



## Management Discussion and Analysis

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- ➔ 19 parcels of land were newly acquired in 11 mainland cities by the Group in 2006, amounting to a total GFA of over 6.5 million sq.m.
- ➔ The Group newly entered into two mainland cities, Chongqing & Hangzhou
- ➔ One parcel of land was acquired in Hong Kong, providing a GFA of 5,600 sq.m.
- ➔ As of 31 December 2006, total GFA for development amounted to over 15 million sq.m.

### Importance of Prime Land Bank

The Group continued to acquire premium land reserve in key economic developing cities/districts on Mainland China in 2006. The Group newly acquired 19 parcels of land in 11 mainland cities, which provided additional GFA of over 6.5 million sq.m. to its land reserve and most of which were located in Guangzhou, Shenzhen, Suzhou, Xi'an and Nanjing. The Group newly entered into two mainland cities with strong economic growth potential, Chongqing and Hangzhou. The newly acquired land parcels are in premium locations which are either located in city CBD or districts with great development potential. Moreover, the Group also acquired one parcel of land in Hong Kong, which provided a GFA of 5,600 sq.m..

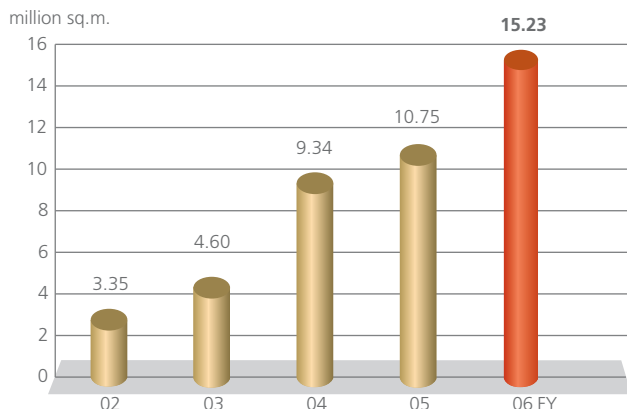
As at 31 December 2006, the Group had a total land reserve of over 15 million sq.m. in 16 Mainland China cities/districts, Hong Kong and Macau, which is sufficient to support the Group's development in the coming four to five years. 32%

and 29% of the land reserve sits in the burgeoning Pearl River Delta Economic Zone and Yangzi River Delta Economic Zone respectively; 10% of the land reserve is situated in the Bohai Rim region, which has strong economic growth potential. The Group also holds premium land resources in key mainland cities, such as Guangzhou area (Guangzhou city and Foshan city), Suzhou, Chengdu, Beijing, Changchun and Xi'an. In term of GFA, the Group's land reserve in Hong Kong and Macau is relatively small, but the projects are in prime location and can give good return to the Group.

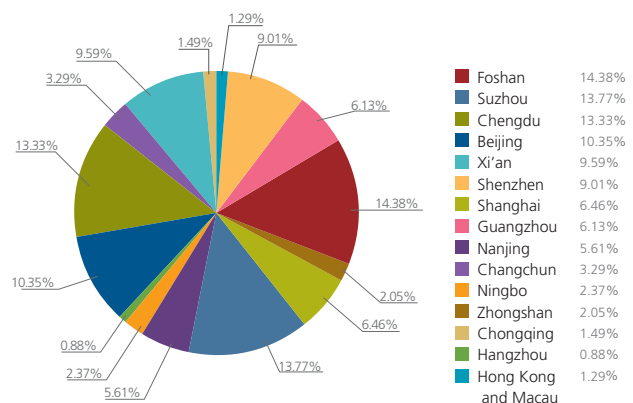
In 2007, the Group newly acquired 3 parcels of land in Changchun, Suzhou and Hong Kong, providing additional GFA of 1.1 million sq.m., and increasing the total land bank to over 16 million sq.m..

Substantial prime land bank builds a solid foundation for the Group's sustainable business growth in the future.

2002-2006 The Growth of Land Reserve



Breakdown of Land Reserve of the Group by City (%)



## Nationwide Layout by City



### Land Parcels Added in 2006

District	Project Name	Site Area ( <sup>'000</sup> sq.m.)	GFA ( <sup>'000</sup> sq.m.)
Suzhou	Zhong Hai Shui Hang Lin Li Lot No. 7 Project	267	312
	Zhong Hai Yuan Qu Lot No. 8 Project	108	177
	Zhong Yang He Nam Project	214	447
	Fangzhou Park Project	449	994
	<i>Sub-total</i>	1,038	1,930
Changchun	Guang Ji Suo Project	65	90
Beijing	Sheng Gu Phase 3 Project	23	105
	Sheng Gu Xihan Libao Project	57	280
	<i>Sub-total</i>	80	385
Nanjing	Feng Huang Xi Jie Project	170	681
	Dong Miao Feng An Project	22	112
	<i>Sub-total</i>	192	793
Xi'an	Qu Jiang Project	303	653
	Qu Jiang Ocean Park Project	297	809
	<i>Sub-total</i>	600	1,462
Shenzhen	Longgang Aoti Project	119	430
	Songgang A 412-0045 Project	44	115
	<i>Sub-total</i>	163	545
Guangzhou	Chan Cheng 06A Project in Foshan	117	318
	Jin Shazhou B3737F-01 Project	78	190
	Jin Shazhou B3735F01.03 Project	49	106
	<i>Sub-total</i>	244	614
Chongqing	Tian Ci Longdu Project	127	227
Chengdu	Da Yuan 10# Project	73	347
Hangzhou	Riverside Dong Xin Street Project	48	134
	<i>Sub-total for Mainland</i>	2,630	6,527
Hong Kong	Oxford Street Project	3	6
<b>Total</b>		<b>2,633</b>	<b>6,533</b>

### Land Reserve of the Group At-a-glance

City	GFA ( <sup>'000</sup> sq.m.)
Beijing	1,577
Shenzhen	1,372
Zhongshan	311
Shanghai	985
Ningbo	360
Hangzhou	134
Guangzhou	934
Foshan	2,191
Chengdu	2,030
Changchun	501
Nanjing	854
Xi'an	1,461
Suzhou	2,098
Chongqing	227
Hong Kong	45
Macau	152
<b>Total</b>	<b>15,232</b>







## Property Development

The Group implements a nationwide brand expansion strategy and pursues excellent products persistently. It will develop the best product of its type in different cities and provide prime products and excellent services to its customers through its professional operation and management team.





- ➔ 21 projects were completed, amounting to a GFA of 1.64 million sq.m.
- ➔ 79% of the completed projects were sold
- ➔ The total GFA sold amounted to 1.72 million sq.m., raising HK\$14.2 billion, representing an increase of 43% and 50% respectively compared with last year

Adhering to the Group's operating philosophy of "Excellent Integrity, Excellent and Eternal Products" (誠信卓越·精品永恆) and its professional management model, and also backing on its branding advantage on the Mainland, the Group not only provides consumers with premium properties, but also improves its marketing capability and standard, thus further enhancing the profit margin. "China Overseas Property" ("中海地產") is the brand name used by the Group in Mainland China, and the value of this brand name has been substantially enhanced. In 2006, the Group was honoured to be ranked Number One in regard to the overall capability among the top 100 of China Property Development Enterprises, with a brand value of RMB4.8 billion. "China Overseas Property" was also awarded "2006 China 25 Top Brand Enterprises" (中國25大典範品牌企業) by All-China Federation of Industry & Commerce and China Entrepreneur Association, and was accredited "the best China Brand Name in 2006" (2006年度最佳中國品牌) by the Business Week Magazine in USA.

The effects of the macro-control measures started to be seen in 2006. The China real estate market has gradually become stable with the rate of increase in property price slightly coming down. The real estate markets in which the Group operates run smoothly and market demands remain robust.

Property sales for the year was satisfactory and amounted to HKD 14.2 billion, representing an increase of 50% over year 2005. The total GFA sold amounted to 1.72 million sq.m., representing an increase of 43% over last year. Sales in China amounted to HKD 12.8 billion, accounting for 90% of the total sales and represented an increase of 71% over year 2005. The total GFA sold in China amounted to 1.67 million sq.m., representing an increase of 48% over 2005. Sales in Macau and Hong Kong also recorded substantial growth, with sales reaching HK\$1.4 billion and accounting for 10% of total sales. Most of the sales in Hong Kong and Macau were coming from the project, la Cité in Macau.



The premier launch of Bellagio aroused an excitement among the buyers, recording over 270 million dollars and marking yet another "miracle" in Ningbo.

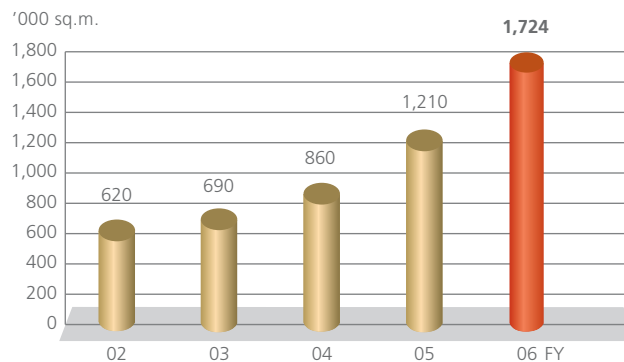


One Honey Lake project in Shenzhen was well recognised by the community for its elegant and prime quality and the selling price continues to go high despite soft market.

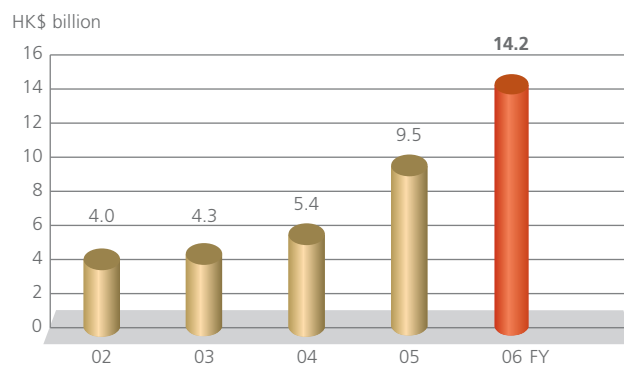
## Project Development

The Group completed 21 projects during the year, amounting to a GFA of 1.64 million sq.m.. The completed projects were mainly residential projects and 79% of the GFA were sold at the end of 2006. It is planned that 30 projects amounting to GFA of 2.55 million sq.m. will be completed in 2007, an increase of 56% over year 2006. Among these, 2.4 million sq.m. will be completed in China and 150,000 sq.m. will be completed in Hong Kong and Macau. Leveraging on the Group's product philosophy of Creating Quality for Infinity, strict project management expertise and extensive cost control experience, the development rate of the project can be accelerated and the quality of the product can also be enhanced. After acquiring Hua Yi Designing Consultants Company Limited and China Overseas Property Management Company Limited and going through effective consolidation of operation, the Group has completed its one-stop business chain in property development comprising all the elements from design, development, sales, property management and customer services. It can now provide comprehensive and integrated services of premium quality to its customers, thus creating greater value for them. The Group will continue to maintain its leading position in the Mainland China real estate market and will actively exploring multi growth models, so as to achieve sustainable growth in profit.

### Contracted sales area between 2002-2006



### Contracted sales amount between 2002-2006



Lakeside Palace project is located on shore of Jinjihu Lake in Suzhou Industrial Park. Its prime location and plentiful scenic resources are focus of the market.



## 2007 Group's Estimated Completion Schedule By Project

City	Project Name	Completion in GFA (‘000 sq.m.)
Shenzhen	No. 1 Honey Lake	87
	Greenery Heights Phase 2	69
	Royal Green Phases 1 & 2	84
	Mount Canyon Phase 1	21
Zhongshan	Fairyland Phase 2	64
Shanghai	Bay Line Phase 1	189
	Jade Laguna Villa Phase 3	11
Ningbo	Bellagio Phase 2	94
Guangzhou	Park Royale Phase 1	86
	Jincheng Tower	32
	South Garden	47
Foshan	Starcrest Phase 2	224
	Chancheng Project Phase 1	60
	Golden Sand Coast Phase 1	212
Beijing	Walden Pond Villa Phase 2	43
Chengdu	International Community	366
	Dragon Peninsula	138
Changchun	Der Dhein Phase 3	66
	Villa Venezia phases 2 & 3	166
Xi’an	Qu Jiang Project Phase 1	41
Nanjing	Seine Elysee Phase 2	66
	Dong Miao Feng An	4
Suzhou	Lakeside Palace Phase 1	89
	Royal Lakefront Phase 1	58
	Galaxy Centro Phase 1	87
Macau	la Cité	150
Total		2,554



The unique design of the villas in Fairyland offers buyers a redefined niche of high quality.



Club house at Bay Line in Shanghai features full range of facilities, serving leisure, sports and commercial needs.



## Major Projects under Development



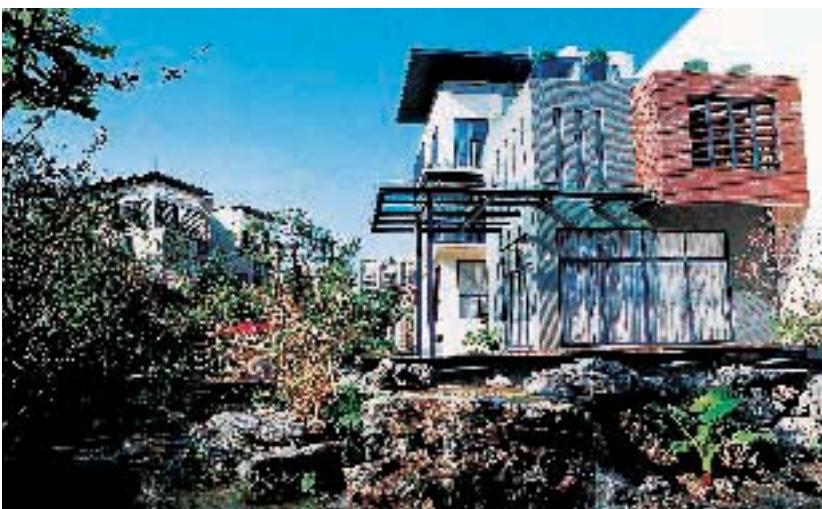
### Beijing: Walden Pond Villa

<b>Site area:</b>	527,300 sq.m.
<b>Total gross floor area:</b>	139,000 sq.m.
<b>Number of units:</b>	276
<b>Expected completion date:</b>	August 2008
<b>Project description:</b>	Situated in Changping District of Beijing, the project is comprised of detached houses. The project has 3 phases and the project development period is 6 years.



### Foshan: Starcrest

<b>Site area:</b>	270,000 sq.m.
<b>Total gross floor area:</b>	727,000 sq.m.
<b>Number of units:</b>	3,700
<b>Expected completion date:</b>	October 2009
<b>Project description:</b>	Situated near the Qiandeng Lake in Namha District of Foshan City, the project comprises of high-end high-rise apartments. It has 3 phases and the project development period is 6 years.



### Shenzhen: Royal Green

<b>Site area:</b>	175,000 sq.m.
<b>Total gross floor area:</b>	214,200 sq.m.
<b>Number of units:</b>	569
<b>Expected completion date:</b>	October 2007
<b>Project description:</b>	Situated in the down town of Henggang of Shenzhen City, the project comprises of town houses. It has 2 phases and the project development period is 4 years.



## Major Projects under Development



### Ningbo: Bellagio

<b>Site area:</b>	336,000 sq.m.
<b>Total gross floor area:</b>	415,000 sq.m.
<b>Number of units:</b>	1,506
<b>Expected completed date:</b>	March 2009
<b>Project description:</b>	Situated in the Dongqian Resort Village of Ningbo City, the project comprises of high-end town houses. It has 3 phases and the project development period is 3 to 5 years.



### Changchun: Villa Venezia

<b>Site area:</b>	209,200 sq.m.
<b>Total gross floor area:</b>	319,600 sq.m.
<b>Number of units:</b>	1,996
<b>Expected completed date:</b>	June 2008
<b>Project description:</b>	Situated in the Jingye Lake Economic Development Zone of Changchun City, the project comprised of high-rise apartments. It has 3 phases and the project development period is 3 years.



### Suzhou: Royal Lakefront

<b>Site area:</b>	260,000 sq.m.
<b>Total gross floor area:</b>	327,600 sq.m.
<b>Number of units:</b>	1,354 for the portion planned
<b>Expected completed date:</b>	December 2010
<b>Project description:</b>	Situated in the Suzhou Industrial Park, the project comprised of various types of high-end residential units. It has 5 phases and the project development period is 4 years.



## Major Projects under Development



### Chengdu: Dragon Peninsula

<b>Site area:</b>	116,900 sq.m.
<b>Total gross floor area:</b>	382,500 sq.m.
<b>Number of units:</b>	1,886
<b>Expected completed date:</b>	December 2008
<b>Project description:</b>	Situated in Wuhou District of Chengdu City, the project comprises of town houses and high-rise apartments. It has 4 phases and the project development period is 3 years.



### Chengdu: International Community

<b>Site area:</b>	1,324,000 sq.m.
<b>Total gross floor area:</b>	1,325,800 sq.m.
<b>Number of units:</b>	8,800
<b>Expected completed date:</b>	November 2008
<b>Project description:</b>	Situated in Jinnue District of Chengdu City, the project comprised of multi-storey, low-rise and high-rise apartments. It consists of 12 parcels of land and the project development period is 7 years.



### Guangzhou: Park Royale

<b>Site area:</b>	223,000 sq.m.
<b>Total gross floor area:</b>	208,000 sq.m.
<b>Number of units:</b>	1,130
<b>Expected completed date:</b>	December 2008
<b>Project description:</b>	Situated in prime location within the Zhujiang New City of Haizhu District of Guangzhou City, the project is comprised of high-rise apartments. The project has 2 phases and the project development period is 3 years.



