NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The Company was incorporated in the Cayman Islands on 31 August 2005 as an exempted company with limited liability under the Companies Law (2004 Revision).

To rationalise its corporate structure in anticipation of the listing of its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company underwent a group reorganisation (the "Group Reorganisation") to take up all subsidiaries and associates carrying on the real estate development and property investment and management businesses (the "Property Related Entities") from the shareholders, namely Song Weiping, Shou Bainian and Xia Yibo (the "Shareholders") of the Property Related Entities and to dispose of all subsidiaries and associates carrying on other non-property development and investment holding businesses (the "Non-property Related Entities") to the companies owned by the Shareholders (the "Shareholders' Companies").

The Group Reorganisation was completed on 14 November 2005 and the Company became the holding company of the Property Related Entities.

Pursuant to the Group Reorganisation, the Company became the holding company of the companies now comprising the Group. The Group comprising the Company and its subsidiaries resulting from the Group Reorganisation is regarded as a continuing entity. Richwise Holdings Limited ("Richwise"), Greentown Real Estate Group Co., Ltd. ("Greentown Real Estate"), Shanghai Lvyu Real Estate Development Co., Ltd. ("Shanghai Lvyu"), Hangzhou Jiuxi Property Services Company Limited ("Hangzhou Jiuxi") and Hangzhou Greentown Real Estate Development Co., Ltd. ("Hangzhou Greentown") are considered to be companies under common control during the three years ended 31 December 2005 (the "Relevant Periods") as the Shareholders were working as a single management team that governed the financial and operating policies of the Group prior to and after the Group Reorganisation. For the purpose of presenting the financial positions, financial results and cash flows of the Group during the Relevant Periods, these companies are deemed to be subsidiaries of the Company throughout the Relevant Periods. Accordingly, the financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the Group using the principles of merger accounting. The consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group (including the Non-Property Related Entities up to the date of their disposal) for the three years ended 31 December 2005 include the results, changes in equity and cash flows of the companies comprising the Group as if the Company had always been the holding company of the Group and in accordance with the respective equity interests in the individual companies attributable to the existing shareholders throughout the Relevant Periods, or since their respective dates of incorporation/establishment, where this is a shorter period. The consolidated balance sheets of the Group as at 31 December 2003, 2004 and 2005 have been prepared to present the assets and liabilities of the companies comprising the Group (including the Non-Property Related Entities up to the date of their disposal) as at the respective dates as if the current group structure had been in existence at those dates and in accordance with the respective equity interests in the individual companies attributable to existing shareholders as at those dates. Acquisitions and disposals of subsidiaries, other than those of the Group Reorganisation, during the Relevant Periods are accounted for from their effective dates of acquisitions and disposals, respectively, by the purchase method of accounting.

All significant intra-group transactions and balances have been eliminated on consolidation.

The shares of the Company were listed on the Main Board of The Stock Exchange on 13 July 2006.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with International Accounting Standard 34 (IAS 34) "Interim Financial Reporting".

The condensed consolidated financial statements should be read in conjunction with the Accountant's Report set out in Appendix I to the Prospectus of the Company dated 30 June 2006 (the "Prospectus") in connection with the global offering of the shares of the Company (the "Global Offering").

2. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005 and the Accountants' Report set out in Appendix I to the Prospectus except as described below.

In the current interim period, the Group has adopted the accounting policy on convertible bonds as follows:

Convertible bonds

Convertible bonds are regarded as compound instruments, consisting of a liability component and an equity component; in the case that the conversion option is not settled by the Group delivering a fixed number of its own equity instruments, convertible bonds are regarded as financial liabilities with embedded derivatives. Derivatives embedded in a non-derivative host contract are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss. At the date of issue, the net proceeds of issue of the convertible bonds were assigned to the liability component and embedded derivatives according to their fair values.

Issue costs are apportioned between the liability component and embedded derivatives of the convertible bonds based on their relative fair values at the date of issue. The portion relating to the embedded derivatives is charged directly to profit or loss.

The liability component of the convertible bonds is carried at amortised cost using the effective interest method. The difference between the interest so calculated and the interest paid is added to the carrying amount of the liability component. Embedded derivatives are remeasured to fair value through profit or loss at subsequent reporting dates.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new IFRSs") issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new IFRSs had no material effect on how the results for the current or prior year accounting periods were prepared and presented. Accordingly, no prior period adjustment was required.

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

IAS1 (Amendment)	Capital Disclosures[1]
IFRS 7	Financial Instruments: Disclosures[1]
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies[2]
IFRIC 8	Scope of IFRS 2[3]
IFRIC 9	Reassessment of Embedded Derivatives[4]
IFRIC 10	Interim Financial Reporting and Impairment[5]

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 March 2006
[3] Effective for annual periods beginning on or after 1 May 2006
[4] Effective for annual periods beginning on or after 1 June 2006
[5] Effective for annual periods beginning on or after 1 November 2006

3. Revenue

	Six months ended 30 June					
	2006			2005		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
	Rmb'000	***Rmb'000***	***Rmb'000***	*Rmb'000*	*Rmb'000*	*Rmb'000*
Property sales	**1,186,742**	**–**	**1,186,742**	940,867	–	940,867
Construction contracts	**–**	**–**	**–**	45,864	–	45,864
Computer system design and installation	**1,056**	**–**	**1,056**	4,641	–	4,641
Sales of construction materials	**21,767**	**–**	**21,767**	–	–	–
Catering	**–**	**–**	**–**	–	142	142
Other business	**884**	**–**	**884**	–	456	456
	1,210,449	**–**	**1,210,449**	991,372	598	991,970

Over 90% of the Group's activities are engaged in properties development and sales and over 90% of the Group's sales are to customers in the PRC. The directors consider that these activities constitute one business segment since these activities are related and subject to common risks and returns. Accordingly, no business and geographical analysis of revenue is presented in accordance with IAS 14 "Segment Reporting".

4. Other income

	Six months ended 30 June					
	2006			2005		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
	Rmb'000	***Rmb'000***	***Rmb'000***	*Rmb'000*	*Rmb'000*	*Rmb'000*
Interest income	**21,641**	**–**	**21,641**	16,213	71	16,284
Government grants	**15,864**	**–**	**15,864**	24,000	–	24,000
Release of negative goodwill to income	**–**	**–**	**–**	3,010	–	3,010
Others	**3,384**	**–**	**3,384**	7,915	1	7,916
	40,889	**–**	**40,889**	51,138	72	51,210

5. Finance costs

	Six months ended 30 June					
	2006			2005		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
	Rmb'000	***Rmb'000***	***Rmb'000***	*Rmb'000*	*Rmb'000*	*Rmb'000*
Interest on borrowings	**224,359**	**–**	**224,359**	178,201	–	178,201
Less: Interest capitalised	**(202,243)**	**–**	**(202,243)**	(151,063)	–	(151,063)
	22,116	**–**	**22,116**	27,138	–	27,138

6. Profit before taxation

	Six months ended 30 June					
	2006			2005		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
	Rmb'000	***Rmb'000***	***Rmb'000***	*Rmb'000*	*Rmb'000*	*Rmb'000*
Profit before taxation has been arrived at after charging:						
Staff costs	**71,053**	**–**	**71,053**	30,873	176	31,049
Retirement benefit scheme contributions	**3,312**	**–**	**3,312**	3,166	3	3,169
Less: Capitalised in properties under development	**(22,239)**	**–**	**(22,239)**	(8,486)	(4)	(8,490)
Total staff costs	**52,126**	**–**	**52,126**	25,553	175	25,728
Depreciation of property, plant and equipment	**12,838**	**–**	**12,838**	10,302	–	10,302
Less: Capitalised in properties under development	**(1,579)**	**–**	**(1,579)**	(728)	–	(728)
	11,259	**–**	**11,259**	9,574	–	9,574
Amortisation of intangible assets (included in selling and administrative expenses)	**144**	**–**	**144**	144	–	144
Cost of inventory sold	**665,189**	**–**	**665,189**	655,261	–	655,261
Allowance for doubtful debts (included in selling and administrative expenses)	**432**	**–**	**432**	–	–	–
Loss on disposal of property, plant and equipment (included in selling and administrative expenses)	**465**	**–**	**465**	–	–	–

7. Taxation

	Six months ended 30 June					
	2006			2005		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
	Rmb'000	***Rmb'000***	***Rmb'000***	*Rmb'000*	*Rmb'000*	*Rmb'000*
The charge (credit) comprises:						
PRC enterprise income tax	**4,866**	**–**	**4,866**	61,101	–	61,101
Deferred tax	**125,699**	**–**	**125,699**	(6,141)	–	(6,141)
	130,565	**–**	**130,565**	54,960	–	54,960

The Group, except for Shanghai Lvyu and Hangzhou Jiuxi, was subject to enterprise income tax levied at a rate of 33% of taxable income based on income for financial reporting purposes prepared in accordance with the laws and regulations in the PRC. Shanghai Lvyu and Hangzhou Jiuxi are subject to enterprise income tax levied at a rate of 15% and 27% respectively.

PRC land appreciation tax

According to the requirements of the PRC Provisional Regulations on Land Appreciation Tax ("LAT") (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the PRC Provisional Regulations on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, 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 appreciation value, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

Effective from 1 January 2003 in Zhoushan, 1 July 2004 in Anhui and 1 October 2004 in Hangzhou, the local tax bureau requires prepayment of LAT on the pre-sale and sale proceeds of property developments. According to the Notices for the Strengthening of Administration on LAT (關於加強土地增值稅管理工作的通知), the Group is required to prepay LAT on pre-sale proceeds at 0.5% – 2% for ordinary residential properties and 1% – 3% for other properties.

Thus far, the relevant local tax bureaux responsible for the enforcement of LAT regulations have not required the Group to pay any LAT other than the aforesaid LAT prepayment.

For the six months ended 30 June 2005 and 2006, the Group has estimated, made and included in cost of sales a provision for LAT in the amount of Rmb1,887,000 and Rmb27,478,000 respectively according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

8. Discontinued operations

As part of the Group Reorganisation, the directors initiated a plan in December 2004 to dispose of the Group's entire interests in the Non-Property Related Entities which carried out the Group's catering and other non-property related businesses (the "Discontinued Operations") to the Shareholders' Companies. Certain of the Non-Property Related Entities comprising the Discontinued Operations were disposed of in 2004 and the remaining Non-Property Related Entities comprising the Discontinued Operations were disposed of by October 2005, and by then the disposal of the entire interests in the companies in the Discontinued Operations was completed.

During the six months ended 30 June 2005, the Discontinued Operations did not contribute significantly to the Group's net operating cash flows, investing activities and financing activities.

9. Dividends

On 19 March 2006, the Group declared a special dividend of US$50,000,000 (equivalent to approximately Rmb401,645,000) to the Company's shareholders whose names appeared on the register of members on the record date of 1 January 2006. The special dividend was paid in March and April 2006.

During the six months ended 30 June 2005, the following companies paid dividends to their then existing shareholders prior to the Group Reorganisation who are the equity holders of the Company.

	Six months ended 30 June 2005 *Rmb'000*
Richwise	11,173
Greentown Real Estate	187,247
	198,420

10. Earnings per share

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

Earnings

	Six months ended 30 June	
	2006	2005
	Rmb'000	*Rmb'000*
Earnings for the purposes of basic earnings per share (profit for the period attributable to equity holders of the Company)	**256,901**	238,403
Effect of dilutive potential ordinary shares:		
Fair value changes in embedded financial derivatives	**10,842**	–
Earnings for the purposes of diluted earnings per share	**267,743**	238,403

10. Earnings per share *(Continued)*

Number of shares

	Six months ended 30 June	
	2006	2005
	Rmb'000	*Rmb'000*
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,000,000,000**	1,000,000,000
Effect of dilutive potential ordinary shares:		
Convertible bonds	**55,996,357**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,055,996,357**	1,000,000,000

The denominators for the purposes of calculating both basic and diluted earnings per share has been adjusted to reflect the capitalisation issue in June 2006 (see note 20).

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the equity holders of the Company is based on the following data:

Earnings figures are calculated as follows:

	Six months ended 30 June	
	2006	2005
	Rmb'000	*Rmb'000*
Profit for the period attributable to equity holders of the Company	**256,901**	238,403
(Profit) loss for the period from discontinued operations	**–**	34
Earnings for the purposes of basic earnings per share from continuing operations	**256,901**	238,437
Effect of dilutive potential ordinary shares:		
Fair value changes in embedded derivatives	**10,842**	–
Earnings for the purposes of diluted earnings per share from continuing operations	**267,743**	238,437

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic loss per share for discontinued operations is nil per share (2005: Rmb0.00 per share), and diluted loss per share for discontinued operations is nil per share (2005: Rmb0.00 per share), based on the loss for the period from discontinued operations of nil (2005: Rmb34,000) and the denominators detailed above for both basic and diluted earnings per share.

11. Property, plant and equipment

During the period, the Group acquired property, plant and equipment in the amount of Rmb76,771,000, approximately Rmb67,006,000 of which was spent on the construction of its hotel properties. In addition, the Group disposed of certain motor vehicles at their carrying amount of Rmb5,289,000.

Details of the buildings pledged to secure banking facilities granted to the Group are disclosed in note 24.

12. Intangible asset

The intangible asset, representing a trademark contributed by previous shareholders of Greentown Real Estate as its investment cost, has a finite life and is amortised over its useful life of ten years.

13. Properties for development

Approximately Rmb109,434,000 (31 December 2005: Rmb302,395,000) of the long-term leasehold land included in the balance of properties for development as at 30 June 2006 was in the process of obtaining the land use rights certificates.

14. Properties under development

	As at 30 June 2006 *Rmb'000*	As at 31 December 2005 *Rmb'000*
Long-term leasehold land – at cost	**2,943,844**	2,399,053
Development costs	**2,903,475**	2,843,092
Finance costs capitalised	**558,160**	412,142
	6,405,479	5,654,287

15. Other current financial assets

The Group allows an average credit period of 60 days to its trade customers. The aged analysis of trade receivables is stated as follows:

	As at 30 June 2006 *Rmb'000*	As at 31 December 2005 *Rmb'000*
0 – 30 days	**7,390**	5,619
31 – 90 days	**3,254**	1,968
91 – 180 days	**1,180**	4,486
181 – 365 days	**2,035**	3,188
Over 365 days	**1,425**	4,669
Trade receivables	**15,284**	19,930
Other receivables	**234,528**	187,342
Prepayments and deposits	**81,734**	176,608
	331,546	383,880

16. Trade and other payables

Trade payables principally comprise amounts outstanding for trade purchases. The aged analysis of trade payables is stated as follows:

	As at 30 June 2006 *Rmb'000*	As at 31 December 2005 *Rmb'000*
0 – 30 days	**481,517**	513,892
31 – 90 days	**49,408**	6,660
91 – 180 days	**10,047**	5,381
181 – 365 days	**11,073**	16,312
Over 365 days	**14,690**	30,916
Trade payables	**566,735**	573,161
Other payables and accrued expenses	**418,971**	427,130
	985,706	1,000,291

17. Pre-sale deposits

Pre-sale deposits represent amounts received in respect of properties pre-sold. Approximately Rmb4,161,009,000 included in the balance of pre-sale deposits as at 30 June 2006 is expected to be recognised as revenue in 2006 upon delivery of properties as contracted.

18. Bank and other borrowings

	As at 30 June 2006 *Rmb'000*	As at 31 December 2005 *Rmb'000*
Secured bank loans *(Note 24)*	**2,796,645**	3,441,174
Unsecured bank loans	**378,000**	472,000
	3,174,645	3,913,174
Secured other loans	**366,600**	335,170
Unsecured other loans	**780,140**	631,009
	1,146,740	966,179
	4,321,385	4,879,353

	As at 30 June 2006 *Rmb'000*	As at 31 December 2005 *Rmb'000*
The amount is repayable as follows:		
Amounts due within one year	**2,371,787**	2,510,841
Amounts due after one year	**1,949,598**	2,368,512
	4,321,385	4,879,353

18. Bank and other borrowings *(Continued)*

Certain bank loans were supported by guarantees from the following companies:

Secured bank loans:

	As at 30 June 2006 Rmb'000	As at 31 December 2005 Rmb'000
Shareholders	–	293,685
Independent third parties	83,146	314,117
	83,146	607,802

Unsecured bank loans:

	As at 30 June 2006 Rmb'000	As at 31 December 2005 Rmb'000
Shareholders' Companies	–	100,000
Independent third parties together with Group companies	18,000	88,000
Independent third parties	–	30,000
	18,000	218,000

Certain other loans were supported by guarantees from the following companies:

Unsecured other loans:

	As at 30 June 2006 Rmb'000	As at 31 December 2005 Rmb'000
Shareholders' Companies	–	100,000
Minority shareholders together with Group companies	–	60,000
	–	160,000

19. Convertible bonds

On 10 January 2006, the Company issued convertible bonds in an aggregate principal amount of US$130,000,000, comprising US$65,000,000 secured mandatory convertible bonds due 2011 and US$65,000,000 secured non-mandatory convertible bonds due 2011. The convertible bonds are listed on Singapore Exchange Securities Trading Limited. For more details of the convertible bonds, please refer to Appendix IX "Summary of Convertible Bonds" to the Prospectus.

The net proceeds received from the issue of the convertible bonds have been split between a liability component and a number of embedded financial derivatives as follows:

(i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the period is calculated by applying an effective interest rate of approximately 14% to the liability component since the convertible bonds were issued.

(ii) Embedded derivatives, comprising:

(i) The fair value of the option of the bondholders to convert the convertible bonds into equity of the Company at a conversion price linked to the offer price of the Company's shares in the Global Offering;

(ii) The fair value of the option of the Company to require the bondholders to redeem the convertible bonds; and

(iii) The fair value of the option of the bondholders to require the Company to redeem the convertible bonds.

	Liability component *Rmb'000*	Conversion option *Rmb'000*	Bondholder redemption option *Rmb'000*	Issuer redemption option *Rmb'000*	Fair value adjustment *Rmb'000*	Total *Rmb'000*
Convertible bonds issued on 10 January 2006	881,138	209,853	46,478	(88,785)	299	1,048,983
Exchange realignment	(8,026)	(1,912)	(423)	809	(3)	(9,555)
Interest charged during the period	56,832	–	–	–	–	56,832
Interest paid during the period	(49,084)	–	–	–	–	(49,084)
Changes in fair value	–	15,368	(2,599)	(1,631)	(296)	10,842
As at 30 June 2006	880,860	223,309	43,456	(89,607)	–	1,058,018

20. Paid-in capital

The Company was incorporated in the Cayman Islands on 31 August 2005 as an exempted company with limited liability under the Companies Law (2004 Revision). The authorised share capital of the Company upon incorporation was HK$350,000 divided into 350,000 shares, 100 of which were issued and fully paid.

Pursuant to the written resolutions of the shareholders of the Company on 30 November 2005, each of the existing Company's shares of a par value of HK$1.00 was sub-divided into 10 shares of HK$0.10 each. The authorised share capital of the Company after such sub-division of shares was HK$350,000 divided into 3,500,000 shares of a par value of HK$0.10 each.

Pursuant to the written resolutions of the shareholders of the Company on 21 June 2006, the authorised share capital of the Company was increased from HK$350,000 to HK$1,000,000,000 by the creation of 9,996,500,000 new shares and the directors were authorised to allot and issue 999,999,000 shares to the shareholders, all credited as fully paid, by way of capitalisation of a sum of HK$99,999,900 which was then standing to the credit of the retained earnings account of the Company.

21. Acquisition of a subsidiary

On 19 January 2006, the Group acquired 100% equity interest in Zhejiang Jiahe Industrial Co., Ltd. ("Zhejiang Jiahe") for cash consideration of Rmb50 million. This transaction has been accounted for using the purchase method of accounting. The principal activity of Zhejiang Jiahe is real estate development.

The net assets acquired in the transaction were as follows:

	Carrying amount before combination *Rmb'000*	**Fair value adjustments** *Rmb'000*	**Fair value** *Rmb'000*
Net assets acquired:			
Property, plant and equipment	170	–	170
Properties for development	362,468	52,119	414,587
Trade and other receivables	6	–	6
Bank balances and cash	727	–	727
Trade and other payables	(102,075)	–	(102,075)
Other taxes payable	(1)	–	(1)
Bank borrowings	(246,215)	–	(246,215)
Deferred tax liabilities	–	(17,199)	(17,199)
	15,080	34,920	50,000
Total consideration, satisfied by amounts due from a third party			50,000
Net cash inflow arising on acquisition:			
Bank balances and cash acquired			727

21. Acquisition of a subsidiary *(Continued)*

Zhejiang Jiahe did not contribute any revenue to the Group for the period between the date of acquisition and the balance sheet date.

The loss attributable to Zhejiang Jiahe amounted to approximately Rmb9,150,000 to the Group's profit for the period between the date of acquisition and 30 June 2006. If the acquisition had been completed on 1 January 2006, the Group's profit for the period ended 30 June 2006 would have been Rmb244,907,000.

The pro forma information is for illustrative purposes only and is not necessarily the indicative results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

22. Disposal of a subsidiary

Pursuant to an agreement entered into between Zhejiang Xin Hu Real Estate Group Co., Ltd., the holder the other 50% equity interest in Haining Greentown Sinhoo Real Estate Development Co., Ltd. ("Haining Greentown"), and the Group on 1 January 2006, the Group no longer has the power to govern the financial and operating policies of Haining Greentown. Therefore, Haining Greentown ceased to be accounted for as a subsidiary of the Company.

The net assets of Haining Greentown at the date of disposal were as follows:

	1 January 2006 *Rmb'000*
Net assets disposed of:	
Property, plant and equipment	2,533
Properties for development	275,537
Properties under development	331,318
Completed properties for sale	8,962
Trade and other receivables, deposits and prepayments	2,046
Amounts due from related parties	15,209
Bank balances and cash	13,839
Income taxes recoverable	15,075
Other taxes recoverable	9,552
Trade and other payables	(42,161)
Pre-sale deposits	(231,961)
Amounts due to related parties	(36,773)
Other taxes payable	(128)
Bank borrowings	(350,000)
Minority interests	(6,524)
Transfer to interests in associates	(6,524)
Total consideration	–
Net cash outflow arising on disposal of subsidiaries:	
Bank balances and cash disposed of	13,839

23. Commitments

	As at 30 June 2006 *Rmb'000*	As at 31 December 2005 *Rmb'000*
Commitments contracted for but not provided in the financial statements in respect of properties for development or properties under development	**2,021,664**	2,241,205

24. Pledge of assets

At 30 June 2006, the following assets were pledged to banks to secure general banking facilities granted to the Group:

	As at 30 June 2006 *Rmb'000*	As at 31 December 2005 *Rmb'000*
Buildings	**67,689**	40,014
Properties for development	**1,693,146**	284,239
Properties under development	**2,624,687**	3,743,165
Completed properties for sale	**–**	243,569
Bank deposits	**131,000**	256,699
	4,516,522	4,567,686

At 30 June 2006, the following assets were pledged to banks to secure general banking facilities granted to related parties:

	As at 30 June 2006 *Rmb'000*	As at 31 December 2005 *Rmb'000*
Properties under development	**–**	105,463
Bank deposits	**–**	20,000
	–	125,463

25. Contingent liabilities

(i) Guarantees

The Group provided guarantees of approximately Rmb2,534,601,000 at 30 June 2006 (31 December 2005: Rmb2,875,699,000), to banks in favour of its customers in respect of the mortgage loans provided by the banks to customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificate of the respective property by the banks from the customers as a pledge for security to the mortgage loan granted.

The Group provided guarantees to banks in respect of bank facilities utilized by the following companies:

	As at 30 June 2006	As at 31 December 2005
	Rmb'000	*Rmb'000*
Shareholders' Companies	**–**	273,000
Associates	**455,200**	452,500
Independent third parties	**170,000**	765,800
	625,200	1,491,300

Contingent liabilities arising from interests in associates:

	As at 30 June 2006	As at 31 December 2005
	Rmb'000	*Rmb'000*
Mortgage loan guarantees provided by an associate to banks in favour of its customers	**381,308**	318,030

Subsequent to 30 June 2006, guarantees provided to banks by the Group in respect of bank facilities granted to associates and independent third parties amounting to Rmb74,000,000 and Rmb150,000,000 have been released.

(ii) Land idle fees

In October 2005, the Hangzhou National Land and Resources Bureau Yuhang Branch required the Group to commence construction of Greentown Lanting and Xingqiao projects and pay land idle fees in an aggregate amount of Rmb6.1 million on the ground that parts of the land had been idle for more than one year. In the opinion of the directors, the delay in construction in these two projects was due to the failure of the government to relocate original residents and to complete demolishment and site preparation. The Group has pleaded to the relevant authorities against the imposition of such land idle fees. The relevant authorities have not responded to the Group's petition yet. The Group's PRC counsel has confirmed that the Group should not be subject to such land idle fees because the delay in commencing construction in these projects were caused by the failure of the government to relocate original residents and to complete demolishment and site preparation under the relevant rules. The Group has not made any provision for such land idle fees in the financial statements as in the opinion of the directors such appeals have a good chance of being successful.

25. Contingent liabilities *(Continued)*

(ii) Land idle fees (Continued)

In January 2006, the Group received a notice from the Hangzhou National Land and Resources Bureau Yuhang Branch requiring the Group to commence construction of seven out of the 21 parcels of land in respect of Taohuayuan South project and pay land idle fees of Rmb2.7 million in respect of such land. The Group commenced the overall project construction in October 2004. However, due to its large development scale, the physical construction of this project has not yet extended to these seven parcels of land. Even though the Group has paid approximately Rmb1.3 million of such land idle fees, the Group's PRC counsel has confirmed that the Group should not be subject to such land idle fees because:

(i) the delay in commencing construction was caused by the failure of the government to relocate original residents and to complete demolishment and site preparation;

(ii) the project plan could not be finalised on time due to the failure of the government to relocate certain public equipment situated in the project site; and

(iii) this project was approved by the Hangzhou Development and Planning Bureau Yuhang Branch as a single development project and the Group had commenced the construction of the overall project in October 2004 under the relevant rules.

On this basis, the Group has pleaded to the relevant authorities against the imposition of such land idle fees and to request to postpone the commencement of construction of these seven parcels of land in light of the development schedule of this project. The Group has not made any provision for such land idle fees in the financial statements as in the opinion of the directors such appeal has a good chance of being successful.

26. Related party disclosures

(1) During the six months ended 30 June 2006, in addition to those disclosed in note 25, the Group had significant transactions with related parties as follows:

	Six months ended 30 June	
	2006	2005
	Rmb'000	*Rmb'000*
Sale of property to a minority shareholder	**–**	4,420
Sales returns from officers	**2,366**	–
Sales of materials to Shareholders' Companies*	**5,379**	–
Sales of materials to associates	**9,370**	–
Sales of property, plant and equipment to Shareholders' Companies*	**5,289**	–
Purchases of property, plant and equipment from Shareholders' Companies*	**972**	–
Rental income from Shareholders' Companies*	**30**	–
Rental expense to Shareholders' Companies	**2,783**	–
Purchases from Shareholders' Companies *(Note)*	**5,808**	22,081
Interior decoration service fees paid to Shareholders' Companies	**24,501**	13,257
Property management fees paid to Shareholders' Companies	**3,960**	474
Interest income arising from trade balances due from associates	**16,341**	9,778
Interest income from other related parties*	**5,080**	292
Advertising expenses paid to Shareholders' Companies	**10,000**	21,668
Construction design fees paid to Shareholders' Companies*	**780**	3,552
Landscaping service fees paid to Shareholders' Companies*	**13,831**	29,735

Note: Purchases from Shareholders' Companies represent raw materials purchased for use by construction contractors, the costs of which are included in the overall construction contracts.

26. Related party disclosures *(Continued)*

Sales of property, plant and equipment to Shareholders' Companies were priced at their carrying value respectively. The directors considered that the other transactions above were carried out in the Group's normal course of business and in accordance with the terms by reference to prevailing market prices.

The directors represented that other than those denoted with an asterisk "*", the above transactions were expected to continue after the listing of the Company's shares on the Stock Exchange.

27. Subsequent events

The following significant events took place subsequent to 30 June 2006:

(1) The shares of the Company were listed on the Stock Exchange on 13 July 2006. Immediately following the completion of the Global Offering, the issued and fully paid-up share capital of the Company was increased to HK$129,870,150 by the issuance of an additional 298,701,500 shares of HK$0.10 each.

On 20 July 2006, an additional 48,701,000 shares of HK$0.10 each were issued and fully paid-up pursuant to the exercise of the Over-allotment Option. Immediately after the exercise of the Over-allotment Option, the issued and fully paid-up share capital of the Company was increased to HK$134,740,250.

(2) On 13 July 2006, the Company redeemed all its mandatory convertible bonds.