1. General and Group Reorganisation

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) and its shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 13 July 2006. The address of the registered office of the Company are disclosed in the section headed "Corporate Information" of the annual report.

To rationalise its corporate structure in anticipation of the listing of its shares on 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.

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 as the Shareholders have, as a result of contractual arrangements, ultimate collective power to govern the financial and operating policies of the Group prior to and after the Group Reorganisation. Accordingly, the consolidated financial statements of the Group have been prepared using the principles of merger accounting as if the group structure under the Group Reorganisation had been in existence throughout the year ended 31 December 2005 or since their respective dates of incorporation/establishment or date of acquisition, whichever is the shorter period.

The consolidated financial statements are presented in Renminbi, which is also the functional currency of the Company.

The principal activity of the Group is the development of residential properties in the People's Republic of China (the "PRC").

2. Application of new and revised International Financial Reporting Standards ("IFRSs")

In the current year, the Group has applied, for the first time, a number of new standards, amendment 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 and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. Application of new and revised International Financial Reporting Standards ("IFRSs") (Continued)

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 standards, 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]
IFRS 8	Operating Segments[2]
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies[3]
IFRIC 8	Scope of IFRS 2[4]
IFRIC 9	Reassessment of Embedded Derivatives[5]
IFRIC 10	Interim Financial Reporting and Inpairment[6]
IFRIC 11	IFRS 2: Group and Treasury Share Transactions[7]
IFRIC 12	Service Concession Arrangements[8]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 March 2006
4 Effective for annual periods beginning on or after 1 May 2006
5 Effective for annual periods beginning on or after 1 June 2006
6 Effective for annual periods beginning on or after 1 November 2006
7 Effective for annual periods beginning on or after 1 March 2007
8 Effective for annual periods beginning on or after 1 January 2008

3. Principal accounting policies

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting polices set out below.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year, other than those of the Group Reorganisation, are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

3. Principal accounting policies (Continued)

Basis of consolidation (Continued)

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations under common control

The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Business combinations

The acquisition of subsidiaries, other than those of the Group Reorganisation, is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, and liabilities incurred or assumed by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3. Principal accounting policies (Continued)

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profit or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales-related taxes.

Income from properties developed for sale is recognised when the respective properties have been completed and delivered to the buyers. Deposits received from forward sales of properties are carried as pre-sale deposits.

Sale of other goods are recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see below).

3. Principal accounting policies (Continued)

Revenue recognition (Continued)

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income, including rental invoiced in advance from properties let under operating leases, are recognised on a straight line basis over the period of the relevant leases.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

3. Principal accounting policies (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Land appreciation tax ("LAT") is recognised as an expense in cost of sales to the extent that it is probable that the Group has the obligation to pay the tax to the tax authority in the PRC.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants are recognised as other income in the consolidated income statement when there is reasonable assurance that the grants will be recovered unconditionally.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

3. Principal accounting policies (Continued)

Leasing (Continued)

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Retirement benefits costs

The Group participates in state-managed retirement benefits schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of its qualifying staff's wages as contributions to the plans. Payments to such retirement benefits schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives, and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Trademarks

Trademarks are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3. Principal accounting policies (Continued)

Impairment of tangible and intangible assets excluding goodwill (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Properties for development

Properties for development represent leasehold land located in the PRC for development for future sale in the ordinary course of business. Cost comprises the costs of land use rights and other directly attributable costs. Properties for development are stated at cost less any identified impairment loss.

Properties under development

Properties under development, representing leasehold land located in the PRC under development for future sale in the ordinary course of business, are stated at the lower of cost and net realisable value. Cost comprises the costs of land use rights, construction costs, borrowing costs capitalised and other direct development expenditure. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost comprises the costs of land use rights, construction costs, borrowing costs capitalised and other direct development expenditure. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

3. Principal accounting policies (Continued)

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables, deposits, amounts due from related parties, pledged bank deposits and bank balances

Trade and other receivables, deposits, amounts due from related parties, pledged bank deposits and bank balances are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Available-for-sale investment in equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less impairment. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank and other borrowings

Interest-bearing bank and other loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

3. Principal accounting policies (Continued)

Financial instruments (Continued)

Convertible bonds

Convertible bonds issued by the Company that contain liability, conversion option and redemption option components are classified separately into respective items on initial recognition. Conversion option that will not be settled by the Group delivering a fixed number of its own equity instrument is regarded as conversion option derivatives. At the date of issue, the liability, conversion option and redemption option components are recognised at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion option and redemption option are measured at fair value with changes recognised in profit or loss.

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.

Senior notes

Senior notes issued by the Company that contain both liability and early redemption option are classified separately into respective items on initial recognition. The early redemption option is regarded as an embedded derivative not closely related to the host contract. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the liability component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes recognised in profit and loss.

Issue costs are apportioned between the liability component and early redemption option of the senior notes based on their relative fair values at the date of issue. The portion relating to the early redemption option is charged directly to profit or loss.

Trade and other payables, amounts due to related parties and dividend payable

Trade and other payables, amounts due to related parties and dividend payable are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Embedded derivatives

Derivatives embedded in other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 "Revenue".

3. Principal accounting policies (Continued)

Financial instruments (Continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. Key sources of estimation uncertainty

The key sources of estimation uncertainty and the critical judgements that can significantly affect the amounts recognised in the consolidated financial statements are disclosed below.

Net realisable value for properties under development and completed properties held for sale

Properties under development and completed properties remaining unsold at the end of each financial period are stated at the lower of cost and net realisable value.

Net realisable value for properties under development is determined by reference to management estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion. Net realisable value for completed properties held for sale is determined by reference to management estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Management are required to revise these estimates if there is a change in market condition or demand. If actual market conditions are less favourable than those projected by management, additional adjustments to the value of properties under development may be required.

Estimated impairment of trade receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows to determine impairment loss. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective increase rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows as less than expected, a material impairment loss may arise.

LAT

The provision for LAT amounting to Rmb111,808,000 (2005: Rmb117,213,000) (included in other taxes payable) is estimated and made 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 land appreciation tax is calculated.

4. Key sources of estimation uncertainty (Continued)

Convertible bonds
As described in Note 26, the Company's convertible bonds contain a number of embedded derivatives that are remeasured to fair value through profit or loss at subsequent reporting dates. The Company engaged an independent appraiser to assist it in determining the fair value of these embedded derivatives. The determination of fair value was made after consideration of a number of factors, including: the Group's financial and operating results; the global economic outlook in general and the specific economic and competitive factors affecting the Group's business; the nature and prospects of the PRC property market; the Group's business plan and prospects; business risks the Group faces; and market yields and return volatility of comparable corporate bonds. This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

5. Financial instruments

(a). Financial risk management objectives and polices

The Group's major financial instruments include equity investments, trade and other receivables, amounts due from related parties, pledged bank deposits, bank balances, trade and other payables, amounts due to related parties, dividend payable, bank and other borrowings, convertible bonds and senior notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk
Currency risk
The Group's certain bank balances and pledged bank deposits are denominated in Hong Kong dollars ("HKD") and United States dollars ("USD") and the Company's convertible bonds and senior notes in USD, which expose the Group to foreign currency risk. The Group does not use any derivative contracts to hedge against its exposure to currency risk.

Fair value interest rate risk
The Group's fair value interest rate risk relates primarily to fixed-rate borrowings (see Notes 25 to 27 for details of these borrowings). The Group does not use any derivative contracts to hedge against its exposure to fair value interest rate risk.

Price risk
The Group is expected to security price risk in respect of the conversion option and redemption options embedded in the convertible bonds which allow the convertible bonds to be converted into the Company's shares or redeemed.

5. Financial instruments (Continued)

(a). Financial risk management objectives and polices

Credit risk

As at 31 December 2006, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and
- the amount of contingent liabilities disclosed in Note 36.

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue trade debts and amounts due from related parties. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in the PRC. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank and other borrowings, convertible bonds and senior notes as a significant source of liquidity. The Group has no line of credit arrangements.

(b) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions; and
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, the fair value of a non-option derivative is estimated using discounted cash flow analysis and the applicable yield curve. For an option-based derivative, the fair value is estimated using option pricing model (for example, the binomial model).

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. Revenue

	2006 **Rmb'000**	2005 *Rmb'000*
Property sales	**6,341,316**	2,441,886
Construction contracts	**—**	66,655
Computer system design and installation	**3,139**	4,615
Sales of construction materials	**50,031**	18,571
Other business	**5,981**	3,348
	6,400,467	2,535,075

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 risk and returns. Accordingly, no business or geographical analysis of revenue is presented. No geographical analysis of the Group's assets and liabilities is presented as the Group's assets and liabilities are substantially located in the PRC.

7. Other income

	2006 **Rmb'000**	2005 *Rmb'000*
Interest income	**103,892**	50,747
Government grants *(Note)*	**28,436**	24,000
Release of negative goodwill to income *(Note 29)*	**—**	3,010
Write-back of LAT provision *(Note 11)*	**99,633**	—
Others	**5,863**	6,315
	237,824	84,072

Note: Government grants mainly represent subsidies received from local authorities in accordance with the relevant rules and regulations.

8. Finance costs

	2006 **Rmb'000**	2005 Rmb'000
Interest on:		
— bank borrowings wholly repayable within five years	**227,232**	217,519
— bank borrowings wholly repayable after five years	**2,085**	206
— other borrowings	**7,624**	33,054
Effective interest expense on convertible bonds *(Note 26)*	**87,605**	—
Interest on senior notes *(Note 27)*	**40,781**	—
Less: Capitalised in properties under development	**(278,757)**	(174,085)
Capitalised in construction in progress	**(22,368)**	(5,904)
	64,202	70,790

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.56% (2005: 7.12%) per annum to expenditure on the development of properties.

9. Profit before taxation

	2006 **Rmb'000**	2005 Rmb'000
Profit before taxation has been arrived at after charging (crediting):		
Staff costs	**141,982**	82,575
Retirement benefits scheme contributions	**7,234**	7,389
Less: Capitalised in properties under development	**(47,287)**	(31,429)
Total staff costs	**101,929**	58,535
Depreciation of property, plant and equipment	**21,415**	27,514
Less: Capitalised in properties under development	**(2,953)**	(3,160)
	18,462	24,354
Auditors' remuneration	**5,584**	936
Amortisation of intangible assets (included in selling and administrative expenses)	**288**	288
Cost of inventories recognised as an expense	**3,579,946**	1,582,644
Allowance for doubtful debts	**—**	3,357
Impairment loss on completed properties for sale	**—**	11,000
Exchange loss (gain)	**19,257**	(91)
Share of tax of associates (included in share of results of associates)	**(4,110)**	23,314
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	**2,719**	—

10. Directors' and employees' emoluments

The emoluments paid or payable to each of the 9 (2005: 3) directors of the Company were as follows:

	Song Weiping *Rmb'000*	**Shou Bainian** *Rmb'000*	**Chen Shunhua** *Rmb'000*	**Guo Jiafeng** *Rmb'000*	**Jia Shenghua** *Rmb'000*	**Sze Tsai Ping, Michael** *Rmb'000*	**Tsui Yiu Wa, Alec** *Rmb'000*	**Tang Shiding** *Rmb'000*	**Jiang Wei** *Rmb'000*	**2006 Total** ***Rmb'000***
Fee	—	—	—	—	63	108	108	63	108	**450**
Other emoluments										
Salaries and other benefits	516	516	248	248	—	—	—	—	—	**1,528**
Contributions to retirement benefits/pension schemes	61	61	27	20	—	—	—	—	—	**169**
Performance related incentive payments *(Note)*	155	155	75	74	—	—	—	—	—	**459**
Incentive paid on joining	—	—	—	—	—	—	—	—	—	**—**
Total emoluments	732	732	350	342	63	108	108	63	108	**2,606**

	Song Weiping *Rmb'000*	Shou Bainian *Rmb'000*	Xia Yibo *Rmb'000*	2005 Total *Rmb'000*
Fees	—	—	—	—
Other emoluments				
Salaries and other benefits	478	472	—	950
Contributions to retirement benefits/pension schemes	48	48	—	96
Performance related incentive payments *(Note)*	116	116	—	232
Total emoluments	642	636	—	1,278

Note: The performance related incentive payments is determined as a percentage of the turnover of the Group for both years.

No directors waived any emoluments in both years.

Of the five individuals with the highest emoluments in the Group, three (2005: two) were directors of the Company whose emoluments are included in the disclosure above. One of them had been executive general manager of the Company and was appointed as director of the Company on 22 June 2006. The emoluments of this director prior to his appointment and the remaining two (2005: three) individuals were as follows:

	2006 ***Rmb'000***	2005 *Rmb'000*
Salaries and benefits	**1,540**	1,258
Contributions to retirement benefits/pension schemes	**81**	102
Performance related incentive payments	**205**	231
Incentive paid on joining	**—**	—
Compensations for loss of office paid:		
Contractual	**—**	—
Other	**—**	—
	1,826	1,591

10. Directors' and employees' emoluments (Continued)

The emoluments of each of the five highest paid individuals in the Group during the year were below Rmb1,004,700 (equivalent to HKD1,000,000) (2005: Rmb1,060,000 (equivalent to HKD1,000,000)).

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the year.

11. Taxation

	2006 *Rmb'000*	2005 *Rmb'000*
Current PRC income tax	**873,173**	150,246
Deferred tax *(Note 20)*	**(21,837)**	(25,134)
	851,336	125,112

No provision for income tax has been made for the Company and group entities established in the British Virgin Islands (the "BVI") as they are not subject to any income tax.

All PRC group entities are subject to enterprise income tax levied at a rate of 33%, except for the following entities:

		Enterprise income tax rate	
	Note	**2006**	2005
Shanghai Lvyu	(i)	**15%**	15%
Hangzhou Jiuxi	(ii)	**27%**	27%
Hangzhou Rose Garden Property Services Co., Ltd. ("Hangzhou Rose Garden")	(ii)	**27%**	N/A
Xinjiang Sunshine Greentown Real Estate Development Co., Ltd. ("Xinjiang Sunshine")	(iii)	**Exempted**	Exempted

Notes:

(i) Shanghai Lvyu is established in Shanghai Pudong New Area and is therefore subject to a reduced enterprise income tax rate of 15%.

(ii) Hangzhou Jiuxi and Hangzhou Rose Garden are established in Hangzhou Zhijiang National Tourism and Resort Zone in Zhejiang province and are therefore subject to a reduced enterprise income tax rate of 27%. Hangzhou Rose Garden was established in 2006.

(iii) Xinjiang Sunshine is exempted from enterprise income tax for three years starting from its first profit-making year in 2005, followed by a 50% reduction for the next three years.

11. Taxation (Continued)

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	2006 **Rmb'000**	2005 Rmb'000
Profit before taxation	**2,139,830**	711,559
Tax at the applicable PRC income tax rate of 33%	**706,144**	234,814
Effect of different tax rates	**102,287**	(79,851)
Tax effect of share of results of associates	**12,799**	(11,792)
Tax effect of share of results of jointly controlled entities	**(678)**	1,487
Tax effect of income not taxable for tax purposes	**(5,652)**	(59,094)
Tax effect of expenses not deductible for tax purposes	**23,328**	12,125
Tax effect of tax losses not recognised	**36,757**	24,207
Tax effect of deductible temporary differences not recognised	**(150)**	1,564
Utilisation of tax losses previously net recognised	**(23,499)**	—
Others	**—**	1,652
Taxation charge for the year	**851,336**	125,112

Details of deferred taxation for the year ended 31 December 2006 are set out in Note 20.

PRC land appreciation tax

According to the requirements of the Provisional Regulations of the PRC 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 Provisional Regulations of the PRC 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 September 2002 in Hunan, 1 January 2003 in Zhoushan and Xinjiang, 1 January 2004 in Shangyu, 1 July 2004 in Anhui, 1 October 2004 in Hangzhou and 1 October 2006 in Shanghai Pudong New Area, the local tax bureau requires pre-payment of LAT on the pre-sale and sale proceeds of property developments. According to the Notices for the Strengthening of Administration on LAT (關於加强土地增值稅管理工作的通知), the Group is required to pre-pay LAT on pre-sale proceeds at 0.5 – 2% for ordinary residential properties and 1 – 6% for other properties.

At the date of this report, the relevant local tax bureaus responsible for the enforcement of LAT regulations have not required the Group to pay any LAT other than the aforesaid LAT pre-payment.

11. Taxation (Continued)

PRC land appreciation tax (Continued)

For the year ended 31 December 2006, the Group has estimated, made and included in cost of sales a provision for LAT in the amount of Rmb131,670,000 (2005: Rmb5,052,000), 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.

In 2006 and early 2007, the Group decided to dissolve five of its PRC property development subsidiaries and commenced liquidation procedures on them. At the date of this report, they have completed their tax registration revocation and have received the tax registration revocation notices from the relevant tax bureaus. The directors are of the opinion that the tax obligations of these five subsidiaries are considered duly terminated by law, and have therefore written back during the year ended 31 December 2006 the provision for LAT made by one of these subsidiaries in previous years. The LAT recorded by the other four subsidiaries during the year represented the amount of LAT levied by the relevant tax bureaus upon the completion of their registration revocation.

12. 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.

The profit of the Discontinued Operations for the year is as follows:

	2006 ***Rmb'000***	2005 *Rmb'000*
Loss of the Discontinued Operations for the year	—	(229)
Gain on disposal of the Discontinued Operations for the year	—	551
	—	322

The results of the Discontinued Operations for the year were as follows:

	2006 ***Rmb'000***	2005 *Rmb'000*
Revenue	—	729
Cost of sales	—	(462)
Interest income	—	74
Selling and administrative expenses	—	(570)
Loss before taxation and loss for the year	—	(229)

12. Discontinued operations (Continued)

During the year ended 31 December 2005, the Discontinued Operations did not contribute to the Group's net operating cash flows, investing activities and financing activities.

The carrying amounts of the assets and liabilities of the Discontinue Operations at the date of disposal are disclosed in Note 30.

13. Dividends

On 19 March 2006, the Group declared a special dividend of USD50 million (equivalent to approximately Rmb396,975,000) 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 year ended 31 December 2005, the following companies paid dividends to their then existing shareholders prior to the Group Reorganisation who were the equity holders of the Company.

	2005 *Rmb'000*
Richwise	11,173
Greentown Real Estate	187,247
	198,420

The final dividend of HKD0.36 per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. Earnings per share

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

	2006 ***Rmb'000***	2005 *Rmb'000*
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to equity holders of the Company)	**1,269,066**	622,688

Number of shares

	2006	2005
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,162,773,488**	1,000,000,000

14. Earnings per share (Continued)

Number of shares (Continued)

The weighted average number of ordinary shares for the purposes of basic earnings per share has been adjusted for the capitalisation issue in June 2006.

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in profit per share from continuing operations.

15. Property, plant and equipment

	Buildings	Leasehold improvements	Machinery	Furniture, fixtures and equipment	Transportation equipment	Construction in progress	Total
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*
COST							
At 1 January 2005	65,504	17,627	122	11,336	74,796	54,481	223,866
Additions	—	3,955	2,479	2,645	13,186	54,636	76,901
Acquired on acquisition of subsidiaries	13,816	6,284	165	2,324	6,006	—	28,595
Disposals	(9,854)	(685)	(9)	(418)	(210)	—	(11,176)
Disposal of subsidiaries	—	—	(237)	(132)	(837)	—	(1,206)
Reclassification	(2,304)	(4,333)	252	6,123	262	—	—
At 31 December 2005	67,162	22,848	2,772	21,878	93,203	109,117	316,980
Additions	8	1,321	232	2,989	34,788	174,441	213,779
Acquired on acquisition of subsidiaries	—	201	—	669	1,015	—	1,885
Disposals	—	—	—	(205)	(15,998)	—	(16,203)
Disposal of subsidiaries	—	(1,679)	—	(795)	(2,674)	—	(5,148)
Reclassification	—	—	(1,650)	1,650	—	—	—
At 31 December 2006	67,170	22,691	1,354	26,186	110,334	283,558	511,293
DEPRECIATION AND AMORTISATION							
At 1 January 2005	(6,340)	(6,240)	(58)	(3,712)	(30,311)	—	(46,661)
Provided for the year	(3,304)	(2,873)	(437)	(3,548)	(17,352)	—	(27,514)
Eliminated on disposals	584	(3)	9	375	208	—	1,173
Eliminated on disposal of subsidiaries	—	—	14	5	77	—	96
Reclassification	871	3,549	(983)	(4,468)	1,031	—	—
At 31 December 2005	(8,189)	(5,567)	(1,455)	(11,348)	(46,347)	—	(72,906)
Provided for the year	(3,282)	(3,787)	(222)	(3,519)	(10,605)	—	(21,415)
Eliminated on disposals	—	—	—	129	9,890	—	10,019
Eliminated on disposal of subsidiaries	—	983	—	294	1,338	—	2,615
Reclassification	—	—	1,247	(396)	(851)	—	—
At 31 December 2006	(11,471)	(8,371)	(430)	(14,840)	(46,575)	—	(81,687)
NET BOOK VALUES							
At 31 December 2006	55,699	14,320	924	11,346	63,759	283,558	429,606
At 31 December 2005	58,973	17,281	1,317	10,530	46,856	109,117	244,074

15. Property, plant and equipment (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the term of the land use rights or 20 years
Leasehold improvements	Over the shorter of the lease term or expected useful life
Machinery	10% to $33\frac{1}{3}$ %
Furniture, fixtures and equipment	10% to $33\frac{1}{3}$ %
Transportation equipment	20%

The carrying value of buildings shown above comprises:

	2006 **Rmb'000**	2005 *Rmb'000*
Land in the PRC:		
Medium-term lease	**55,699**	58,973

Details of the buildings and construction in progress pledged to secure banking facilities granted to the Group are disclosed in Note 34.

16. Intangible asset

	Trademark *Rmb'000*
COST	
At 1 January 2005, 31 December 2005 and 31 December 2006	2,880
AMORTISATION	
At 1 January 2005	(2,304)
Charge for the year	(288)
At 31 December 2005	(2,592)
Charge for the year	(288)
At 31 December 2006	(2,880)
NET BOOK VALUES	
At 31 December 2006	—
At 31 December 2005	288

17. Interests in associates

	2006 **Rmb'000**	2005 *Rmb'000*
Cost of unlisted investments in associates	**556,650**	430,300
Share of post-acquisition (losses) profits	**(18,055)**	13,683
	538,595	443,983

As at 31 December 2006, the Group had interests in the following associates established and operating in the PRC:

Name of associate	Registered capital	Attributable equity interest held by the Group	Principal activities
杭州集美房地產開發有限公司 Hangzhou Jimei Real Estate Development Co., Ltd.	Rmb32,000,000	30%	Real estate development
杭州餘杭綠城九洲房地產開發有限公司 Hangzhou Yuhang Greentown Jiuzhou Real Estate Development Co., Ltd.	Rmb10,000,000	35%	Real estate development
杭州翡翠城房地產開發有限公司 Hangzhou Jade City Real Estate Development Co., Ltd. ("Hangzhou Jade City")	Rmb50,000,000	45%	Real estate development
上海靜宇置業有限公司 Shanghai Jingyu Real Estate Co., Ltd.	Rmb100,000,000	49%	Property investment
深圳東方泰格投資有限公司 Shenzhen Orient Taige Investment Co., Ltd.	Rmb60,000,000	20%	Investment and consulting
杭州錢新綠城房地產開發有限公司 Hangzhou Qianxin Greentown Real Estate Development Co. Ltd. ("Hangzhou Qianxin Greentown")	Rmb30,000,000	50% *(Note)*	Real estate development
浙江發展綠城房地產開發有限公司 Zhejiang Fazhan Greentown Real Estate Development Co., Ltd.	Rmb50,000,000	45%	Real estate development
杭州濱綠房地產開發有限公司 Hangzhou Binlv Real Estate Development Co., Ltd.	USD49,800,000	40%	Real estate development

Note: Only two out of five directors of Hangzhou Qianxin Greentown are appointed by the Group, while a valid board resolution requires two-thirds of the total votes. The Group does not have the power to direct the financial and operating policies of Hangzhou Qianxin Greentown. Therefore, Hangzhou Qianxin Greentown is accounted for as an associate of the Group.

17. Interests in associates (Continued)

The summarised financial information in respect of the Group's associates is set out below:

	2006 **_Rmb'000_**	2005 _Rmb'000_
Total assets	**5,596,325**	3,800,236
Total liabilities	**(4,625,390)**	(2,799,738)
Net assets	**970,935**	1,000,498
Group's share of net assets of associates	**531,708**	443,983
Revenue	**23,006**	677,881
(Loss) profit for the year	**(76,857)**	92,035
Group's share of results of associates for the year	**(38,784)**	35,735

The Group has discontinued recognition of its share of losses of certain associates as its share of losses of those associates equals or exceeds its interest in those associates. The amounts of unrecognised share of losses of those associates, extracted from the relevant management accounts of those associates, both for the year and cumulatively, are as follows:

	2006 **_Rmb'000_**	2005 _Rmb'000_
Unrecognised share of losses of associates for the year	**650**	6,237
Accumulated unrecognised share of losses of associates	**6,887**	6,237

18. Interests in jointly controlled entities

	2006 *Rmb'000*	2005 *Rmb'000*
Cost of unlisted investments in jointly controlled entities	**102,037**	45,512
Share of post-acquisition loss	**(11,666)**	(10,168)
	90,371	35,344

As at 31 December 2006, the Group had interest in the following jointly controlled entities established in the PRC:

Name of jointly controlled entity	Registered capital	Attributable equity interest held by the Group	Principal activities
浙江報業綠城投資有限公司 Zhejiang Newspapering Greentown Investment Co., Ltd. ("Zhejiang Newspapering Greentown")	Rmb80,000,000	50%	Investment holding
寧波浙報綠城房地產開發有限公司 Ningbo Zhebao Greentown Real Estate Development Co., Ltd.	Rmb60,000,000	50%	Real estate development
寧波綠城桂花園房地產開發有限公司 Ningbo Greentown Osmanthus Garden Real Estate Development Co., Ltd. ("Ningbo Greentown Osmanthus Garden")	Rmb20,000,000	60% (i)	Real estate development
海寧綠城新湖房地產開發有限公司 Haining Greentown Sinhoo Real Estate Development Co., Ltd. ("Haining Greentown")	Rmb20,000,000	50% (ii)	Real estate development
浙江綠城西子房地產集團有限公司 Zhejiang Greentown Xizi Real Estate Group Co., Ltd. ("Zhejiang Greentown Xizi")	Rmb100,000,000	50%	Investment holding
臨安西子房地產開發有限公司 Linan Xizi Real Estate Development Co., Ltd. ("Linan Xizi")	Rmb20,000,000	50% (iii)	Real estate development

Notes:

(i) Zhejiang Newspapering Greentown and Richwise respectively hold 70% and 25% of the equity interest in Ningbo Greentown Osmanthus Garden. Only one out of five directors of Ningbo Greentown Osmanthus Garden is appointed by the Group, while a valid board resolution requires two-thirds of the total votes. The Group does not have the power to direct the financial and operational policies of Ningbo Greentown Osmanthus Garden. Therefore, Ningbo Greentown Osmanthus Garden is accounted for as a jointly controlled entity of the Group.

(ii) Pursuant to an agreement entered into between Zhejiang Sinhoo Real Estate Group Co., Ltd. ("Sinhoo"), the holder of the other 50% equity interest in Haining Greentown, and the Group on 1 January 2006, the declaration made by Sinhoo granting control over Haining Greentown to the Group lapsed after phase I of the project had been delivered and 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 commencing 1 January 2006.

(iii) Linan Xizi is a wholly-owned subsidiary of Zhejiang Greentown Xizi.

18. Interests in jointly controlled entities (Continued)

The summarised financial information in respect of the Group's jointly controlled entities which are accounted for using the equity method is set out below:

	2006 **Rmb'000**	2005 Rmb'000
Current assets	**1,143,697**	391,258
Non-current assets	**12,130**	1,939
Current liabilities	**(688,896)**	(338,302)
Non-current liabilities	**(367,347)**	(22,500)
Income	**122,506**	183
Expenses	**(120,452)**	(13,783)

19. Available-for-sale investments

Available-for-sale investments represent unlisted equity securities. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably.

20. Deferred taxation

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Temporary differences on revenue recognition and related cost of sales *Rmb'000*	**Tax losses** *Rmb'000*	**Fair value adjustments** *(Note 29)* *Rmb'000*	**Others** *Rmb'000*	**Total** *Rmb'000*
At 1 January 2005	23,537	4,898	—	(5,775)	22,660
Credit (charge) to the consolidated income statement for the year	(7,156)	33,506	—	(1,216)	25,134
Acquisition of subsidiaries	—	—	(101,740)	—	(101,740)
At 31 December 2005	16,381	38,404	(101,740)	(6,991)	(53,946)
Credit (charge) to the consolidated income statement for the year	23,292	(10,057)	3,553	5,049	21,837
Utilisation of tax losses	—	(4,156)	—	—	(4,156)
Acquisition of subsidiaries	—	—	(31,774)	—	(31,774)
At 31 December 2006	39,673	24,191	(129,961)	(1,942)	(68,039)

For the purpose of balance sheet presentation, deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same legal entity and fiscal authority. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2006 ***Rmb'000***	2005 *Rmb'000*
Deferred tax assets	**66,402**	74,135
Deferred tax liabilities	**(134,441)**	(128,081)
	(68,039)	(53,946)

20. Deferred taxation (Continued)

At the balance sheet date, the Group had unutilised tax losses of Rmb433,618,000 (2005: Rmb322,634,000) available for offset against future profits. A deferred tax asset has been recognised in respect of Rmb85,818,000 (2005: Rmb104,476,000) of such losses. No deferred tax asset has been recognised in respect of the remaining Rmb347,800,000 (2005: Rmb218,158,000) due to the unpredictability of future profit streams. Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the balance sheet date will expire in the following years:

	2006	2005
	Rmb'000	*Rmb'000*
2006	**—**	3,563
2007	**3,642**	4,977
2008	**31,364**	29,458
2009	**95,492**	92,849
2010	**74,489**	87,311
2011	**142,813**	—
	347,800	218,158

21. Properties for development

The Group was in the process of obtaining the land use rights certificates for Rmb1,018,851,000 (2005: Rmb302,395,000) of the long-term leasehold land included in the balance of properties for development as at 31 December 2006.

22. Properties under development

	2006	2005
	Rmb'000	*Rmb'000*
Long-term leasehold land — at cost	**2,376,360**	2,399,053
Development costs	**2,736,824**	2,843,092
Finance costs capitalised	**566,835**	412,142
	5,680,019	5,654,287

23. Other current assets

Trade and other receivables, deposits and prepayments

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

	2006 *Rmb'000*	2005 *Rmb'000*
0–30 days	**113,231**	5,619
31–90 days	**8,291**	1,968
91–180 days	**2,062**	4,486
181–365 days	**743**	3,188
Over 365 days	**1,612**	4,669
Trade receivables	**125,939**	19,930
Other receivables	**264,560**	187,342
Prepayments and deposits	**515,171**	176,608
	905,670	383,880

Included in other receivables were advances to third parties of Rmb41,305,000 (2005: Rmb128,986,000) as at 31 December 2006. The advances are interest free, unsecured and repayable on demand.

Other receivables are repayable on demand.

No allowance was made for trade receivables. An allowance was made for estimated irrecoverable amounts of Rmb8,087,000 (2005: Rmb27,823,000) of other receivables as at 31 December 2006.

Bank balances and cash/pledged bank deposits

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. Bank balances carry interest at market rates which range from 0.72% to 5.375%.

Pledged bank deposits represent deposits pledged to banks to secure short-term banking facilities granted to the Group. The pledged bank deposits carry interest at market rate which range from 2.25% to 5.64%.

As at 31 December 2006, the Group had bank balances and cash (including pledged bank deposits) denominated in Renminbi amounting to Rmb1,395,935,000 (2005: Rmb1,121,279,000). Renminbi is not freely convertible into other currencies.

23. Other current assets (Continued)

Bank balances and cash/pledged bank deposits that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	HKD *Rmb'000*	USD *Rmb'000*
As at 31 December 2006	300,955	2,182,504
As at 31 December 2005	842	13,971

24. Trade and other payables

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

	2006 ***Rmb'000***	2005 *Rmb'000*
0–30 days	**766,376**	513,892
31–90 days	**88,457**	6,660
91–180 days	**3,088**	5,381
181–365 days	**33,431**	16,312
Over 365 days	**33,372**	30,916
Trade payables	**924,724**	573,161
Other payables and accrued expenses	**479,725**	427,130
	1,404,449	1,000,291

Trade payables and other payables principally comprise amounts outstanding for trade purposes and ongoing costs.

25. Bank and other borrowings

	2006	2005
	Rmb'000	*Rmb'000*
Secured bank loans *(See Note 34)*	**3,137,376**	3,441,174
Unsecured bank loans	**424,000**	472,000
	3,561,376	3,913,174
Secured other loans	**300,000**	335,170
Unsecured other loans	**46,826**	631,009
	346,826	966,179
	3,908,202	4,879,353
Carrying amount repayable:		
Within one year or on demand	**1,939,347**	2,510,841
More than one year, but not exceeding two years	**1,452,328**	1,357,187
More than two years, but not exceeding three years	**360,648**	1,004,798
More than three years, but not exceeding four years	**647**	647
More than four years, but not exceeding five years	**647**	647
More than five years	**154,585**	5,233
	3,908,202	4,879,353
Less: Amounts due within one year shown under current liabilities	**(1,939,347)**	(2,510,841)
Amounts due after one year	**1,968,855**	2,368,512

All bank and other borrowings were denominated in Renminbi, except for a USD-denominated, secured bank loans amounting to Rmb193,685,000 as at 31 December 2005.

The average interest rates paid were as follows:

	2006	2005
Bank loans	**6.33%**	6.68%
Other loans	**10.62%**	12.00%

All bank loans and other borrowings were arranged at fixed interest rates and exposed the Group to fair value interest rate risk.

25. Bank and other borrowings (Continued)

The directors estimate the fair value of the bank and other borrowings by discounting their future cash flows at the market rate. The directors consider that the carrying amounts of the bank and other borrowings approximate their fair values at the balance sheet date.

At the balance sheet date, certain bank loans are supported by guarantees from the following companies:

	2006	2005
	Rmb'000	*Rmb'000*
Secured bank loans:		
Shareholders	**—**	293,685
Independent third parties	**82,822**	314,117
	82,822	607,802
Unsecured bank loans:		
Shareholders' Companies	**—**	100,000
Independent third parties together with Group companies	**—**	88,000
Independent third parties	**—**	30,000
	—	218,000

At the balance sheet date, certain other loans were supported by guarantees from the following companies:

	2006	2005
	Rmb'000	*Rmb'000*
Unsecured other loans:		
Shareholders' Companies	**—**	100,000
Minority shareholders together with Group companies	**—**	60,000
	—	160,000

26. Convertible bonds

On 10 January 2006, the Company issued convertible bonds in an aggregate principal amount of USD130,000,000, comprising USD65,000,000 secured mandatory convertible bonds due 2011 and USD65,000,000 secured non-mandatory convertible bonds due 2011. There were two tranches within the mandatory convertible bonds, USD40,000,000 in principal amount of tranche A mandatory convertible bonds and USD25,000,000 in principal amount of tranche B mandatory convertible bonds. The convertible bonds are listed on the Singapore Exchange Securities Trading Limited. In connection with the issuance of the convertible bonds, 51% of the shares of each shareholder of the Company held by the relevant Shareholders, and 51% of the shares of Richwise held by the Company, are charged with the security trustee for the benefit of all the holders of the convertible bonds. Such share charges were released upon consummation of the Company's initial public offering (the "Global Offering").

The principal terms of the mandatory convertible bonds are as follows:

(i) Mandatory conversion

Immediately before consummation of the Global Offering, unless previously redeemed or purchased and cancelled, the mandatory convertible bonds shall mandatorily be converted, in certain circumstances, into fully paid shares at the mandatory conversion price, which will initially be 90.25% of the offer price of the shares of the Company in the Global Offering, if the Global Offering is effected on or before the maturity date.

(ii) Optional conversion

The tranche B mandatory convertible bonds may be converted at the option of the holders at any time on or after 180 days subsequent to the listing date up to the seventh business day prior to the maturity date of the convertible bonds, which is 10 January 2011. Subject to adjustments upon the occurrence of various events described in the trust deed relating to the convertible bonds, the initial conversion price for the non-mandatory convertible bonds will be 104% of the offer price of the shares of the Company in the Global Offering.

(iii) Redemption

— ***Redemption at the option of the Company***

The Company may, having given not less than 30 nor more than 60 days' notice to the trustee, the principal agent and the bondholders, redeem all or some of the tranche B mandatory convertible bonds then outstanding at their principal amount together with any accrued interest together with accrued and unpaid interest, if any, on or after the day which is seven calendar months after the listing date.

— ***Final redemption***

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem the mandatory convertible bonds at a redemption amount that would provide bondholders with an annualised rate of return of 20% per annum on the maturity date together with any accrued interest.

The principal terms of the non-mandatory convertible bonds are as follows:

(i) Optional conversion

The non-mandatory convertible bonds may be converted at the option of the holders at any time on or after 180 days subsequent to the listing date up to the seventh business day prior to the maturity date of the convertible bonds, which is 10 January 2011. Subject to adjustments upon the occurrence of various events described in the trust deed relating to the convertible bonds, the initial conversion price for the non-mandatory convertible bonds will be 104% of the offer price of the shares of the Company in the Global Offering.

26. Convertible bonds (Continued)

(ii) Redemption

— ***Redemption at the option of the Company***

Subsequent to the Global Offering, the Company will have the right to require holders of the non-mandatory convertible bonds to redeem their non-mandatory convertible bonds (having given not less than 30 nor more than 60 days' prior written notice) as follows:

- The Company may, at its option, redeem the non-mandatory convertible bonds in whole, but not in part, at any time after 10 July 2008 but not less than seven business days prior to 10 January 2011 if the closing price of the Company's shares for each of any 20 trading days falling within a period of 30 consecutive trading days, with the last day of such period occurring no more than five trading days prior to the date upon which the early redemption notice is given, was for each such 20 trading day at least 140% of the principal amount of the non-mandatory convertible bonds divided by the conversion ratio, which is equal to the principal amount of the convertible bonds divided by the then applicable conversion price translated into USD at USD1.00 = HKD7.75, subject to specific adjustments relating to the non-mandatory convertible bonds; and

- The Company may, at its option, redeem the non-mandatory convertible bonds in whole, but not in part, if less than 10% of the aggregate principal amount of non-mandatory convertible bonds originally issued remains outstanding.

— ***Redemption at the option of the bondholders***

Holders of the non-mandatory convertible bonds have the right to require the Company to redeem the convertible bonds at their outstanding principal amount plus accrued interest (including any default interest) with respect to such non-mandatory convertible bonds as follows:

- to redeem, at the option of such holders, all or a part of the non-mandatory convertible bonds on 10 January 2009, being the third anniversary of their issue date;

- to redeem in whole, but not in part, the non-mandatory convertible bonds upon the occurrence of a change of control when (a) any person or persons, acting together, other than any Shareholders, acquires more than 50% of the voting rights of the Company's issued share capital or the right to appoint and/or remove all or the majority of the Company's directors or (b) the Company consolidate with or merge into or sell or transfer all or substantially all of its assets to any other person resulting in any person or persons, acting together, other than any Shareholders, acquiring control over more than 50% of the voting rights of the Company's issued share capital or the right to appoint and/or remove all or the majority of the Company's directors; and

- to redeem in whole, but not in part, the non-mandatory convertible bonds upon the Company's shares ceasing to be listed or admitted to trading on the Stock Exchange subsequent to the Global Offering.

Prior to consummation of the Global Offering, the convertible bonds carried an initial annual interest rate of 10%. The annual interest rate applicable to the non-mandatory convertible bonds would be adjusted to 6% upon completion of the Global Offering, while the Company on 21 June 2006 provided an undertaking to one bond-holder under which the Company agreed to pay this bond-holder an additional 1% per annum of the principal amount outstanding on the non-mandatory convertible bonds it held with effect from 13 July 2006, the date on which the shares of the Company were listed on the Stock Exchange.

26. Convertible bonds (Continued)

(ii) Redemption (Continued)

— ***Redemption at the option of the bondholders (Continued)***

Pursuant to an agreement entered into between the holders of the convertible bonds and the Company on 23 June 2006, the holders of the mandatory convertible bonds elected to require the Company to redeem their mandatory convertible bonds at a redemption amount that would provide bondholders with an annualised rate of return of 20% per annum, in USD, on the principal amount of the mandatory convertible bonds, together with any accrued interest upon consummation of the Global Offering.

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 year is calculated by applying an effective interest rate of approximately 14% per annum to the liability component since the convertible bonds were issued.

(ii) Embedded derivatives, comprising:

(a) 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;

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

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

The binomial model is used in the valuation of these embedded derivatives. Inputs into the model are as follows:

	10 January 2006	12 July 2006	31 December 2006
Exercise price	100%	100%	100%
Risk-free rate of interest	4.96%	5.68%	5.19%
Dividend yield	4.00%	4.00%	3.50%
Time to expiration	4.5 years	4.5 years	4 years
Volatility	45.00%	49.00%	46.00%

Notes:

(a) The risk-free rate of interest adopted was the market yield of China International Bond maturing in 2011.

(b) The dividend yield adopted was based on the dividend yield of comparable companies in the past four to five years.

(c) The volatility adopted was based on the median share price volatility of comparable companies in the past two years.

(d) The fair value of the redemption options was developed by the "with and without approach", i.e. the fair value of the conversion option/liability component with or without the redemption option.

26. Convertible bonds (Continued)

(ii) Redemption (Continued)

— ***Redemption at the option of the bondholders (Continued)***

The variables and assumptions used in computing the fair value of the embedded derivatives are based on the directors' best estimates. The value of embedded derivatives varies with different variables of certain subjective assumptions.

The movement of the liability component and embedded derivatives of the convertible bonds for the year is set out below:

	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	871,134	207,470	45,950	(87,777)	296	1,037,073
Exchange realignment	(21,918)	(4,389)	(972)	1,858	(7)	(25,428)
Interest charged during the year	87,605	—	—	—	—	87,605
Interest payable during the year	(73,393)	—	—	—	—	(73,393)
Redemption	(470,579)	(63,079)	—	46,352	—	(487,306)
Changes in fair value	—	272,516	(6,958)	(31,344)	(289)	233,925
At 31 December 2006	392,849	412,518	38,020	(70,911)	—	772,476

27. Senior notes

On 10 November 2006, the Company issued senior notes in an aggregate principal amount of USD400,000,000. The senior notes are designated for trading in the National Association of Securities Dealer Inc.'s PORTAL market and are listed on the Singapore Exchange Securities Trading Limited. The senior notes carry interest at the rate of 9% per annum, payable semi-annually in arrears, and will mature on 8 November 2013, unless redeemed earlier.

The principal terms of the senior notes are as follows:

The senior notes are:

(i) general obligations of the Company;

(ii) guaranteed by the Subsidiary Guarantors, subsidiaries other than those organised under the laws of the PRC, on a senior basis, subject to certain limitations (the "Subsidiary Guarantees");

(iii) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the senior notes;

(iv) at least *pari passu* in right of payment with all other unsecured, unsubordinated indebtedness of the Company (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law); and

(v) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries, subsidiaries organised under the laws of the PRC.

27. Senior notes (Continued)

After the charge of the Collateral (as defined below) by the Company and the Subsidiary Guarantor Chargor (as defined below) and subject to certain limitations, the senior notes will:

(i) be entitled to a first priority lien on the Collateral charged by the Company and the Subsidiary Guarantor Chargor (subject to any permitted liens);

(ii) rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral charged by the Company securing the senior notes; and

(iii) rank effectively senior in right of payment to unsecured obligations of the Subsidiary Guarantor Chargors with respect to the value of the Collateral charged by each Subsidiary Guarantor Chargor securing the senior notes (subject to priority rights of such unsecured obligations pursuant to applicable law).

The Company has agreed, for the benefit of the holders of the senior notes, to charge, or cause the initial Subsidiary Guarantor Chargor to charge, as the case maybe, the capital stock of each initial Subsidiary Guarantor (collectively, the "Collateral") in order to secure the obligations of the Company under the senior notes and the indenture and of the Subsidiary Guarantor Chargor under its Subsidiary Guarantee. The initial Subsidiary Guarantor Chargor will be Richwise. The Collateral securing the senior notes and the Subsidiary Guarantees may be released or reduced in the event of certain asset sales and certain other circumstances.

At any time and from time to time on or after 8 November 2010, the Company may redeem the senior notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to the redemption date if redeemed during the twelve-month period beginning on 8 November of each of the years indicated below.

Period	**Redemption price**
2010	104.50%
2011	102.25%
2012 and thereafter	100.00%

At any time prior to 8 November 2010, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus the Applicable Premium (as defined below) as of, and accrued and unpaid interest, if any, to the redemption date.

"Applicable Premium" means with respect to the senior notes at any redemption date, the greater of (1) 1.00% of the principal amount of such senior notes and (2) the excess of (A) the present value at such redemption date of (i) the redemption price of such senior notes on 8 November 2010 plus (ii) all required remaining scheduled interest payments due on such senior notes through 8 November 2010 (but excluding accrued and unpaid interest to such redemption date), computed using a discount rate equal to the Adjusted Treasury Rate, the rate per annum equal to the semi-annual equivalent yield in maturity of the comparable US Treasury security, plus 100 basis points, over (B) the principal amount of such senior notes on such redemption date.

27. Senior notes (Continued)

At any time and from time to time prior to 8 November 2009, the Company may redeem up to 35% of the aggregate principal amount of the senior notes at a redemption price of 109% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, with the proceeds from sales of certain kinds of its capital stock, subject to certain conditions.

The senior notes contain a liability component and an early redemption option:

(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 year is calculated by applying an effective interest rate of approximately 9% per annum to the liability component since the senior notes were issued.

(ii) Early redemption option is regarded as an embedded derivative not closely related to the host contract. The directors consider that the fair value of the early redemption option is insignificant on initial recognition and at balance sheet date.

The movement of the senior notes during the year is set out below:

	Rmb'000
Senior notes issued on 10 November 2006	3,069,738
Exchange realignment	(653)
Interest charged during the year	40,781
Interest payable during the year	(39,044)
At 31 December 2006	3,070,822

28. Share capital

	Number of shares	Share capital HKD'000
Authorised		
Ordinary shares of HKD1.00 each		
At date of incorporation	**350,000**	350
Increase on sub-division of shares on 30 November 2005	**3,150,000**	—
At 31 December 2005	**3,500,000**	350
Increase on 21 June 2006	**9,996,500,000**	999,650
Ordinary shares of HKD0.10 each		
At 31 December 2006	**10,000,000,000**	1,000,000
Issued and fully paid		
Ordinary shares of HKD1.00 each		
At date of incorporation	**100**	—
Increase on sub-division of shares on 30 November 2005	**900**	—
At 31 December 2005	**1,000**	—
Issued by capitalisation of the retained earnings account	**999,999,000**	100,000
Issued on public flotation	**347,402,500**	34,740
Ordinary shares of HKD0.10 each		
At 31 December 2006	**1,347,402,500**	134,740
		Rmb'000
Shown on the consolidated balance sheet as at 31 December 2006		138,690

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 on incorporation was HKD350,000 divided into 350,000 shares of HKD1.00 each, 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 HKD1.00 was sub-divided into 10 shares of HKD0.10 each. The authorised share capital of the Company after such sub-division of shares was HKD350,000 divided into 3,500,000 shares of a par value of HKD0.10 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 HKD350,000 to HKD1,000,000,000 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 HKD99,999,900 which was then standing to the credit of the retained earnings account of the Company.

Pursuant to the written resolutions of the shareholders of the Company on 22 June 2006, the Global Offering was approved and the directors were authorised to allot and issue 298,701,500 new shares of HKD0.10 each at a price of HKD8.22 per share. The above resolutions became unconditional on 13 July 2006, when the Company's shares were listed on the Stock Exchange. The proceeds from the share issue were used for redeeming the Company's mandatory convertible bonds, financing property development, acquiring new land for development and repaying loans.

28. Share capital (Continued)

On 20 July 2006, the over-allotment option under the Global Offering was exercised and 48,701,000 new shares of HKD0.10 each were issued and allotted by the Company also at HKD8.22 per share.

Subsequent to the balance sheet date, convertible bonds in an aggregate principal amount of USD32,000,000 were converted into the Company's shares at a conversion price of HKD8.55. As a result of the conversion of convertible bonds, 29,009,916 new shares were issued.

All shares issued during both years rank *pari passu* with other shares in issue in all respects.

For the purpose of the preparation of the consolidated balance sheet, the balance of the paid-in capital at 1 January 2005 represented the aggregate of the share/registered capital of Richwise, Greentown Real Estate, Shanghai Lvyu, Hangzhou Jiuxi and Hangzhou Greentown prior to the Group Reorganisation. The payments of the consideration for the transfers of the equity interests in these entities under the Group Reorganisation were treated as deemed distributions to the Shareholders.

29. Acquisition of subsidiaries

Particulars of the subsidiaries acquired during 2006 were as follows:

Acquired company	**Principal activities**	**Acquisition date**	**Equity interest acquired**	**Consideration** *Rmb'000*
浙江嘉和實業有限公司 Zhejiang Jiahe Industrial Co., Ltd. ("Zhejiang Jiahe")	Real estate development	19 January 2006	100%	30,000
南京天浦置業有限公司 Nanjing Tianpu Real Estate Co., Ltd. ("Nanjing Tianpu")	Real estate development	30 September 2006	70%	35,000
杭州千島湖綠城投資置業有限公司 Hangzhou Qiandaohu Greentown Real Estate Co., Ltd. ("Hangzhou Qiandaohu") *(Note)*	Real estate development	25 September 2006	51%	18,360
桐廬九洲房地產有限公司 Tonglu Jiuzhou Real Estate Co., Ltd. ("Tonglu Jiuzhou")	Real estate development	27 November 2006	51%	6,375
				89,735

Note: Hangzhou Qiandaohu was previously a 29%-owned associate of the Group.

29. Acquisition of subsidiaries (Continued)

Particulars of the subsidiaries acquired during 2005 were as follows:

Acquired company	**Principal activities**	**Acquisition date**	**Equity interest acquired**	**Consideration** *Rmb'000*
Hunan Greentown Real Estate Development Co., Ltd. ("Hunan Greentown") *(Notes i, ii and iii)*	Real estate development	30 June 2005	3%	2,400
Hunan Green Bamboo Lake International Business Community Development Co., Ltd. ("Hunan Green Bamboo Lake") *(Note ii)*	Real estate development	30 June 2005	3%	—
Xinjiang Sunshine *(Note i)*	Real estate development	10 February 2005	16%	3,200
Shanghai Huazhe Bund Real Estate Co., Ltd. ("Shanghai Huazhe") *(Note i)*	Real estate development	23 May 2005	6%	3,000
Hangzhou Yuhang Greentown Real Estate Development Co., Ltd. ("Hangzhou Yuhang Greentown") *(Note iv)*	Real estate development	30 June 2005	51%	15,300
Ningbo Zheda Science Park Construction Co., Ltd. *(Notes i and iii)*	Real estate development	29 August 2005	25%	12,500
Hangzhou Yuhang Jinteng Real Estate Development Co., Ltd. ("Hangzhou Yuhang Jinteng") *(Notes i and iii)*	Real estate development	10 October 2005	27%	13,500
				49,900

Notes:

(i) These companies were associates of the Group before the acquisition of additional equity interests in them.

(ii) Hunan Greentown holds 97% equity interest in Hunan Green Bamboo Lake.

(iii) The equity interests in these companies were acquired from minority shareholders.

(iv) 50% and 1% of the equity interest in Hangzhou Yuhang Greentown was acquired from a Shareholder and a minority shareholder respectively.

29. Acquisition of subsidiaries (Continued)

Particulars of the subsidiaries acquired during the year were as follows:

	Carrying amount before combination *Rmb'000*	Fair value adjustments *Rmb'000*	**2006** ***Rmb'000***	2005 *Rmb'000*
Net assets acquired:				
Property, plant and equipment	1,885	—	**1,885**	28,595
Properties for development	842,770	77,888	**920,658**	1,987,102
Properties under development	123,347	18,397	**141,744**	650,972
Trade and other receivables	22,253	—	**22,253**	7,039
Amounts due from related parties	—	—	**—**	359,492
Other taxes recoverable	—	—	**—**	10,059
Bank balances and cash	2,579	—	**2,579**	78,752
Trade and other payables	(113,756)	—	**(113,756)**	(460,103)
Amounts due to related parties	(502,997)	—	**(502,997)**	(1,690,015)
Other taxes payable	(51)	—	**(51)**	(29,664)
Bank borrowings	(312,041)	—	**(312,041)**	(508,793)
Deferred tax liabilities	—	(31,774)	**(31,774)**	(101,740)
	63,989	64,511	**128,500**	331,696
Minority interests	(16,187)	(12,138)	**(28,325)**	(145,286)
	47,802	52,373	**100,175**	186,410
Less:				
Interest previously acquired and classified as associates			**(10,440)**	(133,500)
Negative goodwill released to income			**—**	(3,010)
			89,735	49,900
Total consideration, satisfied by:				
Amount due from a third party			**30,000**	—
Cash			**59,735**	49,900
			89,735	49,900
Net cash inflow (outflow) arising on acquisition				
Cash paid			**(59,735)**	(49,900)
Bank balances and cash acquired			**2,579**	78,752
			(57,156)	28,852

29. Acquisition of subsidiaries (Continued)

These acquisitions have been accounted for using the purchase method of accounting.

The subsidiaries acquired in both years did not contribute any revenue to the Group for the period between the dates of acquisition and the balance sheet date.

The losses attributable to the subsidiaries acquired in 2005 amounted to Rmb28,588,000 to the Group's profit for the period between the dates of acquisition and 31 December 2005. If the acquisitions had been completed on 1 January 2005, the Group's revenue would have remained unchanged and the Group's profit for the year ended 31 December 2005 would have been Rmb569,820,000.

The losses attributable to the subsidiaries acquired in 2006 amounted to Rmb17,426,000 to the Group's profit for the period between the dates of acquisition and 31 December 2006. If the acquisitions had been completed on 1 January 2006, the Group's revenue would have remained unchanged and the Group's profit for the year ended 31 December 2006 would have been Rmb1,268,397,000.

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 acquisitions been completed on 1 January 2005 and 2006 respectively, nor is it intended to be a projection of future results.

30. Disposal of subsidiaries

Pursuant to an agreement entered into between Sinhoo, the holder of the other 50% equity interest in Haining Greentown, and the Group on 1 January 2006, the declaration made by Sinhoo granting control over Haining Greentown to the Group lapsed after phase I of the project had been delivered and 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 commencing 1 January 2006.

The net assets of the subsidiaries disposed of at the respective dates of disposal were as follows:

	2006 *Rmb'000*	2005 *Rmb'000*
Net assets disposed of		
Property, plant and equipment	**2,533**	5,877
Properties for development	**275,537**	663,690
Properties under development	**331,318**	—
Completed properties held for sale	**8,962**	—
Inventories	**—**	62
Trade and other receivables, deposits and prepayments	**2,046**	25,514
Amounts due from related parties	**15,209**	97,041
Income taxes recoverable	**15,075**	—
Other taxes recoverable	**9,552**	—
Bank balances and cash	**13,839**	74,013
Trade and other payables	**(42,161)**	(303,291)
Pre-sale deposits	**(231,961)**	—
Amounts due to related parties	**(36,773)**	(229,218)
Other taxes payable	**(128)**	(82)
Bank borrowings	**(350,000)**	(148,000)
	13,048	185,606
Minority interests	**(6,524)**	(58,124)
	6,524	127,482
Transfer to interests in jointly controlled entities	**(6,524)**	(5,512)
Less: Gain on disposal recognised as special reserve *(note)*	**—**	2,774
Gain on disposal recognised as income	**—**	45,545
Unrealised gain on disposal to a jointly controlled entity	**—**	5,661
Total consideration, satisfied by cash	**—**	175,950
Net cash inflow (outflow) arising on disposal		
Cash consideration received	**—**	175,950
Bank balances and cash disposed of	**(13,839)**	(74,013)
	(13,839)	101,937

Note: As part of the Group Reorganisation as referred to in Note 12, the Group disposed of certain Non-Property Related Entities engaged in catering, hotel and other non-property related businesses to the Shareholders' Companies during the year ended 31 December 2005 at a total consideration of Rmb72,000,000. The gain on disposal was considered to be capital contributions and was recognised as a special reserve.

31. Operating leases

The Group as lessee

	2006 **Rmb'000**	2005 *Rmb'000*
Minimum lease payments made under operating leases in respect of buildings during the year	**9,987**	2,168

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2006 **Rmb'000**	2005 *Rmb'000*
Within one year	**8,789**	7,603
In the second to fifth year inclusive	**7,496**	12,520
	16,285	20,123

Operating lease payments represent rentals payable by the Group for certain office premises. Leases are negotiated for a term ranging from two to four years with fixed rentals.

The Group as lessor

	2006 **Rmb'000**	2005 *Rmb'000*
Property rental income, net of negligible outgoings	**654**	907

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2006 **Rmb'000**	2005 *Rmb'000*
Within one year	**1,681**	900
In the second to fifth year inclusive	**5,193**	2,198
After five years	**11,438**	168
	18,312	3,266

Property rental income represents rentals receivable by the Group. Leases are negotiated for a term ranging from two to fifteen years with fixed rentals.

32. Commitments

	2006 **Rmb'000**	2005 *Rmb'000*
Commitments contracted for but not provided in the consolidated financial statements in respect of properties for development, properties under development and construction in progress	**3,534,689**	2,241,205

In addition to the above, the Group's share of the commitments of its jointly controlled entities are as follows:

	2006 **Rmb'000**	2005 *Rmb'000*
Contracted for but not provided	**264,743**	74,675

33. Share option

The Company's share option scheme (the "Scheme") was adopted pursuant to the shareholders' resolution passed on 22 June 2006 for the primary purpose of providing incentives and/or reward to directors and employees of the Group and will expire on 21 June 2016. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to independent non-executive directors and substantial shareholders of the Company in excess of 0.1% of the Company's share capital or with a value in excess of HKD5 million must be approved in advance by the Company's shareholders.

No consideration is payable on the grant of an option. Options may be exercised at any time from the date of grant of the share option to the expiry of the Scheme, unless otherwise specified in the Scheme. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the share for the five business dates immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Since the adoption of the Scheme and up to 31 December 2006, no options have been granted, exercised or cancelled.

34. Pledge of assets

At the balance sheet date, the following assets were pledged to banks to secure general banking facilities granted to the Group:

	2006 **Rmb'000**	2005 *Rmb'000*
Buildings	**12,253**	40,014
Construction in progress	**184,044**	—
Properties for development	**1,165,543**	284,239
Properties under development	**2,297,421**	3,743,165
Completed properties for sale	**24,792**	243,569
Bank deposits	**630,380**	256,699
	4,314,433	4,567,686

At the balance sheet date, the following assets were pledged to banks to secure general banking facilities granted to related parties:

	2006 **Rmb'000**	2005 *Rmb'000*
Properties under development	**—**	105,463
Bank deposits	**—**	20,000
	—	125,463

35. Retirement benefits plans

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

36. Contingent liabilities

(i) Guarantees

The Group provided guarantees of Rmb2,394,302,000 (2005: Rmb2,875,699,000) at 31 December 2006 to banks in favour of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

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

	2006 *Rmb'000*	2005 *Rmb'000*
Shareholders' Companies	**—**	273,000
Associates	**148,500**	148,500
Jointly controlled entities	**282,700**	304,000
Independent third parties	**—**	765,800
	431,200	1,491,300

Contingent liabilities arising from interests in associates at the balance sheet date:

	2006 *Rmb'000*	2005 *Rmb'000*
Mortgage loan guarantees provided by an associate to banks in favour of its customers	**105,876**	318,030

Contingent liabilities arising from interests in jointly controlled entities at the balance sheet date:

	2006 *Rmb'000*	2005 *Rmb'000*
Mortgage loan guarantees provided by jointly controlled entities to banks in favour of its customers	**77,746**	—

36. Contingent liabilities (Continued)

(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. On 18 December 2006, the Group received a notice from the People's Government of Hangzhou Yuhang Branch confirming that the land of Greentown Lanting project should not be considered idle. At the date of this report, the relevant authorities have not responded to the Group's petition in respect of Xingqiao project. 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.

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 have 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:

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

(b) 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

(c) this project was approved by 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. At the date of this report, the relevant authorities have not responded to the Group's petition. 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.

37. Related party disclosures

(i) During the year, in addition to those disclosed in Notes 25, 34 and 36, the Group entered into the following transactions with related parties:

	2006 **_Rmb'000_**	2005 _Rmb'000_
Sale of properties to Shareholders, net of return	**14,398**	45,661
Sale of properties to officers	**134**	38,193
Sale of materials to Shareholders' Companies*	**5,517**	8,107
Sales of materials to associates	**36,388**	7,735
Sale of available-for-sale investments to a Shareholders' Company*	**—**	25,000
Sale of property, plant and equipment to a Shareholders' Company*	**5,249**	9,265
Rental income from Shareholders' Companies*	**—**	60
Rental fees paid to Shareholders' Companies	**5,069**	—
Purchases from Shareholders' Companies *(Note)*	**6,627**	85,679
Interior decoration service fees paid to Shareholders' Companies	**27,936**	20,859
Property management fees paid to Shareholders' Companies	**9,679**	5,874
Interest income arising from trade balances due from associates	**21,934**	7,762
Interest income from other related parties*	**5,624**	1,389
Interest expense arising from trade balances due to associates	**610**	—
Advertising expenses paid to Shareholders' Companies	**31,500**	14,329
Landscaping service fees paid to Shareholders' Companies*	**—**	41,621
Sales commission paid to a company invested by an officer*	**—**	17,598

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.

Sales of available-for-sale investments and property, plant and equipment to Shareholders' Companies arose from the Group Reorganisation were priced at their cost and 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 transactions above denoted with an asterisk "*" discontinued after the listing of the Company's shares on the Stock Exchange.

37. Related party disclosures (Continued)

(ii) As at the balance sheet date, the Group had balances with related parties as follows:

	2006			2005		
	Trade	**Non-trade**	**Total**	Trade	Non-trade	Total
	Rmb'000	***Rmb'000***	***Rmb'000***	*Rmb'000*	*Rmb'000*	*Rmb'000*
Due from						
Shareholders	**18,198**	**—**	**18,198**	5,765	3,661	9,426
Shareholders' Companies	**4,687**	**1,023**	**5,710**	16,041	560,329	576,370
Minority shareholders	**15,660**	**500**	**16,160**	—	178,209	178,209
Associates	**240,799**	**48**	**240,847**	178,435	33	178,468
Jointly controlled entities	**108,613**	**—**	**108,613**	46,697	—	46,697
Officers	**20**	**460**	**480**	11,534	80,305	91,839
	387,977	**2,031**	**390,008**	258,472	822,537	1,081,009
Due to						
Shareholders	**—**	**—**	**—**	16,600	—	16,600
Shareholders' Companies	**513**	**264**	**777**	33,887	150,147	184,034
Minority shareholders	**704,865**	**2,040**	**706,905**	340,663	—	340,663
Associates	**69,219**	**241,610**	**310,829**	63,885	32,642	96,527
Jointly controlled entities	**—**	**45,682**	**45,682**	—	—	—
Officers	**13,600**	**—**	**13,600**	11,744	2,518	14,262
	788,197	**289,596**	**1,077,793**	466,779	185,307	652,086

In respect of trade balances with related parties:

(a) The trade balances due from Shareholders and officers arise mainly from property sales and are with a normal credit term of two months.

(b) The trade balances due from Shareholders' Companies are mainly construction prepayments and trade receivables.

Construction prepayments are billed according to the construction contracts and are settled within one to two months after the construction cost incurred are verified and agreed.

Trade receivables arise mainly from materials sales and are with a normal credit terms of two months.

37. Related party disclosures (Continued)

(ii) As at the balance sheet date, the Group had balances with related parties as follows: (Continued)

(c) The trade balances due from associates/jointly controlled entities are mainly project advances to these associates and are tied to the project development cycle. In the opinion of the directors, these balances are expected to be settled when the projects concerned commence pre-sales.

(d) The trade balances due to Shareholders and officers are mainly pre-sale deposits.

(e) The trade balances due to Shareholders' Companies arise mainly from construction purchases and are with a normal credit term of one to two months after the construction costs incurred are verified and agreed. Typically as much as 85% of the construction costs incurred will be settled by the time the construction of a project is completed and up to 95% by the time the amount of the aggregate construction costs are finally agreed. A warranty fee of up to 5% of the aggregate construction cost will be withheld and settled within two to five years.

(f) The trade balances due to minority shareholders are mainly project advances from these minority shareholders, and are tied to the project development cycle. In the opinion of the directors, these balances are expected to be settled when the projects concerned commence pre-sales.

(g) The trade balances due to associates are mainly prepaid distributions.

Except for the amounts as set out in (a) to (f) below, the balances due from (to) related parties are unsecured, interest free and repayable on demand.

(a) Included in the non-trade amounts due from officers was an amount of nil at 31 December 2006, and an amount of approximately Rmb38,525,000 at December 31 2005, which carried interest at 5.58% per annum.

(b) Included in the trade amounts due from associates was an amount of Rmb240,445,000 at 31 December 2006, which carried interest at 10.98% per annum, and an amount of Rmb177,435,000 at 31 December 2005 which carried interest at 6.88% per annum.

(c) Included in the trade amounts due from jointly controlled entities was an amount of Rmb103,700,000 at 31 December 2006, which carried interest at 5.82% per annum, and an amount of Rmb46,697,000 at 31 December 2005 which carried interest at 13.23% per annum.

(d) Included in the trade amounts due to minority shareholders was an amount of Rmb54,000,000 at 31 December 2006, which carried interest at 9% per annum (2005: Nil).

(e) Included in the non-trade amounts due to associates was an amount of Rmb241,610,000 at 31 December 2006, which carried interest at 6.12% per annum (2005: Nil).

(f) The non-trade amounts due to jointly controlled entities of Rmb45,682,000 at 31 December 2006 carried interest at 11% per annum (2005: Nil).

(iii) Office rentals incurred by the Group amounting to nil (2005: Rmb5,180,000) for the years ended 31 December 2006 were borne by a Shareholders' Company.

37. Related party disclosures (Continued)

(iv) (a) During the year, in addition to those disclosed in note 29, the Group made acquisitions from related parties as follows:

	2006 **Rmb'000**	2005 *Rmb'000*
Partial acquisition of interests in subsidiaries from minority shareholders	**2,040**	16,240
Partial acquisition of interests in subsidiaries from officers	**—**	980

(b) During the year, in addition to those disclosed in Note 30, the Group made disposals to related parties as follows:

	2006 **Rmb'000**	2005 *Rmb'000*
Disposal of other investments to Shareholders' Companies	**—**	25,500
Disposal of interests in subsidiaries to a jointly controlled entity *(note)*	**—**	47,000

Note: In 2005, the Group disposed of two of its subsidiaries to a jointly controlled entity at a gain and accordingly part of the resulting gain amounting to Rmb5,661,000 was unrealised.

(v) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2006 **Rmb'000**	2005 *Rmb'000*
Short-term benefits	**14,721**	3,867
Post-employment benefits	**242**	65
Other long-term benefits	**—**	259
	14,963	4,191

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

38. Post balance sheet events

The following significant events took place subsequent to 31 December 2006:

(i) On 5 January 2007, the Group entered into an agreement to acquire a 35% equity interest held by Xinshidai Properties Company Limited ("Xinshidai Properties") in Beijing Xingye Wanfa Real Estate Development Company Limited ("Beijing Xingye Wanfa"), a subsidiary of the Company, for a consideration of Rmb17,500,000. As Xinshidai Properties is a substantial shareholder of Beijing Xingye Wanfa, this acquisition constitutes a connected transaction of the Company.

(ii) On 13 February 2007, the Group entered into an acquisition agreement with Greentown Group Holdings Limited to acquire 49% equity interest held in Zhejiang Zhongqinglv Greentown Real Estate Investment Company Limited ("ZZG") for a consideration of Rmb122,000,000. The Original Shareholders which are the substantial shareholders of the Company hold an aggregate of 100% in the share capital of Greentown Holdings Group Limited. Since Greentown Holdings Group Limited holds 49% equity interest in ZZG, Greentown Holdings Group Limited and ZZG are connected persons of the Company. Therefore, this acquisition constitutes a connected transaction of the Company. The Company's circular in respect of this acquisition was issued on 9 March 2007. Pursuant to the special general meeting held on 26 March 2007, the acquisition was approved by the shareholders.

(iii) On 15 February 2007, Wenzhou Greentown Real Estate Development Company Limited ("Wenzhou Greentown") was established in the PRC as a limited liability company with a registered capital of Rmb388 million. The Group, through two wholly-owned subsidiaries of the Company, holds an aggregate 60% interest in Wenzhou Greentown and another independent third party holds the remaining 40% interest. Wenzhou Greentown will carry out the development of a real estate project in Wenzhou, the PRC.

39. Particulars of subsidiaries

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share/ registered capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities	Legal form
才智控股有限公司 Richwise	The British Virgin Islands ("The BVI") 16 November 2004	USD100	100%	—	Investment holding	Private limited liability company
Green Sea International Limited ("Green Sea")	The BVI 8 February 2005	USD100	—	100%	Investment holding	Private limited liability company
佳卓企業有限公司 Best Smart Enterprises Limited ("Best Smart")	The BVI 25 November 2005	USD100	—	100%	Investment holding	Private limited liability company
華益投資有限公司 Hua Yick Investments Limited ("Hua Yick")	The BVI 25 November 2005	USD100	—	100%	Investment holding	Private limited liability company
綠城房地產集團有限公司 Greentown Real Estate	The PRC 6 January 1995	Rmb895,000,000	—	100%	Real estate development	Wholly foreign-owned enterprise
上海綠宇房地產開發有限公司 Shanghai Lvyu	The PRC 19 July 2000	Rmb100,000,000	—	100%	Real estate development	Wholly foreign-owned enterprise
杭州九溪度假村有限公司 Hangzhou Jiuxi *(Note ii)*	The PRC 19 July 1996	USD6,600,000	—	100%	Real estate development	Sino-foreign equity joint venture
安徽綠城房地產開發有限公司 Anhui Greentown Real Estate Development Co., Ltd. ("Anhui Greentown")	The PRC 9 August 2001	Rmb30,000,000	—	90%	Real estate development	Limited liability company
安徽綠城聯華房地產開發有限公司 Anhui Greentown Lianhua Real Estate Development Co., Ltd. ("Anhui Greentown Lianhua")	The PRC 9 July 2002	Rmb20,000,000	—	54%	Real estate development	Limited liability company
北京綠城投資有限公司 Beijing Greentown Investment Co., Ltd. ("Beijing Greentown Investment")	The PRC 3 June 2002	Rmb50,000,000	—	100%	Investment management	Limited liability company
杭州桂花城房地產開發經營有限公司 Hangzhou Osmanthus City Real Estate Development & Operation Co., Ltd. ("Hangzhou Osmanthus City") *(Note ii)*	The PRC 24 April 1998	Rmb30,000,000	—	100%	Real estate development	Limited liability company
杭州桃花源房地產開發有限公司 Hangzhou Taohuayuan Real Estate Development Co., Ltd. ("Hangzhou Taohuayuan")	The PRC 29 April 1998	Rmb10,000,000	—	100%	Real estate development	Limited liability company
杭州中山房地產開發有限公司 Hangzhou Zhongshan Real Estate Development Co., Ltd. ("Hangzhou Zhongshan") *(Note ii)*	The PRC 16 March 1993	Rmb50,000,000	—	100%	Real estate development	Limited liability company

39. Particulars of subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share/ registered capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities	Legal form
上虞市綠城房地產開發有限公司 Shangyu Greentown Real Estate Development Co., Ltd. ("Shangyu Greentown")	The PRC 2 August 2002	Rmb30,000,000	—	51%	Real estate development	Limited liability company
上海綠城森林高爾夫別墅開發有限公司 Shanghai Greentown Woods Golf Villas Development Co., Ltd. ("Shanghai Greentown Woods Golf")	The PRC 19 June 2002	Rmb100,000,000	—	100%	Real estate development	Limited liability company
浙江省綠園房地產有限公司 Zhejiang Green Garden Real Estate Development Co., Ltd. ("Zhejiang Green Garden") *(Note ii)*	The PRC 16 December 1998	Rmb20,000,000	—	100%	Real estate development	Limited liability company
浙江綠城電子技術設備有限公司 Zhejiang Greentown Electronical Technology Equipment Co., Ltd. ("Zhejiang Greentown Electronical Technology Equipment")	The PRC 16 November 2000	Rmb5,000,000	—	90%	Design, development, installation and sales of building auto-controlling systems, network systems and office automotive devices	Limited liability company
浙江綠城電子工程有限公司 Zhejiang Greentown Electronical Engineering Co., Ltd. ("Zhejiang Greentown Electronical Engineering")	The PRC 20 December 2001	Rmb2,500,000	—	81%	Design, development, installation and sales of computer software network systems and electronic equipment	Limited liability company
舟山綠城房地產開發有限公司 Zhoushan Greentown Real Estate Development Co., Ltd. ("Zhoushan Greentown") *(Note i)*	The PRC 16 December 1999	Rmb34,000,000	—	100%	Real estate development	Limited liability company
北京陽光綠城房地產開發有限公司 Beijing Sunshine Greentown Real Estate Development Co., Ltd. ("Beijing Sunshine Greentown")	The PRC 15 January 2001	Rmb50,000,000	—	80%	Real estate development	Limited liability company
北京綠城房地產經紀有限公司 Beijing Greentown Property Brokers Trading Co., Ltd. ("Beijing Greentown Property Brokers Trading")	The PRC 15 October 2003	Rmb2,000,000	—	100%	Real estate broking and consulting	Limited liability company
上海綠景置業有限公司 Shanghai Green View Real Estate Co., Ltd. ("Shanghai Green View")	The PRC 2 January 2003	Rmb46,660,000	—	60%	Real estate development	Limited liability company
浙江綠城房地產營銷有限公司 Zhejiang Greentown Property Sales Co., Ltd. ("Zhejiang Greentown")	The PRC 31 March 2003	Rmb5,000,000	—	100%	Real estate sales and consulting	Limited liability company

39. Particulars of subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share/ registered capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities	Legal form
北京格林順達貿易有限公司 Beijing Green Shunda Trading Co., Ltd. ("Beijing Green Shunda")	The PRC 15 April 2004	Rmb10,000,000	—	100%	Trading of construction materials	Limited liability company
北京興業萬發房地產開發有限公司 Beijing Xingye Wanfa	The PRC 26 October 2000	Rmb50,000,000	—	65%	Real estate development	Limited liability company
杭州綠城置業投資有限公司 Hangzhou Greentown Real Estate Investment Co., Ltd. ("Hangzhou Greentown Real Estate Investment")	The PRC 30 September 2004	Rmb15,000,000	—	75%	Real estate development and investment	Limited liability company
杭州綠城房地產開發有限公司 Hangzhou Greentown *(Note ii)*	The PRC 23 October 2000	Rmb20,000,000	—	100%	Real estate development	Limited liability company
湖南綠城投資置業有限公司 Hunan Greentown	The PRC 14 November 2003	Rmb80,000,000	—	51%	Real estate investment and development	Limited liability company
湖南青竹湖國際商務社區開發有限公司 Hunan Green Bamboo Lake	The PRC 26 September 2003	Rmb50,600,000	—	52%	Real estate development	Limited liability company
上海華浙外灘置業有限公司 Shanghai Huazhe	The PRC 26 September 2002	Rmb50,000,000	—	51%	Real estate development	Limited liability company
新疆陽光綠城房地產開發有限公司 Xinjiang Sunshine	The PRC 17 January 2004	Rmb20,000,000	—	61%	Real estate development	Limited liability company
杭州余杭綠城房地產開發有限公司 Hangzhou Yuhang Greentown	The PRC 12 November 1999	Rmb30,000,000	—	51%	Real estate development	Limited liability company
寧波高新區研發園綠城建設有限公司(前稱「寧波浙大科技園建設有限公司」) Ningbo Gaoxinqu Yanfayuan Greentown Construction Co., Ltd. (Formerly known as "Ningbo Zheda Science Park Construction Co., Ltd.") ("Ningbo Yanfayuan")	The PRC 21 August 2003	Rmb50,000,000	—	60%	Real estate development	Sino-foreign equity joint venture
杭州余杭金騰房地產開發有限公司 Hangzhou Yuhang Jinteng	The PRC 25 December 2001	Rmb50,000,000	—	75%	Real estate development	Limited liability company
浙江綠城材料設備有限公司 Zhejiang Greentown Material & Equipment Co., Ltd. ("Zhejiang Greentown Material & Equipment")	The PRC 20 July 2005	Rmb50,000,000	—	100%	Trading of construction materials	Limited liability company
上海爾海投資諮詢有限公司 Shanghai Erhai Investment Consulting Co., Ltd. ("Shanghai Erhai")	The PRC 18 July 2005	Rmb1,000,000	—	100%	Real estate consulting	Limited liability company
浙江嘉和實業有限公司 Zhejiang Jiahe	The PRC 25 April 1995	Rmb50,000,000	—	100%	Real estate development	Limited liability company

39. Particulars of subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share/ registered capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities	Legal form
青島綠城置業有限公司 (前稱「青島綠城百通置業有限公司」) Qingdao Greentown Land Co., Ltd. (Formerly known as "Qingdao Greentown Baitong Land Co., Ltd.") ("Qingdao Greentown")	The PRC 23 January 2006	USD40,000,000	—	80%	Real estate development	Sino-foreign equity joint venture
杭州綠城東部建设有限公司 Hangzhou Greentown Orient Construction Co., Ltd. ("Hangzhou Greentown Orient")	The PRC 14 February 2006	Rmb250,000,000 (iii)	—	94%	Real estate development	Sino-foreign equity joint venture
杭州玫瑰園度假村有限公司 Hangzhou Rose Garden	The PRC 15 August 2006	USD10,000,000	—	100%	Real estate development	Sino-foreign equity joint venture
杭州千島湖綠城投資置業有限公司 Hangzhou Qiandaohu	The PRC 15 June 2005	Rmb30,000,000	—	80%	Real estate development	Limited liability company
杭州千島湖綠城游艇有限公司 Hangzhou Qiandaohu Greentown Cruise Co., Ltd. ("Hangzhou Qiandaohu Cruise")	The PRC 19 June 2006	Rmb5,000,000	—	80%	Real estate development	Limited liability company
杭州桐廬綠城置業有限公司 Hangzhou Tonglu Greentown Real Estate Co., Ltd. ("Hangzhou Tonglu Greentown")	The PRC 1 September 2006	Rmb80,000,000	—	100%	Real estate development	Sino-foreign equity joint venture
南京天浦置業有限公司 Nanjing Tianpu	The PRC 12 November 2002	Rmb50,000,000	—	70%	Real estate development	Limited liability company
嘉慧國際有限公司 Gainwise International Limited ("Gainwise")	The BVI 18 October 2006	USD100	—	100%	Investment holding	Private limited liability company
奮發投資有限公司 Zest Rich Investments Limited ("Zest Rich")	The BVI 2 August 2006	USD100	—	100%	Investment holding	Private limited liability company
Active Way Development Limited ("Active Way")	The BVI 8 November 2006	USD100	—	100%	Investment holding	Private limited liability company
添智企業有限公司 Addgenius Enterprises Limited ("Addgenius")	The BVI 13 July 2006	USD100	—	100%	Investment holding	Private limited liability company
新昌綠城置業有限公司 Xinchang Greentown Real Estate Co., Ltd. ("Xinchang Greentown")	The PRC 12 December 2006	Rmb69,600,000	—	100%	Real estate development	Sino-foreign equity joint venture
杭州綠濱房地產開發有限公司 Hangzhou Lvbin Real Estate Development Co., Ltd. ("Hangzhou Lvbin")	The PRC 25 December 2006	USD49,800,000	—	60%	Real estate development	Sino-foreign equity joint venture
浙江台州綠城置業有限公司 Zhejiang Taizhou Greentown Real Estate Co., Ltd. ("Taizhou Greentown")	The PRC 26 December 2006	USD30,000,000	—	100%	Real estate development	Wholly foreign-owned enterprise

39. Particulars of subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share/ registered capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities	Legal form
浙江益豐投資諮詢有限公司 Zhejiang Yifeng Investment & Consulting Co., Ltd. ("Zhejiang Yifeng")	The PRC 21 December 2006	Rmb100,000,000	—	51%	Consulting services	Sino-foreign equity joint venture
桐廬九州房地產有限公司 Tonglu Jiuzhou	The PRC 16 October 2002	Rmb12,500,000	—	51%	Real estate development	Limited liability company

Notes:

(i) Pursuant to an absorption and merger agreement entered into by Zhoushan Greentown and Zhoushan Greentown Hotel Investment Co., Ltd. dated 11 October 2005, the owners of both parties resolved that Zhoushan Greentown should absorb and merge with Zhoushan Greentown Hotel Investment Co., Ltd. The absorption and merger was completed on 14 January 2006.

(ii) Hangzhou Juixi, Hangzhou Osmanthus City, Hangzhou Zhongshan, Zhejiang Green Garden and Hangzhou Greentown are in the process of liquidation. At the date of this report, they have completed their tax registration revocation.

(iii) On 17 November 2006, Hangzhou Greentown Orient received governmental approval for the increase in its registered capital from Rmb50,000,000 to Rmb250,000,000. The additional capital in the amount of Rmb62,956,000 and Rmb137,044,000 was paid up on 21 November 2006 and 31 January 2007 respectively.