南	EC 華東	NC 華北	HK\$'000 千港元	HK\$'000 千港元
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
As at 31st December 2010	於二零一零年十二月三十一日	25,831,989	13,098,329	28,798,138	3,711,362	10,688,141	1,027,794	525,512	28,624	2,828,796	577,936	87,116,621
Segment assets include:	分部資產包括：											
Investments in associates	於聯營公司之投資	1,939	—	41,494	—	—	—	—	—	—	—	43,433
Investment in a jointly controlled entity	於一間共同控制實體之投資	—	—	1,512,923	—	—	—	—	—	—	—	1,512,923
For the year ended 31st December 2010	截至二零一零年十二月三十一日止年度											
Additions to non-current assets (other than financial instruments and deferred tax assets)	添置非流動資產(不包括金融工具及遞延稅項資產)	15,122	2,527	21,244	134,721	270,042	69,309	6,179	17,662	208,015	394	745,215

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

5 SEGMENT INFORMATION (Continued)

Segment results by business lines and geographical areas (Continued)

The segment assets by business lines and by geographical areas as at 31st December 2009 are as follows:

		Property development 物業發展			Property investment 物業投資		Hotel operations 酒店營運		Property management 物業管理	Group 集團
		SC 華南 HK\$'000 千港元	EC 華東 HK\$'000 千港元	NC 華北 HK\$'000 千港元 (Note) (附註)	SC 華南 HK\$'000 千港元	EC 華東 HK\$'000 千港元	SC 華南 HK\$'000 千港元	NC 華北 HK\$'000 千港元 (Note) (附註)	HK\$'000 千港元	HK\$'000 千港元
		As at 31st December 2009	於二零零九年 十二月三十一日	23,134,671	7,736,545	25,236,064	2,476,368	5,938,360	507,104	2,566,271
Segment assets include:	分部資產包括：									
Investments in associates	於聯營公司之投資	637	—	40,288	—	—	—	—	—	40,925
Investment in a jointly controlled entity	於一間共同控制實體之投資	—	—	1,188,692	—	—	—	—	—	1,188,692
For the year ended 31st December 2009	截至二零零九年十二月三十一日止年度									
Additions to non-current assets (other than financial instruments and deferred tax assets)	添置非流動資產(不包括金融工具及遞延稅項資產)	11,935	14,806	483,242	36,570	514,115	5,855	450,177	2,733	1,519,433

Note: Includes segment assets of Tianjin which was separately disclosed in 2009.

附註：包括於二零零九年分開披露之天津之分部資產。

Reconciliation of reportable segment profit from operations to profit before taxation is as follows:

可呈報分部之經營溢利與除稅前溢利對賬如下：

		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Reportable segment profit from operations	可呈報分部經營溢利	9,041,472	9,129,138
Unallocated corporate income/(expenses), net	未分配公司收入/(開支), 淨額	37,905	(17,132)
Finance income	財務收入	17,039	13,551
Finance costs	財務成本	(253,307)	(333,639)
Profit before taxation	除稅前溢利	8,843,109	8,791,918

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

5 SEGMENT INFORMATION (Continued)

Segment results by business lines and geographical areas (Continued)

Reconciliation of reportable segment assets to total assets are:

		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Total segment assets	分部資產總額	87,116,621	67,791,258
Available-for-sale financial assets	可供出售財務資產	3,316,388	2,671,719
Deposit for proposed investment	建議投資之按金	560,210	—
Deferred tax assets	遞延稅項資產	167,541	191,287
Total assets	總資產	91,160,760	70,654,264

The Group primarily operates in Mainland China. All revenues for the year ended 31st December 2010 and 2009 are from Mainland China.

As at 31st December 2010 and 2009, all non-current assets, other than financial instruments and deferred tax assets are located in Mainland China.

5. 分部資料(續)

按業務及地區劃分之分部業績(續)

可呈報分部之資產與總資產對賬如下：

本集團主要於中國大陸經營業務。截至二零一零年及二零零九年十二月三十一日止年度，所有收益均來自中國大陸。

於二零一零年及二零零九年十二月三十一日，所有非流動資產(不包括金融工具及遞延稅項資產)均位於中國大陸。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

6 LAND COSTS

Land costs represent prepaid operating lease payments for hotel properties and self-use buildings.

6 土地成本

土地成本指酒店物業及自用樓宇之預付經營租賃款項。

		Group 集團	
		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
At 1st January	於一月一日	329,440	749,663
Additions	新增	201,055	13,680
Transfer from/(to) investment properties, properties under development for sale and prepayments for acquisition of land	轉撥自/(至)投資物業、可供出售之發展中物業及收購土地預付款項	78,750	(431,069)
Amortisation	攤銷	(5,845)	(3,526)
Exchange difference	匯兌差額	18,793	692
At 31st December	於十二月三十一日	622,193	329,440

		Group 集團	
		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
In Mainland China, held on: Land use rights of between 10 and 50 years	於中國大陸，按以下方式持有： 介乎10年至50年之土地 使用權	618,871	326,154
In Hong Kong, held on: Leases of over 50 years	於香港，按以下方式持有： 50年以上之租約	3,322	3,286
		622,193	329,440

As at 31st December 2010, net book amount of approximately HK\$90,069,000 (2009: HK\$14,450,000) of the Group's land was pledged as collateral for the Group's banking facilities (Note 24).

於二零一零年十二月三十一日，本集團賬面淨值約90,069,000港元(二零零九年：14,450,000港元)之土地已抵押作本集團之銀行信貸之抵押品(附註24)。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

7 PROPERTIES AND EQUIPMENT

7 物業及設備

		Group 集團					Total
		Construction in progress	Hotel properties	Buildings	Furniture and office equipment	Motor vehicles	
		在建工程	酒店物業	樓宇	傢俬及 辦公室設備	汽車	總額
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元
Year ended 31st December 2010	截至二零一零年 十二月三十一日止年度						
Opening net book amount	期初賬面淨值	1,180,351	1,566,295	222,664	181,650	24,069	3,175,029
Additions (including capitalisation of land amortisation)	新增(包括資本化土地 攤銷)	47,206	—	—	18,179	5,962	71,347
Depreciation	折舊	—	(63,919)	(3,933)	(46,169)	(4,901)	(118,922)
Disposals	出售	—	—	(13)	(1,335)	(488)	(1,836)
Transfer	轉撥	(650,536)	643,235	7,301	—	—	—
Exchange difference	匯兌差額	30,421	29,415	7,767	5,781	843	74,227
Closing net book amount	期終賬面淨值	607,442	2,175,026	233,786	158,106	25,485	3,199,845
At 31st December 2010	於二零一零年 十二月三十一日						
Cost	成本	607,442	2,354,838	257,219	337,280	57,426	3,614,205
Accumulated depreciation	累計折舊	—	(179,812)	(23,433)	(179,174)	(31,941)	(414,360)
Net book amount	賬面淨值	607,442	2,175,026	233,786	158,106	25,485	3,199,845
Year ended 31st December 2009	截至二零零九年 十二月三十一日止年度						
Opening net book amount	期初賬面淨值	964,047	979,775	229,730	208,140	23,931	2,405,623
Additions (including capitalisation of land amortisation)	新增(包括資本化土地 攤銷)	836,709	—	—	16,105	4,185	856,999
Disposal of subsidiaries	出售附屬公司	—	—	—	(101)	—	(101)
Depreciation	折舊	—	(37,910)	(7,327)	(42,289)	(3,724)	(91,250)
Disposals	出售	—	—	(92)	(538)	(365)	(995)
Transfer	轉撥	(622,229)	622,262	(33)	—	—	—
Exchange difference	匯兌差額	1,824	2,168	386	333	42	4,753
Closing net book amount	期終賬面淨值	1,180,351	1,566,295	222,664	181,650	24,069	3,175,029
At 31st December 2009	於二零零九年 十二月三十一日						
Cost	成本	1,180,351	1,677,240	241,445	310,922	51,882	3,461,840
Accumulated depreciation	累計折舊	—	(110,945)	(18,781)	(129,272)	(27,813)	(286,811)
Net book amount	賬面淨值	1,180,351	1,566,295	222,664	181,650	24,069	3,175,029

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

7 PROPERTIES AND EQUIPMENT (Continued)

Hotel properties with a net book amount of approximately HK\$1,946,733,000 (2009: HK\$90,104,000) as at 31st December 2010 were pledged as collateral for the Group's banking facilities (Note 24).

Construction in progress mainly represents buildings and hotel properties, which will be held for the long-term. All construction in progress is located in Mainland China on land held under land use rights expiring from 2042 through 2046.

Depreciation expenses have been included in general and administrative expenses in the income statement.

7 物業及設備 (續)

於二零一零年十二月三十一日，賬面淨值約1,946,733,000港元(二零零九年：90,104,000港元)之酒店物業已抵押作本集團銀行信貸之抵押品(附註24)。

在建工程主要指長期持有之樓宇及酒店物業。所有在建工程位於中國大陸，以及位於根據於二零四二年至二零四六年期間屆滿之土地使用權持有之土地。

折舊開支已包括在損益表之一般及行政費用內。

8 INVESTMENT PROPERTIES**8 投資物業**

		Group 集團	
		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Completed investment properties	已落成投資物業	3,698,307	—
Investment properties under development	發展中投資物業	11,707,191	8,378,105
		15,405,498	8,378,105

		Group 集團	
		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
At 1st January	於一月一日	8,378,105	2,856,094
Additions (including capitalisation of interest)	新增(包括資本化利息)	471,920	342,555
Transfer from/(to) completed properties, properties under development for sale and prepayments for acquisition of land	轉撥自/(至)已落成物業、可供出售之發展中物業及收購土地預付款項	2,335,722	593,199
Disposals	出售	—	(122,120)
Fair value gains on investment properties	投資物業公平值收益	3,795,624	4,700,097
Exchange difference	匯兌差額	424,127	8,280
At 31st December	於十二月三十一日	15,405,498	8,378,105

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

8 INVESTMENT PROPERTIES (Continued)

All investment properties are located in Mainland China on land held under land use rights expiring from 2037 through 2058 (2009: 2057 through 2058). They were stated at fair values with reference to valuations performed on an open market value basis by DTZ Debenham Tie Leung Limited, independent qualified valuers, as at 31st December 2010.

As at 31st December 2010, approximately HK\$4,137,958,000 (2009: HK\$504,743,000) of the Group's investment properties were pledged as collateral for the Group's banking facilities (Note 24).

8 投資物業(續)

所有投資物業均位於中國大陸及位於根據於二零三七年至二零五八年(二零零九年:於二零五七年至二零五八年)期間屆滿的土地使用權持有之土地。所有投資物業已參考合資格獨立估值師戴德梁行有限公司於二零一零年十二月三十一日按公開市場價格基準進行之估值,以公平值列賬。

於二零一零年十二月三十一日,本集團約4,137,958,000港元(二零零九年:504,743,000港元)之投資物業已抵押作本集團銀行信貸之抵押品(附註24)。

9 PROPERTIES UNDER DEVELOPMENT FOR SALE**9 可供出售之發展中物業**

		Group 集團		
		As at 31st December 於十二月三十一日		As at 1st January 於一月一日
		2010 二零零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Amount comprises:	金額包括:			
Land costs	土地成本	20,970,601	20,945,137	21,633,651
Construction costs and capitalised expenditures	建築成本及已資本化開支	9,386,290	8,213,274	7,676,606
Finance costs capitalised	已資本化財務成本	1,610,865	1,398,196	1,233,916
		31,967,756	30,556,607	30,544,173
Expected to be completed and available for sale after more than twelve months	預期將於超過十二個月後竣工及可供出售	26,131,885	23,256,452	25,702,782
Expected to be completed and available for sale within twelve months	預期將於十二個月內竣工及可供出售	5,835,871	7,300,155	4,841,391
		31,967,756	30,556,607	30,544,173

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

9 PROPERTIES UNDER DEVELOPMENT FOR SALE (Continued)

All properties under development for sale are located in Mainland China and are located on land held under land use rights expiring from 2037 through 2078.

As at 31st December 2010, approximately HK\$4,055,569,000 (2009: HK\$4,677,986,000) of the Group's properties under development for sale were pledged as collateral for the Group's banking facilities (Note 24).

As at 31st December 2010, approximately 239,000 square metre (2009: 239,000 square metre) of land with a carrying amount of HK\$259 million (2009: HK\$241 million) was restricted for development, transfer and pledge due to a pending litigation.

10 COMPLETED PROPERTIES FOR SALE

All completed properties for sale are located in Mainland China and are located on land held under land use rights expiring from 2037 through 2078.

As at 31st December 2010, approximately HK\$1,623,111,000 (2009: HK\$2,067,747,000) of the Group's completed properties for sale were pledged as collateral for the Group's banking facilities (Note 24).

11 INTANGIBLE ASSETS

		Group 集團	
		Goodwill 商譽	
		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
At 1st January	於一月一日	120,660	120,455
Exchange difference	匯兌差額	4,177	205
At 31st December	於十二月三十一日	124,837	120,660
Cost	成本	136,666	132,095
Accumulated impairment charge	累計減值費用	(11,829)	(11,435)
Net book amount	賬面淨值	124,837	120,660

9 可供出售之發展中物業 (續)

所有可供出售之發展中物業均位於中國大陸，並位於根據於二零三七年至二零七八年期間屆滿的土地使用權持有之土地。

於二零一零年十二月三十一日，本集團約4,055,569,000港元(二零零九年：4,677,986,000港元)之可供出售之發展中物業已抵押作本集團銀行信貸之抵押品(附註24)。

於二零一零年十二月三十一日，約239,000平方米(二零零九年：239,000平方米)賬面值為259,000,000港元(二零零九年：241,000,000港元)之土地開發，因一項待決訴訟而受到發展、轉讓及質押限制。

10 可供出售之已落成物業

全部可供出售之已落成物業均位於中國大陸及位於根據於二零三七年至二零七八年期間屆滿的土地使用權持有之土地。

於二零一零年十二月三十一日，本集團約1,623,111,000港元(二零零九年：2,067,747,000港元)之可供出售之已落成物業已抵押作本集團銀行信貸之抵押品(附註24)。

11 無形資產

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

11 INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to operating segment. A segment level summary of the goodwill allocation is presented below:

	2010 二零一零年			2009 二零零九年		
	Property development 物業發展 HK\$'000 千港元	Property management 物業管理 HK\$'000 千港元	Total 總計 HK\$'000 千港元	Property development 物業發展 HK\$'000 千港元	Property management 物業管理 HK\$'000 千港元	Total 總計 HK\$'000 千港元
Southern China 華南	96,809	—	96,809	93,570	—	93,570
Northern China 華北	—	28,028	28,028	—	27,090	27,090
	96,809	28,028	124,837	93,570	27,090	120,660

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using zero growth rate.

Key assumptions used for value-in-use calculations in 2010:

		Property development 物業發展 Southern China 華南	Property management 物業管理 Northern China 華北
Gross margin 毛利率		12.7%	13.8%
Discount rate 折現率		14.0%	14.0%

11. 無形資產(續)

商譽之減值測試

商譽分配至根據地區分部確認之本集團現金產生單位(「現金產生單位」)。商譽分配之分部概要呈列如下：

現金產生單位之可收回金額乃根據使用價值計算。該計算方法使用根據由管理層批核之財務預算得出涵蓋五年期間之現金流預測進行。超出五年期以上之現金流量乃按零增長率推斷。

二零一零年使用價值計算法之主要假設：

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

11 INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill (Continued)

Key assumptions used for value-in-use calculations in 2009:

		Property development 物業發展 Southern China 華南	Property management 物業管理 Northern China 華北
Gross margin	毛利率	25.7%	16.6%
Discount rate	折現率	14.3%	14.3%

These assumptions have been used for the analysis of each CGU within the operating segment. Management determined budgeted gross margin based on past performance and its expectations for the market development. The discount rates used are pre-tax.

11. 無形資產(續)

商譽之減值測試(續)

二零零九年使用價值計算法之主要假設：

此等假設乃用於分析經營分部內各現金產生單位。管理層會根據過往表現及其對市場發展之預測釐訂預算毛利率。所採用之折現率並未計及稅項。

12 SUBSIDIARIES

(a) Investments in subsidiaries

		Company 公司	
		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Unlisted shares, at cost	非上市股份，按成本值	88,021	85,076
Due from subsidiaries	應收附屬公司款項	15,140,016	14,580,809
		15,228,037	14,665,885

Amounts due from subsidiaries are unsecured, non-interest bearing and without pre-determined repayment terms. These amounts due from subsidiaries are considered equity in nature.

Details of the principal subsidiaries as at 31st December 2010 are set out in Note 42.

None of the subsidiaries had any loan capital in issue at any time during the year ended 31st December 2010.

12 附屬公司

(a) 於附屬公司之投資

應收附屬公司款項為無抵押、免息及並無預定還款時間。該等應收附屬公司款項被視為權益性質。

於二零一零年十二月三十一日之主要附屬公司詳情載於附註42。

於截至二零一零年十二月三十一日止年度內任何時間，各附屬公司均無擁有任何已發行借貸資本。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

12 SUBSIDIARIES (Continued)

12 附屬公司(續)

(b) Loans to subsidiaries

(b) 附屬公司之貸款

		Company 公司	
		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Current	流動		
Loans to subsidiaries	附屬公司之貸款	218,274	217,638
		218,274	217,638

Loans to subsidiaries are unsecured and carry interest at 8% to 8.9% (2009: 8% to 8.9%) per annum.

附屬公司之貸款乃無抵押，年利率為8厘至8.9厘(二零零九年：8厘至8.9厘)。

13 INVESTMENTS IN ASSOCIATES

13 於聯營公司之投資

		Group 集團	
		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
At 1st January	於一月一日	40,925	42,201
Share of profit less loss of associates	分佔聯營公司溢利減虧損	1,071	(1,346)
Exchange difference	匯兌差額	1,437	70
At 31st December	於十二月三十一日	43,433	40,925

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

13 INVESTMENTS IN ASSOCIATES (Continued)

13 於聯營公司之投資(續)

The Group's interest in associates, which are unlisted, is as follows:

本集團於非上市聯營公司之權益如下：

Name	Particulars of issued shares held	Place of incorporation	Principal activities	Assets	Liabilities	Revenues	Profit/ (loss)	Interest held
名稱	所持已發行股份詳情	註冊成立地點	主要業務	資產	負債	收入	溢利/ (虧損)	所持權益
				HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
				千港元	千港元	千港元	千港元	
2010								
二零一零年								
Guangdong Huasheng Cultural Development Company Limited 廣東華生教育文化發展有限公司	Registered capital of RMB5,000,000 註冊股本 人民幣5,000,000元	Mainland China 中國大陸	Operation of school 營辦學校	3,919	1,979	1,691	1,258	40.0%
Beijing BHL Logistics Limited 北京京泰物流置業有限公司	Registered capital of US\$20,000,000 註冊股本 20,000,000美元	Mainland China 中國大陸	Property development 物業發展	47,954	14,747	50,333	(187)	25.0%
2009								
二零零九年								
Guangdong Huasheng Cultural Development Company Limited 廣東華生教育文化發展有限公司	Registered capital of RMB5,000,000 註冊股本 人民幣5,000,000元	Mainland China 中國大陸	Operation of school 營辦學校	6,243	5,607	—	(523)	40.0%
Beijing BHL Logistics Limited 北京京泰物流置業有限公司	Registered capital of US\$20,000,000 註冊股本 20,000,000美元	Mainland China 中國大陸	Property development 物業發展	46,198	13,918	—	(823)	25.0%

Investments in associates at 31st December 2010 include goodwill of HK\$8,286,000 (2009: HK\$8,009,000).

於二零一零年十二月三十一日，於聯營公司之投資包括商譽8,286,000港元(二零零九年：8,009,000港元)。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

14 INVESTMENT IN A JOINTLY CONTROLLED ENTITY

14 於一間共同控制實體之投資

		Group 集團		
		Share of net assets 分佔淨資產 HK\$'000 千港元	Advance 墊款 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1st January 2010	於二零一零年一月一日	571,470	617,222	1,188,692
Capital injection	注資	278,925	—	278,925
Share of post-acquisition results	分佔收購後業績	(666)	—	(666)
Exchange difference	匯兌差額	24,604	21,368	45,972
At 31st December 2010	於二零一零年 十二月三十一日	874,333	638,590	1,512,923
At 1st January 2009	於二零零九年一月一日	185,068	616,172	801,240
Share of post-acquisition results	分佔收購後業績	385,759	—	385,759
Exchange difference	匯兌差額	643	1,050	1,693
At 31st December 2009	於二零零九年 十二月三十一日	571,470	617,222	1,188,692

As at 31st December 2009 and 2010, investment in a jointly controlled entity represents the Group's investment in Beijing Dongfangwenhua International Properties Company Limited ("BJ Dongfangwenhua"), a company with a property development project in Beijing, Mainland China.

於二零零九年及二零一零年十二月三十一日，於一間共同控制實體之投資乃指本集團於北京東方文華國際置業有限公司(「北京東方文華」)之投資，北京東方文華為擁有中國北京一個物業發展項目之公司。

In 2007, the Group acquired 60.98% equity interest in BJ Dongfangwenhua, for a total consideration and capital contribution of HK\$820,190,000 (equivalent of approximately RMB795,584,000). The Group is responsible for contributing 97% of the capital of BJ Dongfangwenhua and is entitled to 57.14% of the voting power in BJ Dongfangwenhua. Ordinary resolutions of BJ Dongfangwenhua require 75% of the voting of the Board of Directors. Besides, the Group is entitled to 100% of the profit arising from the office building (South) and 45% of the profit arising from the office building (North) in the property development project.

於二零零七年，本集團收購北京東方文華之 60.98% 股本權益，代價及資本注資總額為 820,190,000 港元(相等於約人民幣 795,584,000 元)。本集團有責任分擔北京東方文華之 97% 資本貢獻及有權擁有北京東方文華 57.14% 投票權。北京東方文華之普通決議案須董事會 75% 投票權。此外，本集團亦有權分佔北京東方文華來自寫字樓(南)之 100% 溢利及來自物業發展項目寫字樓(北)中之 45% 溢利。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

14 INVESTMENT IN A JOINTLY CONTROLLED ENTITY (Continued)

The Group's share of the assets and liabilities as at 31st December 2009 and 2010, and the Group's share of revenues and results of the jointly controlled entity for the year ended 31st December 2009 and 2010 are as follows:

		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Assets:	資產：		
Non-current assets	非流動資產	1,518	1,503
Current assets	流動資產	2,478,739	2,408,512
		2,480,257	2,410,015
Liabilities:	負債：		
Non-current liabilities	非流動負債	(837,145)	(1,147,095)
Current liabilities	流動負債	(768,779)	(691,450)
		(1,605,924)	(1,838,545)
Net assets	資產淨值	874,333	571,470
Revenues	收益	1,585	1,680,276
Cost of sales and expenses	銷售成本及開支	(2,251)	(924,209)
(Loss)/profit before taxation	除稅前(虧損)/溢利	(666)	756,067
Taxation	稅項	—	(370,308)
(Loss)/profit for the year	本年度(虧損)/溢利	(666)	385,759

14 於一間共同控制實體之投資(續)

本集團於二零零九年及二零一零年十二月三十一日所分佔之資產及負債，以及本集團於截至二零零九年及二零一零年十二月三十一日止年度所分佔共同控制實體之收益及業績如下：

15 INVESTMENTS IN JOINTLY CONTROLLED ASSETS

Certain subsidiaries of the Group entered into a jointly controlled assets arrangement with Guangzhou Zhuguang Real Estate Development Company Limited, an independent third party, under which each of the Group companies and Guangzhou Zhuguang Real Estate Development Company Limited contributed land and other assets for the development of properties located in Guangzhou, Guangdong Province, mainland China. During the year ended 31st December 2010, the Group's participating interest in these jointly controlled assets was 95.5% (2009: 95.5%). The Group's share of the net gain of the jointly controlled assets for the year amounted to HK\$140,182,000 (2009: loss of HK\$29,228,000) and the net assets of the jointly controlled assets as at 31st December 2010 amounted to HK\$1,295,173,000 (2009: HK\$1,112,228,000).

15 於共同控制資產之投資

本集團若干附屬公司與一名獨立第三方廣州珠光房地產開發有限公司訂立一項共同控制資產安排，據此，本集團旗下公司及廣州珠光房地產開發有限公司各就開發位於中國大陸廣東省廣州之物業提供土地及其他資產。於截至二零一零年十二月三十一日止年度內，本集團擁有該等共同控制資產95.5%（二零零九年：95.5%）之參與權益。本集團年度應佔共同控制資產收益淨額為140,182,000港元（二零零九年：虧損29,228,000港元），而本集團於二零一零年十二月三十一日應佔共同控制資產淨值部份為1,295,173,000港元（二零零九年：1,112,228,000港元）。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

16. 可供出售財務資產

		Group 集團	
		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
At 1st January	於一月一日	2,671,719	476,250
Additions	新增	—	1,112,197
Fair value gain recognised in equity (Note 28)	於權益中確認之公平值收益 (附註28)	542,775	1,082,325
Exchange difference	匯兌差額	101,894	947
At 31st December	於十二月三十一日	3,316,388	2,671,719

Available-for-sale financial assets include the following:

可供出售財務資產包括以下各項：

		Group 集團	
		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Listed securities:	上市證券：		
— Equity securities — Hong Kong, at market value (Note (a))	— 股本證券 — 香港，按市值 (附註(a))	2,164,706	1,558,575
Unlisted securities:	非上市證券：		
— Equity securities — Mainland China (Note (b))	— 股本證券 — 中國大陸 (附註(b))	1,151,682	1,113,144
		3,316,388	2,671,719

(a) The Group's investment represents equity securities listed on the Hong Kong Stock Exchange.

The investment is denominated in Hong Kong dollar.

(b) The available-for-sale financial asset represents 5.09% attributable equity interest in a PRC financial institution (see Note 41(f)).

The investment is denominated in Renminbi.

(a) 本集團之投資指於香港聯交所上市之股本證券。

投資乃以港元計值。

(b) 可供出售財務資產指應佔一間中國金融機構 5.09% 之股本權益(見附註41(f))。

投資乃以人民幣計值。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

17 DEPOSIT FOR PROPOSED INVESTMENT

The balance represents deposit paid for proposed investment in 4.73% equity interest in a PRC financial institution. The investment is yet to be confirmed by the PRC financial institution. In January 2011, an additional sum of RMB953,400,000 (approximately HK\$1,120,421,000) was paid as additional deposit for the proposed investment.

17. 建議投資之按金

該結餘指就於一間中國金融機構 4.73% 股本權益之建議投資支付之按金。該項投資尚待該中國金融機構確認。於二零一一年一月，已額外支付人民幣 953,400,000 元（約 1,120,421,000 港元）作為建議投資之額外按金。

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

18. 按公平值透過損益列賬之財務資產

		Group 集團	
		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Listed securities:	上市證券：		
— Equity securities — Hong Kong, at market value	— 股本證券 — 香港，按市值	11,340	10,742
Unlisted securities:	非上市證券：		
— Equity securities — Mainland China	— 股本證券 — 中國大陸	353	341
		11,693	11,083

Financial assets at fair value through profit or loss are presented within operating activities as part of changes in working capital in the consolidated cash flow statement (Note 37).

按公平值透過損益列賬之財務資產於綜合現金流量表經營活動內列作營運資金之部分變動(附註37)。

Changes in fair values of financial assets at fair value through profit or loss are recorded in other income/gains, net, in the consolidated income statement (Note 29).

按公平值透過損益列賬之財務資產之公平值變動乃列入綜合損益表之其他收入/收益，淨額內(附註29)。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

19 PREPAYMENTS FOR ACQUISITION OF LAND AND PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS
19 收購土地預付款項及預付款項、按金及其他流動資產

		Group 集團		Company 公司	
		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Non-current Prepayments for acquisition of land (i)	非流動 收購土地 預付款項(i)	209,795	266,962	—	—
Current Prepayments for acquisition of land (i)	流動 收購土地 預付款項(i)	18,053,335	7,363,482	—	—
Other receivables (ii)	其他應收款項(ii)	579,345	488,175	—	—
Deposits for acquisition of equity interests (iii)	收購股本權益 之按金(iii)	571,984	53,299	—	—
Guarantee deposit	擔保按金	24,679	23,853	—	—
Prepaid construction expenditures	預付建築 開支	30,399	26,075	—	—
Land tender deposits	土地投標按金	344,329	160,156	—	—
Prepaid sales taxes	預付銷售稅	337,794	334,690	—	—
Utility and other deposits	公用設施及其他按金	317,375	213,315	—	—
Receivable from disposal of a subsidiary (iv)	出售一間附屬公司 之應收款項(iv)	205,542	198,664	—	—
Others	其他	153,579	121,899	290	224
Prepayments, deposits and other current assets	預付款項、按金及其他 流動資產	2,565,026	1,620,126	290	224

(i) Prepayments for acquisition of land represents advances made for the acquisitions of land use rights in Beijing, Shanghai, Guangzhou, Tianjin and Dalian, Mainland China. Formal land use right certificates have not yet been obtained as at 31st December 2010.

Prepayments for acquisition of land include an amount of approximately HK\$4,400 million (2009: HK\$4,300 million) for the land situated in the Chaoyang district of Beijing in connection with the Group's acquisition of 80% equity interest in Believe Best Investments Limited which, through its wholly owned subsidiary, possesses the right to develop the Jing Run Project on the land (see Note 41(g)).

(i) 收購土地之預付款項指就於中國大陸北京、上海、廣州、天津及大連收購土地使用權而作出之墊款。於二零一零年十二月三十一日，尚未取得正式土地使用權證。

收購土地之預付款項包括位於北京朝陽區之地塊約4,400,000,000港元(二零零九年：4,300,000,000港元)，該地塊乃與本集團收購信佳投資有限公司之80%權益有關，而該公司透過其附屬公司持有發展京潤項目地塊之權利(見附註41(g))。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

19 PREPAYMENTS FOR ACQUISITION OF LAND AND PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS (Continued)

- (ii) Other receivables relate to the Group's participation in first class land development projects in Mainland China with fixed guaranteed returns based on a pre-determined percentage of funds utilised by the Group.

Other receivables are denominated in Renminbi. Their carrying amounts approximate fair values.

- (iii) This represents advances made to independent third parties for the acquisition of majority interests in certain Mainland China entities whose principal activities are property holding and development. The acquisitions are not yet completed as at 31st December 2010.

- (iv) The balance represents consideration receivable from the disposal of a subsidiary, Nam Fong Guangzhou Plaza Limited to Jumbo Advance Investment Limited, a related party.

19 收購土地預付款項及預付款項、按金及其他流動資產(續)

- (ii) 其他應收款項與本集團參與中國大陸有保證固定回報(根據本集團所動用資金某個預先釐訂百分比計算)之土地一級開發項目有關。

其他應收款項以人民幣計值，賬面值與公平值相若。

- (iii) 此乃指就收購若干中國大陸實體(其主要業務為物業持有及開發)之多數股東權益而向獨立第三方作出之墊款。於二零一零年十二月三十一日，收購尚未完成。

- (iv) 有關結餘指就向關連人士鉅偉投資有限公司出售一間附屬公司南方越秀廣場有限公司而應收之代價。

20 ACCOUNTS RECEIVABLE

Consideration in respect of properties sold is generally payable by the buyers at the time of completion of the sale and purchase agreements. Rentals in respect of leased properties and property management fees are generally payable in advance on a monthly basis.

The ageing analysis of accounts receivable is as follows:

		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
0 to 3 months	0至3個月	58,501	54,317
3 to 6 months	3至6個月	7,458	6,343
6 to 9 months	6至9個月	8,871	4,378
9 to 12 months	9至12個月	9,128	3,250
Over 12 months	超過12個月	87,995	78,607
		171,953	146,895

20 應收賬款

已出售物業之代價一般須於買賣協議完成當日由買方支付。租賃物業之租金及物業管理費一般須每月預付。

應收賬款之賬齡分析如下：

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

20 ACCOUNTS RECEIVABLE (Continued)

Carrying values of accounts receivable denominated in Renminbi approximate their fair values.

As at 31st December 2010, approximately 14% (2009: 16%) of the accounts receivable was due from one (2009: one) customer. Other than this, there is no concentration of credit risk with respect to accounts receivable as the Group has a large number of customers.

As at 31st December 2010, accounts receivable of HK\$58,501,000 (2009: HK\$54,317,000) were neither past due nor impaired.

As at 31st December 2010, accounts receivable of HK\$113,452,000 (2009: HK\$92,578,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these accounts receivable is as follows:

		Group 集團	
		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
3 to 6 months	3至6個月	7,458	6,343
6 to 9 months	6至9個月	8,871	4,378
9 to 12 months	9至12個月	9,128	3,250
Over 12 months	超過12個月	87,995	78,607
		113,452	92,578

During the year, no impairment loss on accounts receivable (2009: HK\$19,522,000) was recognised in the consolidated income statement.

The maximum exposure to credit risk is the carrying amount of accounts receivable mentioned above.

20 應收賬款 (續)

以人民幣計值之應收賬款之賬面值與其公平值相若。

於二零一零年十二月三十一日，應收賬款中約有14% (二零零九年：16%) 乃由一名 (二零零九年：一名) 客戶結欠。除此以外，由於本集團顧客眾多，應收賬款並無信貸集中風險。

於二零一零年十二月三十一日，應收賬款 58,501,000 港元 (二零零九年：54,317,000 港元) 既無逾期，亦無減值。

於二零一零年十二月三十一日，應收賬款 113,452,000 港元 (二零零九年：92,578,000 港元) 已逾期但未減值。此等款項與多名近期並無拖欠記錄之獨立客戶有關。該等應收賬款之賬齡分析如下：

年內，應收賬款概無減值虧損 (二零零九年：19,522,000 港元) 於綜合損益表確認。

本集團所面臨之最大信貸風險為上文所述應收賬款之賬面值。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

21 PLEDGED/CHARGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

21 已抵押／押記銀行存款以及現金及現金等價物

		Group 集團		Company 公司	
		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Cash at bank and on hand	銀行及手頭現金	2,344,666	6,714,577	20,449	21,303
Short-term bank deposits	短期銀行存款	352,609	46	—	—
		2,697,275	6,714,623	20,449	21,303
Less: pledged/charged bank deposits	減：已抵押／押記銀行存款	(123,671)	(168,479)	—	—
Cash and cash equivalents	現金及現金等價物	2,573,604	6,546,144	20,449	21,303

As at 31st December 2010, the Group's cash at bank of approximately HK\$76,908,000 (2009: HK\$107,231,000) was charged by certain banks in respect of the processing of mortgage facilities granted by the banks to buyers of the Group's properties.

於二零一零年十二月三十一日，本集團銀行現金約76,908,000港元(二零零九年：107,231,000港元)已抵押予若干銀行，以便銀行處理有關向本集團物業買家授予按揭信貸額。

As at 31st December 2010, the Group's cash at bank of approximately HK\$14,095,000 (2009: HK\$13,890,000) was restricted due to pending litigations.

於二零一零年十二月三十一日，本集團為數約14,095,000港元(二零零九年：13,890,000港元)之銀行現金乃因待決訴訟而受到限制。

The carrying amounts of pledged/charged bank deposits and cash and cash equivalents are denominated in the following currencies:

已抵押／押記銀行存款以及現金及現金等價物之賬面值乃以下列貨幣列值：

		Group 集團		Company 公司	
		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Renminbi	人民幣	2,645,247	6,157,092	—	—
US dollar	美元	6,598	436,921	449	11,719
Hong Kong dollar	港元	45,430	120,610	20,000	9,584
		2,697,275	6,714,623	20,449	21,303

Cash and cash equivalents include presale proceeds of HK\$566,675,000 (2009: HK\$825,025,000), which are to be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from local State-Owned Land and Resource Bureau is obtained.

現金及現金等價物包括預售所得款項566,675,000港元(二零零九年：825,025,000港元)，該等款項將於獲得地方國有土地資源管理局批准時用於購買建材及支付有關物業項目之建造費用。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

22 LAND COST PAYABLE

22 應付土地成本

		Group 集團	
		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Land premium payable	應付土地出讓金	79,592	75,689
Land compensation payable	應付土地補償款	295,857	497,757
		375,449	573,446
Less: Amount due within one year included in current liabilities	減：計入流動負債須於一年內 償還之金額	(264,271)	(302,418)
		111,178	271,028

Land cost payable is denominated in Renminbi. Their carrying amounts approximate fair values.

應付土地成本以人民幣計值，賬面值與公平值相若。

23 ACCOUNTS PAYABLE

23 應付賬款

The ageing analysis of accounts payable (including amounts due to related companies of trading nature) is as follows:

應付賬款之賬齡分析（包括應付予關連公司屬於交易性質之賬款）如下：

		Group 集團	
		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
0-3 months	0至3個月	5,645,612	2,941,424

As at 31st December 2010, approximately HK\$2,534,380,000 (2009: HK\$2,471,757,000) of accounts payable were due to certain related companies in respect of property construction fees (Note 41(b)).

於二零一零年十二月三十一日，應付賬款中約2,534,380,000港元（二零零九年：2,471,757,000港元）為就物業建築費應付若干關連公司之賬款（附註41(b)）。

Accounts payable are denominated in Renminbi. Their carrying amounts approximate fair values.

應付賬款以人民幣計值，賬面值與公平值相若。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

24 BORROWINGS

24 借貸

		Group 集團		Company 公司	
		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Non-current	非流動				
Bank borrowings	銀行借貸	17,349,948	7,439,901	—	—
Senior notes	優先票據	2,697,576	2,676,697	2,697,576	2,676,697
		20,047,524	10,116,598	2,697,576	2,676,697
Current	流動				
Bank borrowings	銀行借貸	3,671,919	4,062,575	—	—
Convertible bonds	可換股債券	—	2,169,685	—	2,169,685
		3,671,919	6,232,260	—	2,169,685
Total borrowings	總借貸	23,719,443	16,348,858	2,697,576	4,846,382

In November 2005, the Company issued 8.125% senior notes with an aggregate nominal value 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 senior notes mature in seven years (November 2012) and are repayable at their nominal value of US\$350,000,000. The Company will be entitled at its option to redeem all or a portion of the senior notes on and after 9th November 2009 at the redemption prices specified in the offering circular, plus accrued and unpaid interest to the redemption date.

於二零零五年十一月，本公司發行總面值達350,000,000美元(約相當於2,730,000,000港元)之8.125厘優先票據，總代價約為2,733,182,000港元。優先票據於七年後(二零一二年十一月)到期，並須按其面值350,000,000美元償還。本公司將有權選擇於二零零九年十一月九日或以後按發售通函所訂明之贖回價(加上截至贖回日期應付及未付之利息)贖回全部或部份優先票據。

The senior notes recognised in the balance sheet are as follows:

於資產負債表確認之優先票據如下：

		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
At 1st January	於一月一日	2,676,697	2,663,312
Amortisation of premium	攤銷溢價	(526)	(516)
Amortisation of issue costs	攤銷發行成本	13,085	11,857
Exchange difference	匯兌差額	8,320	2,044
At 31st December	於十二月三十一日	2,697,576	2,676,697

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

24 BORROWINGS (Continued)

The senior notes are jointly and severally guaranteed by certain subsidiaries and are secured by the capital stock of the subsidiaries. The net assets of these subsidiaries were approximately HK\$4,717,647,000 (2009: HK\$4,026,468,000) as at 31st December 2010.

On 2nd February 2007, the Company completed the issue of RMB1,830,400,000 aggregate principal amount of USD settled Zero Coupon Convertible Bonds. The bonds mature in three years (February 2010) from the issue date at 104.59% of the nominal value or can be converted into ordinary shares of the Company on or after 14th March 2007 at a conversion price of HK\$30.08 per share at a fixed exchange rate of RMB0.9958 to HK\$1.

On 2nd February 2010, the Group redeemed all the outstanding convertible bonds at approximately US\$280,418,000 (equivalent to approximately RMB1,914,415,000).

The maturity analysis of the borrowings is as follows:

24 借貸(續)

優先票據由若干附屬公司共同及個別提供擔保，並以附屬公司之股本作抵押。於二零一零年十二月三十一日，該等附屬公司之資產淨值約為4,717,647,000港元(二零零九年：4,026,468,000港元)。

於二零零七年二月二日，本公司完成發行以美元償付零息可換股債券，本金額合共人民幣1,830,400,000元。該等債券由發行日期起計三年後(二零一零年二月)按其面值之104.59%到期，或可於二零零七年三月十四日或以後按每股30.08港元之換股價轉換成本公司普通股，其固定匯率為人民幣0.9958元兌1港元。

於二零一零年二月二日，本集團以約280,418,000美元(約相當於人民幣1,914,415,000元)贖回所有尚未贖回的可換股債券。

借貸之到期分析如下：

		Bank borrowings 銀行借貸		Senior notes 優先票據		Convertible bonds 可換股債券		Total 總計	
		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Within one year	一年內	3,671,919	4,062,575	—	—	—	2,169,685	3,671,919	6,232,260
Between one and two years	一年至 兩年內	5,626,010	1,907,019	2,697,576	—	—	—	8,323,586	1,907,019
Between two and five years	兩年至 五年內	8,862,973	4,770,621	—	2,676,697	—	—	8,862,973	7,447,318
Over five years	超過五年	2,860,965	762,261	—	—	—	—	2,860,965	762,261
		21,021,867	11,502,476	2,697,576	2,676,697	—	2,169,685	23,719,443	16,348,858

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

24 BORROWINGS (Continued)

The carrying amounts of the borrowings are denominated in the following currencies with the respective weighted average effective interest rates:

		2010 二零一零年		2009 二零零九年	
		Effective HK\$'000 千港元	interest rate 實際利率	Effective HK\$'000 千港元	interest rate 實際利率
Renminbi	人民幣				
— Bank borrowings	— 銀行借貸	21,021,867	5.8%	11,502,476	6.2%
— Convertible bonds	— 可換股債券	—	—	2,169,685	7.0%
US dollar	美元				
— Senior notes	— 優先票據	2,697,576	8.6%	2,676,697	8.6%

借貸賬面值以下列貨幣為單位及其各自之實際加權平均利率如下：

The carrying amounts and the fair values of the borrowings are as follows:

借貸之賬面值及公平值如下：

		Carrying amount 賬面值		Fair values 公平值	
		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Bank borrowings	銀行借貸	21,021,867	11,502,476	21,092,979	11,608,873
Senior notes	優先票據	2,697,576	2,676,697	2,621,289	2,711,358
Convertible bonds	可換股債券	—	2,169,685	—	1,812,670
		23,719,443	16,348,858	23,714,268	16,132,901

The fair values of the bank borrowings are based on cash flows discounted using rates based on the Group's average borrowings rate of 5.4% to 5.9% per annum as at the year end (2009: 4.9% to 5.7% per annum), depending on the currency denomination of the borrowings.

於年底，銀行借貸的公平值乃根據本集團平均借貸年利率5.4厘至5.9厘(二零零九年：年利率4.9厘至5.7厘)釐訂之利率(視乎借貸貨幣種類)計算之折算現金流釐訂。

As at 31st December 2010, the Group's banking facilities were secured by:

於二零一零年十二月三十一日，本集團之銀行信貸乃以下列抵押品擔保：

- (i) the Group's land cost of approximately HK\$90,069,000 (2009: HK\$14,450,000);

- (i) 本集團約90,069,000港元(二零零九年：14,450,000港元)之土地成本；

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

24 BORROWINGS (Continued)

- (ii) the Group's hotel properties of approximately HK\$1,946,733,000 (2009: HK\$90,104,000);
- (iii) the Group's properties under development for sale of approximately HK\$4,055,569,000 (2009: HK\$4,677,986,000);
- (iv) the Group's completed properties for sale of approximately HK\$1,623,111,000 (2009: HK\$2,067,747,000); and
- (v) the Group's investment properties of approximately HK\$4,137,958,000 (2009: HK\$504,743,000).

24 借貸(續)

- (ii) 本集團約1,946,733,000港元(二零零九年: 90,104,000港元)之酒店物業;
- (iii) 本集團約4,055,569,000港元(二零零九年: 4,677,986,000港元)之可供出售之發展中物業;
- (iv) 本集團約1,623,111,000港元(二零零九年: 2,067,747,000港元)之可供出售之已落成物業; 及
- (v) 本集團約4,137,958,000港元(二零零九年: 504,743,000港元)之投資物業。

25 DEFERRED INCOME TAX

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The offset amounts are as follows:

25 遞延所得稅

遞延稅項資產及負債僅在本期稅項資產及負債有合法可強制執行權利互相抵銷及遞延所得稅與同一稅務機關有關，方可互相抵銷。抵銷金額載列如下：

		Group 集團	
		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Deferred tax assets:	遞延稅項資產：		
— Deferred tax assets to be recovered after more than twelve months	— 將於十二個月後收回之遞延稅項資產	165,205	139,318
— Deferred tax assets to be recovered within twelve months	— 將於十二個月內收回之遞延稅項資產	2,336	51,969
		167,541	191,287
Deferred tax liabilities:	遞延稅項負債：		
— Deferred tax liabilities to be realised after more than twelve months	— 將於十二個月後變現之遞延稅項負債	(4,963,673)	(4,015,543)
— Deferred tax liabilities to be realised within twelve months	— 將於十二個月內變現之遞延稅項負債	(587,455)	(487,200)
		(5,551,128)	(4,502,743)
		(5,383,587)	(4,311,456)

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

25 DEFERRED INCOME TAX (Continued)

25 遞延所得稅(續)

The net movements in deferred taxation are as follows:

遞延稅項淨變動如下：

		Group 集團	
		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Assets/(liabilities)	資產/(負債)		
At 1st January	於一月一日	(4,311,456)	(3,716,724)
Disposal of subsidiaries	出售附屬公司	(521)	427,335
Recognised in the consolidated income statement (Note 33)	於綜合損益表 確認(附註33)	(926,041)	(1,058,758)
Credited directly to equity (Note 28)	直接增加權益(附註28)	24,880	47,106
Exchange differences	匯兌差額	(170,449)	(10,415)
At 31st December	於十二月三十一日	(5,383,587)	(4,311,456)

The movements in deferred tax assets and deferred tax liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

遞延稅項資產及遞延稅項負債之變動(並無考慮相同司法權區內之結餘抵銷)如下：

Deferred tax liabilities

遞延稅項負債

		Revaluation surplus 重估盈餘	
		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
At 1st January	於一月一日	(4,502,743)	(3,890,102)
Recognised in the consolidated income statement	於綜合損益表 確認	(895,668)	(1,089,538)
Disposal of subsidiaries	出售附屬公司	—	440,466
Credited directly to equity (Note 28)	直接增加權益(附註28)	24,880	47,106
Exchange difference	匯兌差額	(177,597)	(10,675)
At 31st December	於十二月三十一日	(5,551,128)	(4,502,743)

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

25 DEFERRED INCOME TAX (Continued)

25 遞延所得稅(續)

Deferred tax assets

遞延稅項資產

		Tax losses	
		稅務虧損	
		2010	2009
		二零一零年	二零零九年
		HK\$'000	HK\$'000
		千港元	千港元
At 1st January	於一月一日	191,287	173,378
Recognised in the consolidated income statement	於綜合損益表確認	(30,373)	30,780
Disposal of subsidiaries	出售附屬公司	(521)	(13,131)
Exchange difference	匯兌差額	7,148	260
At 31st December	於十二月三十一日	167,541	191,287

Deferred tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31st December 2010, the Group did not recognise deferred tax assets of approximately HK\$227,280,000 (2009: HK\$183,879,000) in respect of tax losses amounting to approximately HK\$1,078,801,000 (2009: HK\$893,802,000).

Tax losses amounting to approximately HK\$579,732,000 (2009: HK\$428,256,000) are expiring from 2011 through 2015. The remaining tax losses do not have expiry dates.

As at 31st December 2010, deferred tax liabilities of HK\$1,369,210,000 (2009: HK\$767,918,000) have not been recognised for withholding tax on the unremitted earnings of certain subsidiaries, as these earnings are expected to be reinvested.

遞延稅項資產乃因應相關稅務利益可透過未來應課稅溢利變現而就所結轉之稅項虧損作確認。於二零一零年十二月三十一日，本集團並無就稅項虧損約1,078,801,000港元(二零零九年：893,802,000港元)確認遞延稅項資產約227,280,000港元(二零零九年：183,879,000港元)。

為數約579,732,000港元(二零零九年：428,256,000港元)之稅項虧損將於二零一一年至二零一五年期間屆滿。其餘稅項虧損沒有屆滿時限。

於二零一零年十二月三十一日，本集團尚未就若干附屬公司未匯出盈利的預扣稅確認遞延稅項負債1,369,210,000港元(二零零九年：767,918,000港元)，原因為此等盈利預期將用作再投資。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

26 CURRENT TAX LIABILITIES

26 本期稅項負債

		Group 集團		Company 公司	
		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Hong Kong profits tax payable	應付香港利得稅	3,425	19,659	—	—
Mainland China corporate income tax payable	應付中國大陸企業所得稅	692,742	852,035	17,783	16,317
Mainland China land appreciation tax payable	應付中國大陸土地增值稅	3,946,836	3,485,643	—	—
		4,643,003	4,357,337	17,783	16,317

27 SHARE CAPITAL

27 股本

		Number of ordinary shares 普通股數目 '000 千股	Par value 面值 HK\$'000 千港元
At 1st January 2009	於二零零九年一月一日	1,472,368	147,237
Issue of shares	發行股份		
— Placements	— 配售	120,000	12,000
At 31st December 2009	於二零零九年十二月三十一日	1,592,368	159,237
At 1st January 2010	於二零一零年一月一日	1,592,368	159,237
Issue of shares	發行股份		
— Placements	— 配售	185,461	18,546
Repurchase of own shares	購回本身股份	(25,462)	(2,546)
At 31st December 2010	於二零一零年十二月三十一日	1,752,367	175,237

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

27 SHARE CAPITAL (Continued)

The total authorised number of ordinary shares is 2,000,000,000 shares (2009: 2,000,000,000 shares) with a par value of HK\$0.1 per share (2009: HK\$0.1 per share). All issued shares are fully paid.

In February 2010, the Company repurchased 25,462,000 shares for approximately HK\$270,298,000. These shares were subsequently cancelled.

In March 2010, the Company issued 185,461,463 shares at HK\$14.62 per share, totaling approximately HK\$2,711,447,000 as part of the consideration for the acquisition of 100% equity interest in Panyu Zhujiang Real Estate Limited (see Note 41(e)).

Share options

The Company has an employee share options scheme, under which it may grant options to employees (including executive directors of the Company) to subscribe for shares in the Company, subject to a limit that the total number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the share options schemes of the Company shall not exceed 30% of the shares in issue from time to time. The exercise price will be determined by the Company's board of directors and shall at least be the highest of (i) the closing price of the Company's shares on the date of offer of the options, (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of offer of the options, (iii) the net asset value per share as determined in accordance with the Hong Kong Financial Reporting Standards and with reference to the latest published audited financial statements in the annual report or the latest published unaudited interim financial information in the interim report (whichever is more recent) of the Group on the date of offer of the relevant options; and (iv) the nominal value of the Company's shares of HK\$0.1 each. This employee share options scheme will remain in force for a period of 10 years from 2002 up to 2012.

There was no share option granted and exercised during the years ended 31st December 2010 and 31st December 2009.

As at 31st December 2010 and 31st December 2009, there were no outstanding share options.

27 股本 (續)

法定普通股總數為2,000,000,000股(二零零九年: 2,000,000,000股)每股面值0.1港元(二零零九年: 每股0.1港元)之股份。所有已發行股份均已繳足股款。

於二零一零年二月, 本公司購回25,462,000股股份, 代價約270,298,000港元。該等股份其後註銷。

於二零一零年三月, 本公司發行185,461,463股股份, 每股14.62港元, 合共約2,711,447,000港元, 乃作為收購番禺珠江房地產有限公司100%股權的部分代價(請參閱附註41(e))。

購股權

本公司有一項僱員購股權計劃, 據此, 本公司可向僱員(包括本公司執行董事)授出購股權以認購本公司股份, 惟按本公司購股權計劃, 所有已授出但未行使之購股權予以行使時發行之股份總數, 不得超過本公司不時已發行股份之30%。行使價將由本公司董事會釐定, 並將不少於下列四者之最高者: (i) 本公司股份於提供購股權日之收市價; (ii) 於緊接提供購股權當日前五個交易日本公司股份之平均收市價; (iii) 於提供有關購股權當日, 按照香港財務報告準則計算並參考本集團最近期刊發之年報內經審核財務報表或最近期刊發之中期報告內未經審核中期財務資料(以較近期者為準)所釐定每股資產淨值; 及(iv) 本公司股份面值(每股0.1港元)。本僱員購股權計劃於二零零二年至二零一二年之十年期間維持有效。

於截至二零一零年十二月三十一日及二零零九年十二月三十一日止年度, 概無購股權獲授出或予以行使。

於二零一零年十二月三十一日及二零零九年十二月三十一日, 概無未行使之購股權。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

28 RESERVES

28 儲備

		Group 集團							
		Capital	Statutory	Assets	Convertible	Currency	Retained	Total	
		Share redemption	reserve (i)	revaluation	bonds	translation	earnings		
		premium	reserve (i)	reserve (iii)	reserve	differences			
		資本贖回	法定儲備(i)	資產重估	可換股	貨幣匯兌	保留盈利	總計	
		股份溢價	儲備	儲備(iii)	債券儲備	差額	保留盈利	總計	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
		千港元	千港元	千港元	千港元	千港元	千港元	千港元	
Balance at 1st January 2010	於二零一零年一月一日	8,232,259	—	161,117	2,507,043	227,734	2,366,633	14,539,720	28,034,506
	之結餘								
Currency translation differences	貨幣匯兌差額	—	—	—	—	1,215,646	—	1,215,646	
Profit for the year	年度溢利	—	—	—	—	—	5,889,412	5,889,412	
Issue of shares	發行股份								
— Placements	— 配股	2,692,900	—	—	—	—	—	2,692,900	
Repurchase of own shares	購回本身股份	(131,634)	2,546	—	—	—	(138,664)	(267,752)	
Acquisition of additional equity interest of a subsidiary	進一步收購一間附屬公司之股權	—	—	—	—	—	(34,002)	(34,002)	
Redemption of convertible bonds	贖回可換股債券	—	—	—	(227,734)	—	227,734	—	
Fair value gain on available-for-sale financial assets (Note 16)	可供出售財務資產之公平值收益(附註16)	—	—	—	542,775	—	—	542,775	
Realised upon disposal of properties held for sale (ii)	出售持作出售物業時變現(ii)	—	—	—	(86,447)	—	—	(86,447)	
Deferred tax (Note 25)	遞延稅項(附註25)	—	—	—	24,880	—	—	24,880	
Balance at 31st December 2010	於二零一零年十二月三十一日之結餘	10,793,525	2,546	161,117	2,988,251	—	3,582,279	20,484,200	38,011,918

		Group 集團						
		Share	Statutory	Assets	Convertible	Currency	Retained	Total
		premium	reserve (i)	revaluation	bonds	translation	earnings	
		reserve (i)	reserve (i)	reserve (iii)	reserve	differences		
		資本贖回	法定儲備(i)	資產重估	可換股	貨幣匯兌	保留盈利	總計
		股份溢價	法定儲備(i)	儲備(iii)	債券儲備	差額	保留盈利	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元	千港元
Balance at 1st January 2009	於二零零九年一月一日之結餘	6,664,596	161,117	1,659,834	227,734	2,278,132	9,041,244	20,032,657
Currency translation differences	貨幣匯兌差額	—	—	—	—	88,501	—	88,501
Profit for the year	年度溢利	—	—	—	—	—	5,799,573	5,799,573
Dividend relating to 2008	屬於二零零八年之股息	—	—	—	—	—	(154,599)	(154,599)
Dividend relating to 2009	屬於二零零九年之股息	—	—	—	—	—	(146,498)	(146,498)
Issue of shares	發行股份							
— Placements	— 配股	1,584,000	—	—	—	—	—	1,584,000
Share issue expenses	股份發行開支	(16,337)	—	—	—	—	—	(16,337)
Fair value gain on available-for-sale financial assets (Note 16)	可供出售財務資產之公平值收益(附註16)	—	—	1,082,325	—	—	—	1,082,325
Realised upon disposal of properties held for sale (ii)	出售持作出售物業時變現(ii)	—	—	(282,222)	—	—	—	(282,222)
Deferred tax (Note 25)	遞延稅項(附註25)	—	—	47,106	—	—	—	47,106
Balance at 31st December 2009	於二零零九年十二月三十一日之結餘	8,232,259	161,117	2,507,043	227,734	2,366,633	14,539,720	28,034,506

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

28 RESERVES (Continued)

28 儲備(續)

		Company 公司					
		Share premium	Capital redemption reserve	Convertible bonds reserve	Currency translation differences	Retained earnings	Total
		股份溢價	資本贖回 儲備	可換股 債券儲備	貨幣 匯兌差額	保留盈利	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元
At 1st January 2010	於二零一零年 一月一日	8,232,259	—	227,734	789,760	596,215	9,845,968
Currency translation differences	貨幣匯兌差額	—	—	—	426,900	—	426,900
Loss for the year	年度虧損	—	—	—	—	(159,509)	(159,509)
Redemption of convertible bonds	贖回可換股債券	—	—	(227,734)	—	227,734	—
Issue of shares — Placements	發行股份 — 配售	2,692,900	—	—	—	—	2,692,900
Repurchase of own shares	購回本身股份	(131,634)	2,546	—	—	(138,664)	(267,752)
At 31st December 2010	於二零一零年 十二月三十一日	10,793,525	2,546	—	1,216,660	525,776	12,538,507
At 1st January 2009	於二零零九年 一月一日	6,664,596	—	227,734	779,207	278,372	7,949,909
Currency translation differences	貨幣匯兌差額	—	—	—	10,553	—	10,553
Profit for the year	年度溢利	—	—	—	—	618,940	618,940
Issue of shares — Placements	發行股份 — 配售	1,584,000	—	—	—	—	1,584,000
Share issue expenses	股份發行開支	(16,337)	—	—	—	—	(16,337)
Payment of dividends	支付股息	—	—	—	—	(301,097)	(301,097)
At 31st December 2009	於二零零九年 十二月三十一日	8,232,259	—	227,734	789,760	596,215	9,845,968

Note:

(i) As stipulated by regulations in Mainland China, the Company's subsidiaries established and operated in Mainland China are required to appropriate a portion of their after-tax profit (after offsetting prior year losses) to the statutory reserves and enterprise expansion fund, at rates determined by their respective boards of directors. The statutory reserves can be utilised to offset prior year losses or be utilised for the issuance of bonus shares, whilst the enterprise expansion fund can be utilised for the development of business operations. When the statutory reserves reach an amount equal to 50% of the registered capital of the Company's subsidiaries, further appropriation needs not be made.

附註:

(i) 按照中國大陸法規所訂明，本公司於中國大陸成立及經營之附屬公司須自其除稅後溢利(經抵銷過往年度虧損後)中撥出一部分至法定儲備及企業發展基金，比率乃由各董事會釐定。法定儲備可用作抵銷過往年度虧損或用作發行紅股，而企業發展基金則可用作發展業務。當法定儲備達到相當於本公司附屬公司註冊資本50%之金額時，將毋須進一步作出撥款。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

28 RESERVES (Continued)

Note: (Continued)

- (ii) Upon completion of the acquisition of Guangzhou Nonggongshang Construction and Development Company Limited in 2007, Guangzhou Zhujiang Qiaodao Real Estate Limited ("GZQREL") became a subsidiary of the Group and the fair value gain in respect of the 69.5% interest in GZQREL previously held by the Group (as a jointly controlled entity) of approximately HK\$2,180,096,000 net of tax has been accounted for as an asset revaluation reserve directly in equity on acquisition. Upon subsequent delivery of the properties developed by GZQREL, which represents partial disposal of the business of GZQREL, the related portion of the asset revaluation reserve is released to the consolidated income statement.
- (iii) Assets revaluation reserve represents revaluation reserve of available-for-sale financial assets, and fair value gain in respect of 69.5% interest in GZQREL previously held by the Group (see (ii) above).

28 儲備(續)

附註：(續)

- (ii) 於二零零七年完成收購廣州市農工商集團建設開發公司(「農工商公司」)後，廣州珠江僑都房地產有限公司(「僑都」)成為本集團之附屬公司，本集團先前持有僑都(作為一間共同控制實體)的69.5%權益之公平值收益約2,180,096,000港元(已扣除稅項)已於收購時直接在權益列作資產估值儲備。在往後交付由僑都開發之物業時(指出售僑都部分業務)，資產重估儲備之有關部分將撥入綜合損益表。
- (iii) 資產重估儲備指可供出售財務資產及有關本集團先前所持僑都69.5%權益公平值收益之重估儲備(參見上文(ii))。

29 OTHER INCOME/GAINS, NET

29 其他收入／收益，淨額

		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Gain on disposal of subsidiaries (Note 37(b))	出售附屬公司之收益 (附註37(b))	958,217	621,933
Loss on disposal of certain equity interest in a subsidiary	出售一間附屬公司若干股權之 虧損	—	(136)
Dividend income	股息收入	15,292	31,313
Government grants	政府補助	149,943	81,496
Fair value gain/(loss) on financial assets at fair value through profit or loss	按公平值透過損益列賬之 財務資產之公平值收益／(虧損)	601	(573)
		1,124,053	734,033

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

30 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and general and administrative expenses are analysed as follows:

30 按性質劃分之開支

開支包括銷售成本、銷售及市場推廣成本，以及一般及行政費用，分析如下：

		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Advertising costs	廣告開支	242,174	239,019
Amortisation of land costs	土地成本攤銷	5,845	9,409
Auditor's remuneration	核數師酬金	5,280	5,000
Cost of completed properties sold	出售已落成物業之成本	8,210,779	6,129,462
Depreciation of properties and equipment	物業及設備折舊	118,922	91,250
Direct operating expenses arising from investment properties that	以下類別投資物業產生之直接經營開支		
— generate rental income	— 產生租金收入	5,489	532
— did not generate rental income	— 並無產生租金收入	2,531	2,430
Employees' benefits costs (including Directors' emoluments) (Note 31)	僱員福利成本 (包括董事酬金)(附註31)	445,466	400,674
Loss on disposal of properties and equipment	出售物業及設備虧損	1,836	995
Net exchange (gain)/loss (included in general and administrative expenses)	匯兌(收益)/虧損淨額 (計入一般及行政費用)	(82,612)	442
Operating lease rental in respect of premises	物業之經營租賃租金	30,975	25,309

31 EMPLOYEES' BENEFITS COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

31 僱員福利成本(包括董事酬金)

		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Salaries and allowances	薪金及津貼	343,394	301,826
Sales commission and bonus	銷售佣金及花紅	31,607	43,992
Pension costs	退休金成本		
— Defined contribution plans	— 界定供款計劃	70,547	54,810
— (Write-back of provision)/provision for long-service payment	— 長期服務金(撥備撥回)/撥備	(82)	46
		445,466	400,674

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

31 EMPLOYEES' BENEFITS COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)**(a) Pensions — defined contribution plans**

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme ("the MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF scheme, each of the Group (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and employees are subject to a cap of HK\$1,000 and thereafter contributions are voluntary.

As stipulated by rules and regulations in mainland China, the Group contributes to state-sponsored retirement plans for its employees in mainland China. The Group's employees make monthly contributions to the plans at approximately 8% of the relevant income (comprising salaries, allowances and bonus), while the Group contributes 12% to 22% of such income and has no further obligations for the actual payment of pensions beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

31 僱員福利成本(包括董事酬金) (續)**(a) 退休金 — 界定供款計劃**

本集團已替其香港僱員安排參與一項由一位獨立信託人管理之定額供款計劃，即強制性公積金計劃(「強積金計劃」)。根據強積金計劃，本集團(僱主)及其僱員各自須按強制性公積金法例所界定各自按該僱員收入之5%向該計劃作每月供款。僱主及僱員所作之每月供款之上限各為1,000港元，而多於1,000港元之供款則屬自願性質。

按照中國大陸之規則及法規所規定，本集團為其於中國大陸之僱員選擇一個由國家資助之退休計劃。本集團僱員每月按其相關收入(包括薪金、津貼及花紅)約8%對計劃作出供款，本集團則按該等收入12%至22%作出供款。除這些供款外，本集團並無其他對實際退休金付款責任。國家資助之退休計劃負責支付退休僱員之全部退休金。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

31 EMPLOYEES' BENEFITS COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)**(b) Directors' emoluments**

The remuneration of each director for the year ended 31st December 2010 is set out below:

31 僱員福利成本(包括董事酬金) (續)**(b) 董事酬金**

截至二零一零年十二月三十一日止年度，各董事之酬金載列如下：

Name of Director 董事姓名	Fees 袍金 HK\$'000 千港元	Salaries and allowances 薪金及津貼 HK\$'000 千港元	Employer's contribution to pension scheme 僱主對退休金計劃之供款		Total 總計 HK\$'000 千港元
			Share-based payments 以股份為基礎之償付 HK\$'000 千港元	to pension scheme 僱主對退休金計劃之供款 HK\$'000 千港元	
Executive directors 執行董事					
Mr. Au Wai Kin 歐偉建先生	—	240	—	12	252
Mr. Chen Chang Ying (i) 陳長纓先生(i)	—	385	—	—	385
Mr. Chu Mang Yee 朱孟依先生	—	—	—	—	—
Mr. Liao Ruo Qing (ii) 廖若清先生(ii)	—	2,951	—	22	2,973
Mr. Xiang Bin 項斌先生	—	2,000	—	12	2,012
Mr. Xue Hu 薛虎先生	—	2,951	—	22	2,973
Ms. Zhao Mingfeng 趙明豐女士	—	3,000	—	12	3,012
	—	11,527	—	80	11,607
Independent non-executive directors 獨立非執行董事					
Mr. Lee Tsung Hei, David 李頌熹先生	240	—	—	—	240
Mr. Wong Shing Kay, Oliver 黃承基先生	240	—	—	—	240
Mr. Yuen Pak Yiu, Phillip (iii) 阮北耀先生(iii)	240	—	—	—	240
Mr. Tan Leng Cheng, Aaron (iv) 陳龍清先生(iv)	120	—	—	—	120
	840	—	—	—	840

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

31 EMPLOYEES' BENEFITS COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)**(b) Directors' emoluments** (Continued)

The remuneration of each director for the year ended 31st December 2009 is set out below:

Name of Director 董事姓名	Fees 袍金	Salaries and allowances 薪金及津貼	Share-based payments 以股份為基礎之償付	Employer's contribution to pension scheme 僱主對退休金計劃之供款	Total 總計
				HK\$'000 千港元	
Executive directors 執行董事					
Mr. Au Wai Kin 歐偉建先生	—	240	—	12	252
Mr. Chen Chang Ying (i) 陳長纓先生(i)	—	6,785	—	60	6,845
Mr. Chu Mang Yee 朱孟依先生	—	—	—	—	—
Mr. Xiang Bin 項斌先生	—	2,000	—	12	2,012
Mr. Xue Hu 薛虎先生	—	1,324	—	54	1,378
Ms. Zhao Mingfeng 趙明豐女士	—	3,000	—	12	3,012
	—	13,349	—	150	13,499
Independent non-executive directors 獨立非執行董事					
Mr. Lee Tsung Hei, David 李頌熹先生	240	—	—	—	240
Mr. Wong Shing Kay, Oliver 黃承基先生	240	—	—	—	240
Mr. Yuen Pak Yiu, Phillip 阮北耀先生	240	—	—	—	240
	720	—	—	—	720

31 僱員福利成本(包括董事酬金) (續)**(b) 董事酬金** (續)

截至二零零九年十二月三十一日止年度，各董事之酬金載列如下：

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

31 EMPLOYEES' BENEFITS COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)**(b) Directors' emoluments** (Continued)

Note:

- (i) Mr. Chen Chang Ying resigned on 21st January 2010.
- (ii) Mr. Lin Ruo Qing was appointed on 21st January 2010.
- (iii) Mr. Yuen Pak Yiu, Philip resigned on 2nd July 2010.
- (iv) Mr. Tan Leng Cheng, Aaron was appointed on 2nd July 2010.

During the year, Mr. Chu Mang Yee waived emoluments of HK\$240,000 (2009: HK\$240,000).

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2009: three) directors whose emoluments are reflected in the analysis presented above. The emoluments paid and payable to the remaining one (2009: two) individuals are as follows:

		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Salaries and allowances	薪金及津貼	2,272	3,982
Employer's contribution to pension scheme	僱主對退休金計劃之供款	2	14
		2,274	3,996

The emoluments fell within the following band:

		2010 二零一零年 Number of individuals 個別人士數目	2009 二零零九年 Number of individuals 個別人士數目
HK\$1,500,001 to HK\$2,000,000	1,500,001 港元至 2,000,000 港元	—	1
HK\$2,000,001 to HK\$2,500,000	2,000,001 港元至 2,500,000 港元	1	1
		1	2

31 僱員福利成本(包括董事酬金) (續)**(b) 董事酬金** (續)

附註:

- (i) 陳長纓先生於二零一零年一月二十一日辭任。
- (ii) 廖若清先生於二零一零年一月二十一日獲委任。
- (iii) 阮北耀先生於二零一零年七月二日辭任。
- (iv) 陳龍清先生於二零一零年七月二日獲委任。

年內，朱孟依先生放棄酬金 240,000 港元(二零零九年：240,000 港元)。

(c) 五名最高薪人士

本年度本集團五名最高薪人士包括四名(二零零九年：三名)董事，彼等之酬金已於上文所呈列之分析反映。已付及應付予其餘一名(二零零九年：兩名)個別人士之酬金如下：

酬金介乎以下組別：

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

32 FINANCE INCOME AND COSTS

32 財務收入及成本

		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Interest expense:	利息開支：		
— on bank loans wholly repayable within five years	— 須於五年內悉數償還之銀行貸款	989,928	743,848
— on bank loans not wholly repayable within five years	— 不須於五年內悉數償還之銀行貸款	38,685	28,714
— on senior notes wholly repayable within five years	— 須於五年內悉數償還之優先票據	234,864	231,856
— on convertible bonds wholly repayable within five years	— 須於五年內悉數償還之可換股債券	4,852	143,990
Total borrowing costs incurred	所涉及之總借貸成本	1,268,329	1,148,408
Less: Amount capitalised as part of the cost of properties under development	減：撥充作為發展中物業之部份成本之款項	(1,015,022)	(814,769)
		253,307	333,639
Interest income from banks	銀行利息收入	(17,039)	(13,551)
Net finance costs	財務成本淨額	236,268	320,088

33 TAXATION

33 稅項

		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Taxation consists of:	稅項包括：		
Current tax	本期稅項		
Hong Kong profits tax (Note (a))	香港利得稅(附註(a))	(1,599)	3,397
Mainland China corporate income tax (Note (b))	中國大陸企業所得稅(附註(b))	1,034,209	778,360
Mainland China land appreciation tax (Note (c))	中國大陸土地增值稅(附註(c))	591,446	858,868
		1,624,056	1,640,625
Deferred tax	遞延稅項		
Mainland China corporate income tax (Note (b))	中國大陸企業所得稅(附註(b))	957,124	1,096,835
Mainland China land appreciation tax (Note (c))	中國大陸土地增值稅(附註(c))	(31,083)	(38,077)
		926,041	1,058,758
Taxation (Note (d))	稅項(附註(d))	2,550,097	2,699,383

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

33 TAXATION (Continued)

The Company is exempted from taxation in Bermuda until March 2016. Subsidiaries in the British Virgin Islands are 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.

Share of the jointly controlled entity's taxation for the year ended 31st December 2009 of HK\$370,308,000 was included in the consolidated income statement as share of profit of a jointly controlled entity. There was no share of the jointly controlled entity's taxation for the year ended 31st December 2010.

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year.

(b) Mainland China corporate income tax

Subsidiaries established and operated in Mainland China are subject to Mainland China corporate income tax at the rate of 25% (2009: 25%) for the year ended 31st December 2010.

(c) Mainland China land appreciation tax

Mainland China land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

33 稅項 (續)

本公司獲豁免繳納百慕達稅項，直至二零一六年三月止。英屬處女群島附屬公司乃根據英屬處女群島國際商業公司法(現為英屬處女群島商業公司法2004)，或英屬處女群島之英屬處女群島商業公司法2004，註冊成立，故毋須支付任何形式之英屬處女群島稅項。

截至二零零九年十二月三十一日止年度，分佔該共同控制實體稅項為370,308,000港元，並已於綜合損益表內列作分佔該共同控制實體之溢利。截至二零一零年十二月三十一日止年度並無分佔該共同控制實體稅項。

(a) 香港利得稅

年內香港利得稅之估計應課稅溢利按16.5% (二零零九年：16.5%)的稅率撥備。

(b) 中國大陸企業所得稅

截至二零一零年十二月三十一日止年度，於中國大陸成立及經營之附屬公司乃按25% (二零零九年：25%)之稅率繳納中國大陸企業所得稅。

(c) 中國大陸土地增值稅

中國大陸土地增值稅就土地增值，即出售房地產所得款項扣除可扣減項目(包括土地及發展開支及建築成本)，按累進稅率30%至60%徵收。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

33 TAXATION (Continued)

(d) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the group companies as follows:

		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Profit before taxation	除稅前溢利	8,843,109	8,791,918
Less: Share of profit less loss of associates	減：分佔聯營公司溢利減虧損	(1,071)	1,346
Less: Share of loss/(profit) of a jointly controlled entity	減：分佔一間共同控制實體虧損／(溢利)	666	(385,759)
		8,842,704	8,407,505
Tax calculated at domestic tax rates applicable to profits in the respective countries	按於各國之溢利適用國內稅率計算之稅項	2,125,355	2,079,192
Income not subject to tax	不用課稅收入	(164,899)	(121,027)
Expenses not deductible for tax	不可扣稅支出	125,968	57,305
Land appreciation tax deductible for calculation of income tax purposes	可扣減作為計算所得稅用途之土地增值稅	(140,091)	(205,198)
Utilisation of previously unrecognised tax losses	動用過往未確認稅項虧損	(3,049)	(118)
Deferred tax asset not recognised	未確認遞延稅項資產	46,450	68,438
		1,989,734	1,878,592
Land appreciation tax	土地增值稅	560,363	820,791
Taxation	稅項	2,550,097	2,699,383

The weighted average applicable tax rate was 24% (2009: 25%).

33 稅項(續)

(d) 本集團除稅前溢利與按照集團公司加權平均適用溢利稅率計算之理論金額有所差異，詳情如下：

加權平均適用稅率為24% (二零零九年：25%)。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

34 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of a loss of HK\$159,509,000 (2009: profit of HK\$618,940,000).

35 EARNINGS PER SHARE**Basic**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

		2010 二零一零年	2009 二零零九年
Profit attributable to equity holders of the Company (HK\$'000)	本公司股權持有人應佔溢利(千港元)	5,889,412	5,799,573
Weighted average number of ordinary shares in issue ('000)	已發行普通股之加權平均數(千股)	1,717,330	1,539,437
Basic earnings per share (HK\$ per share)	每股基本盈利(每股港元)	3.43	3.77

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the related tax effect. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the conversion of convertible bonds.

34 本公司股權持有人應佔溢利

本公司股權持有人應佔溢利，其中虧損159,509,000港元(二零零九年：溢利618,940,000港元)已於本公司財務報表內反映。

35 每股盈利**基本**

每股基本盈利乃根據本公司股權持有人應佔溢利除以年內已發行普通股之加權平均數得出。

攤薄

計算每股攤薄盈利時，已對已發行普通股之加權平均數作出調整，以假設所有具攤薄潛力之普通股獲悉數轉換。就可換股債券而言，假設所有可換股債券已兌換成普通股，純利經撇銷利息支出扣減有關稅務影響加以調整。以上述方法計算之股份數目將和假設兌換可換股債券而已發行之股份數目進行對比。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

35 EARNINGS PER SHARE (Continued)

35 每股盈利(續)

Diluted (Continued)

攤薄(續)

		2010 二零一零年	2009 二零零九年
Profit attributable to equity holders of the Company (HK\$'000)	本公司股權持有人應佔溢利(千港元)	5,889,412	5,799,573
Interest expense on convertible bonds (net of tax) (HK\$'000)	可換股債券之利息開支(扣除稅項)(千港元)	3,760	110,364
Profit for calculation of diluted earnings per share (HK\$'000)	計算每股攤薄盈利之溢利(千港元)	5,893,172	5,909,937
Weighted average number of ordinary shares in issue ('000)	已發行普通股之加權平均數(千股)	1,717,330	1,539,437
Adjustments for shares to be issued on conversion of convertible bonds ('000)	調整涉及於轉換可換股債券時將予發行之股份(千股)	5,357	61,108
Weighted average number of ordinary shares for diluted earnings per share ('000)	計算每股攤薄盈利之普通股加權平均數(千股)	1,722,687	1,600,545
Diluted earnings per share (HK\$ per share)	每股攤薄盈利(每股港元)	3.42	3.69

36 DIVIDENDS

36 股息

		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Interim dividend paid of nil (2009: HK\$0.092) per ordinary share	已付中期股息每股普通股零港元(二零零九年: 0.092港元)	—	146,498
Proposed final dividend of HK\$0.1715 (2009: nil) per ordinary share	擬派末期股息每股普通股0.1715港元(二零零九年: 零港元)	300,531	—
		300,531	146,498

The proposed final dividends have to be approved by shareholders at the forthcoming Annual General Meeting subsequent to the year end. The financial statements as at 31st December 2010 have not reflected such dividend payable.

擬派末期股息須待年結日後股東於應屆股東週年大會上批准。於二零一零年十二月三十一日的財務報表並未反映有關應付股息。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

37 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

37 綜合現金流量表附註

(a) Cash (used in)/generated from operations

(a) 經營(所用)/產生之現金

		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Profit before taxation	除稅前溢利	8,843,109	8,791,918
Adjustments for:	調整：		
— Interest income	— 利息收入	(17,039)	(13,551)
— Finance costs	— 財務成本	253,307	333,639
— Dividend income	— 股息收入	(15,292)	(31,313)
— Gain on disposal of subsidiaries	— 出售附屬公司收益	(958,217)	(621,933)
— Loss on disposal of certain equity interest in a subsidiary	— 出售於一間附屬公司若干股權之虧損	—	136
— Share of loss/(profit) of a jointly controlled entity	— 分佔一間共同控制實體之虧損/(溢利)	666	(385,759)
— Share of profit less loss of associates	— 分佔聯營公司溢利減虧損	(1,071)	1,346
— Depreciation of properties and equipment	— 物業及設備折舊	118,922	91,250
— Loss on disposal of properties and equipment	— 出售物業及設備虧損	1,836	995
— Amortisation of land costs	— 土地成本攤銷	5,845	9,409
— Fair value gains on investment properties	— 投資物業公平值收益	(3,795,624)	(4,700,097)
— Fair value (gain)/loss on financial assets at fair value through profit or loss	— 按公平值透過損益列賬之財務資產之公平值(收益)/虧損	(601)	573
— Net exchange (gain)/loss	— 匯兌(收益)/虧損淨額	(82,612)	442
Changes in working capital (excluding the effects of acquisition, disposal of subsidiaries and exchange differences on consolidation):	營運資金變動(不包括收購、出售附屬公司及匯兌差額對綜合賬目之影響)：		
— Properties under development for sale and completed properties for sale	— 可供出售之發展中物業及可供出售之已落成物業	(3,075,071)	(563,429)
— Accounts receivable	— 應收賬款	(19,633)	(74,131)
— Prepayments for acquisition of land	— 收購土地之預付款項	(7,661,085)	(1,003,437)
— Prepayments, deposits and other current assets	— 預付款項、按金及其他流動資產	(707,630)	(249,726)
— Accounts payable	— 應付賬款	2,558,072	2,702
— Land cost payable	— 應付土地成本	24,939	97,331
— Deferred revenue	— 遞延收入	(1,934,476)	4,359,799
— Accruals and other payables	— 應計款項及其他應付款項	267,854	205,772
Cash (used in)/generated from operations	經營(所用)/產生之現金	(6,193,801)	6,251,936

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

37 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)**37 綜合現金流量表附註**(續)**(b) Disposal of 100% Equity Interest in Cheerocean Investments Limited**

On 16th March 2010, the Group disposed of 100% equity interest in Cheerocean Investments Limited and its subsidiary, Guangdong He Sheng Taijing Real Estate Company Limited (collectively the "Cheerocean Group") to a related party (Note 41(e)). The net liabilities of Cheerocean Group at the time of disposal were as follows:

(b) 出售超洋投資有限公司之100%股本權益

於二零一零年三月十六日，本集團向一名關連方出售於超洋投資有限公司及其附屬公司廣東合生泰景房地產有限公司（統稱「超洋集團」）之100%股本權益（附註41(e)）。於出售時超洋集團之負債淨額如下：

		HK\$'000 千港元	HK\$'000 千港元
Total consideration	總代價		1,095,109
Less: Net liabilities disposed of	減：已出售負債淨額		
Properties under development for sale	可供出售之發展中物業	139,945	
Deferred tax assets	遞延稅項資產	521	
Other payables	其他應付款項	(142,105)	
			1,639
Less: Amounts due from Cheerocean Group	減：應收超洋集團款項		(138,531)
Gain on disposal of subsidiaries	出售附屬公司之收益		958,217
Analysis of the net cash flow in respect of the disposal of 100% equity interest in Cheerocean Group:	出售超洋集團之100%股本權益之現金流量淨額之分析：		
Consideration	代價		1,095,109
Less: Consideration receivable settled against part of consideration payable for the acquisition of Panyu Zhujiang (Note 41(e))	減：與收購番禺珠江部分應付代價對銷之應收代價（附註41(e)）		(1,095,109)
Net cash flow in respect of the disposal of 100% equity interest in Cheerocean Group	出售超洋集團之100%股本權益之現金流量淨額		—

(c) Non-cash transactions

The disposal of 100% equity interest in Cheerocean Investment Limited was settled against part of the consideration payable for the acquisition of Panyu Zhujiang. Net consideration paid of RMB2,386 million was settled by the issuance of the shares of the Company (Note 41(e)).

(c) 非現金交易

出售超洋集團投資有限公司100%股本權益與收購番禺珠江部分應付代價對銷。已付代價淨額人民幣2,386,000,000元與本公司發行股份對銷（附註41(e)）。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

38 FINANCIAL GUARANTEES

38 財務擔保

		Group 集團		Company 公司	
		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元	2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Financial guarantees not provided for in the financial statements are as follows:	未於財務報表中作出撥備之財務擔保如下：				
Guarantees given to banks for mortgage facilities granted to certain buyers of the Group's properties	就購買本集團物業之若干買家提供按揭貸款而向銀行作出之擔保	10,501,787	9,980,834	—	—
Guarantees given to banks for bank borrowings of subsidiaries	就附屬公司之銀行借貸而向銀行作出之擔保	—	—	13,565,035	6,351,923
Guarantees given to bank for bank borrowings of a jointly controlled entity	就一間共同控制實體銀行借貸作出之擔保	1,175,185	567,930	1,175,185	567,930
		11,676,972	10,548,764	14,740,220	6,919,853

39 PENDING LITIGATION

39 待決訴訟

Summary of litigation instituted by YTO Group Corporation (中國一拖集團有限公司) against Guangzhou Laureland Property Co., Ltd. (廣州羅蘭德房地產有限公司) and Guangzhou Ziyun Village Real Estate Company Limited, a subsidiary of the Group, in relation to a dispute over guarantee

In December 2004, YTO Group Corporation ("YTO Group") and Guangzhou Laureland Property Co., Ltd. ("Laureland Co"), both independent third parties entered into an agreement, whereby Laureland Co agreed to provide a counter-guarantee by pledging its seven villas as security for repayment in respect of the amount of RMB127,138,320 under the guarantee provided by YTO Group in respect of a bank loan obtained by Henan Jian Ye Company. A balance of RMB93,138,320 was due and payable by Laureland Co to YTO Group.

中國一拖集團有限公司就擔保糾紛向廣州羅蘭德房地產有限公司及本集團旗下附屬公司廣州紫雲山莊房地產有限公司提出訴訟概要

於二零零四年十二月，中國一拖集團有限公司(「一拖集團」)與廣州羅蘭德房地產有限公司(「羅蘭德公司」)均為獨立第三方，雙方訂立協議，當中羅蘭德公司同意透過質押其七幢別墅為抵押品提供反擔保以償還一拖集團就河南建業公司取得銀行貸款而提供為數人民幣127,138,320元之擔保。羅蘭德公司逾期應付一拖集團結餘人民幣93,138,320元。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

39 PENDING LITIGATION (Continued)

In June 2007, YTO Group, as plaintiff, instituted a proceeding against Laureland Co, as defendant, in the Intermediate People's Court of Luoyang City ("Luoyang Court"), claiming for the payment of the said balance of RMB93,138,320. In July 2007, YTO Group issued "supplementary pleadings" adding Guangzhou Ziyun Real Estate Company Limited ("Ziyun Co"), a subsidiary of the Group a co-defendant and pleading that certain transfer(s) of assets at an undervalue be declared void and that the co-defendant be ordered to repay the said balance.

In August 2007, the Luoyang Court made an injunction to freeze the sum of RMB11,446,100 in the bank account of Ziyun Co and the land use rights of certain land situated in Nanan Village, Zengcheng Xintang Town, Guangzhou Province. In March 2008, the court released the said land and made an order to freeze the land use rights of certain other land situated in the same location.

On the basis of the damage arising from the injunction as aforementioned, Ziyun Co instituted a proceeding in the Luoyang Court against YTO Group and Laureland Co, pleading that the co-defendants be enjoined from infringing the rights of Ziyun Co and seeking compensation for its economic loss of RMB20,000,200.

39 待決訴訟(續)

於二零零七年六月，一拖集團(作為原告人)於洛陽市中級人民法院(「洛陽市法院」)向羅蘭德公司(作為被告人)提出訴訟，要求償還上述結餘人民幣93,138,320元。於二零零七年七月，一拖集團發出「補充起訴」，加入本集團旗下附屬公司廣州紫雲房地產有限公司(「紫雲公司」)為共同被告並要求宣佈若干低價資產轉讓無效及勒令共同被告人償還上述結餘。

於二零零七年八月，洛陽市法院頒令凍結紫雲公司銀行賬戶總數人民幣11,446,100元及位於廣州市增城區新塘鎮南安村之若干土地之土地使用權。於二零零八年三月，法院解除上述土地，並勒令凍結位於同一地點之若干其他土地之土地使用權。

根據誠如上述禁制令所帶來之損害，紫雲公司於洛陽市法院向一拖集團及羅蘭德公司提出訴訟，要求禁制就紫雲公司違反權利而成為共同被告及要求就其經濟損失人民幣20,000,200元作出賠償。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

39 PENDING LITIGATION (Continued)

In May 2008, the Luoyang Court heard the proceedings in relation to YTO Group's claims and ordered that (i) Laureland Co shall repay the sum of RMB93,138,320 owed to YTO Group, (ii) YTO Group shall have priority in sums recovered by auction or sale of the mortgaged properties and (iii) Ziyun Co shall be liable for sums which Laureland Co may be unable to settle. Ziyun Co appealed against the decision and applied to set aside the judgement.

In August 2010, the Higher People's Court of Henan Province upheld the decision of the Luoyang Court and ordered that Ziyun Co shall pay the costs of the appeal.

That notwithstanding based on the advice of the Group's internal and external legal counsel, the Directors consider that there are adequate grounds to defend the case and accordingly, the Group has applied to the Supreme People's Court of the PRC for a retrial of the dispute in March 2011. As such, no provision has been made in these financial statements.

39 待決訴訟(續)

於二零零八年五月，洛陽市法院審理有關一拖集團之訴訟，並頒令(i)羅蘭德公司償還結欠一拖集團之款項人民幣93,138,320元，(ii)一拖集團可優先透過拍賣或出售抵押物業而獲得退款及(iii)紫雲公司須就羅蘭德公司可能未能清償之款項負上責任。紫雲公司就判決提出上訴及申請駁回判決。

於二零一零年八月，河南省高等人民法院維持洛陽市法院的判決並頒令紫雲公司支付訟費。

儘管如此，根據本集團內部及外聘法律顧問之意見，本公司董事認為現存充分理據就此案件作出抗辯，因此於二零一一年三月，本集團已向中國最高人民法院申請復審此項糾紛。因而亦無於本財務報表作出撥備。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

40 COMMITMENTS

40 承擔

(a) Capital commitments

(a) 資本承擔

Capital expenditures at the balance sheet date but not yet incurred are as follows:

於結算日尚未產生之資本開支如下：

		Group 集團	
		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Contracted but not provided for	已訂約但未撥備		
— Property construction costs	— 物業建築成本	1,785,112	879,839
— Acquisition of land and equity interest in certain Mainland China entities	— 收購若干中國大陸實體之土地及股本權益	6,245,172	169,562
— Capital contribution to a jointly controlled entity (“BJ Dongfangwenhua”) (Note 14)	— 對一間共同控制實體(「北京東方文華」)之資本貢獻(附註14)	—	258,400
		8,030,284	1,307,801
Authorised but not contracted for	已授權但未訂約		
— Acquisition of land and equity interests in certain entities	— 收購若干實體之土地及股本權益	7,858,919	66,332
— Property construction costs	— 物業建築成本	3,525,727	3,530,730
		11,384,646	3,597,062
		19,414,930	4,904,863

(b) Operating lease commitments

(b) 經營租賃承擔

The Group has operating lease commitments in respect of premises under various non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating lease are as follows:

本集團就多份有關租賃物業之不可註銷經營租賃協議而有經營租賃承擔。根據不可註銷經營租約於日後之最低應付經營租金總額如下：

		Group 集團	
		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Amounts payable	下列期內應付之款項		
— Within one year	— 一年內	29,959	26,854
— Within two to five years	— 兩年至五年內	74,285	76,077
— After five years	— 五年後	40,099	49,129
		144,343	152,060

The Company has no operating lease commitment as at 31st December 2010 (2009: nil).

本公司於二零一零年十二月三十一日並無經營租賃承擔(二零零九：無)。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

40 COMMITMENTS (Continued)

(c) Future minimum rental receivable

The Group leased out certain properties under operating leases. The future minimum rental receivable under non-cancellable operating leases is as follows:

		Group 集團	
		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Within one year	一年內	81,602	53,879
Within two to five years	兩年至五年內	237,929	164,543
After five years	五年後	170,792	145,303
		490,323	363,725

The Company has no future rental receivable as at 31st December 2010 (2009: nil).

40 承擔(續)

(c) 未來最低應收租金

本集團根據經營租賃出租若干物業。依據不可撤銷經營租賃之未來最低應收租金如下：

本公司於二零一零年十二月三十一日並無任何未來應收租金(二零零九年：無)。

41 RELATED-PARTY TRANSACTIONS

The Company is controlled by Mr. Chu Mang Yee, who owns approximately 57.5% to 62.83% (2009: 57.5% to 62.18%) of the Company's shares during the year ended 31st December 2010. The remaining shares are widely held.

The ultimate holding company is Sounda Properties Limited.

(a) The following significant transactions were carried out with related parties:

Sales of goods and services (note)

		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Property management services to related companies	提供予關連公司之物業管理服務	5,967	13,919
Property design services to related companies	提供予關連公司之物業設計服務	16,312	19,917
		22,279	33,836

41 關連人士交易

本公司由朱孟依先生控制，其於截至二零一零年十二月三十一日止年度內擁有約57.5%至62.83%(二零零九年：57.5%至62.18%)本公司股份。餘下股份由其他人士廣泛持有。

最終控股公司為新達置業有限公司。

(a) 下列為與關連人士進行之重要交易：

銷售貨品及服務(附註)

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

41 RELATED-PARTY TRANSACTIONS (Continued)

41 關連人士交易(續)

(a) The following significant transactions were carried out with related parties: (Continued)

(a) 下列為與關連人士進行之重要交易：(續)

Purchases of goods and services (note)

購買貨品及服務(附註)

		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Property construction services from related companies	關連公司提供之物業建築服務	2,275,708	1,899,903
Property design services from related companies	關連公司提供之物業設計服務	2,759	13,787
Decoration services from a related company	一間關連公司提供之裝飾服務	42,487	39,871
Office rental services from related companies	關連公司提供之辦公室租賃服務	1,203	2,363
Property management services from related companies	關連公司提供之物業管理服務	1,104	899
Property construction supervision services from a related company	一間關連公司提供之物業建築監督服務	6,418	1,968
Electrical power installation, intelligent building installation work, budgeting and cost control consultation services from related companies	關連公司提供之電力安裝、智能大廈安裝工程、預算及成本控制顧問服務	109,403	76,579
		2,439,082	2,035,370

Note:

These related companies are owned by the brother and the brother-in-law of Mr. Chu Mang Yee (the controlling shareholder and Chairman of the Board of Directors of the Company).

附註：

該等關連公司為由朱孟依先生(本公司控股股東兼董事會主席)之胞弟及妹夫擁有之公司。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

41 RELATED-PARTY TRANSACTIONS (Continued)

41 關連人士交易(續)

(b) Amounts due from/to related parties were as follows:

(b) 應收／付關連公司之款項如下：

		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Due from an associate	應收一間聯營公司之款項	30,382	29,365
Due from related companies (Note)	應收關連公司之款項(附註)	13,644	13,664
Due to an associate	應付一間聯營公司之款項	6,486	6,269
Due to related companies (Note)	應付關連公司之款項(附註)	344,057	173,721
Due to a jointly controlled entity	應付一間共同控制實體之款項	1,709,345	1,842,289

As at 31st December 2010, the Group had accounts payable of approximately HK\$2,534,380,000 (2009: HK\$2,471,757,000) due to certain related companies (Note) in respect of property construction fees (see Note 23).

於二零一零年十二月三十一日，本集團應付若干關連公司(附註)物業建築費約2,534,380,000港元(二零零九年：2,471,757,000港元)(見附註23)。

As at 31st December 2010, all outstanding balances with related companies, associates and a jointly controlled entity were unsecured, non-interest bearing and without pre-determined repayment terms.

於二零一零年十二月三十一日，與關連公司、聯營公司及一間共同控制實體之全部結餘均無抵押、免息及並無預定還款期。

Note:

These related companies are owned by the brother and the brother-in-law of Mr. Chu Mang Yee (the controlling shareholder and Chairman of the Board of Directors of the Company).

附註：

該等關連公司為由朱孟依先生(本公司控股股東兼董事會主席)之胞弟及妹夫擁有之公司。

(c) Amount due to minority shareholders of subsidiaries

The amount due to minority shareholders represents shareholders' loans to subsidiaries from the minority shareholders, which is unsecured, non-interest bearing and without pre-determined repayment terms. The amount is considered equity in nature.

(c) 應付附屬公司少數股東之款項

應付少數股東款項指少數股東向附屬公司借出之股東貸款，有關款項為無抵押、免息及無預定還款期。有關金額之性質被視為權益。

41 RELATED-PARTY TRANSACTIONS (Continued)**41 關連人士交易** (續)**(d) Key management compensation:****(d) 主要管理層報酬：**

		2010 二零一零年 HK\$'000 千港元	2009 二零零九年 HK\$'000 千港元
Fees	袍金	840	720
Salaries and allowances	薪金及津貼	11,527	13,349
Pension costs	退休金成本	80	150
		12,447	14,219

(e) Acquisition of Panyu Zhujiang Real Estate Limited and disposal of Cheerocean Investments Limited**(e) 收購番禺珠江房地產有限公司及出售超洋投資有限公司**

On 2nd November 2009, the Group entered into an agreement (the "Agreement") with Guangdong Hanjiang Construction Installation Project Limited ("Hanjiang"), a related company, to acquire the entire interest in Panyu Zhujiang Real Estate Limited ("Panyu Zhujiang") for a consideration of approximately RMB3,810 million and dispose of the entire interest in Cheerocean Investments Limited ("Cheerocean") for a consideration of RMB960 million.

於二零零九年十一月二日，本集團已與關連公司廣東韓江建築安裝工程有限公司（「韓江」）訂立協議（「該協議」），以約人民幣3,810,000,000元的代價收購番禺珠江房地產有限公司（「番禺珠江」）全部權益，並以人民幣960,000,000元的代價出售超洋投資有限公司（「超洋」）全部權益。

Panyu Zhujiang possesses (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 the Group. Pursuant to the Agreement, Hanjiang will perform and complete all necessary demolition and preparation work to obtain the land use right certificate of Land A, at its own expense, within one year from the date of the Agreement.

番禺珠江擁有(i)發展一幅位於中國廣東省番禺市的土地（「A地」）之權利；(ii)一幅位於中國廣東省番禺市的土地（「B地」）之土地使用權；及(iii)廣東華南新城房地產有限公司（本集團擁有99%權益的附屬公司）的1%權益。根據該協議，韓江將會進行所有必要的拆卸及準備工作以獲取A地的土地使用權證，費用自行承擔，期限為該協議日期的一年之內。

41 RELATED-PARTY TRANSACTIONS (Continued)**(e) Acquisition of Panyu Zhujiang Real Estate Limited and disposal of Cheerocean Investments Limited** (Continued)

The transactions were completed in March 2010. A net consideration of RMB2,386 million was settled by the issuance of shares of the Company in favour of Mr. Chu Mang Yee, the Chairman of the Group, after deducting from the consideration of acquiring Panyu Zhujiang the compensation costs in relation to Land A previously paid by the Group of RMB464 million and the sale consideration from the disposal of Cheerocean of RMB960 million.

Undertaking provided by Mr. Chu Mang Yee, the Chairman, to the Group

In relation to the Group's acquisition of Panyu Zhujiang and disposal of Cheerocean, Mr. Chu Mang Yee, has undertaken to the Group 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); and (ii) pay the net consideration of RMB2,386 million to Hanjiang on or before the completion of the transactions in March 2010.

41 關連人士交易 (續)**(e) 收購番禺珠江房地產有限公司及出售超洋投資有限公司** (續)

該等交易已於二零一零年三月完成。從本集團收購番禺珠江之代價扣除有關A地的已支付賠償費用人民幣464,000,000元及出售超洋的銷售代價人民幣960,000,000元後，代價淨額人民幣2,386,000,000元已透過向本集團主席朱孟依先生發行本公司股份支付。

主席朱孟依先生向本集團提供之承諾

就有關本集團收購番禺珠江及出售超洋而言，朱孟依先生已向本集團承諾(i)保證韓江如期履行其有關A地的債務(最高款項可達人民幣3,600,000,000元)；及(ii)於二零一零年三月完成該等交易時或之前向韓江支付人民幣2,386,000,000元的代價淨額。

41 RELATED-PARTY TRANSACTIONS (Continued)**(f) Investment in an available-for-sale financial asset**

In September 2009, the Group invested in 5.09% attributable equity interest in a PRC financial institution (the "Financial Institution") for RMB980 million (equivalent to HK\$1,112,197,000). Such shares are held through three related parties of the Company ("trustees") pursuant to certain trust agreements made between the Group and each of the trustees, with the guarantees given by Mr. Chu Mang Yee, Chairman of the Company, in favour of the Group. According to the legal advice obtained by the Group, the trust agreements are legal and valid under PRC laws so far as the Group and the trustees are concerned. However, the Financial Institution has the right to require the trustees, who have subscribed the shares not in the capacity as beneficial owners, to sell the shares back to the Financial Institution or any party it may designate at cost. If the Financial Institution exercises such right against the trustees, it will be obliged to return the investment (together with all dividends and interest accrued thereto) to the Group.

41 關連人士交易 (續)**(f) 投資於可供出售財務資產**

於二零零九年九月，本集團就應佔一間中國金融機關(「金融機關」)5.09%股本權益人民幣980,000,000元(相等於1,112,197,000港元)作出投資。根據本公司主席朱孟依先生提供之擔保(以本集團為受益人)，本集團與信託人各自訂立若干信託協議，有關股份透過三間本公司關連方(「信託人」)持有。根據本集團獲得之法律意見，就本集團及信託人所得悉，信託協議於中國法律項下屬合法有效。然而，金融機關有權要求並非以實益擁有人之身份認購股份之信託人按成本向金融機關或其可能指定之任何一方售回股份。倘金融機關對信託人行使有關權利，彼等須向本集團退回投資(連同所有股息及應計利息)。

41 RELATED-PARTY TRANSACTIONS (Continued)**(g) Undertaking provided by Mr. Chu Mang Yee, the Chairman of the Company, to the Group in relation to acquisition of Believe Best**

In 2007, the Group completed the acquisition of 80% of the issued share capital of Believe Best Investments Limited (“Believe Best”) from Mr. Chu Mang Yee, Chairman of the Company. Believe Best has, through its indirect wholly-owned subsidiary (the project company), acquired a piece of land for development in Chaoyang District, Beijing, China (known as the “Jing Run Project”).

In relation to the Group’s interest in the Jing Run Project through its 80% interest in Believe Best, Mr. Chu Mang Yee, has (i) fully guaranteed the bank loans which were used by the project company for the demolition and relocation of the extra public greenfield site peripheral to the Jing Run Project at the request of the local government; and (ii) undertaken to the Group to be responsible for the excess amount, if any, being the difference in the unit cost per square meter (including the demolition and relocation fees for the extra public greenfield site and the land transfer fees as compared with the original agreed valuation price of Jing Run Project) for the gross floor area to be developed, payable by the project company in respect of any increase in plot ratio as the government may approve. The demolition and relocation on the construction site have been completed, building construction is in progress and pre-sale permit in respect of one phase of the Jing Run Project has been obtained. The demolition and relocation work on the extra public greenfield is ongoing and related costs of approximately RMB1,430 million had been incurred by the Group up to 31st December 2010 (2009: RMB1,410 million). Such additional costs may be compensated by an increase in plot ratio for the Jing Run Project. However, government approval for increase in plot ratio is pending.

41 關連人士交易 (續)**(g) 本公司主席朱孟依先生就收購信佳向本集團提供之承諾**

於二零零七年，本集團完成向本公司主席朱孟依先生收購信佳投資有限公司(「信佳」)已發行股本之80%權益。信佳則透過其間接全資附屬公司(項目公司)收購一幅位於中國北京市朝陽區可供發展之土地(名為「京潤項目」)。

就有關本集團透過其於信佳80%權益而擁有京潤項目之權益而言，朱孟依先生已(i)全數擔保本集團之項目公司應當地政府之要求，就京潤項目周邊額外公用綠化土地之拆遷而可能需要之任何銀行貸款；及(ii)向本集團承諾倘當地政府就完成額外公用綠化土地之拆遷而增加批出之容積率，而每平方米之成本(包括較京潤項目原定估價為高之額外公共綠化土地之拆遷費用及土地轉讓費)高於原本議定之估價，朱孟依先生承擔支付該項目公司可建築面積超出之金額。建設用地之拆遷經已完成，樓宇正在施工中，並已獲得有關京潤項目一期之預售許可證。額外公用綠化土地之拆遷工作正在進行中，而本集團於截至二零一零年十二月三十一日已產生約人民幣1,430,000,000元之相關成本(二零零九年：人民幣1,410,000,000元)。額外成本或會於增加京潤項目之容積率得以補償。然而，政府尚未發出增加容積率之批准。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

42 DETAILS OF PRINCIPAL SUBSIDIARIES

42 主要附屬公司詳情

The following is a list of the principal subsidiaries at 31st December 2010:

以下為於二零一零年十二月三十一日之主要附屬公司名單：

Name of company 公司名稱	Place of incorporation and operations 註冊成立及營運地點	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 集團應佔股權百分比		Principal activities 主要業務
			Directly 直接	Indirectly 間接	
Hopson Development International Limited 合生創展國際有限公司	British Virgin Islands 英屬處女群島	US\$2,000 2,000美元	100%	—	Investment holding 投資控股
Addup International Limited 永熹國際有限公司	Hong Kong 香港	HK\$1 1港元	—	100%	Investment holding 投資控股
Archibald Properties Limited 愛寶置業有限公司	British Virgin Islands 英屬處女群島	US\$2 2美元	—	100%	Investment holding 投資控股
Beijing Hopson Beifang Education and Technology Limited ^o 北京合生北方教育科技有限公司 ^o	Mainland China 中國大陸	RMB1,000,000 人民幣1,000,000元	—	49%(ii)	Provision of training and consultancy services 提供技術培訓及教育諮詢
Beijing Hopson Beifang Real Estate Development Limited [#] 北京合生北方房地產開發有限公司 [#]	Mainland China 中國大陸	US\$86,500,000 86,500,000美元	—	100%	Property development 物業發展
Beijing Hopson Lu Zhou Real Estate Development Limited [#] 北京合生綠洲房地產開發有限公司 [#]	Mainland China 中國大陸	RMB463,370,000 人民幣463,370,000元	—	100%	Property development 物業發展
Beijing Hopson Wang Jing Real Estate Development Company Limited [#] 北京合生望景房地產開發有限公司 [#]	Mainland China 中國大陸	RMB364,990,000 人民幣364,990,000元	—	100%	Property development 物業發展
Beijing Hopson Xing Ye Real Estate Development Limited [#] 北京合生興業房地產開發有限公司 [#]	Mainland China 中國大陸	US\$31,600,000 31,600,000美元	—	100%	Property development 物業發展
Beijing Hopson Yujing Real Estate Development Limited [#] 北京合生愉景房地產開發有限公司 [#]	Mainland China 中國大陸	US\$63,160,000 63,160,000美元	—	100%	Property development 物業發展

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

42 DETAILS OF PRINCIPAL SUBSIDIARIES (Continued) 42 主要附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及營運地點	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 集團應佔股權百分比		Principal activities 主要業務
			Directly 直接	Indirectly 間接	
Beijing Long Jia Jincheng Property Development Company Limited 北京龍嘉錦程房地產開發有限公司	Mainland China 中國大陸	RMB10,000,000 人民幣10,000,000元	—	100%	Property development 物業發展
Beijing Long Xiang Landmark Property Development Company Limited 北京龍祥置地房地產開發有限公司	Mainland China 中國大陸	RMB10,000,000 人民幣10,000,000元	—	100%	Property development 物業發展
Beijing Xingjingrun Property Co., Ltd. [#] 北京新京潤房地產有限公司 [#]	Mainland China 中國大陸	US\$131,990,000 131,990,000美元	—	80%	Property development 物業發展
Beijing Yishang Property Development Limited ^d 北京益上房地產開發有限公司 ^d	Mainland China 中國大陸	RMB10,000,000 人民幣10,000,000元	—	100%	Property development 物業發展
Beijing Zhujiang Century Property Management Limited [#] 北京珠江世紀物業管理有限公司 [#]	Mainland China 中國大陸	RMB5,000,000 人民幣5,000,000元	—	100%	Property management 物業發展
Believe Best Investments Limited 信佳投資有限公司	British Virgin Islands 英屬處女群島	US\$100 100美元	—	80%	Investment holding 投資控股
Chia Lung Group Company Limited 佳龍集團有限公司	Samoa 薩摩亞國	US\$6,500,000 6,500,000美元	—	100%	Investment holding 投資控股
Dalian Hopson Hotel Investment Management Company Limited ^o 大連合生酒店投資管理有限公司 ^o	Mainland China 中國大陸	RMB30,000,000 人民幣30,000,000元	—	100%	Hotel operation 酒店經營
Dalian Hopson Xing Ye Real Estate Development Company Limited ^o 大連合生興業房地產開發有限公司 ^o	Mainland China 中國大陸	RMB50,000,000 人民幣50,000,000元	—	100%	Property development 物業發展
Dynawell Investment Limited 頤和投資有限公司	Hong Kong 香港	HK\$10,000 10,000港元	—	50%(ii)	Investment holding 投資控股

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

42 DETAILS OF PRINCIPAL SUBSIDIARIES (Continued) 42 主要附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及營運地點	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 集團應佔股權百分比		Principal activities 主要業務
			Directly 直接	Indirectly 間接	
Ever New Properties Limited 恒新置業有限公司	Hong Kong 香港	HK\$2 ordinary HK\$3 non-voting deferred shares (i) 2港元普通股 3港元無投票權 遞延股份(i)	—	100%	Investment holding and property investment 投資控股及物業投資
Funland Properties Limited 奔騰置業有限公司	British Virgin Islands 英屬處女群島	US\$2 2美元	—	100%	Investment holding 投資控股
Grand Avenue Limited 勁途有限公司	Hong Kong 香港	HK\$22,500,000 22,500,000港元	—	100%	Investment holding 投資控股
Guangdong Esteem Property Services Limited [#] 廣東康景物業服務有限公司 [#]	Mainland China 中國大陸	HK\$5,000,000 5,000,000港元	—	100%	Property management 物業管理
Guangdong Hopson Dijing Real Estate Co. Ltd. [#] 廣東合生帝景房地產有限公司 [#]	Mainland China 中國大陸	US\$37,500,000 37,500,000美元	—	100%	Property development 物業發展
Guangdong Hopson Hong Jing Real Estate Company Limited [#] 廣東合生泓景房地產有限公司 [#]	Mainland China 中國大陸	RMB200,280,000 人民幣200,280,000元	—	100%	Property development 物業發展
Guangdong Hopson Leijing Real Estate Co. Limited [#] 廣東合生樂景房地產有限公司 [#]	Mainland China 中國大陸	RMB44,500,000 人民幣44,500,000元	—	100%	Property development 物業發展
Guangdong Hopson Minghui Real Estate Limited ¹ 廣東合生明暉房地產有限公司 ¹	Mainland China 中國大陸	RMB41,532,852 人民幣41,532,852元	—	90%	Property development 物業發展
Guangdong Hopson Yuehua Real Estate Limited [#] 廣東合生越華房地產有限公司 [#]	Mainland China 中國大陸	RMB41,500,000 人民幣41,500,000元	—	100%	Property development 物業發展
Guangdong Huajingxincheng Real Estate Limited [#] 廣東華景新城房地產有限公司 [#]	Mainland China 中國大陸	RMB93,500,018 人民幣93,500,018元	—	100%	Property development 物業發展

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

42 DETAILS OF PRINCIPAL SUBSIDIARIES (Continued) 42 主要附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及營運地點	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 集團應佔股權百分比		Principal activities 主要業務
			Directly 直接	Indirectly 間接	
Guangdong Huanan New City Real Estate Limited ¹ 廣東華南新城房地產有限公司 ¹	Mainland China 中國大陸	RMB464,750,000 人民幣464,750,000元	—	100%	Property development 物業發展
Guangdong Huanan Real Estate Limited ¹ 廣東華南房地產有限公司 ¹	Mainland China 中國大陸	RMB48,046,856 人民幣48,046,856元	—	70%	Property development 物業發展
Guangdong Jinan Real Estate Limited ¹ 廣東暨南房地產有限公司 ¹	Mainland China 中國大陸	RMB65,084,340 人民幣65,084,340元	—	90%	Property development 物業發展
Guangdong New Tai An Real Estate Limited ⁴ 廣東新泰安房地產有限公司 ⁴	Mainland China 中國大陸	RMB19,100,000 人民幣19,100,000元	—	100%	Property development 物業發展
Guangzhou Hechuang Construction Company Limited ⁹ 廣州合創工程總承包有限公司 ⁹	Mainland China 中國大陸	RMB100,000,000 人民幣100,000,000元	—	100%	Provision of construction service 提供建築服務
Guangzhou Hopson Cuijing Real Estate Limited ¹ 廣州合生翠景房地產有限公司 ¹	Mainland China 中國大陸	RMB53,550,000 人民幣53,550,000元	—	97%	Property development 物業發展
Guangzhou Hopson Dongyu Real Estate Limited ¹ 廣州合生東宇房地產有限公司 ¹	Mainland China 中國大陸	RMB42,500,000 人民幣42,500,000元	—	100%	Property development 物業發展
Guangzhou Hopson Junjing Real Estate Limited ¹ 廣州合生駿景房地產有限公司 ¹	Mainland China 中國大陸	RMB221,670,000 人民幣221,670,000元	—	95%	Property development 物業發展
Guangzhou Hopson Keji Garden Real Estate Limited ¹ 廣州合生科技園房地產有限公司 ¹	Mainland China 中國大陸	RMB133,340,000 人民幣133,340,000元	—	95%	Property development 物業發展
Guangzhou Hopson Qinghui Real Estate Limited ¹ 廣州合生清暉房地產有限公司 ¹	Mainland China 中國大陸	RMB42,287,624 人民幣42,287,624元	—	100%	Property development 物業發展
Guangzhou Hopson Qingyuan Water Supply Limited ⁹ 廣州合生清源淨水有限公司 ⁹	Mainland China 中國大陸	RMB3,000,000 人民幣3,000,000元	—	100%	Water supply 供水

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

42 DETAILS OF PRINCIPAL SUBSIDIARIES (Continued) 42 主要附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及營運地點	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 集團應佔股權百分比		Principal activities 主要業務
			Directly 直接	Indirectly 間接	
Guangzhou Hopson Xingjing Business Services Limited [®] 廣州合生星景商務有限公司 [®]	Mainland China 中國大陸	RMB500,000 人民幣500,000元	—	100%	Provision of clubhouse and residential services 提供會所及住宅服務
Guangzhou Hopson Yihui Real Estate Limited ¹ 廣州合生怡輝房地產有限公司 ¹	Mainland China 中國大陸	RMB131,420,019 人民幣131,420,019元	—	100%	Property development 物業發展
Guangzhou Hopson Yijing Real Estate Limited ¹ 廣州合生逸景房地產有限公司 ¹	Mainland China 中國大陸	RMB82,073,720 人民幣82,073,720元	—	99.5%	Property development 物業發展
Guangzhou Hopson Yujing Real Estate Limited ¹ 廣州合生愉景房地產有限公司 ¹	Mainland China 中國大陸	RMB47,250,000 人民幣47,250,000元	—	70%	Property development 物業發展
Guangzhou Jian Nan Property Development Limited [®] 廣州建南房產發展有限公司 [®]	Mainland China 中國大陸	US\$12,000,000 12,000,000美元	—	100%	Property development 物業發展
Guangzhou Nonggongshang Construction and Development Company Limited [®] 廣州市農工商集團建設開發公司 [®]	Mainland China 中國大陸	RMB2,170,243 人民幣2,170,243元	—	100%	Property development 物業發展
Guangzhou Sanlian Huaqiao Estate Company Limited ^Δ 廣州三聯華僑房產有限公司 ^Δ	Mainland China 中國大陸	RMB30,000,000 人民幣30,000,000元	—	67%	Property development 物業發展
Guangzhou Wanxiangying Real Estate Company Limited ^Δ 廣州市萬想營物業發展有限公司 ^Δ	Mainland China 中國大陸	RMB1,000,000 人民幣1,000,000元	—	100%	Property development 物業發展
Guangzhou Xin Chang Jiang Development Limited [®] 廣州新長江建設開發有限公司 [®]	Mainland China 中國大陸	RMB60,000,000 人民幣60,000,000元	—	95.5%	Property development 物業發展
Guangzhou Yi Cheng Real Estate Development Limited ¹ 廣州市溢晟房地產開發有限公司 ¹	Mainland China 中國大陸	RMB42,000,000 人民幣42,000,000元	—	75%	Property development 物業發展
Guangzhou Yi Hui Real Estate Development Limited ¹ 廣州市溢輝房地產開發有限公司 ¹	Mainland China 中國大陸	RMB37,000,000 人民幣37,000,000元	—	75%	Property development 物業發展

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

42 DETAILS OF PRINCIPAL SUBSIDIARIES (Continued) 42 主要附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及營運地點	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 集團應佔股權百分比		Principal activities 主要業務
			Directly 直接	Indirectly 間接	
Guangzhou Yijing Arts and Culture Company Limited ^a 廣州藝景文化藝術發展有限公司 ^a	Mainland China 中國大陸	RMB500,000 人民幣500,000元	—	100%	Investment holding 投資控股
Guangzhou Yiming Real Estate Development Company Limited [#] 廣州頤明房地產開發有限公司 [#]	Mainland China 中國大陸	RMB43,800,000 人民幣43,800,000元	—	50%(ii)	Property development 物業發展
Guangzhou Zhujiang Qiaodao Real Estate Limited ¹ 廣州珠江僑都房地產有限公司 ¹	Mainland China 中國大陸	RMB535,500,000 人民幣535,500,000元	—	99.5%	Property development 物業發展
Guangzhou Ziyun Village Real Estate Company Limited [#] 廣州紫雲山莊房地產有限公司 [#]	Mainland China 中國大陸	US\$2,000,000 2,000,000美元	—	100%	Property development 物業發展
Hopson Development (Consultants) Limited 合生創展(顧問)有限公司	British Virgin Islands 英屬處女群島	US\$2 2美元	—	100%	Provision of property design and advisory services 提供物業設計及顧問服務
Hopson Development (Properties) Limited 合生創展(置業)有限公司	Hong Kong 香港	HK\$10,000 10,000港元	—	100%	Property investment 物業投資
Hopson (Guangzhou) Industries Limited [#] 合生(廣州)實業有限公司 [#]	Mainland China 中國大陸	US\$4,830,000 4,830,000美元	—	100%	Property development 物業發展
Hopeson Holdings Limited 合生集團有限公司	Hong Kong 香港	HK\$2 ordinary HK\$10,000 non-voting deferred shares (i) 2港元普通股 10,000港元無投票權 遞延股份(i)	—	100%	Investment holding 投資控股
Hopson Properties (China) Limited 合生中國房地產有限公司	British Virgin Islands 英屬處女群島	US\$1 1美元	—	100%	Investment holding 投資控股

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

42 DETAILS OF PRINCIPAL SUBSIDIARIES (Continued) 42 主要附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及營運地點	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 集團應佔股權百分比		Principal activities 主要業務
			Directly 直接	Indirectly 間接	
Huizhou Daya Bay New Coastal City Development and Investment Co., Ltd. ^o 惠州大亞灣新海岸城市建設投資有限公司 ^o	Mainland China 中國大陸	RMB72,500,000 人民幣72,500,000元	—	60%	Property development 物業發展
Huizhou Haolong Industrial Development Company Limited ^o 惠州市灝龍實業發展有限公司 ^o	Mainland China 中國大陸	RMB10,000,000 人民幣10,000,000元	—	100%	Property development 物業發展
Huizhou Hopson Xin Neng Properties Limited [#] 惠州市合生信能置業有限公司 [#]	Mainland China 中國大陸	HK\$50,000,000 50,000,000港元	—	100%	Property development 物業發展
Huizhou Yapai Real Estate Company Limited [#] 惠州市亞派房地產有限公司 [#]	Mainland China 中國大陸	RMB250,000,000 人民幣250,000,000元	—	100%	Property development 物業發展
Huizhou Yaxin Real Estate Company Limited [#] 惠州市亞新房地產有限公司 [#]	Mainland China 中國大陸	RMB119,000,000 人民幣119,000,000元	—	100%	Property development 物業發展
Ji Run Property Investments Limited 吉潤置業投資有限公司	Hong Kong 香港	HK\$1,000,000 1,000,000港元	—	80%	Investment holding 投資控股
Karworld Holdings Limited 嘉和集團有限公司	Hong Kong 香港	HK\$10,000 10,000港元	—	100%	Investment holding 投資控股
Kun Shan Hopson Property Development Company Limited 昆山合生房地產開發有限公司	Mainland China 中國大陸	RMB200,000,000 人民幣200,000,000元	—	100%	Property development 物業發展
Malaysian Teoghew Industrial Estate Development (Guang Zhou) Ltd. ^A 廣州馬潮工業村發展有限公司 ^A	Mainland China 中國大陸	HK\$25,000,000 25,000,000 港元	—	55%	Property development 物業發展
Max Clear Investments Limited 先卓投資有限公司	Hong Kong 香港	HK\$1 1港元	—	100%	Investment holding 投資控股
Nambour Properties Limited 南博置業有限公司	British Virgin Islands 英屬處女群島	US\$2 2美元	—	100%	Investment holding 投資控股

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

42 DETAILS OF PRINCIPAL SUBSIDIARIES (Continued) 42 主要附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及營運地點	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 集團應佔股權百分比		Principal activities 主要業務
			Directly 直接	Indirectly 間接	
Ningbo Hopson Ci City Leisure Sports Company Limited ^o 寧波合生慈城休閒體育發展有限公司 ^o	Mainland China 中國大陸	US\$10,000,000 10,000,000美元	—	100%	Property development 物業發展
Ningbo Hopson Kam City Real Estate Company Limited ^o 寧波合生錦城房地產有限公司 ^o	Mainland China 中國大陸	RMB150,000,000 人民幣150,000,000元	—	100%	Property development 物業發展
Ningbo Hopson Ming City Real Estate Company Limited ^o 寧波合生名城房地產有限公司 ^o	Mainland China 中國大陸	RMB10,000,000 人民幣10,000,000元	—	100%	Property development 物業發展
Ningbo Hopson Real Estate Company Limited ^o 寧波合生創展房地產有限公司 ^o	Mainland China 中國大陸	RMB220,000,000 人民幣220,000,000元	—	100%	Investment holding 投資控股
Outward Expanse Investments Limited 廣大投資有限公司	British Virgin Islands 英屬處女群島	US\$2 2美元	—	100%	Investment holding 投資控股
Panyu Zhujiang Real Estate Company Limited 番禺珠江房地產有限公司	Mainland China 中國大陸	RMB5,000,000 人民幣5,000,000元	—	100%	Property development 物業發展
Plaza Royale Water Palace Convention Hotel Tianjin Co. Limited ^A 天津帝景溫泉酒店有限公司 ^A	Mainland China 中國大陸	RMB72,000,000 人民幣72,000,000元	—	70%	Hotel operation 酒店經營
Pomeroy Properties Limited 邦萊置業有限公司	British Virgin Islands 英屬處女群島	US\$2 2美元	—	100%	Investment holding 投資控股
Prestige Dragon Development Limited 譽龍發展有限公司	Hong Kong 香港	HK\$10,000 10,000港元	—	100%	Investment holding 投資控股
Right Strong International Limited 信能國際有限公司	Hong Kong 香港	HK\$1 1港元	—	100%	Investment holding 投資控股

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

42 DETAILS OF PRINCIPAL SUBSIDIARIES (Continued) 42 主要附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及營運地點	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 集團應佔股權百分比		Principal activities 主要業務
			Directly 直接	Indirectly 間接	
Shanghai Dazhan Investment Management Company Limited ^o 上海大展投資管理有限公司 ^o	Mainland China 中國大陸	RMB900,000,000 人民幣900,000,000元	—	100%	Property development 物業發展
Shanghai Hechuang Lin Hai Property Development Company Limited 上海合創臨海房地產開發有限公司	Mainland China 中國大陸	RMB600,000,000 人民幣600,000,000元	—	100%	Property development 物業發展
Shanghai Hopson Property Development Company Limited [#] 上海合生房地產開發有限公司 [#]	Mainland China 中國大陸	US\$59,900,000 59,900,000美元	—	100%	Property development 物業發展
Shanghai Long Jia Properties Limited ^o 上海龍嘉置業有限公司 ^o	Mainland China 中國大陸	RMB20,000,000 人民幣20,000,000元	—	100%	Property development 物業發展
Shanghai Lung Meng Real Estate Development Company Limited [#] 上海龍盟房地產開發有限公司 [#]	Mainland China 中國大陸	US\$44,370,000 44,370,000美元	—	100%	Property development 物業發展
Shanghai Shangzhi Haiyun Properties Company Limited ^o 上海上實海雲置業有限公司 ^o	Mainland China 中國大陸	RMB400,000,000 人民幣400,000,000元	—	100%	Property development 物業發展
Shanghai Son Xiang Real Estate Development Company Limited [#] 上海三象房產發展有限公司 [#]	Mainland China 中國大陸	US\$8,000,000 8,000,000美元	—	100%	Property development 物業發展
Shanghai Yu Tai Real Estate Development Company Limited ^o 上海御泰房地產發展有限公司 ^o	Mainland China 中國大陸	RMB400,000,000 人民幣400,000,000元	—	100%	Property development 物業發展
Shanghai Ze Yu Properties Limited ^o 上海澤宇置業有限公司 ^o	Mainland China 中國大陸	RMB50,000,000 人民幣50,000,000元	—	94%	Property development 物業發展
Shanghai Zhengze Real Estate Development Company Limited ^o 上海正澤房地產有限公司 ^o	Mainland China 中國大陸	RMB50,000,000 人民幣50,000,000元	—	100%	Property development 物業發展

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

42 DETAILS OF PRINCIPAL SUBSIDIARIES (Continued) 42 主要附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及營運地點	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 集團應佔股權百分比		Principal activities 主要業務
			Directly 直接	Indirectly 間接	
Shanxi Hopson Dijing Construction Company Limited ^g 山西合生帝景建設有限公司 ^g	Mainland China 中國大陸	RMB185,000,000 人民幣185,000,000元	—	100%	Property development 物業發展
Shine Wealth Consultants Limited 亮豐顧問有限公司	British Virgin Islands 英屬處女群島	US\$1 1美元	—	100%	Provision of consultancy services 提供顧問服務
Size Up Investments Limited 廣都投資有限公司	Hong Kong 香港	HK\$1 1港元	—	100%	Investment holding 投資控股
Solawide Properties Limited 崇偉置業有限公司	British Virgin Islands 英屬處女群島	US\$2 2美元	—	100%	Investment holding 投資控股
Suizhong Haisheng Tourism Development Corporation ^g 綴中海盛旅遊置業發展有限公司 ^g	Mainland China 中國大陸	RMB10,000,000 人民幣10,000,000元	—	51%	Property development 物業發展
Sun Advance Investments Limited 日進投資有限公司	British Virgin Islands 英屬處女群島	US\$1 1美元	—	100%	Investment holding 投資控股
Sun Yick Properties Limited 新益置業有限公司	British Virgin Islands 英屬處女群島	US\$2 2美元	—	100%	Investment holding 投資控股
Tianjin Babo Real Estate Development Company Limited ^h 天津市巴博房地產開發有限公司 ^h	Mainland China 中國大陸	RMB20,000,000 人民幣20,000,000元	—	100%	Property development 物業發展
Tianjin Hopson Binhai Real Estate Development Company Limited ¹ 天津合生濱海房地產開發有限公司 ¹	Mainland China 中國大陸	RMB375,826,000 人民幣375,826,000元	—	98.9%	Property development 物業發展
Tianjin Hopson Environmental Protection and Energy Saving Technology Development Company Limited ^h 天津合生環保節能技術開發有限公司 ^h	Mainland China 中國大陸	US\$500,000 500,000美元	—	75%	Research and development of environmental technology and product 研究及開發環保技術及產品

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

42 DETAILS OF PRINCIPAL SUBSIDIARIES (Continued) 42 主要附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及營運地點	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 集團應佔股權百分比		Principal activities 主要業務
			Directly 直接	Indirectly 間接	
Tianjin Hopson Zhujiang Real Estate Development Limited ¹ 天津合生珠江房地產開發有限公司 ¹	Mainland China 中國大陸	RMB280,000,000 人民幣280,000,000元	—	92.3%	Property development 物業發展
Tianjin Jade Buddha Temple Museum Management Company Limited 天津市寶坻區玉佛宮博物館經營管理有限公司	Mainland China 中國大陸	RMB5,000,000 人民幣5,000,000元	—	100%	Museum operation 博物館經營管理
Tianjin Meixin Architectural Design Company Limited ^o 天津美新建築設計有限公司 ^o	Mainland China 中國大陸	RMB3,000,000 人民幣3,000,000元	—	100%	Architectural Design 建築設計
Tumen Properties Limited 祥能置業有限公司	British Virgin Islands 英屬處女群島	US\$2 2美元	—	100%	Investment holding 投資控股
Trisum Investment Limited 豐深投資有限公司	Hong Kong 香港	HK\$5,000,000 5,000,000港元	—	100%	Investment holding 投資控股
Value-Added Guangzhou Limited ^o 廣州市加益有限公司 ^o	Mainland China 中國大陸	RMB8,000,000 人民幣8,000,000元	—	70%	Property development 物業發展
Zhejiang Ke Hua Digital Plaza Company Limited ^o 浙江科華數碼廣場有限公司 ^o	Mainland China 中國大陸	RMB10,000,000 人民幣10,000,000元	—	95%	Property development 物業發展
Zhongshan Hopson Hao Jing Real Estate Company Limited ^o 中山市合生灝景房地產有限公司 ^o	Mainland China 中國大陸	RMB10,000,000 人民幣10,000,000元	—	100%	Property development 物業發展
Zhongshan Hopson Hong Jing Real Estate Company Limited ^o 中山市合生宏景房地產有限公司 ^o	Mainland China 中國大陸	RMB10,000,000 人民幣10,000,000元	—	100%	Property development 物業發展

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

42 DETAILS OF PRINCIPAL SUBSIDIARIES (Continued) 42 主要附屬公司詳情(續)

Name of company 公司名稱	Place of incorporation and operations 註冊成立及營運地點	Issued and fully paid capital 已發行及繳足股本	Percentage of equity interest attributable to the Group 集團應佔股權百分比		Principal activities 主要業務
			Directly 直接	Indirectly 間接	
Zhongshan Hopson Xi Jing Real Estate Company Limited [°] 中山市合生熙景房地產有限公司 [°]	Mainland China 中國大陸	RMB10,000,000 人民幣10,000,000元	—	100%	Property development 物業發展
Zhongxian International Company Limited [°] 中先國際控股有限公司 [°]	Mainland China 中國大陸	RMB900,000,000 人民幣900,000,000元	—	100%	Property development 物業發展

[#] These are wholly owned foreign enterprises established in Mainland China.

[#] 該等為於中國大陸成立之全資擁有外資企業。

[△] These are equity joint ventures established in Mainland China.

[△] 該等為於中國大陸成立之合資合營企業。

[†] These are cooperative joint ventures established in Mainland China.

[†] 該等為於中國大陸成立之合作合營企業。

[°] These are domestic enterprises established in Mainland China.

[°] 該等為於中國大陸成立之內資企業。

[^] These are foreign enterprises established in Mainland China.

[^] 該等為於中國大陸成立之外資企業。

Notes:

附註：

(i) The non-voting deferred shares have no voting rights and are not entitled to any dividend or distributions upon winding up unless a sum of HK\$100,000,000,000,000 has been distributed to the holders of the ordinary shares and thereafter one-half of the assets are distributable to holders of the non-voting deferred shares.

(i) 無投票權遞延股份並無投票權，無權收取任何股息或無權於清盤時享有分派，除非100,000,000,000,000港元已分派予普通股持有人，則其後資產之一半可分派予無投票權遞延股份持有人。

(ii) These are subsidiaries because the Group has the power to govern the financial and operating policies of these companies, notwithstanding that the Group's equity interests in these companies are not more than 50%.

(ii) 儘管本集團於該等公司之股本權益並不超過50%，該等公司為附屬公司乃由於本集團有權規管該等公司之財務及經營政策。

Notes to the Consolidated Financial Statements (continued) 綜合財務報表附註(續)

43 EVENTS AFTER THE BALANCE SHEET DATE

- (a) On 21st January 2011, the Company issued 11.75% senior notes with an aggregate nominal value of US\$300,000,000 (equivalent to approximately HK\$2,340,000,000). The senior notes mature in five years (January 2016) and are repayable at their nominal value of US\$300,000,000. The Company will be entitled at its option to redeem all or a portion of the senior notes on or after 21st January 2014 at the redemption prices specified in the offering circular, plus accrued and unpaid interests to the redemption date.
- (b) On 22nd February 2011, the Company's acquisition of the entire issued share capital of Sun Excel Investments Limited from Farrich Investments Limited and the terms of the Share Purchase Agreement (as varied and amended by the Supplemental Agreement) relating to the acquisition of the project located in Majuqiao Town of Tongzhou District in Beijing for a consideration of RMB6,605,066,000, which constituted a major and connected transaction of the Company was approved by the independent shareholders of the Company at a special general meeting of the Company.

43 結算日後事項

- (a) 於二零一一年一月二十一日，本公司發行總面值為300,000,000美元(相等於約2,340,000,000港元)的11.75厘優先票據。優先票據於五年後(二零一六年一月)到期，須按面值300,000,000美元償還。本公司有權選擇於二零一四年一月二十一日或之後按發售通函訂明之贖回價另加相關贖回日的累計未付利息，贖回全部或部份優先票據。
- (b) 於二零一一年二月二十二日，本公司向遠富投資有限公司收購日佳投資有限公司全部已發行股本以及股份購買協議(經補充協議更改及修訂)以代價人民幣6,605,066,000元收購於北京通州區馬駒橋鎮項目的條款構成本公司一項重大及關連交易，已獲本公司獨立股東於本公司股東特別大會上批准。

Report on Review of Interim Financial Information

中期財務資料的審閱報告



**TO THE BOARD OF DIRECTORS OF
HOPSON DEVELOPMENT HOLDINGS LIMITED**
(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 26 to 66, which comprises the condensed consolidated balance sheet of Hopson Development Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th June 2012 and the related condensed consolidated income statement, statement of comprehensive income, cash flow statement and statement of changes in equity for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

羅兵咸永道

致合生創展集團有限公司
董事會
(於百慕達註冊成立的有限公司)

引言

本核數師(以下簡稱「我們」)已審閱列載於第26至66頁的中期財務資料,此中期財務資料包括合生創展集團有限公司(「貴公司」)及其附屬公司(合稱「貴集團」)於二零一二年六月三十日的簡明綜合資產負債表與截至該日止六個月期間的相關簡明綜合損益表、簡明綜合全面收入報表、簡明綜合現金流量表和簡明綜合權益變動表,以及主要會計政策概要和其他附註解釋。香港聯合交易所有限公司證券上市規則規定,就中期財務資料編製的報告必須符合以上規則的有關係文以及香港會計師公會頒佈的香港會計準則第34號「中期財務報告」。貴公司董事須負責根據香港會計準則第34號「中期財務報告」編製及列報此中期財務資料。我們的責任是根據我們的審閱對此中期財務資料作出結論,並按照委聘之條款僅向整體董事會報告,除此之外本報告別無其他目的。我們不會就本報告的內容向任何其他人士負責或承擔任何責任。

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28th August 2012

審閱範圍

我們已根據香港會計師公會頒佈的香港審閱準則第2410號「由實體的獨立核數師執行中期財務資料審閱」進行審閱。審閱中期財務資料包括主要向負責財務和會計事務的人員作出查詢，及應用分析性和其他審閱程序。審閱的範圍遠較根據香港審計準則進行審核的範圍為小，故不能令我們可保證我們將知悉在審核中可能被發現的所有重大事項。因此，我們不會發表審核意見。

結論

按照我們的審閱，我們並無發現任何事項，令我們相信中期財務資料在各重大方面未有根據香港會計準則第34號「中期財務報告」編製。

羅兵咸永道會計師事務所
執業會計師

香港，二零一二年八月二十八日

Condensed Consolidated Balance Sheet

簡明綜合資產負債表

			As at 30th June 2012 於二零一二年 六月三十日 Unaudited 未經審核 HK\$'000 千港元	As at 31st December 2011 於二零一一年 十二月三十一日 Audited 經審核 HK\$'000 千港元
		Note 附註		
ASSETS	資產			
Non-current assets	非流動資產			
Land costs	土地成本	7	711,506	714,967
Prepayments for acquisition of land	收購土地預付款項		130,493	131,221
Properties and equipment	物業及設備	7	3,236,764	3,264,839
Investment properties	投資物業	7	16,860,479	16,637,473
Intangible assets	無形資產	7	41,016	41,245
Investments in associates	於聯營公司之投資		152,329	151,685
Investments in jointly controlled entities	於共同控制實體之投資	8	1,742,079	1,753,004
Available-for-sale financial assets	可供出售財務資產		3,000,736	5,203,335
Deferred tax assets	遞延稅項資產		258,681	220,240
			26,134,083	28,118,009
Current assets	流動資產			
Prepayments for acquisition of land	收購土地預付款項		13,488,029	13,508,836
Properties under development for sale	可供出售之發展中物業		49,002,373	49,064,535
Completed properties for sale	可供出售之已落成物業		13,725,263	11,640,241
Financial assets at fair value through profit or loss	按公平值透過損益列賬之財務資產		12,696	11,456
Accounts receivable	應收賬款	9	262,324	232,940
Prepayments, deposits and other current assets	預付款項、按金及其他流動資產		3,707,571	3,634,376
Due from associates	應收聯營公司款項	25(b)	31,713	31,890
Due from related companies	應收關連公司款項	25(b)	5,849	6,188
Pledged/charged bank deposits	已抵押／押記銀行存款		1,270,227	1,030,093
Cash and cash equivalents	現金及現金等價物		4,430,581	2,618,161
			85,936,626	81,778,716
Total assets	總資產		112,070,709	109,896,725
EQUITY	權益			
Capital and reserves attributable to the Company's equity holders	本公司股權持有人應佔股本及儲備			
Share capital	股本	10	173,600	173,600
Reserves	儲備	11	41,678,715	40,910,852
			41,852,315	41,084,452
Non-controlling interests	非控制性權益		2,909,536	2,981,657
Total equity	權益總額		44,761,851	44,066,109

Condensed Consolidated Balance Sheet (continued)
簡明綜合資產負債表(續)

		Note	As at 30th June 2012 於二零一二年 六月三十日 Unaudited 未經審核 HK\$'000 千港元	As at 31st December 2011 於二零一一年 十二月三十一日 Audited 經審核 HK\$'000 千港元
LIABILITIES	負債			
Non-current liabilities	非流動負債			
Land cost payable	應付土地成本	13	28,679	81,481
Borrowings	借貸	14	19,694,329	21,718,581
Due to minority shareholders of subsidiaries	應付附屬公司少數股東 之款項	25(c)	437,401	439,841
Deferred tax liabilities	遞延稅項負債		5,593,268	5,816,801
			25,753,677	28,056,704
Current liabilities	流動負債			
Accounts payable	應付賬款	12	6,528,629	5,120,006
Land cost payable	應付土地成本	13	605,447	602,612
Borrowings	借貸	14	13,810,805	13,629,307
Deferred revenue	遞延收入		10,613,016	9,679,048
Accruals and other payables	應計款項及其他應付款項		3,001,023	2,962,465
Due to an associate	應付一間聯營公司之款項	25(b)	6,770	6,808
Due to related companies	應付關連公司之款項	25(b)	935,260	81,704
Due to a jointly controlled entity	應付一間共同控制實體 之款項	25(b)	1,559,558	1,574,135
Current tax liabilities	本期稅項負債		4,494,673	4,117,827
			41,555,181	37,773,912
Total liabilities	負債總額		67,308,858	65,830,616
Total equity and liabilities	權益及負債總額		112,070,709	109,896,725
Net current assets	流動資產淨值		44,381,445	44,004,804
Total assets less current liabilities	總資產減流動負債		70,515,528	72,122,813

Condensed Consolidated Income Statement

簡明綜合損益表

		Unaudited 未經審核	
		Six months ended 30th June 截至六月三十日止六個月	
		2012 二零一二年 HK\$'000 千港元	2011 二零一一年 HK\$'000 千港元
	Note 附註		
Revenues	6	5,122,555	4,833,445
Cost of sales	17	(2,836,980)	(2,576,703)
Gross profit		2,285,575	2,256,742
Gain on disposal of available-for-sale financial assets	15	1,729,556	—
Other income/gains, net	16	227,990	93,719
Selling and marketing expenses	17	(208,089)	(139,831)
General and administrative expenses	17	(560,524)	(393,337)
Operating profit		3,474,508	1,817,293
Finance income	18	10,603	13,918
Finance costs	18	(124,335)	(154,663)
Share of profit/(loss) of associates		1,490	(206)
Share of loss of a jointly controlled entity		(1,210)	(598)
Profit before taxation		3,361,056	1,675,744
Taxation	19	(767,883)	(621,572)
Profit for the period		2,593,173	1,054,172
Attributable to:			
Equity holders of the Company		2,631,219	1,019,852
Non-controlling interests		(38,046)	34,320
		2,593,173	1,054,172
Earnings per share for profit attributable to equity holders of the Company during the period (in HK\$ per share)			
— basic and diluted	20	1.516	0.582
Dividends	21	—	—

Condensed Consolidated Statement of Comprehensive Income

簡明綜合全面收入報表

		Unaudited 未經審核	
		Six months ended 30th June 截至六月三十日止六個月	
		2012 二零一二年 HK\$'000 千港元	2011 二零一一年 HK\$'000 千港元
	Note 附註		
Profit for the period	期內溢利	2,593,173	1,054,172
Other comprehensive income	其他全面收入		
Fair value (loss)/gain on available-for-sale financial assets	可供出售財務資產之公平值(虧損)/收益	(120,742)	1,589,575
Assets revaluation reserve realised upon disposal of available-for-sale financial assets	出售可供出售財務資產時變現之資產重估儲備	(1,581,316)	—
Assets revaluation reserve realised upon disposal of properties held for sale	出售持作出售物業時變現之資產重估儲備	(9,152)	(8,450)
Deferred tax	遞延稅項	206,677	(154,931)
Currency translation differences	貨幣匯兌差額	(375,202)	955,044
Other comprehensive income for the period, net of tax	期內其他全面收入，扣除稅項後	(1,879,735)	2,381,238
Total comprehensive income for the period	期內全面收入總額	713,438	3,435,410
Total comprehensive income attributable to:	下列人士應佔全面收入總額：		
Equity holders of the Company	本公司股權持有人	767,863	3,334,867
Non-controlling interests	非控制性權益	(54,425)	100,543
		713,438	3,435,410

Condensed Consolidated Cash Flow Statement

簡明綜合現金流量表

		Unaudited 未經審核	
		Six months ended 30th June 截至六月三十日止六個月	
		2012 二零一二年 HK\$'000 千港元	2011 二零一一年 HK\$'000 千港元
	Note 附註		
Cash flows from operating activities	經營活動之現金流量	2,367,953	(4,690,155)
Cash flows from investing activities	投資活動之現金流量		
Additions of properties and equipment	購入物業及設備	(71,341)	(13,008)
Deposit for proposed investment	建議投資之按金	—	(1,133,280)
Disposal of available-for-sale financial assets	出售可供出售財務資產	2,075,484	—
Other investing cash flows — net	其他投資現金流量淨額	(260,720)	(102,113)
Net cash from/(used in) investing activities	投資活動產生/(所用)之現金淨額	1,743,423	(1,248,401)
Cash flows from financing activities	融資活動之現金流量		
Dividends paid	已付股息	—	(300,531)
Repayments of borrowings	償還借貸	(7,628,735)	(2,658,830)
Other financing cash flows — net	其他融資現金流量淨額	5,349,374	10,424,983
Net cash (used in)/from financing activities	融資活動(所用)/產生之現金淨額	(2,279,361)	7,465,622
Net increase in cash and cash equivalents	現金及現金等價物之增加淨額	1,832,015	1,527,066
Cash and cash equivalents at beginning of the period	期初現金及現金等價物	2,618,161	2,573,604
Exchange (loss)/gain on cash and cash equivalents	現金及現金等價物之匯兌(虧損)/收益	(19,595)	77,486
Cash and cash equivalents at end of the period	期終現金及現金等價物	4,430,581	4,178,156

Condensed Consolidated Statement of Changes in Equity 簡明綜合權益變動表

		Unaudited 未經審核 Six months ended 30th June 2012 截至二零一二年六月三十日止六個月			
		Attributable to equity holders of the Company 本公司股權持有人應佔			
		Share capital	Reserves	Non- controlling interests	Total
		股本 HK\$'000 千港元	儲備 HK\$'000 千港元	非控制性 權益 HK\$'000 千港元	總計 HK\$'000 千港元
Balance at 1st January 2012	於二零一二年一月一日 之結餘	173,600	40,910,852	2,981,657	44,066,109
Total comprehensive income for the period	期內全面收入總額	—	767,863	(54,425)	713,438
Transactions with owners: Disposal of a subsidiary	與持有者交易： 出售一間附屬公司	—	—	(17,696)	(17,696)
Balance at 30th June 2012	於二零一二年六月三十日 之結餘	173,600	41,678,715	2,909,536	44,761,851

Condensed Consolidated Statement of Changes in Equity (continued)

簡明綜合權益變動表(續)

		Unaudited 未經審核 Six months ended 30th June 2011 截至二零一一年六月三十日止六個月			
		Attributable to equity holders of the Company 本公司股權持有人應佔			
		Share capital 股本 HK\$'000 千港元	Reserves 儲備 HK\$'000 千港元	Non- controlling interests 非控制性 權益 HK\$'000 千港元	Total 總計 HK\$'000 千港元
Balance at 1st January 2011	於二零一一年一月一日 之結餘	175,237	38,011,918	2,805,944	40,993,099
Total comprehensive income for the period	期內全面收入總額	—	3,334,867	100,543	3,435,410
Transactions with owners:	與持有者交易：				
Acquisition of equity interests of a subsidiary	收購一間附屬公司的 股權	—	—	56,510	56,510
Dividends paid	已付股息	—	(300,531)	—	(300,531)
		—	(300,531)	56,510	(244,021)
Balance at 30th June 2011	於二零一一年六月三十日 之結餘	175,237	41,046,254	2,962,997	44,184,488

Notes to the Interim Financial Information

中期財務資料附註

1 General Information

Hopson Development Holdings Limited (“the Company”) and its subsidiaries (together “the Group”) are mainly engaged in the development of residential properties in Mainland China. The Group is also involved in property investment, hotel operations and property management.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

This unaudited interim financial information is presented in Hong Kong dollars, unless otherwise stated, and has been approved for issue by the Board of Directors on 28th August 2012.

2 Basis of Preparation

This unaudited interim financial information for the six months ended 30th June 2012 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

This unaudited interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31st December 2011.

3 Accounting Policies

The accounting policies and methods of computation used in the preparation of this unaudited interim financial information are consistent with those used in the annual financial statements for the year ended 31st December 2011, except for the adoption of new/revised accounting standards as described below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

1 一般資料

合生創展集團有限公司(「本公司」)及其附屬公司(統稱「本集團」)主要於中國大陸從事住宅物業發展。本集團亦參與物業投資、酒店經營及物業管理。

本公司為於百慕達註冊成立的有限責任公司，其註冊辦事處地址為Clarendon House, 2 Church Street, Hamilton HM11, Bermuda。

本公司於香港聯合交易所有限公司(「聯交所」)上市。

除另有指明外，未經審核中期財務資料乃以港元呈列，並由董事會於二零一二年八月二十八日批准刊發。

2 編製基準

截至二零一二年六月三十日止六個月之未經審核中期財務資料乃按照香港會計師公會頒佈之香港會計準則(「香港會計準則」)第34號「中期財務報告」而編製。

本未經審核中期財務資料應與截至二零一一年十二月三十一日止年度之年度綜合財務報表一併閱讀。

3 會計政策

除採納下列所述的新訂或經修訂會計準則外，編製本未經審核中期財務資料所採用之會計政策及計算方法與截至二零一一年十二月三十一日止年度之年度財務報表所採納者一致。

中期期間之所得稅以適用於全年預期盈利總額之應計稅率計算。

3 Accounting Policies (Continued)

The adoption of new/revised Hong Kong Financial Reporting Standards (“HKFRS”)

In 2012, the Group adopted the following new or revised HKFRS, which are effective for accounting periods beginning on or after 1st January 2012 and relevant to the Group’s operations.

HKAS 12 Amendment	Deferred Tax: Recovery of Underlying Assets
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Annual improvements to HKFRS published in May 2011

HKFRS 7 Amendment	Disclosures — Transfers of financial assets
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HKAS 12 Amendment introduces a presumption that an investment property measured at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Prior to the amendment, deferred taxation on investment properties at fair value is measured to reflect the tax consequences of recovering the carrying amounts of investment properties through use.

The Group has reassessed the business models of the Group’s investment properties located in Mainland China. The carrying values of the investment properties are expected to be recovered through use and the presumption of sale for these investment properties is rebutted.

The Group has assessed the impact of the adoption of this amendment and considered that there was no significant impact on the Group’s results and financial position.

The adoption of the other amendment does not have effect on the results and financial position of the Group.

3 會計政策(續)

採納新訂／經修訂香港財務報告準則(「香港財務報告準則」)

於二零一二年，本集團採納以下於二零一二年一月一日或之後開始會計期間生效並與本集團業務有關之新訂或經修訂香港財務報告準則。

香港會計準則 第12號(修訂本)	遞延稅項： 相關資產的 收回
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於二零一一年五月發佈之香港財務報告準則年度改進

香港財務報告準則 第7號(修訂本)	披露—財務 資產的轉讓
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香港會計準則第12號(修訂本)提出以公平值計量之持有性物業將會透過出售方式全數收回之推斷。倘持有性物業被折舊及由一個業務模式持有並透過使用該物業所包含之絕大部分經濟利益(而非透過出售)以收回其賬面值時，則此推斷被推翻。在此修訂之前，有關以公平值計量之持有性物業之遞延稅項，會透過使用以反映持有性物業賬面值之稅務結果而作出計量。

本集團已重估本集團位於中國大陸之持有性物業之業務模式。因持有性物業之賬面值預期將透過使用收回，出售該等持有性物業之推斷被推翻。

本集團已評估採納此項修訂之影響，且認為並無對本集團之業績及財務狀況構成重大影響。

採納其他修訂並不影響本集團之業績及財務狀況。

3 Accounting Policies (Continued)

The adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRS") (Continued)

Standards, interpretations and amendments to existing standards that are relevant but not yet effective

3 會計政策(續)

採納新訂/經修訂香港財務報告準則(「香港財務報告準則」)(續)

有關但尚未生效之準則、現有準則詮釋及修訂

**Effective for
accounting
periods beginning
on or after
於以下日期或之後
開始之會計期間生效**

New or revised standards, interpretations and amendments

新訂或經修訂之準則、詮釋及修訂

HKFRS 7 Amendment 香港財務報告準則第7號(修訂本)	Disclosures — Offsetting Financial Assets 披露一抵銷財務資產	1st January 2013 二零一三年一月一日
HKAS 1 Amendment 香港會計準則第1號(修訂本)	Presentation of Financial Statements 財務報表之呈列	1st July 2012 二零一二年七月一日
HKAS 32 Amendment 香港會計準則第32號(修訂本)	Offsetting Financial Assets and Financial Liabilities 抵銷財務資產及財務負債	1st January 2014 二零一四年一月一日
HKAS 19 (2011) 香港會計準則第19號(二零一一年)	Employee Benefits 職工福利	1st January 2013 二零一三年一月一日
HKAS 27 (2011) 香港會計準則第27號(二零一一年)	Separate Financial Statements 獨立財務報表	1st January 2013 二零一三年一月一日
HKAS 28 (2011) 香港會計準則第28號(二零一一年)	Investments in Associates and Joint Ventures 於聯營公司及合營企業投資	1st January 2013 二零一三年一月一日
HKFRS 9 香港財務報告準則第9號	Financial Instruments 金融工具	1st January 2015 二零一五年一月一日
HKFRS 10 香港財務報告準則第10號	Consolidated Financial Statements 綜合財務報表	1st January 2013 二零一三年一月一日
HKFRS 11 香港財務報告準則第11號	Joint Arrangements 合營安排	1st January 2013 二零一三年一月一日
HKFRS 12 香港財務報告準則第12號	Disclosure of Interests in Other Entities 在其他主體權益的披露	1st January 2013 二零一三年一月一日
HKFRS 13 香港財務報告準則第13號	Fair Value Measurement 公平值計量	1st January 2013 二零一三年一月一日

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which are relevant to the Group's operation and will give rise to changes in accounting policies, disclosures or measurement of certain items in the financial statements. However, the Group is not yet in a position to ascertain their impact on its results of operations and financial position.

本集團已開始評估此等新訂或經修訂準則及修訂帶來之影響，當中若干與本集團之業務有關，並將導致須對會計政策、披露事宜或計量財務報表若干事項作出改動。然而，本集團尚未能確定其對本集團營運業績及財務狀況造成之影響。

4 Financial Risk Management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements for the year ended 31st December 2011.

5 Critical Accounting Estimates and Judgements

Estimates and judgements used are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The critical estimates and assumptions applied in the preparation of this interim financial information are consistent with those used in the annual consolidated financial statements for the year ended 31st December 2011.

6 Segment Information

The chief operating decision maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Executive Directors consider the business from both a business and geographic perspective. Reportable business segments identified are property development, property investment, hotel operations and property management. Geographically, the Executive Directors consider that the reportable business segments can be further segregated into three main geographical areas, namely Southern China (SC) (including Guangzhou, Huizhou, Zhongshan and Hong Kong), Northern China (NC) (including Beijing, Tianjin, Dalian, Taiyuan and Qinhuangdao) and Eastern China (EC) (including Shanghai, Hangzhou and Ningbo).

The Executive Directors assess the performance of the operating segments based on a measure of adjusted segment results. Corporate expense, finance income and finance costs are not included in the results for each operating segment that is reviewed by the Executive Directors.

4 財務風險管理

本集團之財務風險管理目標及政策在各方面與截至二零一一年十二月三十一日止年度之年度綜合財務報表所披露者貫徹一致。

5 重要會計推算及判斷

推算及判斷乃持續進行之評估，並以過往經驗及其他因素作為基礎，包括在若干情況下對未來事件之合理預期。在定義上，由此而生之會計推算極少與相關實際結果相同。

編製本中期財務資料所應用之重要推算及假設，與截至二零一一年十二月三十一日止年度之年度綜合財務報表所使用者貫徹一致。

6 分部資料

最高營運決策者已定為執行董事。執行董事審閱本集團內部報告，以評估表現及分配資源。管理層已根據該等報告釐定營運分部。

執行董事會從商業及地理角度考慮業務。已識別之可呈報業務分部包括物業發展、物業投資、酒店營運及物業管理。就地理方面而言，執行董事認為可呈報業務分部可進一步劃分為三個主要地區，即華南(包括廣州、惠州、中山及香港)、華北(包括北京、天津、大連、太原及秦皇島)及華東(包括上海、杭州及寧波)。

執行董事根據經調整分部業績評估營運分部之表現。公司開支、財務收入及財務成本並無計入執行董事所審閱之各營運分部業績。

6 Segment Information (Continued)

Segment assets consist primarily of properties and equipment, investment properties, investments in jointly controlled entities, properties under development for sale, completed properties for sale, prepayments for acquisition of land, prepayments, deposits and other current assets and cash and cash equivalents. They exclude available-for-sale financial assets which are managed on a central basis, and deferred tax assets. These are part of the reconciliation to total balance sheet assets.

Segment results by business lines and geographical areas

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the consolidated income statement.

Revenues comprise turnover which included gross proceeds from sale of properties, revenue from rental and hotel operations, and property management income.

6 分部資料(續)

分部資產主要包括物業及設備、投資物業、於共同控制實體之投資、可供出售之發展中物業、可供出售之已落成物業、收購土地預付款項、預付款項、按金及其他流動資產以及現金及現金等價物。其不包括集中管理之可供出售財務資產以及遞延稅項資產。該等資產為資產負債表合計之對賬部分。

按業務及地區劃分之分部業績

分部間銷售乃按公平交易條款進行。向執行董事呈報之外來收益按與綜合損益表一致之方式計量。

收益由物業銷售所得款總項、租金及酒店營運收益及物業管理營業額組成。

		Six months ended 30th June	
		截至六月三十日止六個月	
		2012	2011
		二零一二年	二零一一年
		HK\$'000	HK\$'000
		千港元	千港元
Sales of properties	物業銷售	4,605,321	4,460,389
Property management income	物業管理收入	277,597	235,072
Income from hotel operations	酒店營運收入	112,063	92,496
Rental income	租金收入		
— Investment properties	— 投資物業	59,495	4,507
— Others	— 其他	68,079	40,981
		5,122,555	4,833,445

6 Segment Information (Continued)

Segment results by business lines and geographical areas (Continued)

The segment results by business lines and by geographical areas for the six months ended 30th June 2012 are as follows:

6 分部資料(續)

按業務及地區劃分之分部業績(續)

截至二零一二年六月三十日止六個月按業務及地區劃分之分部業績如下：

		Property development			Property investment			Hotel operations		Property management	Group
		物業發展			物業投資			酒店營運		物業管理	集團
		SC 華南	EC 華東	NC 華北	SC 華南	EC 華東	NC 華北	SC 華南	NC 華北	HKS'000	HKS'000
		HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
		千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元
Six months ended	截至二零一二年										
30th June 2012	六月三十日止六個月										
Total revenues	總收益	1,130,596	2,546,662	1,125,089	24,180	35,315	—	16,462	95,601	278,931	5,252,836
Inter-segment revenues	分部間收益	(115,748)	—	(13,199)	—	—	—	—	—	(1,334)	(130,281)
Revenues	收益	1,014,848	2,546,662	1,111,890	24,180	35,315	—	16,462	95,601	277,597	5,122,555
Adjusted segment results	經調整分部業績	290,550	1,055,385	259,032	(70,264)	208,386	(4,581)	(5,834)	(84,134)	20,271	1,668,811
Depreciation	折舊	(3,761)	(1,750)	(8,238)	(65)	(68)	(12)	(3,677)	(59,792)	(1,157)	(78,520)
Amortisation	攤銷	—	—	—	—	—	—	(1,599)	(1,726)	—	(3,325)
Fair value (loss)/gain on investment properties	投資物業之公平值(虧損)/收益	—	—	—	(81,013)	193,126	(4,416)	—	—	—	107,697
Share of profit of associates	分佔聯營公司溢利	95	—	1,395	—	—	—	—	—	—	1,490
Share of loss of a jointly controlled entity	分佔一間共同控制實體虧損	—	—	(1,210)	—	—	—	—	—	—	(1,210)

6 Segment Information (Continued)

Segment results by business lines and geographical areas (Continued)

The segment results by business lines and by geographical areas for the six months ended 30th June 2011 are as follows:

6 分部資料(續)

按業務及地區劃分之分部業績(續)

截至二零一一年六月三十日止六個月按業務及地區劃分之分部業績如下：

		Property development			Property investment			Hotel operations			Property	Group
		物業發展			物業投資			酒店營運			物業管理	
		SC	EC	NC	SC	EC	NC	SC	EC	NC		
		華南	華東	華北	華南	華東	華北	華南	華東	華北		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
		千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	
Six months ended	截至二零一一年											
30th June 2011	六月三十日											
	止六個月											
Total revenues	總收益	1,306,183	1,615,465	1,739,664	3,847	660	—	17,131	—	75,365	238,825	4,997,140
Inter-segment revenues	分部間收益	(137,318)	—	(22,624)	—	—	—	—	—	—	(3,753)	(163,695)
Revenues	收益	1,168,865	1,615,465	1,717,040	3,847	660	—	17,131	—	75,365	235,072	4,833,445
Adjusted segment results	經調整 分部業績	431,962	832,200	481,968	3,111	4,832	1,170	5,308	(528)	(51,115)	19,558	1,728,466
Depreciation	折舊	(4,034)	(1,228)	(5,708)	(87)	(62)	—	(3,485)	—	(58,255)	(988)	(73,847)
Amortisation	攤銷	—	—	—	—	—	—	(1,535)	—	(1,658)	—	(3,193)
Fair value gain on investment properties	投資物業之 公平值收益	—	—	—	7,212	10,204	1,360	—	—	—	—	18,776
Share of loss of associates	分佔聯營公司 虧損	(194)	—	(12)	—	—	—	—	—	—	—	(206)
Share of loss of a jointly controlled entity	分佔一間共同 控制實體虧損	—	—	(598)	—	—	—	—	—	—	—	(598)

Notes to the Interim Financial Information (continued)
 中期財務資料附註(續)

6 Segment Information (Continued)

Segment results by business lines and geographical areas (Continued)

The segment assets by business lines and by geographical areas as at 30th June 2012 are as follows:

		Property development 物業發展			Property investment 物業投資			Hotel operations 酒店營運			Property management 物業管理	Group 集團
		SC 華南	EC 華東	NC 華北	SC 華南	EC 華東	NC 華北	SC 華南	EC 華東	NC 華北	HK\$'000 千港元	HK\$'000 千港元
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
As at and for the six months ended 30th June 2012	於二零一二年六月三十日及截至該日止六個月	34,017,482	18,293,608	35,105,106	5,290,158	11,180,725	1,113,778	657,804	137,862	2,731,125	283,644	108,811,292
Segment assets include:	分部資產包括:											
Investments in associates	於聯營公司之投資	2,420	—	149,909	—	—	—	—	—	—	—	152,329
Investments in jointly controlled entities	於共同控制實體之投資	167,440	—	1,574,639	—	—	—	—	—	—	—	1,742,079
Additions to non-current assets (other than financial instruments and deferred tax assets)	添置非流動資產(不包括金融工具及遞延稅項資產)	2,413	130	1,673	92,142	111,941	4,416	959	50,895	18,437	574	283,580

The segment assets by business lines and by geographical areas as at 31st December 2011 are as follows:

		Property development 物業發展			Property investment 物業投資			Hotel operations 酒店營運			Property management 物業管理	Group 集團
		SC 華南	EC 華東	NC 華北	SC 華南	EC 華東	NC 華北	SC 華南	EC 華東	NC 華北	HK\$'000 千港元	HK\$'000 千港元
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
As at 31st December 2011	於二零一一年十二月三十一日	31,692,887	18,324,211	33,518,088	5,370,445	10,491,960	1,119,520	931,398	87,427	2,776,352	160,862	104,473,150
Segment assets include:	分部資產包括:											
Investments in associates	於聯營公司之投資	2,339	—	149,346	—	—	—	—	—	—	—	151,685
Investments in jointly controlled entities	於共同控制實體之投資	168,373	—	1,584,631	—	—	—	—	—	—	—	1,753,004
Additions to non-current assets (other than financial instruments and deferred tax assets)	添置非流動資產(不包括金融工具及遞延稅項資產)	172,753	6,517	114,890	165,399	645,137	19,537	29,234	57,226	17,459	4,280	1,232,432

6 分部資料(續)

按業務及地區劃分之分部業績(續)

於二零一二年六月三十日按業務及地區劃分之分部資產如下:

於二零一一年十二月三十一日按業務及地區劃分之分部資產如下:

6 Segment Information (Continued)

Segment results by business lines and geographical areas (Continued)

Reconciliation of reportable segment profit from operations to profit before taxation is as follows:

		Six months ended 30th June 截至六月三十日止六個月	
		2012 二零一二年 HK\$'000 千港元	2011 二零一一年 HK\$'000 千港元
Reportable segment profit from operations	可呈報分部經營溢利	1,668,811	1,728,466
Unallocated corporate (expenses)/income, net	未分配公司(開支)/收入, 淨額	(39,226)	38,724
Dividend income from available-for-sale financial assets	於可供出售財務資產獲取之股息收入	115,647	49,299
Gain on disposal of available-for-sale financial assets	出售可供出售財務資產收益	1,729,556	—
Finance income	財務收入	10,603	13,918
Finance costs	財務成本	(124,335)	(154,663)
Profit before taxation	除稅前溢利	3,361,056	1,675,744

Reconciliation of reportable segment assets to total assets is as follows:

		As at 於	
		30th June 2012 二零一二年 六月三十日 HK\$'000 千港元	31st December 2011 二零一一年 十二月三十一日 HK\$'000 千港元
Total segment assets	分部資產總額	108,811,292	104,473,150
Available-for-sale financial assets	可供出售財務資產	3,000,736	5,203,335
Deferred tax assets	遞延稅項資產	258,681	220,240
Total assets	總資產	112,070,709	109,896,725

The Group primarily operates in Mainland China. All revenues for the six months ended 30th June 2012 and 2011 are from Mainland China.

As at 30th June 2012 and 31st December 2011, all non-current assets, other than financial instruments and deferred tax assets are located in Mainland China.

6 分部資料(續)

按業務及地區劃分之分部業績(續)

可呈報分部之經營溢利與除稅前溢利對賬如下:

		Six months ended 30th June 截至六月三十日止六個月	
		2012 二零一二年 HK\$'000 千港元	2011 二零一一年 HK\$'000 千港元
Reportable segment profit from operations	可呈報分部經營溢利	1,668,811	1,728,466
Unallocated corporate (expenses)/income, net	未分配公司(開支)/收入, 淨額	(39,226)	38,724
Dividend income from available-for-sale financial assets	於可供出售財務資產獲取之股息收入	115,647	49,299
Gain on disposal of available-for-sale financial assets	出售可供出售財務資產收益	1,729,556	—
Finance income	財務收入	10,603	13,918
Finance costs	財務成本	(124,335)	(154,663)
Profit before taxation	除稅前溢利	3,361,056	1,675,744

可呈報分部之資產與總資產對賬如下:

		As at 於	
		30th June 2012 二零一二年 六月三十日 HK\$'000 千港元	31st December 2011 二零一一年 十二月三十一日 HK\$'000 千港元
Total segment assets	分部資產總額	108,811,292	104,473,150
Available-for-sale financial assets	可供出售財務資產	3,000,736	5,203,335
Deferred tax assets	遞延稅項資產	258,681	220,240
Total assets	總資產	112,070,709	109,896,725

本集團主要於中國大陸經營業務。截至二零一二年及二零一一年六月三十日止六個月, 所有收益均來自中國大陸。

於二零一二年六月三十日及二零一一年十二月三十一日, 所有非流動資產(不包括金融工具及遞延稅項資產)均位於中國大陸。

7 Capital Expenditure

7 資本開支

		Intangible assets 無形資產 HK\$'000 千港元	Investment properties 投資物業 HK\$'000 千港元	Properties and equipment 物業及設備 HK\$'000 千港元	Land costs 土地成本 HK\$'000 千港元
Opening net book amount as at 1st January 2012	於二零一二年 一月一日之期 初賬面淨值	41,245	16,637,473	3,264,839	714,967
Additions (including capitalisation of interest and land costs amortisation)	新增(包括資本化 利息及土地成本 攤銷)	—	208,431	71,341	3,808
Revaluation surplus	重估盈餘	—	107,697	—	—
Depreciation and amortisation	折舊及攤銷	—	—	(78,520)	(3,325)
Exchange difference	匯兌差額	(229)	(93,122)	(20,896)	(3,944)
Closing net book amount as at 30th June 2012	於二零一二年 六月三十日之 期末賬面淨值	41,016	16,860,479	3,236,764	711,506
Opening net book amount as at 1st January 2011	於二零一一年 一月一日之 期初賬面淨值	124,837	15,405,498	3,199,845	622,193
Additions (including capitalisation of interest and land costs amortisation)	新增(包括資本化 利息及土地成本 攤銷)	—	472,145	13,008	22,519
Acquisition of equity interests of a subsidiary	收購一間附屬公司 之股權	—	—	4,755	—
Revaluation surplus	重估盈餘	—	18,776	—	—
Disposals	出售	—	—	(358)	—
Depreciation and amortisation	折舊及攤銷	—	—	(73,847)	(3,193)
Exchange difference	匯兌差額	2,898	363,411	73,644	14,830
Closing net book amount as at 30th June 2011	於二零一一年 六月三十日之 期末賬面淨值	127,735	16,259,830	3,217,047	656,349

8 Investments in Jointly Controlled Entities

8 於共同控制實體之投資

		Share of net assets 分佔淨資產 HK\$'000 千港元	Advance 墊款 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1st January 2012	於二零一二年一月一日	964,506	788,498	1,753,004
Share of post-acquisition results	分佔收購後業績	(1,210)	—	(1,210)
Exchange difference	匯兌差額	(5,345)	(4,370)	(9,715)
At 30th June 2012	於二零一二年六月三十日	957,951	784,128	1,742,079
At 1st January 2011	於二零一一年一月一日	874,333	638,590	1,512,923
Share of post-acquisition results	分佔收購後業績	(598)	—	(598)
Exchange difference	匯兌差額	20,293	14,827	35,120
At 30th June 2011	於二零一一年六月三十日	894,028	653,417	1,547,445

Investments in jointly controlled entities represent the Group's investments in Beijing Dongfangwenhua International Properties Company Limited ("BJ Dongfangwenhua"), a company with a property development project in Beijing, Mainland China and Guangzhou Dongtai Textile Company Limited ("GZ Dongtai"), a company with a property development project in Guangzhou, Mainland China.

In 2007, the Group acquired 60.98% equity interest in BJ Dongfangwenhua, for a total consideration and capital contribution of HK\$820,190,000 (equivalent to approximately RMB795,584,000). The Group is responsible for contributing 97% of the capital of BJ Dongfangwenhua and is entitled to 57.14% of the voting power in the Board of Directors of BJ Dongfangwenhua. Ordinary resolutions of BJ Dongfangwenhua require 75% of the voting of the Board of Directors. Besides, the Group is entitled to 100% of the profit arising from the office building (South) and 45% of the profit arising from the office building (North) in the property development project.

In 2011, the Group acquired 65% of equity interest in GZ Dongtai, for a total consideration and capital contribution of HK\$164,146,000 (equivalent to approximately RMB136,500,000). The Group is entitled to 57.14% of the voting power in the Board of Directors of GZ Dongtai. Ordinary resolutions of GZ Dongtai require 66.7% of the voting of the Board of Directors.

於共同控制實體之投資乃指本集團於北京東方文華國際置業有限公司(「北京東方文華」)，一間擁有中國北京一個物業發展項目之公司之投資，及廣州東泰紡織產業有限公司(「廣州東泰」)，一間擁有中國廣州一個物業發展項目之公司之投資。

於二零零七年，本集團收購北京東方文華之60.98%股權，代價及資本注資總額為820,190,000港元(相當於約人民幣795,584,000元)。本集團有責任分擔北京東方文華之97%資本貢獻及有權擁有北京東方文華57.14%董事會投票權。北京東方文華之普通決議案須董事會75%投票權。此外，本集團亦有權分佔北京東方文華來自寫字樓(南)之100%溢利及來自物業發展項目寫字樓(北)中之45%溢利。

於二零一一年，本集團收購廣州東泰65%之股權，總代價及資本貢獻為164,146,000港元(相當於約人民幣136,500,000元)。本集團於廣州東泰擁有57.14%的董事會投票權。廣州東泰之普通決議案須董事會66.7%的投票。

9 Accounts Receivable

Consideration in respect of properties sold is generally payable by the buyers at the time of completion of the sale and purchase agreements. Rentals in respect of leased properties and property management fees are generally payable in advance on a monthly basis.

The ageing analysis of accounts receivable is as follows:

		As at 於	
		30th June 2012 二零一二年 六月三十日 HK\$'000 千港元	31st December 2011 二零一一年 十二月三十一日 HK\$'000 千港元
0 to 3 months	0至3個月	67,521	72,889
3 to 6 months	3至6個月	19,934	13,836
6 to 9 months	6至9個月	16,687	7,359
9 to 12 months	9至12個月	12,356	8,817
Over 12 months	超過12個月	145,826	130,039
		262,324	232,940

Carrying values of accounts receivable denominated in Renminbi approximate their fair values.

As at 30th June 2012, approximately 9.8% (2011: 11%) of the accounts receivable was due from one (2011: one) customer. Other than this, there is no concentration of credit risk with respect to accounts receivable as the Group has a large number of customers.

9 應收賬款

已出售物業之代價一般須於買賣協議完成當日由買方支付。租賃物業之租金及物業管理費一般須每月預付。

應收賬款之賬齡分析如下：

		As at 於	
		30th June 2012 二零一二年 六月三十日 HK\$'000 千港元	31st December 2011 二零一一年 十二月三十一日 HK\$'000 千港元
0 to 3 months	0至3個月	67,521	72,889
3 to 6 months	3至6個月	19,934	13,836
6 to 9 months	6至9個月	16,687	7,359
9 to 12 months	9至12個月	12,356	8,817
Over 12 months	超過12個月	145,826	130,039
		262,324	232,940

應收賬款以人民幣計值。其賬面值與其公平值相若。

於二零一二年六月三十日，應收賬款中約有9.8% (二零一一年：11%) 乃由一名 (二零一一年：一名) 客戶結欠。除此以外，由於本集團顧客眾多，應收賬款並無信貸集中風險。

10 Share Capital

10 股本

		Number of ordinary shares	Par value
		普通股數目	面值
		'000	HK\$'000
		千股	千港元
At 1st January 2011 and 30th June 2011	於二零一一年一月一日及 二零一一年六月三十日	1,752,367	175,237
Repurchase of own shares	購回本身股份	(16,364)	(1,637)
At 31st December 2011 and 30th June 2012	於二零一一年十二月三十一日及 二零一二年六月三十日	1,736,003	173,600

The total authorised number of ordinary shares is 3,000,000,000 shares (31st December 2011: 3,000,000,000 shares) with a par value of HK\$0.1 per share (31st December 2011: HK\$0.1 per share).

法定普通股總數為3,000,000,000股(二零一一年十二月三十一日: 3,000,000,000股)每股面值0.1港元(二零一一年十二月三十一日: 每股0.1港元)之股份。

All issued shares are fully paid.

所有已發行股份均已繳足股款。

In September and October 2011, the Company repurchased 16,364,000 shares for approximately HK\$70,379,000. These shares were subsequently cancelled.

於二零一一年九月及十月,本公司購回16,364,000股股份,代價約70,379,000港元。該等股份其後註銷。

Share Options

The Company has an employee share options scheme, under which it may grant options to employees (including executive directors of the Company) to subscribe for shares in the Company, subject to a limit that the total number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the share options schemes of the Company shall not exceed 30% of the shares in issue from time to time. The exercise price will be determined by the Company's board of directors and shall at least be the highest of (i) the closing price of the Company's shares on the date of offer of the options; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of offer of the options; (iii) the net asset value per share as determined in accordance with the Hong Kong Financial Reporting Standards and with reference to the latest published audited financial statements in the annual report or the latest published unaudited interim financial information in the interim report (whichever is more recent) of the Group on the date of offer of the relevant options; and (iv) the nominal value of the Company's shares of HK\$0.1 each. This employee share options scheme will remain in force for a period of 10 years from December 2002 up to November 2012.

購股權

本公司有一項僱員購股權計劃,據此,本公司可向僱員(包括本公司執行董事)授出購股權以認購本公司股份,惟按本公司購股權計劃,所有已授出但未行使之購股權予以行使時發行之股份總數,不得超過本公司不時已發行股份之30%。行使價將由本公司董事會釐定,並將不少於下列四者之最高者:(i)本公司股份於提供購股權日之收市價;(ii)於緊接提供購股權當日前五個交易日本公司股份之平均收市價;(iii)於提供有關購股權當日,按照香港財務報告準則計算並參考本集團最近期刊發之年報內經審核財務報表或最近期刊發之中期報告內未經審核中期財務資料(以較近期者為準)所釐定每股資產淨值;及(iv)本公司股份面值(每股0.1港元)。本僱員購股權計劃於二零零二年十二月至二零一二年十一月止之十年期間維持有效。

10 Share Capital (Continued)

There was no share option granted, exercised, lapsed or cancelled during the six months ended 30th June 2012 and 30th June 2011.

As at 30th June 2012 and 31st December 2011, there were no outstanding share options.

10 股本(續)

於截至二零一二年六月三十日及二零一一年六月三十日止六個月，概無購股權獲授出、行使、失效或註銷。

於二零一二年六月三十日及二零一一年十二月三十一日，概無未行使之購股權。

11 Reserves

11 儲備

		Capital Share redemption premium	reserve	Statutory reserve ⁽ⁱ⁾	Assets revaluation reserve ⁽ⁱⁱ⁾	Currency translation differences	Retained earnings	Total
		股份 溢價	資本 贖回儲備	法定 儲備 ⁽ⁱ⁾	資產重估 儲備 ⁽ⁱⁱ⁾	貨幣匯兌 差額	保留 盈利	總計
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
Balance at 1st January 2012	於二零一二年一月一日之結餘	10,692,732	4,183	161,117	2,923,078	5,485,628	21,644,114	40,910,852
Profit for the period	期內溢利	—	—	—	—	—	2,631,219	2,631,219
Currency translation differences	貨幣匯兌差額	—	—	—	—	(358,823)	—	(358,823)
Fair value loss on available-for-sale financial assets	可供出售財務資產之公平值虧損	—	—	—	(120,742)	—	—	(120,742)
Realised upon disposal of available-for-sale financial assets	出售可供出售財務資產時變現	—	—	—	(1,581,316)	—	—	(1,581,316)
Realised upon disposal of properties held for sale ⁽ⁱⁱ⁾	出售持作出售物業時變現 ⁽ⁱⁱ⁾	—	—	—	(9,152)	—	—	(9,152)
Deferred tax	遞延稅項	—	—	—	206,677	—	—	206,677
Balance at 30th June 2012	於二零一二年六月三十日之結餘	10,692,732	4,183	161,117	1,418,545	5,126,805	24,275,333	41,678,715

Notes to the Interim Financial Information (continued)
 中期財務資料附註(續)

11 Reserves (Continued)

11 儲備(續)

		Share premium	Capital redemption reserve	Statutory reserve ⁽ⁱ⁾	Assets revaluation reserve ⁽ⁱⁱ⁾	Currency translation differences	Retained earnings	Total
		股份溢價	資本贖回儲備	法定儲備 ⁽ⁱ⁾	資產重估儲備 ⁽ⁱⁱ⁾	貨幣匯兌差額	保留盈利	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元	千港元
Balance at 1st January 2011	於二零一一年一月一日之結餘	10,793,525	2,546	161,117	2,988,251	3,582,279	20,484,200	38,011,918
Profit for the period	期內溢利	—	—	—	—	—	1,019,852	1,019,852
Currency translation differences	貨幣匯兌差額	—	—	—	—	888,821	—	888,821
Dividend relating to 2010	屬於二零一零年之股息	—	—	—	—	—	(300,531)	(300,531)
Fair value gain on available-for-sale financial assets	可供出售財務資產之公平值收益	—	—	—	1,589,575	—	—	1,589,575
Realised upon disposal of properties held for sale ⁽ⁱⁱⁱ⁾	出售持作出售物業時變現 ⁽ⁱⁱⁱ⁾	—	—	—	(8,450)	—	—	(8,450)
Deferred tax	遞延稅項	—	—	—	(154,931)	—	—	(154,931)
Balance at 30th June 2011	於二零一一年六月三十日之結餘	10,793,525	2,546	161,117	4,414,445	4,471,100	21,203,521	41,046,254

Notes:

- (i) As stipulated by regulations in Mainland China, the Company's subsidiaries established and operated in Mainland China are required to appropriate a portion of their after-tax profit (after offsetting prior year losses) to the statutory reserve and enterprise expansion fund, at rates determined by their respective boards of directors. The statutory reserve can be utilised to offset prior year losses or be utilised for the issuance of bonus shares, whilst the enterprise expansion fund can be utilised for the development of business operations. When the statutory reserve reaches an amount equal to 50% of the registered capital of the Company's subsidiaries, further appropriation needs not be made.
- (ii) Upon completion of the acquisition of Guangzhou Nonggongshang Construction and Development Company Limited in 2007, Guangzhou Zhujiang Qiaodu Real Estate Limited ("GZQREL") became a subsidiary of the Group and the fair value gain in respect of the 69.5% interest in GZQREL previously held by the Group (as a jointly controlled entity) of approximately HK\$2,180,096,000 net of tax has been accounted for as an asset revaluation reserve directly in equity on acquisition. Upon subsequent delivery of the properties developed by GZQREL, which represents partial disposal of the business of GZQREL, the related portion of the asset revaluation reserve is released to the consolidated income statement.
- (iii) Assets revaluation reserve represents revaluation reserve of available-for-sale financial assets, and fair value gain in respect of 69.5% interest in GZQREL previously held by the Group (see (ii) above).

附註:

- (i) 按照中國大陸法規所訂明，本公司於中國大陸成立及經營之附屬公司須自其除稅後溢利(經抵銷過往年度虧損後)中撥出一部分至法定儲備及企業發展基金，比率乃由各董事會釐定。法定儲備可用作抵銷過往年度虧損或用作發行紅股，而企業發展基金則可用作發展業務。當法定儲備達到相當於本公司附屬公司註冊資本50%之金額時，將毋須進一步作出撥款。
- (ii) 於二零零七年完成收購廣州市農工商集團建設開發公司(「農工商公司」)後，廣州珠江橋都房地產有限公司(「橋都」)成為本集團之附屬公司，本集團先前持有橋都(作為一間共同控制實體)69.5%權益之公平值收益約2,180,096,000港元(已扣除稅項)已於收購時直接在權益列作資產估值儲備。在往後交付由橋都開發之物業時(指出售橋都部分業務)，資產重估儲備之有關部分將撥入綜合損益表。
- (iii) 資產重估儲備指可供出售財務資產及有關本集團先前所持橋都69.5%權益公平值收益之重估儲備(參見上文(ii))。

12 Accounts Payable

The ageing analysis of accounts payable (including amounts due to related companies of trading in nature) is as follows:

		As at 於	
		30th June 2012 二零一二年 六月三十日 HK\$'000 千港元	31st December 2011 二零一一年 十二月三十一日 HK\$'000 千港元
0 to 3 months	0至3個月	3,273,788	2,457,603
3 to 6 months	3至6個月	802,233	716,801
6 to 9 months	6至9個月	464,490	384,615
9 to 12 months	9至12個月	380,705	332,186
Over 12 months	超過12個月	1,607,413	1,228,801
		6,528,629	5,120,006

As at 30th June 2012, approximately HK\$2,126,802,000 (2011: HK\$2,516,006,000) of accounts payable was due to certain related companies in respect of property construction fees.

12 應付賬款

應付賬款之賬齡分析(包括應付予關連公司屬於交易性質之賬款)如下:

於二零一二年六月三十日，應付賬款中約2,126,802,000港元(二零一一年：2,516,006,000港元)為就物業建築費應付若干關連公司之賬款。

13 Land Cost Payable

13 應付土地成本

		As at 於	
		30th June 2012 二零一二年 六月三十日 HK\$'000 千港元	31st December 2011 二零一一年 十二月三十一日 HK\$'000 千港元
Land premium payable	應付土地出讓金	407,749	449,006
Land compensation payable	應付土地補償款	226,377	235,087
		634,126	684,093
Less: Amount due within one year included in current liabilities	減：計入流動負債須於一年內償還 之金額	(605,447)	(602,612)
		28,679	81,481

Land cost payable is denominated in Renminbi. Their carrying amounts approximate fair values.

應付土地成本以人民幣計值。其賬面值與公平值相若。

14 Borrowings

14 借貸

		As at 於	
		30th June 2012 二零一二年 六月三十日 HK\$'000 千港元	31st December 2011 二零一一年 十二月三十一日 HK\$'000 千港元
Non-current	非流動		
Bank and financial institution borrowings	銀行及財務機構借貸	17,404,044	19,428,479
Senior notes	優先票據	2,290,285	2,290,102
		19,694,329	21,718,581
Current	流動		
Bank and financial institution borrowings	銀行及財務機構借貸	11,100,640	10,922,188
Senior notes	優先票據	2,710,165	2,707,119
		13,810,805	13,629,307
Total borrowings	總借貸	33,505,134	35,347,888

14 Borrowings (Continued)

Movements in borrowings are analysed as follows:

14 借貸(續)

借貸變動分析如下：

Six months ended 30th June 2012	截至二零一二年六月三十日止六個月	HK\$'000 千港元
At 1st January 2012	於二零一二年一月一日	35,347,888
Additions of borrowings	新增借貸	5,946,358
Repayment of borrowings	償還借貸	(7,628,735)
Amortisation	攤銷	11,833
Exchange difference	匯兌差額	(172,210)
At 30th June 2012	於二零一二年六月三十日	33,505,134

Six months ended 30th June 2011	截至二零一一年六月三十日止六個月	HK\$'000 千港元
At 1st January 2011	於二零一一年一月一日	23,719,443
Additions of borrowings	新增借貸	11,673,923
Repayment of borrowings	償還借貸	(2,658,830)
Amortisation	攤銷	9,816
Exchange difference	匯兌差額	537,434
At 30th June 2011	於二零一一年六月三十日	33,281,786

In November 2005, the Company issued 8.125% senior notes with an aggregate nominal value 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 senior notes mature in seven years (November 2012) and are repayable at their nominal value of US\$350,000,000. The Company will be entitled at its option to redeem all or a portion of the senior notes at the redemption prices specified in the offering circular, plus accrued and unpaid interests to the redemption date subject to the terms and conditions specified in the offering circular.

於二零零五年十一月，本公司發行總面值達350,000,000美元(相當於約2,730,000,000港元)之8.125厘優先票據，總代價約為2,733,182,000港元。優先票據於七年後(二零一二年十一月)到期，並須按其面值350,000,000美元償還。本公司將有權選擇按發售通函所訂明之贖回價(加上截至贖回日期應付及未付之利息)贖回全部或部分優先票據，惟受發售通函所訂明之條款及條件所規限。

14 Borrowings (Continued)

In January 2011, the Company issued 11.75% senior notes with an aggregate nominal value of US\$300,000,000 (equivalent to approximately HK\$2,340,000,000), for a total consideration of approximately HK\$2,340,000,000. The senior notes mature in five years (January 2016) and are repayable at their nominal value of US\$300,000,000. The Company will be entitled at its option to redeem all or a portion of the senior notes at the redemption prices specified in the offering circular, plus accrued and unpaid interests to the redemption date subject to the terms and conditions specified in the offering circular.

The carrying amounts of the borrowings are denominated in the following currencies with the respective weighted average effective interest rates:

		As at 30th June 2012 於二零一二年六月三十日		As at 31st December 2011 於二零一一年十二月三十一日	
		HK\$'000 千港元	Effective interest rate 實際利率	HK\$'000 千港元	Effective interest rate 實際利率
Renminbi	人民幣				
— Bank and financial institution borrowings	— 銀行及財務機構借貸	28,504,684	8.0%	30,350,667	7.9%
US dollar	美元				
— Senior notes	— 優先票據	5,000,450	10.0%	4,997,221	10.0%
		33,505,134		35,347,888	

As at 30th June 2012, the Group's bank and financial institution borrowings were secured by:

- (i) the Group's land costs of approximately HK\$76,441,000 (31st December 2011: HK\$76,490,000);
- (ii) the Group's hotel properties of approximately HK\$1,880,889,000 (31st December 2011: HK\$1,979,463,000);
- (iii) the Group's properties under development for sale of approximately HK\$8,281,604,000 (31st December 2011: HK\$6,054,370,000);

14 借貸(續)

於二零一一年一月，本公司發行總面值達300,000,000美元(相當於約2,340,000,000港元)之11.75厘優先票據，總代價約為2,340,000,000港元。優先票據於五年後(二零一六年一月)到期，並須按其面值300,000,000美元償還。本公司將有權選擇按發售通函所訂明之贖回價(加上截至贖回日期應付及未付之利息)贖回全部或部份優先票據，惟受發售通函所訂明之條款及條件所規限。

借貸賬面值以下列貨幣為單位及其各自之實際加權平均利率如下：

於二零一二年六月三十日，本集團之銀行及財務機構之借貸乃以下列抵押品擔保：

- (i) 本集團約76,441,000港元(二零一一年十二月三十一日：76,490,000港元)之土地成本；
- (ii) 本集團約1,880,889,000港元(二零一一年十二月三十一日：1,979,463,000港元)之酒店物業；
- (iii) 本集團約8,281,604,000港元(二零一一年十二月三十一日：6,054,370,000港元)之可供出售之發展中物業；

14 Borrowings (Continued)

- (iv) the Group's completed properties for sale of approximately HK\$3,088,616,000 (31st December 2011: HK\$2,569,851,000);
- (v) the Group's investment properties of approximately HK\$6,769,461,000 (31st December 2011: HK\$5,906,934,000);
- (vi) the Group's available-for-sale financial assets of approximately HK\$2,949,019,000 (31st December 2011: HK\$5,203,335,000);
- (vii) the Group's equity interests in subsidiaries of approximately HK\$317,075,000 (31st December 2011: HK\$245,896,000); and
- (viii) the Group's bank deposit of nil (31st December 2011: HK\$271,370,000).

15 Gain on Disposal of Available-for-sale Financial Assets

For the six months ended 30th June 2012, the Group disposed of an aggregate of 199,040,000 shares of the BBMG for a total consideration of RMB1,689,697,000 (equivalent to approximately HK\$2,084,300,000) on the "A" share market of the Shanghai Stock Exchange, resulting in gain on disposal of available-for-sale financial assets of RMB1,406,060,000 (equivalent to approximately HK\$1,729,556,000).

14 借貸(續)

- (iv) 本集團約3,088,616,000港元(二零一一年十二月三十一日: 2,569,851,000港元)之可供出售之已落成物業;
- (v) 本集團約6,769,461,000港元(二零一一年十二月三十一日: 5,906,934,000港元)之投資物業;
- (vi) 本集團約2,949,019,000港元(二零一一年十二月三十一日: 5,203,335,000港元)之可供出售財務資產;
- (vii) 本集團約317,075,000港元(二零一一年十二月三十一日: 245,896,000港元)之附屬公司之股權; 及
- (viii) 本集團零港元(二零一一年十二月三十一日: 271,370,000港元)之銀行存款。

15 出售可供出售財務資產收益

截至二零一二年六月三十日止六個月內, 本集團在上海證券交易所A股市場上已出售可供出售財務資產合共199,040,000股金隅股份之股份, 總代價為人民幣1,689,697,000元(相當於約2,084,300,000港元), 就此錄得出售可供出售財務資產收益為人民幣1,406,060,000元(相當於約1,729,556,000港元)。

16 Other Income/Gains, Net

16 其他收入／收益，淨額

		Six months ended 30th June 截至六月三十日止六個月	
		2012 二零一二年 HK\$'000 千港元	2011 二零一一年 HK\$'000 千港元
Dividend income	股息收入	115,647	49,299
Fair value gain on investment properties	於投資物業之公平值收益	107,697	18,776
Fair value gain/(loss) on financial assets at fair value through profit or loss	按公平值透過損益列賬之財務資產 之公平值收益／(虧損)	1,239	(743)
Government grants	政府補助	3,407	26,387
		227,990	93,719

17 Expenses by Nature

17 按性質劃分之開支

Expenses included in cost of sales, selling and marketing expenses and general and administrative expenses are analysed as follows:

開支包括銷售成本、銷售及市場推廣費用，以及一般及行政費用，分析如下：

		Six months ended 30th June 截至六月三十日止六個月	
		2012 二零一二年 HK\$'000 千港元	2011 二零一一年 HK\$'000 千港元
Advertising costs	廣告開支	105,975	77,824
Amortisation of land costs	土地成本攤銷	3,325	3,193
Cost of completed properties sold	出售已落成物業之成本	2,516,275	2,314,454
Depreciation of properties and equipment	物業及設備折舊	78,520	73,847
Direct operating expenses arising from investment properties that:	以下類別投資物業產生之 直接經營開支：		
— generated rental income	— 產生租金收入	8,510	4,164
— did not generate rental income	— 並無產生租金收入	218	2,311
Employees' benefits cost (including Directors' emoluments)	僱員福利成本(包括董事酬金)	339,084	294,133
Loss on disposal of properties and equipment	出售物業及設備虧損	—	358
Net exchange loss/(gain) (included in general and administrative expenses)	匯兌虧損／(收益)淨額(計入一般 及行政費用)	20,256	(107,920)
Operating lease rental in respect of premises	物業之經營租賃租金	10,586	18,637

18 Finance Income and Costs

18 財務收入及成本

		Six months ended 30th June 截至六月三十日止六個月	
		2012 二零一二年 HK\$'000 千港元	2011 二零一一年 HK\$'000 千港元
Interest expense:	利息開支：		
— on loans from banks and financial institutions wholly repayable within five years	— 須於五年內悉數償還之銀行及財務機構貸款	1,065,024	720,862
— on loans from banks and financial institutions not wholly repayable within five years	— 不須於五年內悉數償還之銀行及財務機構貸款	135,037	74,900
— on senior notes wholly repayable within five years	— 須於五年內悉數償還之優先票據	259,580	232,180
Total borrowing costs incurred	所涉及之總借貸成本	1,459,641	1,027,942
Less: Amount capitalised as part of the cost of properties under development	減：撥充作為發展中物業之部份成本之款項	(1,335,306)	(873,279)
Interest income from banks	銀行利息收入	124,335 (10,603)	154,663 (13,918)
Net finance costs	財務成本淨額	113,732	140,745

The average interest rate of borrowing costs capitalised for the six months ended 30th June 2012 was approximately 8.3% (2011: 7.8%) per annum.

截至二零一二年六月三十日止六個月，撥充資本的借貸成本平均年利率約為8.3% (二零一一年：7.8%)。

19 Taxation

19 稅項

		Six months ended 30th June 截至六月三十日止六個月	
		2012 二零一二年 HK\$'000 千港元	2011 二零一一年 HK\$'000 千港元
Taxation consists of:	稅項包括：		
Current tax	本期稅項		
Hong Kong profits tax (Note (a))	香港利得稅(附註(a))	—	(710)
Mainland China corporate income tax (Note (b))	中國大陸企業所得稅(附註(b))	357,377	434,442
Mainland China land appreciation tax (Note (c))	中國大陸土地增值稅(附註(c))	434,742	196,784
		792,119	630,516
Deferred tax	遞延稅項		
Mainland China corporate income tax (Note (b))	中國大陸企業所得稅(附註(b))	(17,371)	(7,683)
Mainland China land appreciation tax (Note (c))	中國大陸土地增值稅(附註(c))	(6,865)	(1,261)
		(24,236)	(8,944)
Taxation	稅項	767,883	621,572

The Company is exempted from taxation in Bermuda until March 2035. Subsidiaries in the British Virgin Islands are 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.

本公司獲豁免繳納百慕達稅項，直至二零三五年三月止。英屬處女群島附屬公司乃根據英屬處女群島國際商業公司法(現為英屬處女群島商業公司法2004)，或英屬處女群島之英屬處女群島商業公司法2004，註冊成立，故毋須支付任何形式之英屬處女群島稅項。

(a) Hong Kong Profits Tax

No Hong Kong profits tax was provided for the six months ended 30th June 2012 as the Group did not have any assessable profit. Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profit for the six months ended 30th June 2011.

(a) 香港利得稅

截至二零一二年六月三十日止六個月，由於本集團並無任何應課稅溢利，故並無就香港利得稅作出撥備。截至二零一一年六月三十日止六個月，香港利得稅之估計應課稅溢利按16.5%的稅率撥備。

(b) Mainland China Corporate Income Tax

Subsidiaries established and operated in Mainland China are subject to Mainland China corporate income tax at the rate of 25% (2011: 25%) for the six months ended 30th June 2012.

(b) 中國大陸企業所得稅

截至二零一二年六月三十日止六個月，於中國大陸成立及營運之附屬公司乃按25%(二零一一年：25%)之稅率繳納中國大陸企業所得稅。

19 Taxation (Continued)

(c) Mainland China Land Appreciation Tax

Mainland China land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

20 Earnings Per Share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

19 稅項(續)

(c) 中國大陸土地增值稅

中國大陸土地增值稅就土地增值，即出售房地產所得款項扣除可扣減開支(包括土地成本及發展和建築開支)，按累進稅率30%至60%徵收。

20 每股盈利

基本

每股基本盈利乃根據本公司股權持有人應佔溢利除以期內已發行普通股之加權平均數得出。

		Six months ended 30th June	
		截至六月三十日止六個月	
		2012	2011
		二零一二年	二零一一年
Profit attributable to equity holders of the Company (HK\$'000)	本公司股權持有人應佔溢利(千港元)	2,631,219	1,019,852
Weighted average number of ordinary shares in issue ('000)	已發行普通股之加權平均數(千股)	1,736,003	1,752,367
Basic earnings per share (HK\$ per share)	每股基本盈利(每股港元)	1.516	0.582

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Since there was no dilutive potential ordinary shares for the six months ended 30th June 2012 and 30th June 2011, diluted earnings per share is equal to basic earnings per share.

攤薄

計算每股攤薄盈利時，已對已發行普通股之加權平均數作出調整，以假設所有具攤薄潛力之普通股獲悉數轉換。由於截至二零一二年六月三十日及二零一一年六月三十日止六個月內並沒有具攤薄潛力之普通股，因此每股攤薄盈利與每股基本盈利一致。

21 Dividends

The Board of Directors did not recommend the payment of any interim dividend for the six months ended 30th June 2012 and 30th June 2011.

21 股息

董事會並不建議派付截至二零一二年六月三十日及二零一一年六月三十日止六個月之任何中期股息。

22 Financial Guarantees

22 財務擔保

		As at 於	
		30th June 2012 二零一二年 六月三十日 HK\$'000 千港元	31st December 2011 二零一一年 十二月三十一日 HK\$'000 千港元
Financial guarantees not provided for are as follows:	未作出撥備之財務擔保如下：		
Guarantees given to banks for mortgage facilities granted to certain buyers of the Group's properties	就購買本集團物業之若干買家提供按揭貸款而向銀行作出之擔保	10,115,328	10,315,065
Guarantees given to bank for bank borrowings of a jointly controlled entity	就一間共同控制實體銀行借貸作出之擔保	873,862	878,734
		10,989,190	11,193,799

23 Pending Litigations

Summary of litigation instituted by YTO Group Corporation (中國一拖集團有限公司) against Guangzhou Laureland Property Co., Ltd. (廣州羅蘭德房地產有限公司) and Guangzhou Ziyun Village Real Estate Company Limited, a subsidiary of the Group, in relation to a dispute over guarantee

In December 2004, YTO Group Corporation ("YTO Group") and Guangzhou Laureland Property Co., Ltd. ("Laureland Co"), both independent third parties entered into an agreement, whereby Laureland Co agreed to provide a counter-guarantee by pledging its seven villas as security for repayment in respect of the amount of RMB127,138,320 under the guarantee provided by YTO Group in respect of a bank loan obtained by Henan Jian Ye Company. A balance of RMB93,138,320 was due and payable by Laureland Co to YTO Group.

23 待決訴訟

中國一拖集團有限公司就擔保糾紛向廣州羅蘭德房地產有限公司及本集團旗下附屬公司廣州紫雲山莊房地產有限公司提出訴訟概要

於二零零四年十二月，中國一拖集團有限公司(「一拖集團」)與廣州羅蘭德房地產有限公司(「羅蘭德公司」)均為獨立第三方，雙方訂立協議，當中羅蘭德公司同意透過質押其七幢別墅為抵押品提供反擔保以償還一拖集團就河南建業公司取得銀行貸款而提供為數人民幣127,138,320元之擔保。羅蘭德公司逾期應付一拖集團結餘人民幣93,138,320元。

23 Pending Litigations (Continued)

Summary of litigation instituted by YTO Group Corporation (中國一拖集團有限公司) against Guangzhou Laureland Property Co., Ltd. (廣州羅蘭德房地產有限公司) and Guangzhou Ziyun Village Real Estate Company Limited, a subsidiary of the Group, in relation to a dispute over guarantee (Continued)

In June 2007, YTO Group, as plaintiff, instituted a proceeding against Laureland Co, as defendant, in the Intermediate People's Court of Luoyang City ("Luoyang Court"), claiming for the payment of the said balance of RMB93,138,320. In July 2007, YTO Group issued "supplementary pleadings" adding Guangzhou Ziyun Village Real Estate Company Limited ("Ziyun Co"), a subsidiary of the Group a co-defendant and pleading that certain transfer(s) of assets at an undervalue be declared void and that the co-defendant be ordered to repay the said balance.

In August 2007, the Luoyang Court made an injunction to freeze the sum of RMB11,446,100 in the bank account of Ziyun Co and the land use rights of certain land situated in Nanan Village, Zengcheng Xintang Town, Guangdong Province. In March 2008, the court released the said land and made an order to freeze the land use rights of certain other land situated in the same location.

On the basis of the damage arising from the injunction as aforementioned, Ziyun Co instituted a proceeding in the Luoyang Court against YTO Group and Laureland Co, pleading that the co-defendants be enjoined from infringing the rights of Ziyun Co and seeking compensation for its economic loss of RMB20,000,200.

In May 2008, the Luoyang Court heard the proceedings in relation to YTO Group's claims and ordered that (i) Laureland Co shall repay the sum of RMB93,138,320 owed to YTO Group, (ii) YTO Group shall have priority in sums recovered by auction or sale of the mortgaged properties and (iii) Ziyun Co shall be liable for sums which Laureland Co may be unable to settle. Ziyun Co appealed against the decision and applied to set aside the judgement.

23 待決訴訟(續)

中國一拖集團有限公司就擔保糾紛向廣州羅蘭德房地產有限公司及本集團旗下附屬公司廣州紫雲山莊房地產有限公司提出訴訟概要(續)

於二零零七年六月，一拖集團(作為原告人)於洛陽市中級人民法院(「洛陽市法院」)向羅蘭德公司(作為被告人)提出訴訟，要求償還上述結餘人民幣93,138,320元。於二零零七年七月，一拖集團發出「補充起訴」，加入本集團旗下附屬公司廣州紫雲山莊房地產有限公司(「紫雲公司」)為共同被告並要求宣佈若干低價資產轉讓無效及勒令共同被告人償還上述結餘。

於二零零七年八月，洛陽市法院頒令凍結紫雲公司銀行賬戶總數人民幣11,446,100元及位於廣東省增城區新塘鎮南安村之若干土地之土地使用權。於二零零八年三月，法院解除上述土地，並勒令凍結位於同一地點之若干其他土地之土地使用權。

根據誠如上述禁制令所帶來之損害，紫雲公司於洛陽市法院向一拖集團及羅蘭德公司提出訴訟，要求禁制就紫雲公司違反權利而成為共同被告及要求就其經濟損失人民幣20,000,200元作出賠償。

於二零零八年五月，洛陽市法院審理有關一拖集團提出申索之訴訟，並頒令(i)羅蘭德公司償還結欠一拖集團之款項人民幣93,138,320元，(ii)一拖集團可優先透過拍賣或出售抵押物業而獲得退款及(iii)紫雲公司須就羅蘭德公司可能未能清償之款項負上責任。紫雲公司就判決提出上訴及申請駁回判決。

23 Pending Litigations (Continued)

Summary of litigation instituted by YTO Group Corporation (中國一拖集團有限公司) against Guangzhou Laureland Property Co., Ltd. (廣州羅蘭德房地產有限公司) and Guangzhou Ziyun Village Real Estate Company Limited, a subsidiary of the Group, in relation to a dispute over guarantee (Continued)

In August 2010, the Higher People's Court of Henan Province upheld the decision of the Luoyang Court and ordered that Ziyun Co shall pay the costs of the appeal.

In June 2011, the bank deposits of Ziyun Co amounting to RMB12 million was temporarily transferred to the Higher People's Court of Henan Province.

In July 2011, the Supreme People's Court of the PRC accepted the application for retrial and in February 2012, the court hearing in the Higher People's Court of Henan Province was conducted, but judgment has not been handed down.

In May 2012, as requested by Ziyun Co, the Higher People's Court of Henan Province released the charge of the land use rights of a piece of land of approximately 239,500 square metres held by Ziyun Co after Ziyun Co provided another bank deposits of RMB30,000,000 and two other plots of land of approximately 23,000 square metres as charged items.

The Group, in consultation with its internal and external legal counsels, considers that they have adequate grounds (based on external legal opinion that Ziyun Co is not a party to the loan agreement) to defend the case. Therefore, no provision has been made at this stage.

23 待決訴訟(續)

中國一拖集團有限公司就擔保糾紛向廣州羅蘭德房地產有限公司及本集團旗下附屬公司廣州紫雲山莊房地產有限公司提出訴訟概要(續)

於二零一零年八月，河南省最高人民法院維持洛陽法院的判決並頒令紫雲公司支付上訴的訟費。

於二零一一年六月，紫雲公司的銀行存款人民幣12,000,000元已暫時轉撥至河南省高級人民法院。

於二零一一年七月，中國最高人民法院已接納重審的申請，而於二零一二年二月，河南省高級人民法院已展開聆訊，惟尚未有作出判決。

於二零一二年五月，應紫雲公司的要求，在紫雲公司提供額外銀行存款人民幣30,000,000元及另外兩幅面積約為23,000平方米的土地作為抵押品後，河南省高級人民法院解除一幅由紫雲公司持有面積約為239,500平方米的土地的土地使用權抵押。

在諮詢內部及外聘法律顧問後，本集團認為現存充份的理由(基於外聘法律顧問指出紫雲公司並非貸款協議的訂約方)就該案件作出抗辯。因此，現階段並無需要作出撥備。

24 Commitments

(a) Capital Commitments

Capital expenditures at the balance sheet date but not yet incurred are as follows:

		As at 於	
		30th June 2012 二零一二年 六月三十日 HK\$'000 千港元	31st December 2011 二零一一年 十二月三十一日 HK\$'000 千港元
Contracted but not provided for			
— Acquisition of land and equity interests in certain entities	已訂約但未撥備 — 收購若干實體之土地及股本權益	11,272,734	11,335,438
— Property construction costs	— 物業建築成本	3,938,960	2,752,993
— Capital contribution to an associate	— 一間聯營公司之出資	262,849	264,315
		15,474,543	14,352,746
Authorised but not contracted for			
— Acquisition of land and equity interests in certain entities	已授權但未訂約 — 收購若干實體之土地及股本權益	100,982	101,546
— Property construction costs	— 物業建築成本	690,251	1,523,439
		791,233	1,624,985
		16,265,776	15,977,731

(b) Operating Lease Commitments

The Group has operating lease commitments in respect of premises under various non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

		As at 於	
		30th June 2012 二零一二年 六月三十日 HK\$'000 千港元	31st December 2011 二零一一年 十二月三十一日 HK\$'000 千港元
Amounts payable			
— Within one year	下列期內應付之款項 — 一年內	33,924	34,798
— Within two to five years	— 兩年至五年內	52,174	67,846
— After five years	— 五年後	39,707	40,641
		125,805	143,285

24 承擔

(a) 資本承擔

於結算日尚未產生之資本開支如下：

		As at 於	
		30th June 2012 二零一二年 六月三十日 HK\$'000 千港元	31st December 2011 二零一一年 十二月三十一日 HK\$'000 千港元
Contracted but not provided for			
— Acquisition of land and equity interests in certain entities	已訂約但未撥備 — 收購若干實體之土地及股本權益	11,272,734	11,335,438
— Property construction costs	— 物業建築成本	3,938,960	2,752,993
— Capital contribution to an associate	— 一間聯營公司之出資	262,849	264,315
		15,474,543	14,352,746
Authorised but not contracted for			
— Acquisition of land and equity interests in certain entities	已授權但未訂約 — 收購若干實體之土地及股本權益	100,982	101,546
— Property construction costs	— 物業建築成本	690,251	1,523,439
		791,233	1,624,985
		16,265,776	15,977,731

(b) 經營租賃承擔

本集團就多份有關租賃物業之不可註銷經營租賃協議而有經營租賃承擔。根據不可註銷經營租約於日後之最低應付經營租金總額如下：

		As at 於	
		30th June 2012 二零一二年 六月三十日 HK\$'000 千港元	31st December 2011 二零一一年 十二月三十一日 HK\$'000 千港元
Amounts payable			
— Within one year	下列期內應付之款項 — 一年內	33,924	34,798
— Within two to five years	— 兩年至五年內	52,174	67,846
— After five years	— 五年後	39,707	40,641
		125,805	143,285

25 Related Party Transactions

The Company is controlled by Mr. Chu Mang Yee, who owns approximately 63.42% (2011: 62.83% to 63.42%) of the Company's shares during the six months ended 30th June 2012. The remaining shares are widely held.

The ultimate holding company is Sounda Properties Limited.

(a) The Following Significant Transactions were Carried out with a Related Party:

(i) Sales of Goods and Services (note)

		Six months ended 30th June 截至六月三十日止六個月	
		2012 二零一二年 HK\$'000 千港元	2011 二零一一年 HK\$'000 千港元
Property management services to a related company	提供予一間關連公司之物業管理服務	5,500	—
Shop lease services to a related company	提供予一間關連公司之商舖租賃服務	2,028	—
Property design services to a related company	提供予一間關連公司之物業設計服務	7,560	10,122
		15,088	10,122

25 關連人士交易

本公司由朱孟依先生控制，其於截至二零一二年六月三十日止六個月內擁有約63.42%（二零一一年：62.83%至63.42%）本公司股份。餘下股份由其他人士廣泛持有。

最終控股公司為新建置業有限公司。

(a) 下列為與關連人士進行之重要交易：

(i) 銷售貨品及服務(附註)

25 Related Party Transactions (Continued)

(a) The Following Significant Transactions were Carried out with a Related Party: (Continued)

(ii) *Purchase of Goods and Services (note)*

		Six months ended 30th June	
		截至六月三十日止六個月	
		2012	2011
		二零一二年	二零一一年
		HK\$'000	HK\$'000
		千港元	千港元
Property construction services from a related company	一間關連公司提供之物業建築服務	134,520	255,808
Property design services from a related company	一間關連公司提供之物業設計服務	3,263	34
Decoration services from a related company	一間關連公司提供之裝飾服務	—	9,016
Office rental services from a related company	一間關連公司提供之辦公室租賃服務	2,885	1,238
Property management services from a related company	一間關連公司提供之物業管理服務	—	398
Property construction supervision services from a related company	一間關連公司提供之物業建築監督服務	5,204	2,875
Electrical power installation, intelligent building installation works, budgeting and cost control consultation services from a related company	一間關連公司提供之電力安裝、智能大廈安裝工程、預算及成本控制顧問服務	61,850	64,272
Consultancy service in respect of development planning and sales agency service for commercial property projects from a related company	一間關連公司提供之商業物業項目之發展規劃之諮詢服務及銷售代理服務	103	—
		207,825	333,641

Note:

This related company is ultimately owned by the brother-in-law of Mr. Chu Mang Yee (the controlling shareholder and Chairman of the Board of Directors of the Company) and uncle of Ms. Chu Kut Yung (Executive Director of the Company).

附註：

該關連公司為朱孟依先生(本公司控股股東兼董事會主席)之妹夫及朱桔榕女士(本公司執行董事)之姑丈最終擁有之公司。

25 Related Party Transactions (Continued)

(b) Amounts due from/to Related Parties were as Follows:

		As at 於	
		30th June 2012 二零一二年 六月三十日 HK\$'000 千港元	31st December 2011 二零一一年 十二月三十一日 HK\$'000 千港元
Due from associates	應收聯營公司款項	31,713	31,890
Due from related companies (note)	應收關連公司款項(附註)	5,849	6,188
Due to an associate	應付一間聯營公司之款項	6,770	6,808
Due to related companies (note)	應付關連公司之款項(附註)	935,260	81,704
Due to a jointly controlled entity	應付一間共同控制實體之款項	1,559,558	1,574,135

As at 30th June 2012, all outstanding balances with related companies, associates and jointly controlled entities were unsecured, non-interest bearing and without pre-determined repayment terms.

As at 30th June 2012, the Group also had accounts payable of approximately HK\$2,126,802,000 (2011: HK\$2,516,006,000) due to certain related companies (note) in respect of property construction fees.

Note:

These related companies are ultimately owned by the brother and brother-in-law of Mr. Chu Mang Yee (the controlling shareholder and Chairman of the Board of Directors of the Company) and uncles of Ms. Chu Kut Yung (Executive Director of the Company).

(c) Amount due to Minority Shareholders of Subsidiaries

The amount due to minority shareholders represents shareholders' loans to subsidiaries from the minority shareholders, which is unsecured, non-interest bearing and without pre-determined repayment terms. The amount is considered equity in nature.

25 關連人士交易(續)

(b) 應收/付關連公司之款項如下:

		As at 於	
		30th June 2012 二零一二年 六月三十日 HK\$'000 千港元	31st December 2011 二零一一年 十二月三十一日 HK\$'000 千港元
Due from associates	應收聯營公司款項	31,713	31,890
Due from related companies (note)	應收關連公司款項(附註)	5,849	6,188
Due to an associate	應付一間聯營公司之款項	6,770	6,808
Due to related companies (note)	應付關連公司之款項(附註)	935,260	81,704
Due to a jointly controlled entity	應付一間共同控制實體之款項	1,559,558	1,574,135

於二零一二年六月三十日，與關連公司、聯營公司及共同控制實體之全部結餘均無抵押、免息及並無預定還款期。

於二零一二年六月三十日，本集團亦有應付若干關連公司(附註)物業建築費約2,126,802,000港元(二零一一年: 2,516,006,000港元)。

附註:

該等關連公司為朱孟依先生(本公司控股股東兼董事會主席)之胞弟及妹夫及朱桔榕女士(本公司執行董事)之叔父及姑丈最終擁有之公司。

(c) 應付附屬公司少數股東之款項

應付少數股東款項指少數股東向附屬公司借出之股東貸款，有關款項為無抵押、免息及無預定還款期。有關金額之性質被視為權益。

25 Related Party Transactions (Continued)

(d) Key Management Compensation:

		Six months ended 30th June 截至六月三十日止六個月	
		2012 二零一二年 HK\$'000 千港元	2011 二零一一年 HK\$'000 千港元
Salaries and allowances	薪金及津貼	6,500	6,078
Pension costs	退休金成本	23	30
		6,523	6,108

(e) Undertaking Provided by Mr. Chu Mang Yee, the Chairman of the Company, to the Group in Relation to the Acquisition of Panyu Zhujiang Real Estate Limited

In March 2010, the Group completed the acquisition of the entire interest in Panyu Zhujiang Real Estate Limited ("Panyu Zhujiang") from Guangdong Hanjiang Construction Installation Project Limited ("Hanjiang"), a related company.

Panyu Zhujiang possesses the right to develop a piece of land in Panyu District, Guangdong, China (the "Land"). Pursuant to the Agreement, Hanjiang will perform and complete all necessary demolition and preparation work to obtain the land use right certificate of the Land, at its own expense, within one year from the date of the agreement.

In relation to the Group's acquisition of Panyu Zhujiang, Mr. Chu Mang Yee, has undertaken to the Group to guarantee the due and punctual performance by Hanjiang of its obligations in relation to the Land (subject to a maximum amount of RMB3,600 million). As at 30th June 2012, Hanjiang was in the process to apply the land use right of the Land.

25 關連人士交易(續)

(d) 主要管理層報酬：

		Six months ended 30th June 截至六月三十日止六個月	
		2012 二零一二年 HK\$'000 千港元	2011 二零一一年 HK\$'000 千港元
Salaries and allowances	薪金及津貼	6,500	6,078
Pension costs	退休金成本	23	30
		6,523	6,108

(e) 本公司主席朱孟依先生就收購番禺珠江房地產有限公司向本集團提供之承諾

於二零一零年三月，本集團完成向一間關連公司廣東韓江建築安裝工程有限公司(「韓江」)收購番禺珠江房地產有限公司(「番禺珠江」)之全部權益。

番禺珠江擁有中國廣東省番禺區內一塊土地(「該土地」)之發展權。根據該協議，韓江將會進行及完成所有必要的拆卸及準備工作以獲取該土地的土地使用權證，費用自行承擔，期限為該協議日期起一年之內。

就有關本集團收購番禺珠江而言，朱孟依先生已向本集團保證韓江如期履行其有關該土地的債務(最高款項可達人民幣3,600,000,000元)。於二零一二年六月三十日，韓江正在申請該土地的土地使用權。

25 Related Party Transactions (Continued)

(f) Undertaking Provided by Mr. Chu Mang Yee, the Chairman of the Company, to the Group in Relation to Acquisition of Believe Best

In 2007, the Group completed the acquisition of 80% of the issued share capital of Believe Best Investments Limited (“Believe Best”) from Mr. Chu Mang Yee, Chairman of the Company. Believe Best has, through its indirect wholly-owned subsidiary (the project company), acquired a piece of land for development in Chaoyang District, Beijing, China (known as the “Jing Run Project”).

In relation to the Group’s interest in the Jing Run Project through its 80% interest in Believe Best, Mr. Chu Mang Yee, has (i) fully guaranteed the bank loans which were used by the project company for the demolition and relocation of the extra public greenfield site peripheral to the Jing Run Project at the request of the local government; and (ii) undertaken to the Group to be responsible for the excess amount, if any, being the difference in the unit cost per square metre (including the demolition and relocation fees for the extra public greenfield site and the land transfer fees as compared with the original agreed valuation price of Jing Run Project) for the gross floor area to be developed, payable by the project company in respect of any increase in plot ratio as the government may approve. The demolition and relocation on the construction site have been completed, building construction is in progress and pre-sale permit in respect of one phase of the Jing Run Project has been obtained. The demolition and relocation work on the extra public greenfield is ongoing and related costs of approximately RMB1,460 million had been incurred by the Group up to 30th June 2012 (31st December 2011: RMB1,460 million). Such additional costs may be compensated by an increase in plot ratio for the Jing Run Project. However, government approval for increase in plot ratio is pending.

25 關連人士交易(續)

(f) 本公司主席朱孟依先生就收購信佳向本集團提供之承諾

於二零零七年，本集團完成向本公司主席朱孟依先生收購信佳投資有限公司(「信佳」)已發行股本之80%權益。信佳則透過其間接全資附屬公司(項目公司)收購一幅位於中國北京市朝陽區可供發展之土地(名為「京潤項目」)。

就有關本集團透過其於信佳80%權益而擁有京潤項目之權益而言，朱孟依先生已(i)全數擔保項目公司應當地政府之要求，就京潤項目周邊額外公用綠化土地之拆遷而可能需要之銀行貸款；及(ii)向本集團承諾倘當地政府就完成額外公用綠化土地之拆遷而增加批出之容積率，而每平方米之成本(包括較京潤項目原定估價為高之額外公共綠化土地之拆遷費用及土地轉讓費)高於原本議定之估價，朱孟依先生承擔支付該項目公司可建築面積超出之金額。建設用地之拆遷經已完成，樓宇正在施工中，並已獲得有關京潤項目一期之預售許可證。額外公用綠化土地之拆遷工作正在進行中，而本集團於截至二零一二年六月三十日已產生約人民幣1,460,000,000元之相關成本(二零一一年十二月三十一日：人民幣1,460,000,000元)。額外成本或會於增加京潤項目之容積率得以補償。然而，政府尚未發出增加容積率之批准。

25 Related Party Transactions (Continued)

(g) Acquisition of Sun Excel Investments Limited

On 3rd November 2010, the Group entered into an agreement with Farrich Investments Limited (“Farrich”), a related company, to acquire the entire interest in Sun Excel Investments Limited (“Sun Excel”) for a consideration of RMB6,605,066,000.

The sole asset of Sun Excel is its interests under the equity transfer agreement for the acquisition of the entire interests in Beijing Chuang He Feng Wei Property Development Company Limited (formerly known as Beijing Chuang He Feng Wei Technology Investment and Management Co. Limited) (“Project Co A”) and Beijing Sheng Chuang Heng Da Property Development Company Limited (formerly known as Beijing Sheng Chuang Heng Da Technology Investment and Management Co. Limited) (“Project Co B”). Project Co A and Project Co B hold the land use rights of a piece of land in Tongzhou District, Beijing.

The consideration will be satisfied by (i) cash of RMB2,313,787,000 and (ii) the issuance of shares of the Company for the remaining balance of RMB4,291,279,000. The acquisition has not yet been completed as at 30th June 2012 and the deadline for fulfillment of the conditions precedent of the acquisition has been extended for one year to 2nd November 2012.

(h) Disposals of land use rights to Mr. Chu Mang Yee, the Chairman of the Company

On 11th May 2012, the Group entered into agreements with Mr. Chu Mang Yee to dispose of its land use rights of two pieces of land in Panyu District, Guangdong, China and Baodi District, Tianjin, China for considerations of RMB29,258,305 and RMB2,500,000 respectively.

The transactions have not yet been completed as at 30th June 2012. It is expected that the Group will recognise gain on disposal, net of tax of approximately RMB9,834,000 upon completion of the transactions.

25 關連人士交易(續)

(g) 收購日佳投資有限公司

於二零一零年十一月三日，本集團與一間關連公司遠富投資有限公司(「遠富」)訂立協議，以人民幣6,605,066,000元作為代價收購日佳投資有限公司(「日佳」)之全部權益。

日佳唯一的資產為其於權益轉讓協議項下收購北京創合豐威房地產開發有限公司(前稱北京創合豐威科技投資管理有限公司)(項目公司A)及北京盛創恒達房地產開發有限公司(前稱北京盛創恒達科技投資管理有限公司)(項目公司B)全部權益的權益。項目公司A及項目公司B分別持有北京通州區內一幅土地之土地使用權。

代價將以(i)現金人民幣2,313,787,000元及(ii)就餘下人民幣4,291,279,000元的結餘發行本公司的股份的方式支付。於二零一二年六月三十日，收購尚未完成，而履行收購的先決條件的期限已延長一年至二零一二年十一月二日。

(h) 向朱孟依先生(本公司主席)出售土地使用權

於二零一二年五月十一日，本集團與朱孟依先生訂立協議，分別以人民幣29,258,305元及人民幣2,500,000元作為代價，出售其位於中國廣東番禺區及中國天津寶坻區的兩幅土地的土地使用權。

於二零一二年六月三十日，交易尚未完成。預期本集團將於交易完成時確認出售收益(扣除稅項後)約人民幣9,834,000元。

ISSUER

Hopson Development Holdings Limited

Registered Office:
Clarendon House, 2 Church Street
Hamilton HM11
Bermuda

Principal Office:
Suites 3305-09
33/F Jardine House
1 Connaught Place
Central, Hong Kong

REGISTRAR

**The Bank of New York Mellon
(Luxembourg) S.A.**
Vertigo Building - Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg

TRUSTEE AND PAYING AND TRANSFER AGENT

**The Bank of New York Mellon,
acting through its London Branch**
40th Floor, One Canada Square
London E14 5AL
United Kingdom

LEGAL ADVISORS TO THE ISSUER

as to United States law

Latham & Watkins
18th Floor
One Exchange Square
8 Connaught Place
Central, Hong Kong

As to PRC law

Han Kun Law Offices
Suite 4709 Times Square Excellence Plaza
4068 Yi Tian Road, Futian District
Shenzhen 518048
People's Republic of China

as to Bermuda law

MJM Limited
Thistle House
4 Burnaby Street
Hamilton HM 11
PO Box HM 1564
Hamilton HM FX
Bermuda

as to Hong Kong law

Minter Ellison
15/F Hutchison House
No. 10 Harcourt Road,
Central
Hong Kong

as to Samoa law

Drake & Co.
Level 2, Chandra House
Convent Street
Apia, Samoa

*as to British Virgin
Islands law*

Maples and Calder
53rd Floor, The Center
99 Queen's Road Central
Hong Kong

LEGAL ADVISORS TO THE INITIAL PURCHASERS

as to United States law

Davis Polk & Wardwell
18th Floor, The Hong Kong Club Building
3A Chater Road
Hong Kong

as to PRC law

Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road
Beijing, 100025
People's Republic of China

LEGAL ADVISOR TO THE TRUSTEE

Clifford Chance
28th Floor, Jardine House
One Connaught Place
Central, Hong Kong

INDEPENDENT AUDITOR

PricewaterhouseCoopers
22nd Floor
Prince's Building
Central, Hong Kong



合生創展集團有限公司

HOPSON DEVELOPMENT HOLDINGS LIMITED