



Greentown China Holdings Limited

綠城中國控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(stock code: 3900)



Contents



1	Corporate Information
2	Land Bank for Future Development
4	Corporate Profile
5	Financial Highlights
6	Corporate Structure
7	Major Events
10	Chairman's Statement
12	Management Discussion and Analysis
28	Report on Review of Interim Financial Information
29	Condensed Consolidated Interim Financial Statements

Corporate Information

Directors

Executive Directors

Mr. Song Weiping (*Chairman*)
Mr. Shou Bainian (*Executive Vice-chairman*)
Mr. Chen Shunhua
Mr. Guo Jiafeng

Independent Non-executive Directors

Mr. Jia Shenghua
Mr. Jiang Wei
Mr. Sze Tsai Ping, Michael
Mr. Tsui Yiu Wa, Alec
Mr. Tang Shiding

Company Secretary

Mr. Lam Kam Tong

Qualified Accountant

Mr. Lam Kam Tong

Authorized Representatives

Mr. Shou Bainian
Mr. Lam Kam Tong

Audit Committee

Mr. Tsui Yiu Wa, Alec
Mr. Sze Tsai Ping, Michael
Mr. Jia Shenghua
Mr. Tang Shiding
Mr. Jiang Wei

Remuneration Committee

Mr. Jia Shenghua
Mr. Sze Tsai Ping, Michael
Mr. Chen Shunhua

Nomination Committee

Mr. Sze Tsai Ping, Michael
Mr. Tsui Yiu Wa, Alec
Mr. Shou Bainian
Mr. Tang Shiding

Auditors

Deloitte Touche Tohmatsu

Compliance Advisor

Platinum Securities Company Limited

Legal Advisors to our Company

as to Hong Kong law and U.S. law:
Herbert Smith

as to PRC law:
Zhejiang T&C Law Firm

as to Cayman Islands law and British Virgin Islands law:
Maples and Calder

Cayman Islands Principal Share Registrar

Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705, George Town
Grand Cayman, Cayman Islands
British West Indies

Hong Kong Branch Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Hong Kong Office

Rm 1406–08 New World Tower 1
16–18 Queen's Road Central
Hong Kong

Principal Bankers

Standard Chartered Bank (Hong Kong) Limited
Bank of China Limited
Industrial and Commercial Bank of China Limited
Agricultural Bank of China
China Construction Bank Corporation
Bank of Communications Co., Ltd.
Shanghai Pudong Development Bank Co., Ltd.

Investor Relations

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Stock Code

Hong Kong Stock Exchange: 3900

Total land bank reached

Beijing

4%

No. of projects	2
Site area ('000 sqm)	571
Aggregate GFA ('000 sqm)	680

Qingdao

16%

No. of projects	1
Site area ('000 sqm)	1,247
Aggregate GFA ('000 sqm)	2,437

Shanghai

6%

No. of projects	5
Site area ('000 sqm)	1,296
Aggregate GFA ('000 sqm)	979



* Including subsidiaries, associates and jointly-controlled entities (As at 31 August 2007)



Greentown China Holdings Limited (“Greentown” or “the Company”, together with its subsidiaries (“the Group”)), is one of the leading property developers in China. It primarily engages in quality residential property development mainly targeting middle to high income residents in Mainland China. Since its establishment 13 years ago, the Company has been based on Zhejiang Province, one of Mainland China’s most economically dynamic and developed provinces, with significant operations in Hangzhou, Ningbo, Wenzhou, Shaoxing and other top 100 cities and counties of China in Zhejiang Province. It was ranked first of real estate developer for comprehensive strengths of Zhejiang Province by the Zhejiang Real Estate Association for two successive years, and is the first and only specialised real estate developer of Zhejiang Province to be listed in Hong Kong. With its national expansion strategy commenced in 2000, Greentown has become a national residential property developer and has its operations extended to Shanghai, Beijing and other key regional cities such as Qingdao of Shandong Province, Nanjing of Jiangsu Province, Hefei of Anhui Province, Changsha of Hunan Province and Zhengzhou of Henan Province. Three of its major product series at mature development stage are widely recognised by the local markets, and have established fine brand image locally. Its national development of land bank, human resources and management structure has come into shape and is becoming more mature.

As at 30 June 2007, the Company totally owns over 15 million sqm gross floor area (“GFA”) of premium land bank, ensuring that the Company’s sustainable and steady development in the next five years is guaranteed.

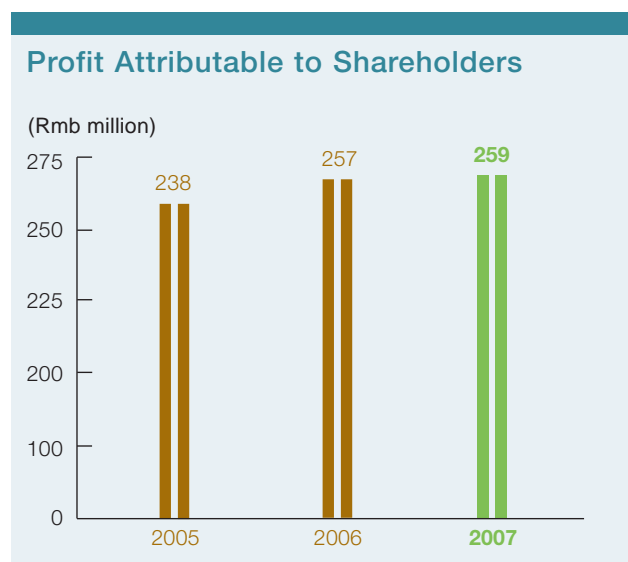
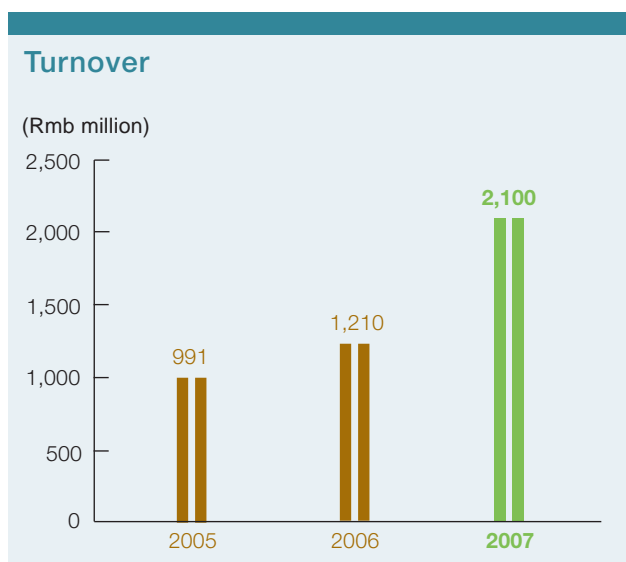
From 2004 to 2006, our “Greentown” brand was ranked for three consecutive years one of the 10 most valuable property brands in China jointly by three institutions; they are Enterprise Research Institute of the Department Research Center of the State Council, Qinghua University Real Estate Research Center and China Index Institute. It was also ranked seventh in 2007 Top Ten Mainland China Real Estate Companies Listed in Hong Kong in terms of overall strength and fifth in 2007 Top Ten Mainland China Real Estate Companies Listed in Hong Kong in terms of Economic Value Added (EVA).

Financial Highlights

	For the six months ended 30 June	
	2007 (unaudited) Rmb million	2006 (unaudited) Rmb million
Financial Performance		
Turnover	2,100	1,210
Gross profit	604	518
Gross profit margin	29%	43%
Operational profit	498	418
Operational profit margin	24%	35%
Taxation	129	131
Profit attributable to shareholders	259	257
Net profit margin*	13%	20%
Earnings per share — Basic (RMB)	0.18	0.26
Earnings per share — Diluted (RMB)	0.18	0.25

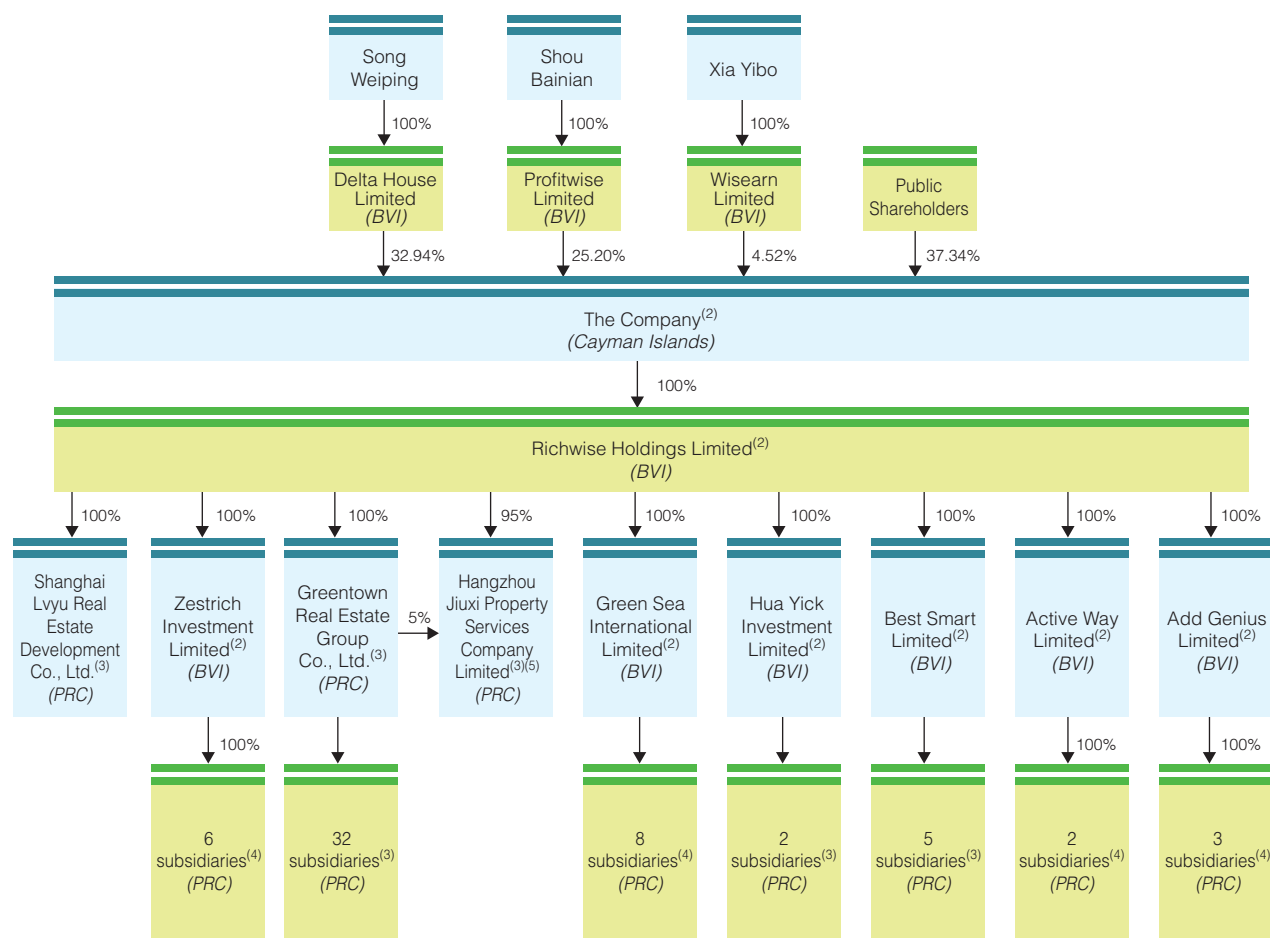
	As at 30 June 2007 (unaudited) Rmb million	As at 31 December 2006 (audited) Rmb million
	Financial Position	
Total assets	23,231	17,839
Total debt	9,937	7,372
Cash and cash equivalents	5,748	3,249
Net gearing ratio	46%	74%

* including minority interests



Corporate Structure

The following chart shows our simplified corporate structure as of 30 June 2007⁽¹⁾



Notes:

- (1) After 30 June 2007, certain amounts of the Convertible Bonds issued by the Company were converted into shares. For further details please refer to note 24 of the consolidated financial statements.
- (2) Engaged in investment holding business.
- (3) Principally engaged in real estate development business.
- (4) Engaged in real estate development and consultancy businesses.
- (5) The Company reorganized Hangzhou Jiuxi in August 2006. As a result of such reorganization, Hangzhou Jiuxi transferred its remaining property developments to a newly-established company, Hangzhou Rose Garden Property Services Company Limited. As the property developments undertaken by Hangzhou Jiuxi have either been completed or transferred, we have commenced the voluntary liquidation of Hangzhou Jiuxi, which is expected to be completed by the end of December 2007.

Major Events

2007	Events
January	<p>Increased the proportion of interest holdings in Beijing Yuyuan project from 65% to 100% through share acquisition</p> <p>Acquired a residential site in Hangzhou of Zhejiang Province through public auction with a total GFA planned of approximately 15,615 sqm</p>
February	<p>Indirectly holds interests in Deqing Baihe Apartments (24.5%) and Deqing Guihua city (46.55%) in Deqing of Zhejiang Province as well as Greentown Baihe Apartments (37.73%) in Zhengzhou of Henan Province through share acquisition</p>
May	<p>Placing approximately 141.5 million of new shares and issuing zero coupon convertible bonds with the maturity in 2012, raised approximately HK\$4.6 billion in total</p> <p>Acquired a residential site in Zhoushan of Zhejiang Province through public auction, with a total GFA planned of approximately 120,952 sqm</p> <p>Acquired a residential and commercial complex site in Qianjiang New City of Hangzhou through public auction in co-operation with other developers, with a total GFA planned of approximately 400,000 sqm</p>
June	<p>Ranked seventh in 2007 Top Ten Mainland China Real Estate Companies Listed in Hong Kong in terms of overall strength and ranked fifth in 2007 Top Ten Mainland China Real Estate Companies Listed in Hong Kong in term of Economic Value Added (EVA)</p> <p>Greentown Wenzhou Tiansheng Project signed a contract with Hyatt Hotels & Resorts Group in connection with its five-star hotel component to introduce the global famed hotel manager into management</p> <p>Acquired a residential site in Xinjiangwan City in Shanghai Yangpu District through public auction, with a total GFA planned of approximately 130,816 sqm</p> <p>Acquired several residential and commercial sites in Shaoxing of Zhejiang Province through public auction in co-operation with local leading developers, with a total GFA planned of approximately 580,640 sqm</p>
July	<p>Acquired a residential site in Nantong of Jiangsu Province through public auction in co-operation with other leading companies, with a total GFA planned of approximately 158,020 sqm</p>
August	<p>Acquired a residential site in Shaoxing of Zhejiang Province through public auction in co-operation with another Hong Kong listed company Baoye Construction, with a total GFA planned of approximately 177,500 sqm</p>



Creating a **warming** household



Chairman's Statement



“As a nationwide real estate developer, particularly one to become a top tier enterprise in China, it’s necessary for us and also our mission to employ more talented people so as to build a premium and unconstraint home for those in need.”

Dear Shareholders,

On behalf of the Board, I would like to present the interim results of the Group for the six months ended 30 June 2007.

Since our listing on 13 July 2006, we have established a goal to become “a top tier company of China”, as we realized that, in the increasingly competitive market-oriented economy, key factors that distinguish a good company are its value orientation, industry position, development direction and enduring development capability.

After more than a decade of development, Greentown’s product quality has been keeping itself in the lead of the whole industry. We also believe that our corporate culture system and values tally with those advanced concepts of excellent international companies. As a healthy company and one conducting on the right way, such are the two supporting points upon which Greentown is striving to build a leading position in China in respect of scale and strength in future.

So far in 2007, the Company has set about a “fine-product project” strategy to enhance the quality of its products, services and work from all aspects. Now, we have made great progresses in product planning, architecture, interior design and construction. Also we are able to work on some “advanced and sophisticated” projects to further strengthen our building capability and to maximize product value. Meanwhile, we started the establishment of living district service system, which is a significant change to enhancing the housing product’s value content for real estate development and represents a direction for the industry development; and from a corporate perspective, it will certainly be one of the core competencies of the Company and our products. Since the implementation of “fine-product project” and living district service system, the Company has now shown its product value, service value and social value; qualities of products such as Beijing Yuyuan, Shanghai Rose Garden, Changsha Qingzhu Garden and recent Hangzhou Taohuayuan waterfront villa, Qiandao Lake Resort are widely recognised by the market, industry and government; while Lanting project, the living district service system pilot project of Greentown, has been approved and initiated a research subject by Ministry of Construction. All of these have rooted in conformability with the social and industrial development trend and met with customer’s objective inner needs, and also, it is reflected that the Company has highlighted its overall product and service

strengths in the market and overfulfilled its semi-annual sales target early against the backdrop of a market recovery. At the same time, it also demonstrated a basic judgment we have on the real estate industry in China that, during the steady, rapid growth and accelerating urbanization progress in China, both urban-resided ones and those to migrate to cities are expecting for an enjoyable and modern metropolitan life, and such expectation is a solid fundamental for long-term booming of China's real estate industry. It will not reverse as it is the general trend that everything goes.

As a nationwide real estate developer, particularly one to become a top tier enterprise in China, it is necessary for us and also our mission to employ more talented people so as to build a premium and unconstraint home for those in need. With our well-designed living district and well-constructed house products, it is reasonable to believe that we will improve their living quality and bring happiness to their families, and also help the city become more beautiful, generate greater value for our customers and partners and bring greater returns for our numerous investors. It is also our basic responsibility and mission as a real estate enterprise.

SONG Weiping

Chairman

11 September 2007

Management Discussion and Analysis

Business Review

Market and Operational Review

As the primary base of the Company's business development, during the first half (the "1H") of the year, the GDP of Zhejiang province amounted to RMB834.4 billion, representing a growth of 14.7% over the corresponding period last year and 3.2% above the national level. Meanwhile, Hangzhou's gross production amounted to RMB179.8 billion, a growth of 14.4%. Disposable income per capita of urban residents increased 14.7% to RMB11,889. Economy continued to maintain a steady and rapid growth in Zhejiang Province and Hangzhou.

In terms of the property market, Zhejiang's property investment increased 16.4% to RMB72.28 billion, while provincial house selling price rose 5.1% over the same period last year; selling area of commodity housing increased 28.8% to 17.863 million sqm during the same period. From January to June, the province's land transfer area recorded a growth of 8.0%, while land trading price appeared to be increasing rapidly; the province's land trading price in the second quarter rose 53.5% over the same period last year, while residential land price rose 61.5% over the same period last year.

During the 1H of the year, Hangzhou's property market recorded a robust performance in general as brisk sales remained and land and house prices in certain areas went up. From January to June, selling area of commodity housing accumulated to 3.4963 million sqm, representing an increase of 50.1% over the same period last year. Urban house selling price rose 3.5% during the same period, while new residential house supply declined during the 1H of the year, newly permitted pre-sale residential area in Hangzhou decreased 22.2% to 3.001 million sqm. With a 0.7:1 supply-demand ratio, the market fell short of demand and inventory houses are digested significantly.

According to the monthly house selling price index on 70 middle to large cities released by National Development and Reform Commission, house selling prices of the cities where the Company primarily operates have grown more or less, of which, Beijing has grown over 10%, while cities like Nanjing, Ningbo, Qingdao, Zhengzhou, Changsha, Wenzhou have grown more than 5%.

Based on the general business plan and strategy prepared early this year and the core concept to "enhance product and service quality", the Company made good achievement in respect of project development and construction, property sales, project expansion as well as better internal corporate governance during the 1H of the year.

Property Development

With an aim at enhancing the quality of its products, services and work from all aspects from product planning and design, construction, sales to district services, the Company's "fine-product project" strategy started up comprehensively in 2007. The Company's product construction ability was improving steadily and continuously through the conveyance and establishment of "Fine-Product Project Assessment Standard", review of the features and strengths of the Company's product series and the establishment of reproduction standard as well as ongoing research and innovation for new products. In particular, the successful launch of high end apartment and villa projects of the Company in Beijing and Shanghai markets, and the implementation and promotion of "Living District Services System" launched with Hangzhou Lanting Project, have received a wide recognition by the market and the regulatory authority and set new standards for the enhancement of our overall product quality.

The continuing innovation and enhancement of products and services quality has laid a solid foundation for the Company to succeed in different market conditions.

In the 1H of the year, the Group had 20 projects/phases commenced construction, and newly commenced GFA amounted to 1.06 million sqm, of which 630,000 sqm is attributable to the Company.

As at 30 June 2007, the Group has 32 projects under development, with 8 in Hangzhou, 11 in other cities of Zhejiang Province, 3 in Shanghai, 2 in Beijing, 2 in Jiangsu Province, 2 in Hefei, 2 in Changsha, 1 in Zhengzhou and 1 in Xinjiang. The total GFA of projects under construction amounted to 3.42 million sqm.

Newly commenced projects in the 6 months ended 30 June 2007

Location	Newly Commenced GFA (thousand sqm)	Newly Commenced GFA Attributable to the Company (thousand sqm)
Hangzhou	310	184
Other cities in Zhejiang Province	286	184
Shanghai	92	47
Beijing	50	40
Anhui Province	56	51
Jiangsu Province	61	34
Hunan Province	107	54
Henan Province	75	28
Xinjiang	19	12
Total	1,056	634

Projects Completed and Delivered

In the 1H 2007, the Group had a total of 7 projects or phases completed and delivered for buyers' occupation. Total completed GFA amounted to 570,000 sqm, of which saleable area reached 440,000 sqm. By the end of June, saleable GFA of 370,000 sqm had been sold and pre-sale rate recorded 85%. Up to the end of August, pre-sale rate reached 90%.

Completion of projects in the 6 months ended 30 June 2007

Project	Location	Total GFA (sqm)	Saleable GFA (sqm)	Sold/Pre-sale GFA (sqm)	Interests Attributable to the Company
Shanghai Greentown, Phase III	Pudong New District, Shanghai	148,410	110,690	105,230	100%
Beijing Baihe Apartment Phase III	Fangshan District, Beijing	64,392	52,273	46,473	80%
Hefei Baihe Apartment Phase I	Shushan District, Hefei	80,166	62,567	54,781	54%
Changsha Guihua City Phase I (part)	Yuhua District, Changsha	76,756	59,081	34,199	51%
Haining Baihe New City Lowrise Phase III (part)	Xiashi Town, Haining	78,082	56,816	50,759	50%
Haining Baihe New City Villa Phase I	Xiashi Town, Haining	30,173	29,926	28,053	50%
Zhengzhou Baihe Apartment Phase I	Zhengdong New District, Zhengzhou	93,701	65,740	52,994	37.73%
Total		571,680	437,093	372,489	

Property Sales

During the 1H 2007, the Group's business maintained a fast and stable growth, in accordance with its consistent product and service quality strategy and favourable market conditions.

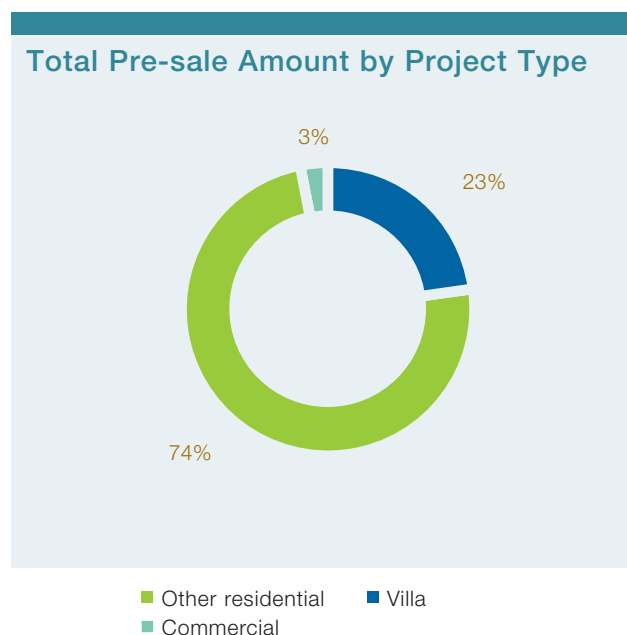
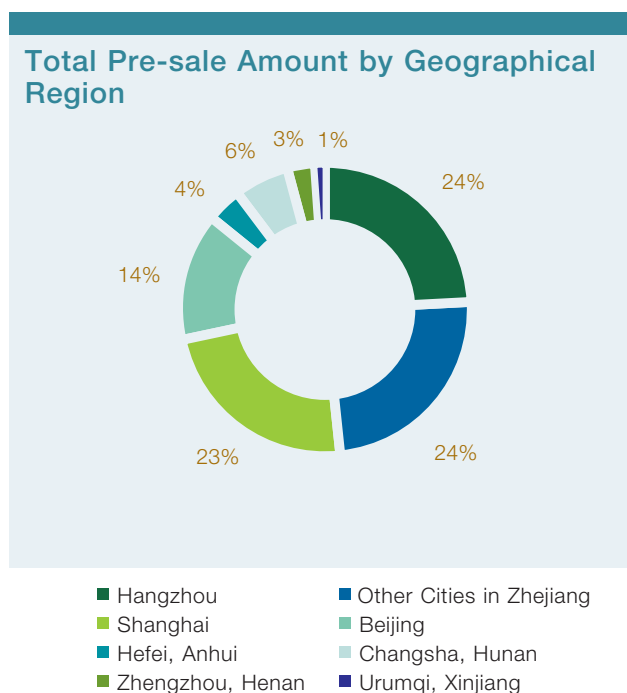
During the 1H 2007, a GFA of approximately 644,284 sqm (including customers that have signed agreements) of the Group were sold/pre-sold, representing an increase of 125% over the same period last year, and sold/pre-sale income was approximately RMB 5.13 billion, an increase of 114% over the same period last year. As at 31 August 2007, the Group's sold/pre-sale income amounted to RMB8.9 billion, representing an increase of 234% than the same period last year.

As at 30 June 2007, the Group's sold/pre-sale rate of projects to be delivered in the second half of 2007 as measured by area was 70%. As at 31 August 2007, the pre-sale rate has reached 78%.

Pre-sales in the 6 months ended 30 June 2007

Location	Approximate Saleable Areas Sold* (sqm)	Approximate Total Value* (Rmb million)
Hangzhou	145,325	1,241
Other cities in Zhejiang Province	211,577	1,235
Shanghai	66,795	1,171
Beijing	74,127	732
Hefei, Anhui Province	50,577	230
Changsha, Hunan Province	61,323	319
Zhengzhou, Henan Province	27,660	141
Urumqi, Xinjiang	6,900	61
Total	644,284	5,130

* including subsidiaries, associates and jointly controlled entities



Benefited from its high product quality and well-famed brand, the Group's sales scale and pace grew steadily, and product's selling price also saw a rise higher than the average market rate. Comparing a single product's selling price with that of the same period last year, like Shanghai Greentown's selling price increased by approximately 34%, Beijing Baihe Apartment increased by approximately 20%, Zhejiang Haining Baihe New City Town House selling price increased by approximately 20% and Hangzhou Taohuayuan villa increased by approximately 24%. Brand effect of the Company was being reflected and strengthened.

Land Bank

The Group has been committed to adding to its land bank through various means, particularly by adding blocks in the heart of developed cities, sites rich in natural resources or with city landmark constructions, in order to strengthen its capability of sustainable development. Acquisition of such highly potential and scarce land bank may generate generous revenue for the Company's future development; meanwhile, due to its superior brand and project operations strengths, such newly acquired land bank will attract various business partners' active response and cooperation for the Company to make good use of all financial leverages, thus greatly easing the Company's cash stress and adding to its investment return.

During the period under review, the Group has added 2,182,053 sqm to its land bank, increasing the total land bank GFA to approximately 15.05 million sqm, of which approximately 9.6 million sqm is attributable to the Company. Among such land bank, approximately 8.98 million sqm out of 11.8 million sqm of the total site area has obtained land use right certificates.

Acquisition/Increasing Our Equity Interests in Projects

During the period under review, the Group increased its land bank by means of acquisitions/increasing our equity holdings in projects, and particulars of the projects acquired or in which we had increased our equity interests are as follows:

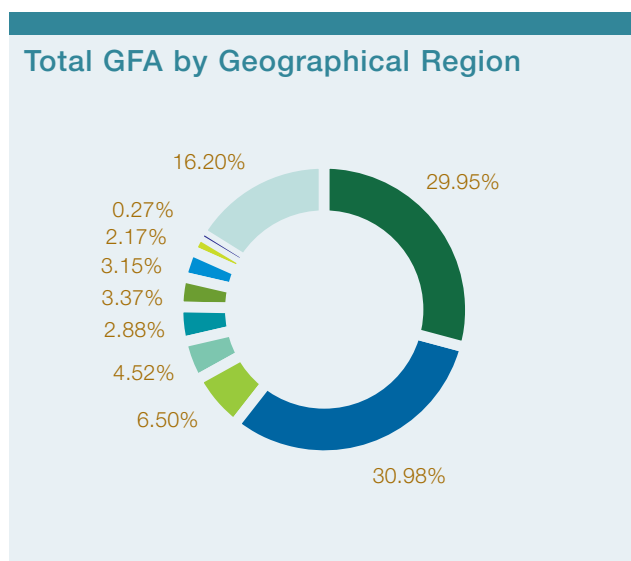
- In January 2007, we increased our equity interest in the Yuyuan project in Beijing.
- In February 2007, we, through equity acquisition, indirectly held equity interests in the Deqing Baihe Apartment Project and Deqing Guihua City Project in Deqing, Zhejiang Province and Baihe Apartment Project in Zhengzhou, Henan Province.

Tender and Auction

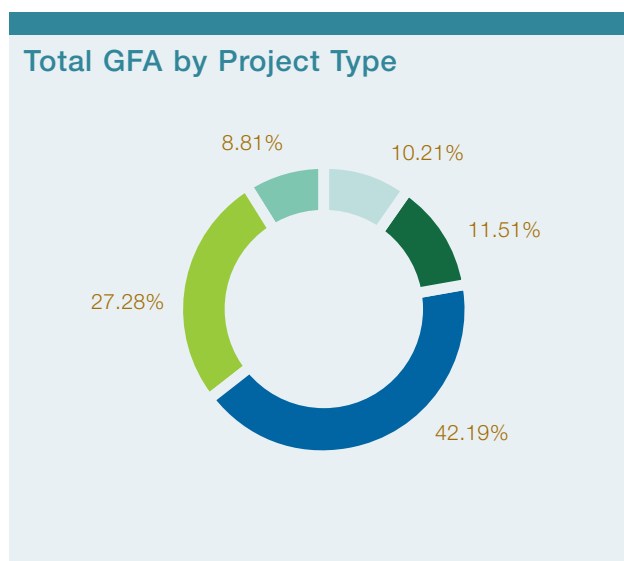
The Group also took active moves and obtained many parcels of quality land by the tendering process, which include:

- In January 2007, we obtained a parcel of residential land in Hangzhou, Zhejiang Province
- In May 2007, we obtained a parcel of residential land in Zhoushan, Zhejiang Province
- In May 2007, we obtained a parcel of residential and commercial complex land in Hangzhou, Zhejiang Province
- In June 2007, we obtained a parcel of residential land in Shanghai
- In June 2007, we obtained several parcels of residential and commercial complex lands in Shaoxing, Zhejiang Province

Diversified Land Bank Portfolio (as at 30 June 2007)



- Hangzhou
- Shanghai
- Jiangsu
- Hunan
- Xinjiang
- Other cities in Zhejiang
- Beijing
- Anhui
- Henan
- Shandong



- Villa
- High rise
- Commercial
- Low rise
- Complex

List of newly acquired land in the 1H 2007

	Location Particulars	Total Site Area (sqm)	Total GFA (sqm)	Interests Attributable to the Company	Expected Commencement Date	Expected Completion Date
Beijing Yuyuan <i>(note i)</i>	Haidian District, Beijing	346,369	340,533	100%	Commenced	2011
Zhoushan Dinghai Project	Dinghai District, Zhoushan, Zhejiang Province	48,381	120,952	100%	2009	2011
New Jiangwan City Project	New Jiangwan City, Yangpu District, Shanghai	59,254	130,816	100%	2008	2011
Deqing Guihua City	Wukang Town, Deqing, Zhejiang Province	166,734	303,786	46.55%	Commenced	2009
Zhengzhou Baihe Apartment	Zhengdong New District, Zhengzhou, Henan Province	219,458	420,322	37.73%	Commenced	2009
Keqiao Project	Keqiao District, Shaoxing, Zhejiang Province	124,112	580,640	35%	2008	2012
Taohuayuan 50# Block	Yuhang District, Hangzhou, Zhejiang Province	14,871	15,615	26.01%	2008	2009
Deqing Baihe Apartment	Wukang Town, Deqing, Zhejiang Province	103,120	209,922	24.5%	Commenced	2010
Qianjiang New City Project	Qianjiang New City, Hangzhou, Zhejiang Province	84,255	400,000	<i>(note ii)</i>	2008	2012

Notes:

(i) increased project equity holding from 65% to 100%.

(ii) the attributable interest is under negotiation with a joint venture partner.

Business Outlook

Market and Business Outlook and Strategy

Market Outlook

Market mechanism will become a principal means of austerity measures. In the period under review, the Chinese government has raised the basic interest rate for deposit and loan for four times, and raised the reserve against deposit rate of financial institution for seven times and adopted means such as the issuance of a special bond and fixed notes to financial institution, aiming to restrain excessive liquidity. It is a consensus for the Chinese government and society that, it is essential to prevent the economy shifting from over-speedy to overheated, and prevent inflation from occurrence, maintaining a sustainable and healthy development in the economy.

As for the real estate industry, it is expected that, the Chinese government will primarily adopt policies and measures formulated in past years, and continue to enforce the most rigorous land supply regulation and a tightened policy for real estate financial credit and monetary policy. In August 2007, the General Office of State Council issued the Opinions on Resolving Difficulties of Housing for Urban Low-income Family (《國務院關於解決城市低收入家庭住房困難的若干意見》), requiring an establishment of healthy system of affordable urban housing, and the improvement and regulation of the Affordable Housing System and its relevant work, and measures to guarantee such a system. The document has made it clear that, local governments will enhance the investment in the construction of indemnificatory housing, and encourage the development of consumption and rental residence market, which has marked a transformation of the government from an overall regulation to an indemnify priority in their emphasis.

Surely, we must monitor the rapid and highly speedy growth in property prices in some cities since this year, which may lead to a further adoption of tightened austerity measures by the Chinese government and its influence. It is essential for the property market, a major part of the Chinese economy to achieve a sustainable, regulated and healthy growth.

The imbalance of supply and demand in land and housing products remains a main conflict in the Chinese property market. With a continuing vigorous economy development and an accelerating urbanization in China, demands for quality real estate from medium and high income city residence has seen a rapid growth, together with a need of updating the housing products, the demand in housing, especially in quality housing products has become an internal momentum of market growth. And the continuing enforcement of the most rigorous land supply policy and increase of the ratio of land supply in indemnificatory housing, will further intensify the conflict between the decrease in land supply for commercial residence and the demand for high quality commercial residence. In particular, of that in regional central cities in economic developed areas including the Yangtze River Delta, will further enlarge the differentiation of price between indemnificatory housing and high quality commercial residence.

Market approaches, including price, interest rate, taxation, and other financial policies, will take the place of administrative approach and perform a function of balance and regulation in the allocation of resources (including land, capital and human resources) in commercial residence market, and the relation between supply and demand in land and housing products. In a market of commercial property which is undergoing a significant change, differentiation and consolidation between companies among the real estate market will further intensify, and companies with powerful capital, brand, high quality products and services, and excellent management and operation capacity, will seize a remarkably favourable position in the market.

Business Outlook and Strategy

We are fully confident of the Company's future development based on our market analysis and review for the Company's semi-annual operation results. Under our development plan this year, the Group expected that 16 projects will be completed and delivered during the second half (the "2H") of 2007, with a total GFA completed of 1,140,860 sqm, of which 649,241 sqm is attributable to the Company; and it is expected that the Group's pre-sale income will exceed RMB10 billion. At the same time, the Company will face challenges in product innovation, service upgrade as well as management innovation, quality enhancement of human resources resulted from faster development of the Group. The Company will focus on the following four areas in the 2H of the year.

1. **Continue to enhance the personnel ability and quality of mid-level to senior executive posts in project managements, and enlarge the middle to senior executive group.** High quality group of employees, especially middle to senior executives are the key guarantee of the Company's rapid and high quality growth, and they are the most important assets and fortune of the Company. We must improve their working quality and business capability through various ways and measures. Meanwhile, we should adopt the "Internal Promotion and External Engagement" approach to expand our middle to senior executives levels, so as to fulfil the need of rapid growth of the Company.
2. **Strengthen the overall operation ability by focusing on planned management in order to enhance the management standard.** We must further arrange the management structure, optimize guarantee methods, and improve management efficiency under the executive manager separation management system established early this year. To guarantee quality, we must improve efficiency and prevent risk in strict compliance with all working plans such as major start up points, sales, complement and delivery, cash flow management established early this year, to solve difficulties occurred in the process of all projects.
3. **Enhance product and service quality leading by the implementation of "fine-product project" and the deepening of "living district service system".** "Fine-product project" is a requirement to meet the customer and market needs, and is the only way for the Company to maintain a leading position in the product market and to become fine and powerful. The implementation and promotion of "living district service system" is an important measure to innovate and enrich the Company's product quality. We must further explore and innovate, consolidate our fruit and extend our success by fully integrating the Group's internal and external resources, on the basis of achievement gained in the 1H of the year.
4. **Manage cash flow scientifically and concentrate on expanding projects with high potential.** By means of cooperation with well-established institutions locally and abroad, we explore potential opportunities and allow for some flexibility in order to manage cash flow scientifically, and take full advantage in production and management of the Company, with combined means of acquisition and merger; expand operations to other developed cities and regional projects with high potential. We have to better improve our property development structure and appropriately increase the proportion of operational properties, to lay a foundation for the Company's stable cash flow in future.

Delivery Plan

In accordance with the development plan of the Company, 16 projects are expected to be completed and delivered in the 2H of 2007; the total GFA completed will amount to 1,140,860 sqm, of which 649,241 sqm will be attributable to the Company. Currently we are speeding up the process pace of the projects, as particulars are shown in the table below:

Expected completion projects in the 2H of 2007 (1 July – 31 December 2007)

No.	Project	Phase	Location	Expected Completed GFA in the 2H of the Year (sqm)	Expected Completed Saleable GFA in the 2H of the Year (sqm)	Interests Attributable to the Company	Expected Delivery Date
1	Jiuxi Rose Garden Holiday Village		Xihu District, Hangzhou	25,973	2,836	100%	November
2	Zhoushan Grand Hotel		Lincheng New District, Zhoushan	87,484	—	100%	November
3	Shanghai Rose Garden	Phase I (part)	Minhang District, Shanghai	19,042	18,862	100%	December
4	Beijing Yuyuan	Phase I (part)	Haidian District, Beijing	33,068	22,380	100%	December
5	Beijing Baihe Apartment	Phase IV	Fangshan District, Beijing	65,444	50,342	80%	November
6	Xinjiang Rose Garden	Phase II	Shuimogou District, Urumqi	13,343	9,947	61.2%	November
7	Ningbo Guihua Garden	Phase I	Zhenhai District, Ningbo	164,090	122,332	60%	December
8	Hefei Baihe Apartment	Phase II	Gaoxin District, Hefei	24,315	20,547	54%	November
9	Hunan Qingzhu Garden North	Phase I (part)	Kaifu District, Changsha	39,913	38,700	52.47%	December
10	Changsha Guihua City	Phase II	Yuhua District, Changsha	45,076	32,767	51%	December
11	Taohuayuan South	Phase I (part)	Yuhang District, Hangzhou	38,331	38,331	51%	December
12	East Sea Plaza	Phase I	Jingan District, Shanghai	81,247	71,667	49%	December
13	Deqing Guihua City	Phase I	Wukang Town, Deqing	181,325	139,800	46.55%	December
14	Jade City	Phase I	Yuhang District, Hangzhou	160,642	119,978	45%	December
15	Zhengzhou Baihe Apartment	Phase II	Zhengdong New District, Zhengzhou	90,687	69,179	37.73%	December
16	Deqing Baihe Apartment	Phase I	Wukang Town, Deqing	70,880	52,203	24.5%	December

Financial Analysis

Net profit: Before the accounting adjustment for the fair value changes on embedded derivatives in respect of convertible bonds, our profit attributable to the shareholders of the Group was RMB311 million, an increase of 16% over the same period of 2006. After the accounting adjustment for the fair value changes on embedded derivatives in respect of convertible bonds, our profit attributable to the shareholders of the Group was RMB259 million, an increase of 1% over the same period of 2006.

Revenue: The revenue from principal operations was RMB2,100 million in the 1H 2007 (among which property sales accounted for 99%), an increase of RMB890 million over RMB1,210 million in the same period of 2006, or approximately 74%; the significant increase in revenue from operation was mainly due to the GFA delivered increased significantly during the period.

Gross profit: Gross profit margin declined obviously from 43% in the 1H 2006 to 29% in the same period of 2007. This was mainly due to regions out of Hangzhou and Shanghai such as Anhui and Hunan, which accounted for 61% of total area delivered and 31% of total revenue, recorded an average gross profit margin of only 18%; since Anhui Baihe Apartment Project is the first high rise project in the area, and Changsha Guihua City is the first phase of the Group's first project in Hunan, hence, pursuant to our market strategy, the prices are relatively lower. Additionally, provisions made for land appreciation tax in Shanghai Greentown also led to the decrease in gross profit margin.

Land appreciation tax provision: Land appreciation tax provision amounted to RMB133 million during the period, an increase of RMB106 million over RMB27 million of the same period in 2006.

Other income: Other income increased RMB70 million from RMB41 million of the same period in 2006 to RMB111 million. It was mainly due to interest income from bank deposits increased by RMB57 million, a result of share allotment immediately followed by bond issues which led to temporarily idle fund excess; government subsidy increased by RMB15 million, mainly due to government subsidy obtained by Hangzhou Greentown added RMB15 million over the same period last year.

Selling expenses: Selling expenses increased from RMB44 million in the same period of 2006 to RMB83 million, an increase of 89%. It was mainly due to the increase in advertising fees as more new property projects were launched.

Administrative expenses: Administrative expenses increased from RMB97 million in the same period of 2006 to RMB134 million, an increase of 38%. It was mainly due to the increase in salary of staff, benefit and remuneration, and our expansion also resulted in the increase of the number of our employees.

Finance costs: Finance costs increased from RMB22 million in the same period of 2006 to RMB79 million. It was mainly due to a higher cost for overseas debts, and non-capitalization of interest resulted from projects which have not yet commenced construction, of which 1H 2007 investment is bigger than 1H 2006.

Gain on fair value change of investment properties: Deep Blue Plaza West Lake Spring Store (深藍廣場西湖春天商鋪), an investment property added this period, with a term for rental of 15 years, a carrying cost of RMB9 million, and a gain on fair value change of RMB17 million.

Share of gains on jointly-controlled entities: Share of gains on jointly-controlled entities amounted to RMB17 million, an increase of RMB15 million from RMB2 million in the same period of 2006, and was mainly due to a gain arising on delivery of Haining Baihe Apartment this period increased RMB13 million over the same period of 2006.

Share of losses of associates: Investments in associates recorded a loss of RMB7 million, representing a decrease of RMB5 million comparing to a loss of RMB12 million in the same period of 2006, and was mainly due to a gain of RMB6 million arising on delivery of completed project of Henan Zhengzhou Baihe Apartment, our new associate, in this period.

Enterprise income tax: Enterprise income tax decreased from RMB131 million in the same period of 2006 to RMB129 million, and effective tax rate decreased from 34% in the same period of 2006 to 29% (prior to adjustment for changes in fair value on embedded financial derivatives). The reasons were: Shanghai Greentown project, the principal profit contributor in this period, was entitled to a preferential tax rate of 15%; and increase in share of gain on jointly-controlled entities this period comparing to that of the same period last year, and the share of their tax provision is not included in enterprise income tax in the consolidated income statement, hence the effective tax in this period was lower than normal tax rate. However, with the new Enterprise Income Tax Law to be effective from 1 January 2008, deferred income tax has been adjusted pursuant to the new rate of 25% during this period, accordingly, income tax expense in this period has been increased, and partially offset the lowered tax mentioned above.

Minority interests: Minority interests shared the profit of RMB17 million was resulted from the delivery of completed projects, including Beijing Sunshine Baihe Apartment, Anhui Lianhua Baihe Apartment and Changsha Guihua City, etc. However, due to losses incurred in other non-wholly owned subsidiaries like Shanghai Huazhe etc., minority interests this period finally amounted to RMB5 million. Since there was no delivery of new projects in the same period of 2006, minority interests' share of profit in the 1H 2007 represented a significant increase over the same period of 2006.

To conclude the above analysis, comparing to the same period of 2006, an increase of 74% in revenue of principal business, an increase of 17% in gross profit, and an increase of 16% in profits attributable to shareholders (prior to adjustment for changes in fair value on embedded financial derivatives) in this period were due to an increase in property revenue, a decrease in gross profit margin, an increase in share of gains of jointly controlled entities, and a decline in effective tax rate.

Financial Resources and Liquidity: As at 30 June 2007, the Group's cash on hand amounted to RMB5,748 million (31 December 2006: RMB3,249 million) with total borrowings of RMB9,937 million (31 December 2006: RMB7,372 million). Net gearing ratio, measured by net debt over equity, dropped significantly from 74% in 2006 to 46% in 2007.

Foreign Exchange Risks: Most of the Group's revenues and operating costs were denominated in RMB. As the proceeds from share allotment were received in HKD and proceeds from issue of zero coupon convertible bonds were received in USD, the Group is exposed to foreign exchange risks. For the 1H 2007, the Company has recorded an exchange loss of approximately RMB5 million. The Company's operating cash flow or liquidity is not subject to any exchange rate fluctuations. The Company did not enter into any foreign exchange hedging arrangements as at 30 June 2007.

Pledge of Assets

As at 30 June 2007, the Group had pledged buildings, construction in progress, properties for development, properties under development, completed properties for sale and bank deposits with an aggregate carrying amount of approximately RMB5,167 million to secure general credit facilities granted to the Group.

Financial Guarantees

As at 30 June 2007, the Group provided guarantees of approximately RMB2,015 million to banks in favor 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.

The Group also provided guarantees to banks in respect of bank facilities utilised by the associates and jointly controlled entities of RMB63 million and RMB188 million respectively.

Capital Commitments

As at 30 June 2007, the Group has contracted capital expenditure in respect of properties for development, properties under development and construction in progress but not provided for amounted to RMB10,953 million.

Employees

As at 30 June 2007, the Group has employed a total of 1,599 employees. Employees were remunerated on the basis of their performance, experience and prevailing industry practices. The Group's remuneration policies and packages were reviewed on a regular basis. As an incentive for the employees, bonuses and cash awards may also be given to employees based on individual performance evaluation.

Directors' Interests and Short Positions in Shares

As at 30 June 2007, the interests and short positions of the directors or chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate shareholding percentage in the Company
Mr. Song Weiping	–	68,859,000 ⁽¹⁾ ordinary shares	501,524,000 ⁽²⁾ ordinary shares	–	570,383,000 ordinary shares	37.46%
Mr. Shou Bainian	–	–	383,643,000 ⁽³⁾ ordinary shares	–	383,643,000 ordinary shares	25.20%

Notes:

(1) Mr. Song Weiping is interested in such ordinary shares held by Wisearn Limited, a company wholly-owned by his spouse, Mrs. Xia Yibo.

(2) Mr. Song Weiping is interested in such ordinary shares as the sole shareholder of Delta House Limited.

(3) Mr. Shou Bainian is interested in such ordinary shares as the sole shareholder of Profitwise Limited.

Save as disclosed above, as at 30 June 2007, none of the directors or chief executives of the Company had registered any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares

As at 30 June 2007, the interests or short positions of every person, other than the directors or chief executives of the Company, in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name	Number of Ordinary Shares Held	Nature of Interest	Percentage of shareholding in the Company
Mr. Song Weiping	570,383,000 ⁽¹⁾	Interest of a controlled corporation and interest jointly held with another person	37.46%
Mr. Shou Bainian	383,643,000 ⁽²⁾	Interest of a controlled corporation	25.20%
Mrs. Xia Yibo	570,383,000 ⁽³⁾	Interest of a controlled corporation and interest jointly held with another person	37.46%
Delta House Limited	501,524,000 ⁽⁴⁾	Beneficial owner	32.94%
Profitwise Limited	383,643,000 ⁽⁵⁾	Beneficial owner	25.20%
J.P. Morgan Securities Ltd.	79,738,760 ⁽⁶⁾	Beneficial owner	5.24%
JPMorgan Chase & Co.	79,738,760 ⁽⁶⁾	Interest of a controlled corporation and interest jointly held with another person	5.24%
Baytree Investments (Mauritius) Pte Ltd	82,867,000 ⁽⁷⁾	Beneficial owner	5.44%
Temasek Holding (Private) Limited	82,867,000 ⁽⁷⁾	Interest of a controlled corporation and interest jointly held with another person	5.44%
Lehman Brothers Holdings Inc.	161,387,295 ⁽⁸⁾	Interest of a controlled corporation and interest jointly held with another person	10.60%
Lehman Brothers Commercial Corporation Asia Limited	80,453,038 ⁽⁹⁾	Person having a right to shares by entering into contracts and person having a security interest in shares	5.28%

Notes:

- (1) Includes interest in 501,524,000 shares held via a controlled corporation, and deemed interest in 68,859,000 shares held by Wisearn Limited, a controlled corporation owned by his spouse, Mrs. Xia Yibo.
- (2) Interests held by Mr. Shou Bainian through a controlled corporation.
- (3) Mrs. Xia Yibo held interest in 68,859,000 shares via Wisearn Limited, and deemed interest in 501,524,000 shares held by Delta House Limited, a controlled corporation owned by her spouse, Mr. Song Weiping.
- (4) Interests held by Mr. Song Weiping through a controlled corporation, duplicates to those disclosed in the section "Directors' Interests and Short Positions in Shares" above.
- (5) Interests held by Mr. Shou Bainian through a controlled corporation, duplicates to those disclosed in the section "Directors' Interests and Short Positions in Shares" above.
- (6) J.P. Morgan Securities Ltd. was a subsidiary indirectly held by JPMorgan Chase & Co.
- (7) Baytree Investments (Mauritius) Pte Ltd was a subsidiary indirectly held by Temasek Holding (Private) Limited.
- (8) These shares comprise (i) 32,913,500 ordinary shares; (ii) 71,504,966 shares pledged or would be pledged by Delta House Limited and Profitwise Limited to Lehman Brothers Commercial Corporation Asia Limited; and (iii) 56,968,829 underlying shares of the equity derivatives.
- (9) Lehman Brothers Commercial Corporation Asia Limited was a subsidiary indirectly held by Lehman Brothers Holdings Inc.. These shares comprise (i) 8,948,072 underlying shares of equity derivatives; and (ii) 71,504,966 shares pledged or would be pledged by Delta House Limited and Profitwise Limited.

Save as disclosed above, as at 30 June 2007, no person, other than the directors or chief executives of the Company whose interests are set out in the section headed “Directors’ Interests and Short Positions in shares” above, had registered any interest or short position in the shares and underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

Purchase, Sale or Redemption of the Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2007.

Share Option Scheme

The Company adopted a share option scheme (the “Scheme”) on 22 June 2006. Unless otherwise cancelled or amended, the Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption, after which period no further option shall be granted.

The purpose of the Scheme is to provide incentive and/or reward to Eligible Persons (as defined below) for their contribution to the Company and their continuing efforts to promote the Company’s interests. Under the Scheme, the Board of the Company may in its absolute discretion select to make an offer to any directors or employees of the Group and any other person (including a consultant or advisor) who in the sole discretion of the Board has contributed or will contribute to the Group (the “Eligible Persons”) to subscribe for options for such number of shares as the Board may determine at the price calculated in accordance with the higher of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange’s daily quotation sheet for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share. For (i) and (ii) above, the date of grant shall be taken to be the date of the Board meeting at which the grant is proposed.

No share options of the Company have been granted under the Scheme since its adoption.

Corporate Governance

In the opinion of the directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange (the “Listing Rules”) throughout the first half of 2007.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct for dealings in securities of the Company by the directors. The Company has made specific enquiry of all directors of the Company and all directors confirmed that they have complied with the required standard set out in the Model Code throughout the first half of 2007.

Audit Committee

The Audit Committee has reviewed the Group’s unaudited interim financial statements and the interim report for the First Half of 2007. The Audit Committee comprises all of the five independent non-executive directors, namely Mr. Tsui Yiu Wa, Alec (the Chairman of the Audit Committee), Mr. Jia Shenghua, Mr. Jiang Wei, Mr. Sze Tsai Ping, Michael and Mr. Tang Shiding.

By Order of the Board of
Greentown China Holdings Limited
Song Weiping
Chairman

Hangzhou, the PRC
11 September 2007



A quality

of residential environment



Report on Review of Interim Financial Information

Deloitte. 德勤

To The Board of Directors of Greentown China Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 29 to 50, which comprises the condensed consolidated balance sheet of Greentown China Holdings Limited as of 30 June 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

11 September 2007

Condensed Consolidated Income Statement

For the six months ended 30 June 2007

	Notes	Six months ended 30 June	
		2007 Rmb'000 (Unaudited)	2006 Rmb'000 (Unaudited)
Revenue	3	2,100,239	1,210,449
Cost of sales		(1,496,446)	(692,667)
Gross profit		603,793	517,782
Other income	4	111,108	40,889
Selling expenses		(82,903)	(43,571)
Administrative expenses		(134,355)	(96,775)
Finance costs	5	(78,927)	(22,116)
Changes in fair value of investment property	11	16,658	—
Fair value changes on embedded financial derivatives	18	(52,480)	(10,842)
Net gain on disposal of an associate		—	27
Share of results of jointly controlled entities		16,745	2,225
Share of results of associates		(6,637)	(12,060)
Profit before taxation	6	393,002	375,559
Taxation	7	(129,076)	(130,565)
Profit for the period		263,926	244,994
Attributable to:			
Equity holders of the Company		258,891	256,901
Minority interests		5,035	(11,907)
		263,926	244,994
Dividends	8	490,170	401,645
Earnings per share	9		
Basic		Rmb0.18	Rmb0.26
Diluted		Rmb0.18	Rmb0.25

Condensed Consolidated Balance Sheet

As at 30 June 2007

	<i>Notes</i>	As at 30 June 2007 Rmb'000 (Unaudited)	As at 31 December 2006 Rmb'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	654,261	429,606
Investment property	11	26,052	—
Interests in associates		651,848	538,595
Interests in jointly controlled entities		105,569	90,371
Available-for-sale investments		1,000	1,000
Rental paid in advance		13,485	13,949
Deferred tax assets		124,103	66,402
		1,576,318	1,139,923
CURRENT ASSETS			
Properties for development	12	4,013,798	4,498,091
Properties under development	13	8,195,004	5,680,019
Completed properties for sale		1,390,883	1,119,052
Inventories		2,178	2,234
Embedded financial derivatives	18	36,783	70,911
Trade and other receivables, deposits and prepayments	14	1,023,579	905,670
Amounts due from related parties		454,608	390,008
Income taxes recoverable		103,901	67,186
Other taxes recoverable		123,237	86,045
Pledged bank deposits	21	563,110	630,380
Bank balances and cash		5,747,998	3,249,014
		21,655,079	16,698,610
CURRENT LIABILITIES			
Trade and other payables	15	1,571,748	1,404,449
Pre-sale deposits	16	2,071,905	1,671,590
Amounts due to related parties		958,116	1,077,793
Dividend payable		1,367	1,367
Income taxes payable		236,174	785,869
Other taxes payable		298,044	201,979
Embedded financial derivatives	18	242,927	450,538
Bank and other borrowings			
— due within one year	17	1,971,369	1,939,347
		7,351,650	7,532,932

Condensed Consolidated Balance Sheet

As at 30 June 2007

	<i>Notes</i>	As at 30 June 2007 Rmb'000 (Unaudited)	As at 31 December 2006 Rmb'000 (Audited)
NET CURRENT ASSETS		14,303,429	9,165,678
TOTAL ASSETS LESS CURRENT LIABILITIES		15,879,747	10,305,601
NON-CURRENT LIABILITIES			
Bank and other borrowings			
— due after one year	17	2,845,687	1,968,855
Convertible bonds	18	2,121,830	392,849
Senior notes		2,998,587	3,070,822
Deferred tax liabilities		91,133	134,441
		8,057,237	5,566,967
		7,822,510	4,738,634
CAPITAL AND RESERVES			
Share capital	19	155,953	138,690
Reserves		7,054,391	4,235,083
Equity attributable to equity holders of the Company		7,210,344	4,373,773
Minority interests		612,166	364,861
		7,822,510	4,738,634

The condensed consolidated financial statements on pages 29 to 50 were approved and authorised for issue by the Board of Directors on 11 September 2007 and are signed on its behalf by:

SHOU Bainian
DIRECTOR

CHEN Shunhua
DIRECTOR

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2007

	Attributable to equity holders of the Company									
	Share capital Rmb'000	Share premium Rmb'000	Special reserve Rmb'000	Statutory reserve Rmb'000 (Note i)	Conversion option reserve Rmb'000	Translation reserve Rmb'000	Retained earnings Rmb'000	Subtotal Rmb'000	Minority interests Rmb'000	Total Rmb'000
At 1 January 2006 (audited)	—	—	(551)	116,743	—	—	549,746	665,938	197,195	863,133
Exchange differences arising on translation of foreign operations	—	—	—	—	—	7,599	—	7,599	—	7,599
Net income and expenses recognised directly in equity	—	—	—	—	—	7,599	—	7,599	—	7,599
Profit for the period	—	—	—	—	—	—	256,901	256,901	(11,907)	244,994
Total recognised income and expenses for the period	—	—	—	—	—	7,599	256,901	264,500	(11,907)	252,593
Transfer (Note i)	—	—	—	31,004	—	—	(31,004)	—	—	—
Dividends (Note 8)	—	—	—	—	—	—	(401,645)	(401,645)	—	(401,645)
Capitalisation issue	102,976	—	—	—	—	—	(102,976)	—	—	—
Capital contribution from minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	39,188	39,188
Disposal of subsidiaries	—	—	—	—	—	—	—	—	(6,524)	(6,524)
At 30 June 2006 (unaudited)	102,976	—	(551)	147,747	—	7,599	271,022	528,793	217,952	746,745
At 1 January 2007 (audited)	138,690	2,800,030	(551)	147,941	—	—	1,287,663	4,373,773	364,861	4,738,634
Profit for the period	—	—	—	—	—	—	258,891	258,891	5,035	263,926
Total recognised income and expenses for the period	—	—	—	—	—	—	258,891	258,891	5,035	263,926
Dividends (Note 8)	—	—	—	—	—	—	(490,170)	(490,170)	—	(490,170)
Issue of shares on conversion of convertible bonds (Note 18)	3,337	443,379	—	—	—	—	—	446,716	—	446,716
Issue of new shares	13,926	2,256,402	—	—	—	—	—	2,270,328	—	2,270,328
Equity component of convertible bonds (Note 18)	—	—	—	—	350,806	—	—	350,806	—	350,806
Transfer (Note ii)	—	—	—	(17,318)	—	—	17,318	—	—	—
Purchase of additional interest in subsidiaries	—	—	—	—	—	—	—	—	(12,738)	(12,738)
Capital contribution from minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	255,008	255,008
At 30 June 2007 (unaudited)	155,953	5,499,811	(551)	130,623	350,806	—	1,073,702	7,210,344	612,166	7,822,510

Notes:

- (i) The statutory reserve is non-distributable and the transfer to this reserve is determined by the board of directors of the relevant companies in accordance with the relevant laws and regulations of the People's Republic of China ("the PRC"). This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.
- (ii) This transfer was made on the closure of Zhejiang Green Garden Real Estate Development Co., Ltd.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2007

	Six months ended 30 June	
	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(2,061,739)	(348,475)
Net cash (used in) from investing activities		
Purchase of property, plant and equipment	(238,899)	(76,771)
(Advance to) repayment from related parties	(64,600)	493,504
Decrease in pledged deposits	67,270	145,699
Other investing cash flows	21,201	(788)
	(215,028)	561,644
Net cash from (used in) financing activities		
Bank and other borrowings raised	1,899,620	1,432,886
Repayment of bank and other borrowings	(990,766)	(1,887,069)
Repayment to related parties	(119,677)	(218,804)
Interest paid	(330,307)	(160,068)
Dividends paid	(490,170)	(403,012)
Proceeds on issue of new shares	2,270,328	—
Proceeds on issue of convertible bonds	2,291,097	1,048,983
Contribution by minority shareholders of subsidiaries	255,008	39,188
	4,785,133	(147,896)
Net increase in cash and cash equivalents	2,508,366	65,273
Cash and cash equivalents at 1 January	3,249,014	859,393
Effect of foreign exchange rate changes	(9,382)	(1,667)
Cash and cash equivalents at 30 June	5,747,998	922,999
Represented by bank balances and cash	5,747,998	922,999

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007

1. Basis of Preparation

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

2. Principal Accounting Policies

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006 except as described below.

In the current interim period, the Group has adopted the accounting policy on investment properties as follows:

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. 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 asset) is included in the consolidated income statement in the year in which the item is derecognised.

In the current interim period, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new IFRSs") issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB which are effective for the Group's financial year beginning 1 January 2007. The adoption of these new IFRSs had no material effect on the results or financial position of the Group for the current or prior year accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

IAS 1 (Revised)	Presentation of Financial Statements ¹
IAS 23 (Revised)	Borrowing Costs ¹
IFRS 8	Operating Segments ¹
IFRIC 11	IFRS 2: Group and Treasury Share Transactions ²
IFRIC 12	Service Concession Arrangements ³
IFRIC 13	Customer Loyalty Programmes ⁴
IFRIC 14	IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 March 2007

³ Effective for annual periods beginning on or after 1 January 2008

⁴ Effective for annual periods beginning on or after 1 July 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007

3. Revenue

	Six months ended 30 June	
	2007	2006
	Rmb'000	Rmb'000
Property sales	2,080,628	1,186,742
Sales of construction materials	17,208	21,767
Other business	1,963	884
Computer system design and installation	440	1,056
	2,100,239	1,210,449

Substantially all of the Group's activities are engaged in properties development and sales and substantially all of the Group's sales are attributed to customers in the PRC. The directors consider that these activities constitute one business segment since these activities are related and subject to common risks and returns. Accordingly, no business and geographical analysis of revenue is presented.

4. Other Income

	Six months ended 30 June	
	2007	2006
	Rmb'000	Rmb'000
Interest income	78,633	21,641
Government grants	31,242	15,864
Others	1,233	3,384
	111,108	40,889

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007

5. Finance Costs

	Six months ended 30 June	
	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>
Interest on borrowings	342,184	224,359
Less: Interest capitalised	(263,257)	(202,243)
	78,927	22,116

6. Profit Before Taxation

	Six months ended 30 June	
	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>
Profit before taxation has been arrived at after charging:		
Staff costs	78,678	71,053
Retirement benefit scheme contributions	3,695	3,312
Less: Capitalised in properties under development	(22,382)	(22,239)
Total staff costs	59,991	52,126
Depreciation of property, plant and equipment	12,452	12,838
Less: Capitalised in properties under development	(1,312)	(1,579)
	11,140	11,259
Cost of inventories recognised as an expense	1,342,410	665,189
Loss on disposal of property, plant and equipment (included in selling and administrative expenses)	—	465
Allowance for doubtful debts (included in selling and administrative expenses)	—	432
Amortisation of intangible assets (included in selling and administrative expenses)	—	144

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007

7. Taxation

	Six months ended 30 June	
	2007 Rmb'000	2006 Rmb'000
Current PRC enterprise income tax	188,121	4,866
Deferred tax:		
Current period	(77,722)	125,699
Attributable to change in tax rate	18,677	—
	(59,045)	125,699
	129,076	130,565

PRC enterprise income tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

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:

	Notes	Enterprise income tax rate	
		2007	2006
Shanghai Lvyu Real Estate Development Co., Ltd. ("Shanghai Lvyu")	(i)	15%	15%
Hangzhou Jiuxi Property Services Company Limited ("Hangzhou Jiuxi")	(ii)	27%	27%
Hangzhou Rose Garden Property Services Co., Ltd. ("Hangzhou Rose Garden")	(ii)	27%	27%
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%.
- (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.

7. Taxation — continued

On 16 March 2007, the PRC promulgated the law of the People's Republic of China on Enterprise Income Tax (the "New law") by Order No. 63 of the President of the PRC, which will change the tax rate from 33% to 25% for certain subsidiaries from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

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 prepayment of LAT on the pre-sale and sale proceeds of property developments. According to the Notices for the Strengthening of Administration on LAT (關於加強土地增值稅管理工作的通知), the Group is required to prepay LAT on pre-sale proceeds at 0.5%–2% for ordinary residential properties and 1%–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 prepayment.

For the six months ended 30 June 2007, the Group has estimated, made and included in cost of sales a provision for LAT in the amount of Rmb132,705,000 (2006: Rmb27,478,000) 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.

8. Dividends

On 19 March 2006, the Group declared a special dividend of USD50 million (equivalent to approximately Rmb402 million) 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.

On 21 May 2007, a dividend of HKD0.36 per share was paid to shareholders as the final dividend for 2006.

The directors do not recommend the payment of any dividend for the six months ended 30 June 2007.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007

9. 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

	Six months ended 30 June	
	2007	2006
	Rmb'000	Rmb'000
Earnings for the purposes of basic earnings per share (profit for the period attributable to equity holders of the Company)	258,891	256,901
Effect of dilutive potential ordinary shares:		
Fair value changes on embedded financial derivatives	—	10,842
Earnings for the purposes of diluted earnings per share	258,891	267,743

Number of shares

	Six months ended 30 June	
	2007	2006
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,417,155,351	1,000,000,000
Effect of dilutive potential ordinary shares:		
2006 Convertible Bonds (as defined in Note 18)	—	55,996,357
2007 Convertible Bonds (as defined in Note 18)	25,768,016	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,442,923,367	1,055,996,357

The computation of diluted earnings per share for the six months ended 30 June 2007 does not assume the conversion of the Company's outstanding 2006 Convertible Bonds (as defined in Note 18) since their exercise would result in an increase in profit per share.

10. Property, Plant and Equipment

During the period, the Group acquired property, plant and equipment in the amount of Rmb238,899,000, Rmb215,572,000 of which was spent on the construction of its hotel properties. In addition, the Group disposed of certain motor vehicles and equipment at their carrying amount of Rmb1,792,000.

Details of the buildings pledged to secure banking facilities granted to the Group are disclosed in note 21.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007

11. Investment Property

As at June 2007, the Group had an investment property with a carrying amount of approximately Rmb26,052,000 (2006: nil) situated in the PRC under medium-term lease. The increase in the fair value of the investment property for the six months ended 30 June 2007 amounted to Rmb16,658,000 (2006: nil).

12. Properties for Development

The Group was in the process of obtaining the land use rights certificates for Rmb2,687,227,000 (31 December 2006: Rmb1,018,851,000) of the long-term leasehold land included in the balance of properties for development as at 30 June 2007.

13. Properties under Development

	As at 30 June 2007 <i>Rmb'000</i>	As at 31 December 2006 <i>Rmb'000</i>
Long-term leasehold land — at cost	5,242,324	2,376,360
Development costs	2,162,884	2,736,824
Finance costs capitalised	789,796	566,835
	8,195,004	5,680,019

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007

14. 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:

	As at 30 June 2007 <i>Rmb'000</i>	As at 31 December 2006 <i>Rmb'000</i>
0–30 days	18,613	113,231
31–90 days	610	8,291
91–180 days	2,131	2,062
181–365 days	13,344	743
Over 365 days	1,307	1,612
Trade receivables	36,005	125,939
Other receivables	486,109	264,560
Prepayments and deposits	501,465	515,171
	1,023,579	905,670

15. Trade and Other Payables

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

	As at 30 June 2007 <i>Rmb'000</i>	As at 31 December 2006 <i>Rmb'000</i>
0–30 days	591,437	766,376
31–90 days	2,880	88,457
91–180 days	87,007	3,088
181–365 days	177,966	33,431
Over 365 days	6,160	33,372
Trade payables	865,450	924,724
Other payables and accrued expenses	706,298	479,725
	1,571,748	1,404,449

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007

16. Pre-sale Deposits

Pre-sale deposits represent amounts received in respect of properties pre-sold. They are expected to be recognised as revenue upon delivery of properties as contracted.

17. Bank and Other Borrowings

	As at 30 June 2007 Rmb'000	As at 31 December 2006 Rmb'000
Secured bank loans (Note 21)	4,174,056	3,137,376
Unsecured bank loans	334,000	424,000
	4,508,056	3,561,376
Secured other loans (Note 21)	300,000	300,000
Unsecured other loans	9,000	46,826
	309,000	346,826
	4,817,056	3,908,202
The amount is repayable as follows:		
Amounts due within one year	1,971,369	1,939,347
Amounts due after one year	2,845,687	1,968,855
	4,817,056	3,908,202

As at the balance sheet date, certain secured bank loans were also supported by guarantees from the following parties:

	As at 30 June 2007 Rmb'000	As at 31 December 2006 Rmb'000
Officer of a subsidiary	26,836	—
Independent third parties	7,498	82,822
	34,334	82,822

18. Convertible Bonds

(i) 2006 Convertible Bonds

On 10 January 2006, the Company issued convertible bonds (the “2006 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. The mandatory convertible bonds were fully redeemed upon the consummation of the Company’s initial public offering in 2006. The 2006 Convertible Bonds are listed on Singapore Exchange Securities Trading Limited. Further details of the 2006 Convertible Bonds are set out in the Company’s 2006 annual report.

On 18 January 2007, 2 February 2007 and 12 April 2007, non-mandatory convertible bonds in an aggregate principal amount of USD22,000,000, USD10,000,000 and USD5,000,000 respectively were converted into the Company’s shares at a conversion price of HKD8.55 per share. As a result of the conversion, 33,542,713 new shares were issued.

The movement of the liability component and embedded derivatives of the 2006 Convertible Bonds for the period is set out below:

	Liability component <i>Rmb’000</i>	Conversion option <i>Rmb’000</i>	Bondholder redemption option <i>Rmb’000</i>	Issuer redemption option <i>Rmb’000</i>	Total <i>Rmb’000</i>
As at 1 January 2007	392,849	412,518	38,020	(70,911)	772,476
Exchange realignment	(5,475)	(5,830)	(532)	1,069	(10,768)
Interest charged during the period	16,527	—	—	—	16,527
Interest payable during the period	(6,936)	—	—	—	(6,936)
Changes in fair value	—	41,168	(21,747)	33,059	52,480
Conversion during the period	(226,046)	(220,670)	—	—	(446,716)
As at 30 June 2007	170,919	227,186	15,741	(36,783)	377,063

(ii) 2007 Convertible Bonds

On 18 May 2007, the Company issued USD settled zero coupon convertible bonds (the “2007 Convertible Bonds”) in an aggregate principal amount of Rmb2,310,000,000 due 2012. The 2007 Convertible Bonds are also listed on Singapore Exchange Securities Trading Limited. The net proceeds from the issue of the 2007 Convertible Bonds are mainly used to finance the development of the Group’s existing projects and new projects (including land acquisition costs), with the remainder being applied to the Group’s general working capital requirement.

18. Convertible Bonds — continued

(ii) 2007 Convertible Bonds — continued

The net proceeds received from the issue of the 2007 Convertible Bonds have been split between a liability component, an embedded derivative and an equity component 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 conversion option.

The interest charged for the period is calculated by applying an effective interest rate of approximately 4.69% to the liability component since the convertible bonds were issued.

- (ii) Embedded derivative represents the option of the Company to redeem the 2007 Convertible Bonds, whose fair value is, in the opinion of the directors of the Company, nil; and
- (iii) Equity component represents the option of the bondholders to convert the convertible bonds into equity of the Company, which is equal to the difference between the net proceeds received and the fair value of the liability component.

The movement of the liability component and equity component of the 2007 Convertible Bonds for the period is set out below:

	Liability component <i>Rmb'000</i>	Equity component <i>Rmb'000</i>	Total <i>Rmb'000</i>
Convertible bonds issued on 18 May 2007	1,940,291	350,806	2,291,097
Interest charged during the period	10,620	—	10,620
As at 30 June 2007	1,950,911	350,806	2,301,717

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007

19. Share Capital

	Number of shares	Share capital HKD'000
Issued and fully paid		
Ordinary shares of HKD0.10 each		
As at 1 January 2007	1,347,402,500	134,740
Issue of shares on conversion of convertible bonds (Note 18)	33,542,713	3,354
Issue of new shares (Note)	141,500,000	14,150
Ordinary shares of HKD0.10 each		
As at 30 June 2007	1,522,445,213	152,244
		Rmb'000
Shown on the condensed consolidated balance sheet as		
As at 30 June 2007		155,953
As at 31 December 2006		138,690

Note:

On 4 May 2007, Profitwise Limited ("Profitwise"), a substantial shareholder of the Company owned by SHOU Bainian, entered into a placing and subscription agreement with its joint bookrunners and the Company. Pursuant to the agreement, Profitwise agreed to place, through its joint bookrunners, 141,500,000 shares in the Company to independent investors at a price of HKD16.35 per share. On 8 May 2007, pursuant to the agreement, Profitwise subscribed for 141,500,000 new shares in the Company at a price of HKD16.35 per share, being the same as the placing price.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007

20. Commitments

	As at 30 June 2007 <i>Rmb'000</i>	As at 31 December 2006 <i>Rmb'000</i>
Commitments contracted for but not provided in the condensed consolidated financial statements in respect of properties for development, properties under development and construction in progress	10,952,768	3,534,689

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

	As at 30 June 2007 <i>Rmb'000</i>	As at 31 December 2006 <i>Rmb'000</i>
Contracted for but not provided	264,963	264,743

21. Pledge of Assets

As at the balance sheet date, the following assets were pledged to banks and other parties to secure general credit facilities granted to the Group:

	As at 30 June 2007 <i>Rmb'000</i>	As at 31 December 2006 <i>Rmb'000</i>
Buildings	22,050	12,253
Construction in progress	241,454	184,044
Properties for development	215,430	1,165,543
Properties under development	3,867,905	2,297,421
Completed properties for sale	256,781	24,792
Bank deposits	563,110	630,380
	5,166,730	4,314,433

22. Contingent Liabilities

(i) Guarantees

The Group provided guarantees of Rmb2,015,048,000 as at 30 June 2007 (31 December 2006: Rmb2,394,302,000) 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 also provided guarantees to banks in respect of bank facilities utilised by the following companies:

	As at 30 June 2007 Rmb'000	As at 31 December 2006 Rmb'000
Associates	63,000	148,500
Jointly controlled entities	187,700	282,700
	250,700	431,200

Share of contingent liabilities arising from interests in associates as at the balance sheet date:

	As at 30 June 2007 Rmb'000	As at 31 December 2006 Rmb'000
Mortgage loan guarantees provided by an associate to banks in favour of its customers	155,102	105,876

Share of contingent liabilities arising from interests in jointly controlled entities as at the balance sheet date:

	As at 30 June 2007 Rmb'000	As at 31 December 2006 Rmb'000
Mortgage loan guarantees provided by jointly controlled entities to banks in favour of their customers	202,717	77,746

22. 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 demolition 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 demolition and site preparation under the relevant rules. The Group has not made any provision for such land idle fees in the condensed consolidated 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 7 out of the 21 parcels of land in respect of Taohuayuan South project and pay land idle fees of Rmb2.7 million in respect of such land. The Group commenced the overall project construction in October 2004. However, due to its large development scale, the physical construction of this project has not yet extended to these seven parcels of land. Even though the Group has paid Rmb1.3 million of such land idle fees and Rmb1.4 million as guarantee deposit, 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 demolition 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 the Hangzhou Development and Planning Bureau Yuhang Branch as a single development project and the Group had commenced the construction of the overall project in October 2004 under the relevant rules.

On this basis, the Group has pleaded to the relevant authorities against the imposition of such land idle fees and to request to postpone the commencement of construction of these seven parcels of land in light of the development schedule of this project. 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 condensed consolidated financial statements as in the opinion of the directors such appeal has a good chance of being successful.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007

23. Related Party Disclosures

- (i) During the six months ended 30 June 2007, in addition to those disclosed in notes 17 and 22, the Group had the following significant transactions with related parties.

	Six months ended 30 June	
	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>
Sales of properties to (returns from) officers	2,132	(2,366)
Sales of materials to Shareholders' Companies*	—	5,379
Sales of materials to associates	60	9,370
Sales of materials to jointly controlled entities	3,659	—
Sales of property, plant and equipment to Shareholders' Companies*	—	5,289
Construction service income from Shareholders' Companies	270	—
Purchases of property, plant and equipment from Shareholders' Companies*	—	972
Rental income from Shareholders' Companies*	—	30
Rental expense to Shareholders' Companies	2,745	2,783
Purchases from Shareholders' Companies (<i>Note</i>)	110	5,808
Interior decoration service fees paid to Shareholders' Companies	5,111	24,501
Property management fees paid to Shareholders' Companies	3,150	3,960
Interest income arising from trade balances due from associates	—	16,341
Interest income from other related parties*	—	5,080
Interest expense paid to minority shareholders	6,242	—
Advertising expenses paid to Shareholders' Companies	20,000	10,000
Construction design fees paid to Shareholders' Companies*	—	780
Construction service fees paid to minority shareholders	800	—
Landscaping service fees paid to Shareholders' Companies*	—	13,831

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

Sales of property, plant and equipment to Shareholders' Companies were priced at their carrying value. 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 of Hong Kong Limited. Shareholders' Companies represent companies owned by SONG Weiping, SHOU Bainian and XIA Yibo, ultimate shareholders of the Company.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2007

23. Related Party Disclosures — continued

- (ii) During the six months ended 30 June 2007, the Group made the following acquisitions from related parties:

	Six months ended 30 June	
	2007	2006
	Rmb'000	Rmb'000
Acquisition of interest in an associate from Shareholders' Companies	122,000	—
Partial acquisition of interest in a subsidiary from minority shareholders	17,500	—

24. Post Balance Sheet Events

The following significant events took place subsequent to 30 June 2007:

- (i) On 9 August 2007, Zest Rich Investment Limited ("Zestrich"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Zhejiang Jinchang Real Estate Group Co., Ltd. ("ZJ Real Estate") and Shaoxing Yiquan Real Estate Co., Ltd. ("SY Real Estate"). Pursuant to the agreement, Zestrich agreed to transfer 35% and 30% of its equity interest in Ningbo Chuangfu Real Estate Co., Ltd., a wholly-owned subsidiary, to ZJ Real Estate and SY Real Estate in consideration of Rmb133,000,000 and Rmb114,000,000 respectively.
- (ii) On 10 August 2007, 14 August 2007 and 29 August 2007, the 2006 Convertible Bonds in an aggregate principal amount of USD11,700,000 were converted into the Company's shares at a conversion price of HKD8.31 per share. As a result of the conversion, 10,907,613 new shares were issued.