
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Greentown China Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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)

**DISCLOSEABLE TRANSACTION, MAJOR TRANSACTION
AND CONNECTED TRANSACTIONS
IN RELATION TO THE HAIQI GREENTOWN ACQUISITION
AND THE SHANGHAI LUYUAN DISPOSAL**

**DISCLOSEABLE TRANSACTIONS, MAJOR TRANSACTIONS,
CONNECTED TRANSACTIONS
AND CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE ESTABLISHMENT OF THE TRUST**

**Independent Financial Adviser to the Independent Board Committee
and the Shareholders**

MIZUHO

MIZUHO SECURITIES ASIA LIMITED

A letter from the Board is set out on pages 15 to 56 of this circular and a letter from the Independent Board Committee is set out on pages 57 to 58 of this circular, a letter from Mizuho Securities Asia Limited, the Independent Financial Adviser to the Independent Board Committee and the Shareholders, containing its advice to the Independent Board Committee and the Shareholders in relation to the Transactions is set out on pages 59 to 79 of this circular.

* *For identification purposes only*

30 June 2009

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	15
Letter from the Independent Board Committee	57
Letter from Mizuho Securities Asia Limited	59
Appendix I – Financial information on the Group	I-1
Appendix II – Financial information of Haiqi Greentown	II-1
Appendix III – Financial information of Wuxi Greentown	III-1
Appendix IV – Unaudited pro forma financial information on the Enlarged Group	IV-1
Appendix V – Valuation reports of the Hangzhou Land, Shanghai Land and Wuxi Land	V-1
Appendix VI – General information	VI-1

DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Accounts Management Agreements”	two accounts management agreements entered into on the Trust Establishment Date between the Trustee and the bookkeeper of the Trust on one part and Haiqi Greentown or Wuxi Greentown (as the case may be) on the other part concerning the management of its accounts;
“Adjusted Equity Interests Put Option Put Price”	the exercise price of the Equity Interests Put Option upon the occurrence of the Early Repayment;
“Ancillary Transactions”	the ancillary transactions referred to in the section headed “C. Ancillary Transactions” in this circular;
“associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Beneficiaries”	the beneficiaries of the Trust, and “Beneficiary” means any one of them;
“Board”	the board of the Directors;
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which banks are open for business in Hong Kong and the PRC;
“Company”	Greentown China Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange;
“Completion”	completion of the Haiqi Greentown Acquisition and the Shanghai Luyuan Disposal pursuant to the SP Agreement;
“Completion Date”	16 April 2009, being the day on which the last condition precedent of the SP Agreement is fulfilled or waived;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Consultancy Agreement”	the consultancy agreement entered into on the Trust Establishment Date between Greentown Real Estate and the Trustee pursuant to which Greentown Real Estate was appointed as the Real Estate Services Provider, the particulars of which are set out in the subsection headed “7. Provision of the Real Estate Services by Greentown Real Estate” under the section headed “C. Ancillary Transactions” in this circular;

DEFINITIONS

“Director(s)”	the director(s) of the Company;
“Distribution Date”	the date of distribution of floating income upon Early Repayment and exercise of the Equity Interests Put Option or the date of distribution of special income prior to the exercise of the Trust Units Put Option, the particulars of which are set out in the subsection headed “Calculation and distribution of the Trust Income” under the section headed “B. Subscription of Trust Units” in this circular;
“Early Repayment”	early repayment of the Haiqi Greentown Loan and/or the Wuxi Greentown Loan;
“Early Repayment Date”	the date of Early Repayment;
“Enlarged Group”	the Group together with Haiqi Greentown and Wuxi Greentown immediately after Completion and completion of the Wuxi Greentown Disposal and the Haiqi Greentown Disposal;
“Equity Interests Put Option”	the put option granted to the Trustee pursuant to the Equity Interests Put Option Agreement, the particulars of which are set out in the subsection headed “3. Equity Interests Put Option” under the section headed “C. Ancillary Transactions” in this circular;
“Equity Interests Put Option Agreement”	the equity interests put option agreement entered into on the Trust Establishment Date between Greentown Real Estate and the Trustee pursuant to which Greentown Real Estate granted the Equity Interests Put Option to the Trustee which shall be obliged to exercise the Equity Interests Put Option and require Greentown Real Estate or its nominees to acquire the Haiqi Greentown Interests and the Wuxi Greentown Interests, the particulars of which are set out in the subsection headed “3. Equity Interests Put Option” under the section headed “C. Ancillary Transactions” in this circular;
“Equity Interests Put Option Put Price”	the exercise price of the Equity Interests Put Option upon the occurrence of the Material Adverse Event or the expiry of the 33rd month after the Trust Establishment Date;
“Equity Pledge”	the Haiqi Greentown Equity Pledge and the Wuxi Greentown Equity Pledge;

DEFINITIONS

“Equity Pledge Agreements”	the Haiqi Greentown Equity Pledge Agreement and the Wuxi Greentown Equity Pledge Agreement;
“Final Account”	the final accounts audited by an auditor jointly appointed by the Company and Harbour Centre;
“GFA”	gross floor area;
“Greentown Entities”	the Company, Greentown Real Estate and Shanghai Luyu;
“Greentown Parties”	Greentown Real Estate, Hangzhou Kangju, all other entities directly or indirectly wholly-owned or controlled by Greentown Real Estate and all other entities that are under the common control of the party or parties controlling Greentown Real Estate;
“Greentown Real Estate”	綠城房地產集團有限公司 (Greentown Real Estate Group Co., Ltd.*), a wholly-foreign owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company;
“Group”	the Company and its subsidiaries;
“Guarantee”	the guarantee provided by Greentown Real Estate to the Trustee under the Guarantee Agreement, particulars of which are set out in the subsection headed “5. Provision of Guarantee and Surety” under the section headed “C. Ancillary Transactions” in this circular;
“Guarantee Agreement”	the guarantee agreement entered into on the Trust Establishment Date between Greentown Real Estate and the Trustee in relation to the provision of Guarantee and Surety;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Haiqi Greentown”	杭州綠城海企房地產開發有限公司 (Hangzhou Greentown Haiqi Real Estate Development Co., Ltd.*), a limited liability company established in the PRC and, as at the Latest Practicable Date, owned as to 30% by Hangzhou Kangju, as to 25% by the Trust and as to 45% by Greentown Real Estate;
“Haiqi Greentown Acquisition”	the acquisition of the Hangzhou Sale Interest and the Hangzhou Shareholder’s Loan by the Company pursuant to the SP Agreement;

DEFINITIONS

“Haiqi Greentown Disposal”	the disposal of the Haiqi Greentown Interests by Hangzhou Kangju to the Trust pursuant to the Haiqi Greentown Disposal Agreement;
“Haiqi Greentown Disposal Agreement”	the disposal agreement entered into on the Trust Establishment Date between Hangzhou Kangju and the Trustee pursuant to which Hangzhou Kangju agreed to dispose of the Haiqi Greentown Interests to the Trust, the particulars of which are set out in the subsection headed “1. Disposal of Haiqi Greentown Interests and Wuxi Greentown Interests” under the section headed “C. Ancillary Transactions” in this circular;
“Haiqi Greentown Interests”	25% equity interests in Haiqi Greentown held by Hangzhou Kangju, which are the subject of the Haiqi Greentown Disposal;
“Haiqi Greentown Equity Pledge”	the pledge of the equity interests in Haiqi Greentown by Hangzhou Kangju and Greentown Real Estate (as pledgors) to the Trustee (as pledgee) pursuant to the Haiqi Greentown Equity Pledge Agreement;
“Haiqi Greentown Equity Pledge Agreement”	the equity pledge agreement entered into on the Trust Establishment Date between Hangzhou Kangju and Greentown Real Estate (as pledgors) and the Trustee (as pledgee) pursuant to which Hangzhou Kangju and Greentown Real Estate agreed to pledge their respective interests in Haiqi Greentown to the Trust, the particulars of which are set out in the subsection headed “6. Pledge of equity interests in Haiqi Greentown and Wuxi Greentown” under the section headed “C. Ancillary Transactions” in this circular;
“Haiqi Greentown Loan”	a loan of RMB1,250,000,000 (equivalent to HK\$1,425,000,000) provided by the Trust to Haiqi Greentown pursuant to the Haiqi Greentown Loan Agreement;
“Haiqi Greentown Loan Agreement”	the loan agreement entered into on the Trust Establishment Date between Haiqi Greentown and the Trustee pursuant to which the Trust agreed to provide the Haiqi Greentown Loan to Haiqi Greentown, the particulars of which are set out in the subsection headed “2. Provision of the Haiqi Greentown Loan and Wuxi Greentown Loan” under the section headed “C. Ancillary Transactions” in this circular;

DEFINITIONS

“Haiqi Greentown RMB1 Equity Interests Purchase Agreements”	the equity interest purchase agreements entered into on the Trust Establishment Date between the Greentown Parties and the Trustee pursuant to which the Greentown Parties agreed to sell all their remaining Haiqi Greentown Interests to the Trust at a consideration of RMB1, the particulars of which are set out in the subsection headed “8. RMB1 Options” under the section headed “C. Ancillary Transactions” in this circular;
“Haiqi Greentown RMB1 Option”	the option granted by the Greentown Parties to the Trust pursuant to the Haiqi Greentown RMB1 Equity Interests Purchase Agreements, the particulars of which are set out in the subsection headed “8. RMB1 Options” under the section headed “C. Ancillary Transactions” in this circular;
“Hangzhou Kangju”	杭州康居投資管理有限公司 (Hangzhou Kangju Investment Management Co., Ltd.*), a wholly-foreign owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company;
“Hangzhou Land”	a site at the Qianjiang New City, Hangzhou, the PRC (中國杭州杭儲出200717號地塊);
“Hangzhou Sale Interest”	the 40% interest in the registered capital of Haiqi Greentown which was held by Nanjing Julong prior to Completion;
“Hangzhou Shareholder’s Loan”	the amount advanced by Nanjing Julong to Haiqi Greentown, which stands at approximately RMB982,392,000 as at the date of the SP Agreement;
“Harbour Centre”	Harbour Centre Development Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Huabao Trust Loan”	the trust loan of RMB150 million provided by Huabao Trust Company Limited to Shanghai Project Company pursuant to the trust loan agreement dated 3 March 2009, of which RMB30 million was drawn as at the date of the SP Agreement;

DEFINITIONS

“ICBC”	中國工商銀行股份有限公司 (Industrial and Commercial Bank of China Limited), a joint stock limited company incorporated in the PRC and the H shares and A shares of which are listed on the Stock Exchange (stock code: 1398) and the Shanghai Stock Exchange, respectively. ICBC is an Independent Third Party;
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors (other than Mr. Sze Tsai Ping, Michael, who is also an independent non-executive director of Harbour Centre and had abstained from voting in the Board meeting for approving the Haiqi Greentown Acquisition and the Shanghai Luyuan Disposal) appointed by the Board to advise the Shareholders in relation to the Transactions;
“Independent Financial Adviser” or “Mizuho Securities”	Mizuho Securities Asia Limited, a licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activity under the SFO and the independent financial adviser to advise the Independent Board Committee and the Shareholders in relation to the Transactions;
“Independent Third Parties”	third parties independent of the Company and its connected persons and are not connected persons of the Company, and “Independent Third Party” means any one of them;
“Investment Consultant”	Industrial and Commercial Bank of China Limited (Zhejiang Branch), the investment consultant of the Trust;
“Investment Management Committee”	investment management committee of the Trust, the particulars of which are set out in the subsection headed “Establishment of the Investment Management Committee” under the section headed “B. Subscription of Trust Units” in this circular;
“Investment Return”	the return of investment to be realized by the Trust upon the exercise of the Equity Interests Put Option;
“Junior Units”	the junior units of the Trust, and “Junior Unit” means any one of them;
“Junior Units Put Option Put Price”	the exercise price of the Trust Units Put Option in relation to Junior Units;

DEFINITIONS

“Latest Practicable Date”	26 June 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan Agreements”	the Haiqi Greentown Loan Agreement and the Wuxi Greentown Loan Agreement;
“Loans”	the Haiqi Greentown Loan and the Wuxi Greentown Loan, and “Loan” means any one of them;
“Material Adverse Events”	shall have the same meaning in the subsection headed “Material Adverse Events” under the section headed “B. Subscription of Trust Units” in this circular;
“Mr. Qian”	Qian Xiaohua (錢曉華), an executive general manager of the Company and a director of a number of subsidiaries of the Company;
“Nanjing Julong”	南京聚龍房地產開發有限公司 (Nanjing Julong Real Estate Development Co. Ltd*), a limited liability company established in the PRC, an indirect wholly-owned subsidiary of Harbour Center;
“Other Beneficiaries”	the Beneficiaries other than Greentown Real Estate;
“Post-Completion Adjustment”	the adjustment (if any) to be made to the consideration payable by Nanjing Julong or Greentown Real Estate and Shanghai Luyu, in respect of the Shanghai Luyuan Disposal pursuant to the SP Agreement as set out in the subsection headed “Post-Completion Adjustment to Consideration for the Shanghai Luyuan Disposal” under the section headed “A. The SP Agreement” in this circular;
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this circular;
“Project Companies”	Haiqi Greentown, Wuxi Greentown and such other project companies engaged in property development in the PRC;

DEFINITIONS

“Project Companies Disposal”	the Haiqi Greentown Disposal and the Wuxi Greentown Disposal, the particulars of which are set out in the subsection headed “1. Disposal of Haiqi Greentown Interests and Wuxi Greentown Interests” under the section headed “C. Ancillary Transactions” in this circular;
“Project Companies Disposal Agreements”	the Haiqi Greentown Disposal Agreement and the Wuxi Greentown Disposal Agreement;
“Project Companies Shareholders”	the shareholders of Haiqi Greentown and Wuxi Greentown (other than Greentown Real Estate and Hangzhou Kangju);
“Qianjiang Project”	藍色錢江項目, being the property development project situated at the Hangzhou Land, particulars of which are set out in the subsection headed “Information on the Hangzhou Land and the Qianjiang Project” under the section headed “E. General Information” in this circular;
“Qualified Investors”	investors which are Independent Third Parties and have satisfied the criteria to become Subscribers of the Junior Units as provided in the Trust Agreement, and “Qualified Investor” means any one of them;
“Real Estate Projects”	the Qianjiang Project and the Taihu Project and other real estate projects held by the Project Companies;
“Real Estate Services”	the real estate services provided by Greentown Real Estate pursuant to the Consultancy Agreement;
“Real Estate Services Provider”	Greentown Real Estate, the real estate services provider of the Trust;
“Retention Money”	a sum of RMB25,000,000 paid by Greentown Real Estate to Nanjing Julong as retention money to secure certain obligations of Greentown Real Estate and/or Shanghai Luyu under the SP Agreement;
“RMB”	Renminbi, the lawful currency of the PRC;
“RMB1 Equity Interests Purchase Agreements”	the Haiqi Greentown RMB1 Equity Interests Purchase Agreements and the Wuxi Greentown RMB1 Equity Interests Purchase Agreement;
“RMB1 Options”	the Haiqi Greentown RMB1 Option and the Wuxi Greentown RMB1 Option;

DEFINITIONS

“Senior Units”	the senior units of the Trust, and “Senior Unit” means any one of them;
“Senior Units Put Option Put Price”	the exercise price of the Trust Units Put Option in relation to Senior Units;
“Settlement Date”	the 20th day of December of each calendar year;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shanghai CCB Loan”	the loan of RMB800 million to be provided by China Construction Bank, the Shanghai branch, to Shanghai Project Company pursuant to the loan agreement dated 8 January 2009, of which RMB150 million was drawn as at the date of the SP Agreement;
“Shanghai Completion Account”	the unaudited balance sheets and profit and loss accounts of Shanghai Project Company up to the Completion Date;
“Shanghai Land”	a site at plot D1, Xinjiangwan Cheng, Yangpu Area, Shanghai Province, the PRC (中國上海楊浦區新江灣城D1地塊);
“Shanghai Luyu”	上海綠宇房地產開發有限公司 (Shanghai Luyu Real Estate Development Co., Ltd.*), a wholly-foreign owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company;
“Shanghai Luyuan Disposal”	the disposal of the Shanghai Sale Interest and the Shanghai Shareholder’s Loan by the Company pursuant to the SP Agreement;
“Shanghai Management Account”	the management accounts of Shanghai Project Company as at 30 March 2009;
“Shanghai Project”	the development of the Shanghai Land as described in the subsection headed “Information on the Shanghai Land and the Shanghai Project” under the section headed “E. General Information” in this circular;
“Shanghai Project Company”	上海綠源房地產開發有限公司 (Shanghai Luyuan Real Estate Development Co., Ltd.*), a limited liability company established in the PRC, and as at the Latest Practicable Date, owned as to 99.9% by Greentown Real Estate and as to 0.1% by Shanghai Luyu;

DEFINITIONS

“Shanghai Sale Interest”	the 99.9% interest and the 0.1% interest in the registered capital of Shanghai Project Company which were held by Greentown Real Estate and Shanghai Luyu, respectively prior to Completion;
“Shanghai Shareholder’s Contributions”	an amount being the registered capital contributed by and the shareholder’s loans advanced by the shareholders of Shanghai Project Company;
“Shanghai Shareholder’s Loan”	an amount advanced by Greentown Real Estate and Shanghai Luyu to Shanghai Project Company, which stands at approximately RMB1,088,649,998 as at the date of the SP Agreement;
“Shareholder(s)”	shareholder(s) of the Company;
“Shares”	ordinary shares with a par value of HK\$0.10 each in the capital of the Company;
“SP Agreement”	the sale and purchase agreement dated 10 April 2009 entered into between the Company, Harbour Centre, Nanjing Julong, Greentown Real Estate, Shanghai Luyu, Shanghai Project Company and Haiqi Greentown in relation to the Haiqi Greentown Acquisition and the Shanghai Luyuan Disposal;
“sq.m.”	square metre;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the same meaning ascribed to it under the Listing Rules;
“Subscribers”	the subscribers of the Trust including ICBC (as manager of its RMB investment scheme), Greentown Real Estate and other Qualified Investors;
“Subscription”	subscription of not less than 60% of the total number of the Junior Units by Greentown Real Estate pursuant to the Trust Agreement;
“Surety”	a surety of RMB 10,000,000 provided by Greentown Real Estate to the Trust under the Guarantee Agreement, particulars of which are set out in the subsection headed “5. Provision of Guarantee and Surety” under the section headed “C. Ancillary Transactions” in this circular;

DEFINITIONS

“Taihu Project”	無錫太湖新城項目, being the property development project situated at the Wuxi Land, the particulars of which are set out in the subsection headed “Information on the Wuxi Land and the Taihu Project” under the section headed “E. General Information” in this circular;
“Total Cash Assets of the Trust”	any initial Trust Capital not yet invested by the Trust in Haiqi Greentown and Wuxi Greentown, any other amount received by the Trust upon Early Repayment and exercise of the Equity Interests Put Option;
“Transaction Documents”	the SP Agreement, the Equity Interests Put Option Agreement, the Trust Units Put Option Agreements, the Haiqi Greentown Loan Agreement, the Guarantee Agreement, the RMB1 Equity Interests Purchase Agreements and the Equity Pledge Agreements;
“Transactions”	the transactions contemplated under the Transaction Documents;
“Trust”	the trust named as “中海•綠城1號房地產投資基金” (Zhonghai-Greentown No. 1 Real Estates Investment Fund*), details of which are set out in the section headed “B. Subscription of Trust Units” in this circular;
“Trust Agreement”	trust agreement entered into on 14 April 2009 between Greentown Real Estate and the Trustee;
“Trust Assets”	the assets of the Trust;
“Trust Capital”	the fund injected by the Subscribers to the Trust;
“Trust Documents”	the Trust Agreement, the Project Companies Disposal Agreements, the Equity Interests Put Option Agreement, the Trust Units Put Option Agreements, the Haiqi Greentown Loan Agreement, the Guarantee Agreement, the RMB1 Equity Interests Purchase Agreements, the Equity Pledge Agreements;
“Trust Establishment Date”	20 April 2009, being the date of establishment of the Trust;
“Trust Income”	the total income generated by the Trust;
“Trust Termination Date”	the date of termination of the Trust pursuant to the terms of the Trust Agreement;

DEFINITIONS

“Trust Units”	the Senior Units and the Junior Units, and “Trust Unit” shall mean any one of them;
“Trust Units Put Option”	the put option granted to the Other Beneficiaries pursuant to the Trust Units Put Option Agreements, the particulars of which are set out in the subsection headed “4. Trust Units Put Option” under the section headed “C. Ancillary Transactions” in this circular;
“Trust Units Put Option Agreements”	the trust units put option agreements entered into on the Trust Establishment Date between Greentown Real Estate and the Other Beneficiaries pursuant to which the Trust Units Put Option was granted to the Other Beneficiaries the particulars of which are set out in the subsection headed “4. Trust Units Put Option” under the section headed “C. Ancillary Transactions” in this circular;
“Trustee”	中海信托股份有限公司 (Zhonghai Trust Co., Ltd.*), a limited liability company established in the PRC and an Independent Third Party to the Company, which was owned as to 95% by China National Offshore Oil Corp. and as to 5% by China Citic Group as at the Latest Practicable Date;
“Wuxi Greentown”	無錫綠城房地產開發有限公司 (Wuxi Greentown Real Estate Development Co., Ltd.*), a limited liability company established in the PRC, which was owned as to 45% by the Trust, as to 40% by Greentown Real Estate, as to 10% by Mr. Qian and as to 5% by Wuxi New City as at the Latest Practicable Date;
“Wuxi Greentown Disposal”	the disposal of the Wuxi Greentown Interests by Greentown Real Estate to the Trust pursuant to the Wuxi Greentown Disposal Agreement;
“Wuxi Greentown Disposal Agreement”	the disposal agreement entered into on the Trust Establishment Date between Greentown Real Estate and the Trustee pursuant to which Greentown Real Estate agreed to dispose of the Wuxi Greentown Interests to the Trust, the particulars of which are set out in the subsection headed “1. Disposal of Haiqi Greentown Interests and Wuxi Greentown Interests” under the section “C. Ancillary Transactions” in this circular;

DEFINITIONS

“Wuxi Greentown Equity Pledge”	the pledge of the equity interests in Wuxi Greentown by Greentown Real Estate (as pledgor) to the Trustee (as pledgee) pursuant to the Wuxi Greentown Equity Pledge Agreement;
“Wuxi Greentown Equity Pledge Agreement”	the equity pledge agreement entered into on the Trust Establishment Date between Greentown Real Estate (as pledgor) and the Trustee (as pledgee) pursuant to which Greentown Real Estate agreed to pledge its interests in Wuxi Greentown to the Trust, the particulars of which are set out in the subsection headed “6. Pledge of equity interests in Haiqi Greentown and Wuxi Greentown” under the section “C. Ancillary Transactions” in this circular;
“Wuxi Greentown Interests”	45% equity interests in Wuxi Greentown held by Greentown Real Estate, which are the subject of the Wuxi Greentown Disposal;
“Wuxi Greentown Loan”	a loan of RMB437,100,000 (equivalent to HK\$498,294,000) provided by the Trust to Wuxi Greentown pursuant to the Wuxi Greentown Loan Agreement;
“Wuxi Greentown Loan Agreement”	the loan agreement entered into on the Trust Establishment Date between Wuxi Greentown and the Trustee pursuant to which the Trust agreed to provide the Wuxi Greentown Loan to Wuxi Greentown, the particulars of which are set out in the subsection headed “2. Provision of Haiqi Greentown Loan and Wuxi Greentown Loan” under the section headed “C. Ancillary Transactions” in this circular;
“Wuxi Greentown RMB1 Equity Interests Purchase Agreement”	the equity interest purchase agreement entered into on the Trust Establishment Date between the Greentown Real Estate and the Trustee pursuant to which the Greentown Real Estate agreed to sell all its remaining Wuxi Greentown Interests to the Trust at a consideration of RMB1, the particulars of which are set out in the subsection headed “8. RMB1 Options” under the section headed “C. Ancillary Transactions” in this circular;

DEFINITIONS

“Wuxi Greentown RMB1 Option”	the option granted by the Greentown Real Estate to the Trust pursuant to the Wuxi Greentown RMB1 Equity Interests Purchase Agreement, the particulars of which are set out in the subsection headed “8. RMB1 Options” under the section headed “C. Ancillary Transactions” in this circular;
“Wuxi Land”	Portion A of a piece of land situated at west of Gonghu Avenue, east of Lixin Avenue, north of Wuyue Road and south of Gaolang Road, Wuxi, Jiangsu Province, the PRC;
“Wuxi New City”	無錫市新城建設投資管理有限公司 (Wuxi Xincheng Construction Investment Management Co., Ltd.*), a limited liability company established in the PRC and an Independent Third Party to the Company; and
“%”	per cent.

* For identification purposes only

For the purpose of this circular, the exchange rate of RMB1.00 = HK\$1.14 has been used for currency translation, where applicable. Such exchange rates are for illustration purposes and do not constitute representations that any amount in RMB or HK\$ have been, could have been or may be converted at such rates.

LETTER FROM THE BOARD



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)

Executive Directors:

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

Registered office:

M&C Corporate Services Limited
PO Box 309GT, Umland House
South Church Street
George Town, Grand Cayman
Cayman Islands

Independent non-executive Directors:

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

Principle place of business

in Hong Kong:
Room 1406-8, 14th Floor
New World Tower 1
16-18 Queen's Road Central
Hong Kong

30 June 2009

To the Shareholders

Dear Sir/Madam,

**DISCLOSEABLE TRANSACTION, MAJOR TRANSACTION
AND CONNECTED TRANSACTIONS
IN RELATION TO THE HAIQI GREENTOWN ACQUISITION
AND THE SHANGHAI LUYUAN DISPOSAL**

**DISCLOSEABLE TRANSACTIONS, MAJOR TRANSACTIONS,
CONNECTED TRANSACTIONS
AND CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE ESTABLISHMENT OF THE TRUST**

INTRODUCTION

On 14 April 2009, the Board announced that:

- (1) the Company entered into the SP Agreement with, among others, Harbour Centre on 10 April 2009, pursuant to which (i) Harbour Centre has conditionally agreed to

* *For identification purposes only*

LETTER FROM THE BOARD

procure the sale of Hangzhou Sale Interest, representing 40% interest in Haiqi Greentown, and the Hangzhou Shareholder's Loan to Greentown Real Estate at a total consideration of RMB1,382,392,000; and (ii) the Company has conditionally agreed to procure the sale of Shanghai Sale Interest, representing 100% interest in Shanghai Project Company, and the Shanghai Shareholder's Loan to Nanjing Julong at a total consideration of RMB1,230,173,997; and

- (2) Greentown Real Estate, a wholly-owned subsidiary of the Company, entered into the Trust Agreement with the Trustee on 14 April 2009 and entered into the Ancillary Transactions on or about the Trust Establishment Date.

In relation to the SP Agreement, as the applicable percentage ratios (as defined in the Listing Rules) in respect of (i) the Haiqi Greentown Acquisition are more than 25% but less than 100% and (ii) the Shanghai Luyuan Disposal are more than 5% but less than 25%, each of the Haiqi Greentown Acquisition and the Shanghai Luyuan Disposal on a stand-alone basis constitutes a major transaction and a discloseable transaction for the Company, respectively under the Listing Rules. In addition, as Harbour Centre is the ultimate beneficial owner of Nanjing Julong, which in turn is a substantial shareholder of Haiqi Greentown, a non wholly-owned subsidiary of the Company, Harbour Centre is therefore a connected person of the Company for the purpose of the Listing Rules and both the Haiqi Greentown Acquisition and the Shanghai Luyuan Disposal constitute connected transactions for the Company under the Listing Rules. Accordingly, pursuant to Rule 14.24 of the Listing Rules, the Haiqi Greentown Acquisition and the Shanghai Luyuan Disposal are subject to the requirements of reporting, announcement and independent Shareholders' approval under Chapters 14 and 14A of the Listing Rules.

In relation to the Trust Agreement and the Ancillary Transactions, as the applicable percentage ratios (as defined in the Listing Rules) in respect of each of the Subscription, the Project Companies Disposal and the exercise of the Equity Interests Put Option are more than 5% but less than 25%, each of the Subscription, the Project Companies Disposal and the exercise of the Equity Interests Put Option on a stand-alone basis constitutes a discloseable transaction for the Company under the Listing Rules. As the applicable percentage ratios (as defined in the Listing Rules) in respect of each of the Trust Units Put Option and the provision of the Guarantee and the Surety by Greentown Real Estate are more than 25% but less than 100%, each of the Trust Units Put Option and the provision of the Guarantee and the Surety by Greentown Real Estate on a stand-alone basis constitutes a major transaction for the Company under the Listing Rules. Pursuant to Rule 14.76 of the Listing Rules, the RMB1 Options constitute a major transaction for the Company under the Listing Rules. Pursuant to Rule 14.24 of the Listing Rules, the Trust Agreement, the Project Companies Disposal Agreements, the Equity Interests Put Option Agreement, the RMB1 Equity Interests Purchase Agreements, the Trust Units Put Option Agreements, the Guarantee Agreement and the transactions contemplated thereunder shall be subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

Completion of the Haiqi Greentown Acquisition and the Shanghai Luyuan Disposal took place on 16 April 2009. Upon completion of the Haiqi Greentown Acquisition and the Haiqi Greentown Disposal, Haiqi Greentown remains as a subsidiary of the Company and the Trust becomes a substantial shareholder of Haiqi Greentown, thus a connected person of the Company. As a result thereof, the provision of the Haiqi Greentown Loan, the Equity Interests Put Option, the Trust Units Put Option, the provision of the Guarantee and the Surety, the creation of the Equity Pledge and the RMB1 Options constitute connected transactions for the Company under the Listing Rules. As the applicable percentage ratios in respect of each of the provision of the Haiqi Greentown Loan, the Equity Interests Put Option, the Trust Units Put Option, the provision of the Guarantee and the Surety and the creation of the Equity Pledge is more than 2.5%, each of such transactions constitutes a non-exempt connected transaction for the Company and is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.71 of the Listing Rules, the RMB1 Options will be subject to all connected transaction requirements under Chapter 14A of the Listing Rules. The provision of the Real Estate Services by Greentown Real Estate also constitutes a continuing connected transaction for the Company. As one of the applicable percentage ratios in respect of the provision of the Real Estate Services by Greentown Real Estate is more than 0.1% but less than 2.5%, such transaction will be exempt from the independent Shareholders' approval requirement but subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

On the basis that (i) Harbour Centre is not interested in any Shares and no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Haiqi Greentown Acquisition and the Shanghai Luyuan Disposal; (ii) the Trust is not interested in any Shares of the Company and no Shareholder is required to abstain from voting if the Company were to convene a general meeting in respect of the Trust Documents and the transactions contemplated thereunder; and (iii) Delta House Limited, Wisearn Limited and Profitwise Limited, being the closely allied group of Shareholders, which held 492,124,000 Shares, 68,859,000 Shares and 384,490,500 Shares, respectively, representing an aggregate of approximately 61.5% of the issued share capital of the Company as at the Latest Practicable Date, have approved (i) the Haiqi Greentown Acquisition and the Shanghai Luyuan Disposal; and (ii) the Trust Documents and the transactions contemplated thereunder in writing in accordance with Rule 14A.43 of the Listing Rules, the Company has applied to the Stock Exchange pursuant to Rule 14A.43 of the Listing Rules for a waiver from strict compliance with the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. The Stock Exchange has granted a waiver to the Company from strict compliance with the requirement to hold a general meeting to approve (i) the Haiqi Greentown Acquisition and the Shanghai Luyuan Disposal; and (ii) the Trust Documents and the transactions contemplated thereunder in writing in accordance with Rule 14A.43 of the Listing Rules. The written approvals by Delta House Limited, Wisearn Limited and Profitwise Limited have also been accepted in lieu of holding a general meeting to approve (i) the Haiqi Greentown Acquisition and the Shanghai Luyuan Disposal; and (ii) the Trust Documents and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules. Accordingly, no general meeting will be held. The information contained in this circular is for information of the Shareholders only.

LETTER FROM THE BOARD

An Independent Board Committee comprising all the independent non-executive Directors (other than Mr. Sze Tsai Ping, Michael) has been formed to advise the Shareholders in relation to the Transactions and Mizuho Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in relation to the Transactions.

The purpose of this circular is to give you, among other things, (i) further details about the transactions contemplated under the SP Agreement, the Trust Agreement and the Ancillary Transactions; (ii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Shareholders in relation to the Transactions; and (iii) the recommendation of the Independent Board Committee in relation to the Transactions.

A. THE SP AGREEMENT

Date: 10 April 2009

Parties: (1) The Company;
(2) Harbour Centre;
(3) Nanjing Julong;
(4) Greentown Real Estate;
(5) Shanghai Luyu;
(6) Shanghai Project Company; and
(7) Haiqi Greentown

The Haiqi Greentown Acquisition

Assets to be acquired: Haiqi Greentown was owned as to 40% by Nanjing Julong, as to 5% by Greentown Real Estate and as to 55% by Hangzhou Kangju as at the date of the SP Agreement. Pursuant to the SP Agreement, Harbour Centre has conditionally agreed to procure the sale of Hangzhou Sale Interest, representing 40% interest in Haiqi Greentown, and the Hangzhou Shareholder's Loan by Nanjing Julong to Greentown Real Estate.

Consideration: The total consideration for the Haiqi Greentown Acquisition shall be RMB1,382,392,000, of which RMB400,000,000 is for the Hangzhou Sale Interest and RMB982,392,000 is for the Hangzhou Shareholder's Loan, which has been paid in the following manner:

- (a) an initial deposit of RMB100,000,000 has been paid in cash on the date of signing of the SP Agreement; and

LETTER FROM THE BOARD

- (b) the sum of RMB1,282,392,000, of which (i) RMB1,230,173,997 has been set off against the entire consideration for the Shanghai Luyuan Disposal, that is RMB1,230,173,997; and (ii) RMB52,218,003 has been paid in cash on the Completion Date.

The consideration for the Haiqi Greentown Acquisition was determined after arm's length negotiations between the Company and Harbour Centre with reference to, among other things, the acquisition cost (including deed tax) of the Hangzhou Land attributable to Nanjing Julong which amounted to RMB1,437,880,000.

The consideration for the Haiqi Greentown Acquisition was financed by the Group's internal resources.

The Directors (including the independent non-executive Directors) are of the view that the consideration for the Haiqi Greentown Acquisition is fair and reasonable.

The Shanghai Luyuan Disposal

Assets to be disposed of: Shanghai Project Company was owned as to 99.9% by Greentown Real Estate and as to 0.1% by Shanghai Luyu as at the date of the SP Agreement. Pursuant to the SP Agreement, the Company has conditionally agreed to procure the sale of Shanghai Sale Interest, representing 100% interest in Shanghai Project Company, and the Shanghai Shareholder's Loan by Greentown Real Estate and Shanghai Luyu to Nanjing Julong.

Consideration: The total consideration for the Shanghai Luyuan Disposal shall be RMB1,230,173,997, of which RMB141,524,000 is for the Shanghai Sale Interest and RMB1,088,649,997 is for the Shanghai Shareholder's Loan, (subject to adjustment as set out in the sub-section headed "Post-Completion Adjustment to Consideration for the Shanghai Luyuan Disposal" below), which has been set off against part of the consideration for the Haiqi Greentown Acquisition, that is RMB1,230,173,997, on the Completion Date.

LETTER FROM THE BOARD

The consideration for the Shanghai Luyuan Disposal was determined after arm's length negotiations between the Company and Harbour Centre with reference to, among other things, the acquisition cost (including deed tax) of the Shanghai Land which amounted to RMB1,297,800,000.

The Directors (including the independent non-executive Directors) are of the view that the consideration for the Shanghai Luyuan Disposal is fair and reasonable.

Post-Completion Adjustment to Consideration for the Shanghai Luyuan Disposal

Pursuant to the SP Agreement, the consideration for the Shanghai Luyuan Disposal shall be subject to the Post-Completion Adjustment to be determined following delivery of the Shanghai Completion Account by the Company to Harbour Centre. The Shanghai Completion Account shall be determined on the basis of (i) the valuation amount of the Shanghai Land, being RMB1,112,000,000, representing the acquisition cost (excluding deed tax) of the Shanghai Land in the amount of RMB1,260,000,000 as shown in the land acquisition agreement less the sum of RMB148,000,000; and (ii) the accounting principles generally accepted in the PRC and other relevant PRC laws and regulations in relation to other assets of Shanghai Project Company. If an agreement can be reached between the Company and Harbour Centre on the contents of the Shanghai Completion Account within 10 Business Days from the date of receipt of the Shanghai Completion Account by Harbour Centre, the Shanghai Completion Account shall be the Final Account of Shanghai Project Company.

If the Company and Harbour Centre fail to agree on the contents of the Shanghai Completion Account within 10 Business Days from the date of receipt of the Shanghai Completion Account by Harbour Centre, the Company and Harbour Centre shall jointly appoint an auditor to conduct an audit of the accounts of Shanghai Project Company.

In the event that (i) the amount of Shanghai Shareholder's Contributions as shown in the Shanghai Management Account is more than the amount of Shanghai Shareholder's Contributions as shown in the Final Account of Shanghai Project Company, the Company shall procure Greentown Real Estate and Shanghai Luyu to repay the amount in excess of the amount of Shanghai Shareholder's Contributions as shown in Final Account of Shanghai Project Company to Nanjing Julong in cash on a dollar-to-dollar basis within 5 Business Days from the date of issue of the Final Account of Shanghai Project Company; or (ii) the amount of Shanghai Shareholder's Contributions as shown in the Shanghai Management Account is less than the amount of Shanghai Shareholder's Contributions as shown in the Final Account of Shanghai Project Company, Harbour Centre shall procure Nanjing Julong to repay the amount of shortfall to Greentown Real Estate and Shanghai Luyu in cash on a dollar-to-dollar basis within 5 Business Days from the date of issue of the Final Account of Shanghai Project Company.

Shanghai Completion Account has been delivered by the Company to Harbour Centre. No Post-Completion Adjustment was made to the consideration for the Shanghai Luyuan Disposal.

LETTER FROM THE BOARD

Conditions Precedent

Completion is conditional upon the fulfilment (or waiver, as the case may be) of the following conditions, among others:

- (a) the Company having obtained the consents and approvals of its board of directors and its shareholders, pursuant to the relevant requirements in its articles of association and the Listing Rules, in relation to the SP Agreement and the transactions contemplated thereunder;
- (b) Harbour Centre having obtained the consents and approvals of its board of directors and its shareholders, pursuant to the relevant requirements in its articles of association and the Listing Rules, in relation to the SP Agreement and the transactions contemplated thereunder;
- (c) all necessary consents from any third party (including any government authority or regulatory authority) (save and except the consents to be obtained from China Construction Bank and Huabao Trust Company Ltd. under the Shanghai CCB Loan and Huabao Trust Loan, respectively) in connection with the transactions contemplated under the SP Agreement having been obtained by each of the Greentown Entities and that no government authority has proposed or taken any action which resulted in any prohibition or restriction on or delay in the performance of the transactions contemplated under the SP Agreement or the completion of the SP Agreement and affected the operation of Shanghai Project Company after completion of the Shanghai Luyuan Disposal;
- (d) all necessary consents from any third party (including any government authority or regulatory authority) (save and except the consent to be obtained from China Construction Bank in Hangzhou and provided that Greentown Entities have agreed that Nanjing Julong is not required to obtain the consent from China Construction Bank in Hangzhou) in connection with the transactions contemplated under the SP Agreement having been obtained by each of Harbour Centre and Nanjing Julong and that no government authority has proposed or taken any action which imposed any prohibition or restriction on or delay in the performance of the Shanghai Luyuan Disposal on the part of Nanjing Julong or the completion of the Shanghai Luyuan Disposal;

LETTER FROM THE BOARD

- (e) the Greentown Entities having completed the registration procedures with the relevant PRC authority for the transfer of the Shanghai Sale Interest, the newly adopted articles of association of Shanghai Project Company and the new appointment of legal representatives, directors, general managers and supervisors, and that Shanghai Project Company being registered as a wholly-owned company of Nanjing Julong, and a new business licence of Shanghai Project Company having been issued;
- (f) Shanghai Project Company having cash of not less than RMB180,000,000 to be provided for the repayment of the principal amount interest, compensation and other related expenses of the Shanghai CCB Loan and the Huabao Trust Loan;
- (g) none of the Greentown Entities has been in material breach of any representations, warranties and undertakings given by them under the SP Agreement as at the Completion Date;
- (h) there being no occurrence of any event that may have material adverse effect on Shanghai Project Company as at the Completion Date;
- (i) none of Harbour Centre and Nanjing Julong has been in material breach of any representations, warranties and undertakings given by them under the SP Agreement as at the Completion Date; and
- (j) Nanjing Julong being registered as the sole shareholder of Shanghai Project Company on the land use right certificate of the Shanghai Land.

The Company shall procure the fulfilment of the conditions (a), (c), (e) to (h) and (j) of the SP Agreement; and Harbour Centre shall procure the fulfilment of the conditions (b), (d) and (i). The conditions precedent are required to be fulfilled or waived (as the case may be) on or before 15 May 2009 (or such other date as the Company and Harbour Centre may agree). If the conditions precedent have not been satisfied or waived (as the case may be) on or before the date aforesaid, either the Company or Harbour Centre may terminate the SP Agreement. As at the Latest Practicable Date, all the conditions had been fulfilled.

LETTER FROM THE BOARD

Completion

Completion of the Haiqi Greentown Acquisition and the Shanghai Luyuan Disposal took place on 16 April 2009, being the day on which the last condition precedent of the SP Agreement is fulfilled or waived.

On Completion Date, Greentown Real Estate paid the Retention Money to Nanjing Julong to secure certain obligations of Greentown Real Estate and/or Shanghai Luyu under the SP Agreement and Nanjing Julong shall return the Retention Money together with interest accrued thereon to Greentown Real Estate (for itself and on behalf of Shanghai Luyu) on the 90th day after the Completion Date, provided that Nanjing Julong shall have the right to deduct any sum from the Retention Money that Greentown Real Estate and/or Shanghai Luyu shall pay to or compensate Harbour Centre and/or Nanjing Julong under the SP Agreement.

In the event that conditions (a), (c), (e) to (h) and (j) of the SP Agreement and the payment obligation under the SP Agreement having been fulfilled by the Company, and failure to achieve Completion is caused by the default of Harbour Centre, Harbour Centre shall cause Nanjing Julong (i) to transfer the Shanghai Sale Interest and the Shanghai Shareholder's Loan back to Greentown Real Estate and Shanghai Luyu; and (ii) to refund to Greentown Real Estate the payments of RMB52,218,003 and the Retention Money (including interests, if any) received by Nanjing Julong under the SP Agreement; and (iii) to refund to Greentown Real Estate two times the initial deposit of RMB100,000,000 paid by Greentown Real Estate under the SP Agreement as compensation to the Greentown Entities.

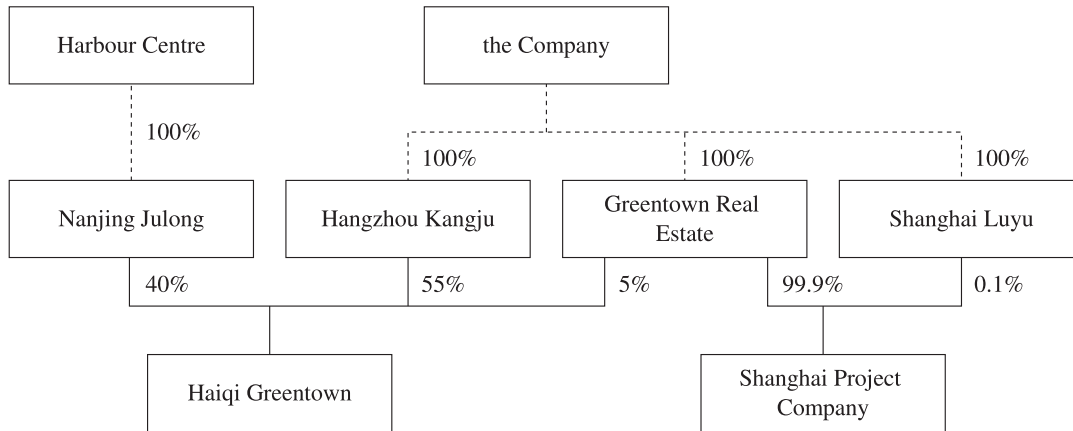
In the event that failure to achieve successful Completion on or before 15 May 2009 (or such other date as the Company and Harbour Centre may agree) is caused by the default of the Greentown Entities, Nanjing Julong shall be entitled to forfeit the initial deposit of RMB100,000,000 paid by Greentown Real Estate to Harbour Centre as compensation to Harbour Centre and Nanjing Julong.

Completion of the SP Agreement took place on 16 April 2009. On Completion Date, Greentown Real Estate paid the Retention Money to Nanjing Julong to secure certain obligations of Greentown Real Estate and/or Shanghai Luyu under the SP Agreement. Upon completion of the Haiqi Greentown Disposal, which took place on or around the Trust Establishment Date, Haiqi Greentown is owned as to 30% by Hangzhou Kangju, as to 45% by Greentown Real Estate and as to 25% by the Trust, and Haiqi Greentown remains as a non wholly-owned subsidiary of the Company. After completion of the Shanghai Luyuan Disposal, Shanghai Project Company ceased to be a subsidiary of the Company.

LETTER FROM THE BOARD

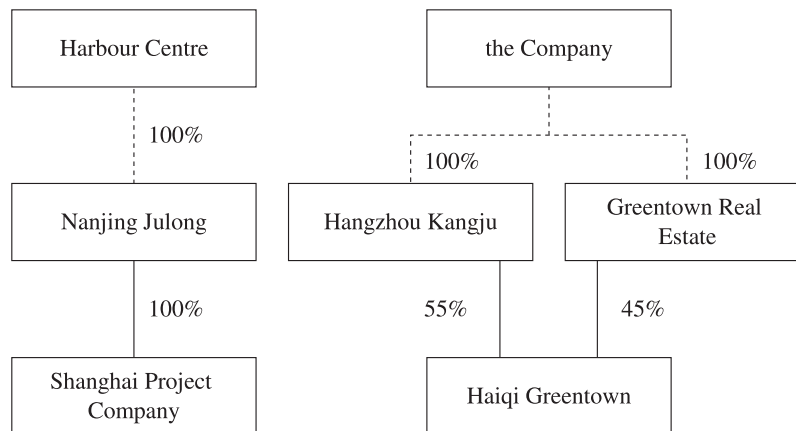
The following diagrams illustrate the shareholding structure of Haiqi Greentown and Shanghai Project Company before and after completion of the Haiqi Greentown Acquisition, the Shanghai Luyuan Disposal and the Haiqi Greentown Disposal:

Before completion of the Haiqi Greentown Acquisition and the Shanghai Luyuan Disposal



----- denotes indirect shareholding

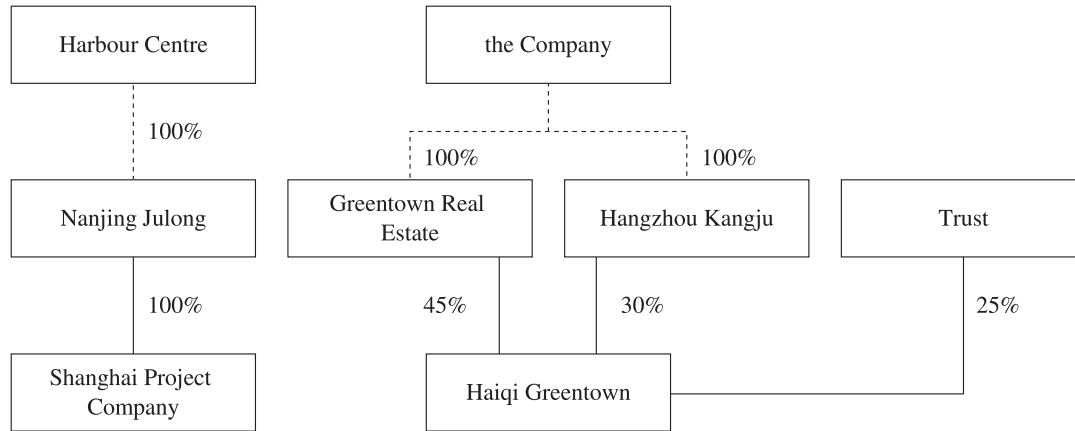
After completion of the Haiqi Greentown Acquisition and the Shanghai Luyuan Disposal



----- denotes indirect shareholding

LETTER FROM THE BOARD

After completion of the Haiqi Greentown Acquisition, the Shanghai Luyuan Disposal and the Haiqi Greentown Disposal



----- denotes indirect shareholding

B. SUBSCRIPTION OF TRUST UNITS

On 14 April 2009, Greentown Real Estate and the Trustee entered into the Trust Agreement pursuant to which Greentown Real Estate agreed to subscribe not less than 60% of the Junior Units subject to a maximum dollar amount of RMB300.0 million (equivalent to approximately HK\$342.0 million), assuming that the Greentown Real Estate subscribes all the Junior Units at a subscription price of RMB1.00 each and the initial Trust Capital is equal to the Maximum Trust Capital and a minimum dollar amount of RMB90.0 million (equivalent to HK\$102.6 million), assuming that Greentown Real Estate subscribes 60% of the Junior Units at a subscription price of RMB1.00 each and the initial Trust Capital is equal to the Minimum Trust Capital, in cash by its internal resources. Below are the principal terms of the Trust Agreement.

Principal terms of the Trust Agreement

Purpose

The Trustee acts as the trustee of the Trust to invest in the Project Companies.

Initial Trust Capital

Pursuant to the Trust Agreement, the initial Trust Capital will be not more than RMB1,983.0 million (equivalent to approximately HK\$2,260.6 million) (the “**Maximum Trust Capital**”) and not less than RMB991.5 million (equivalent to approximately HK\$1,130.3 million) (the “**Minimum Trust Capital**”) which comprises Senior Units and Junior Units with the minimum number of the Senior Units to be not less than 850,000,000 units and the ratio of Senior Units to Junior Units to be 85:15. ICBC (as the manager of its RMB investment scheme) will subscribe all the Senior Units whereas Greentown Real Estate and the Qualified Investors will subscribe the Junior Units in cash.

LETTER FROM THE BOARD

	Assuming a maximum number of 1,700,000,000 Senior Units are being subscribed	Assuming a minimum number of 850,000,000 Senior Units are being subscribed
Number of Senior Units to be subscribed by the Beneficiaries	1,700,000,000 Senior Units	850,000,000 Senior Units
Number of Junior Units to be subscribed by the Beneficiaries	300,000,000 Junior Units	150,000,000 Junior Units
Total amount of initial Trust Capital	RMB1,983,000,000	RMB991,500,000

The Trust was established on 20 April 2009 and the amount of the initial Trust Capital is RMB1,983,000,000.

Conditions precedent

The establishment of the Trust is conditional upon:

- (i) the number of the Senior Units subscribed by ICBC (as the manager of its RMB investment scheme) being not less than 850,000,000 units;
- (ii) the ratio of the subscribed Senior Units to the subscribed Junior Units being equivalent to 85:15;
- (iii) the Trust Documents and the transactions contemplated thereunder being approved by the Shareholders in compliance with the Listing Rules;
- (iv) the waiver of the pre-emptive rights over the equity interests granted to the Project Companies Shareholders under the articles of association of Haiqi Greentown and Wuxi Greentown, respectively and the shareholders' approval relating to the pledge of the remaining interests in Haiqi Greentown and Wuxi Greentown by Greentown Real Estate and Hangzhou Kangju (as the case may be) pursuant to the Equity Pledge Agreements being obtained from the relevant Project Company Shareholders; and
- (v) the provision of the Loans to Haiqi Greentown and Wuxi Greentown being approved by the boards of directors of Haiqi Greentown or Wuxi Greentown (as the case may be).

As at the Latest Practicable Date, all the conditions had been fulfilled.

Unit price and subscription price

The unit price for each Senior Unit is RMB0.99 and the unit price for each Junior Unit is RMB1.00. Greentown Real Estate agreed to subscribe not less than 60% of the Junior Units

LETTER FROM THE BOARD

subject to a maximum dollar amount of approximately RMB300.0 million (equivalent to approximately HK\$342.0 million) and a minimum dollar amount of approximately RMB90.0 million (equivalent to HK\$102.6 million) in cash by its internal resources. The maximum and the minimum subscription prices of the Junior Units payable by Greentown Real Estate are calculated as follows:

- (i) Assuming Greentown Real Estate subscribes all the Junior Units:

	Assuming the initial Trust Capital is equal to the Maximum Trust Capital	Assuming the initial Trust Capital is equal to the Minimum Trust Capital
Number of Junior Units to be subscribed by Greentown Real Estate	300,000,000 Junior Units	150,000,000 Junior Units
Total amount of subscription price to be paid by Greentown Real Estate	RMB300,000,000	RMB150,000,000

- (ii) Assuming Greentown Real Estate subscribes 60% of the Junior Units:

	Assuming the initial Trust Capital is equal to the Maximum Trust Capital	Assuming the initial Trust Capital is equal to the Minimum Trust Capital
Number of Junior Units to be subscribed by Greentown Real Estate	180,000,000 Junior Units	90,000,000 Junior Units
Total amount of subscription price to be paid by Greentown Real Estate	RMB180,000,000	RMB90,000,000

On the Trust Establishment Date, Greentown Real Estate paid a total subscription amount price of RMB180,000,000 and subscribed 180,000,000 Junior Units.

Duration and early redemption

The term of the Trust is three years starting from the Trust Establishment Date, subject to early termination and further extension pursuant to the conditions set out in the subsections headed “Termination” and “Extension” below. Early redemption of the Trust Units is not allowed.

Investment by the Trust

The Trust is established to invest in the Real Estate Projects by (i) acquiring not less than 10% and not more than 60% of the equity interests in each of the Project Companies; and (ii) using not less than 85% of the Trust Capital to provide loans to the Project Companies.

LETTER FROM THE BOARD

Initially, the Trustee shall only invest in Haiqi Greentown and Wuxi Greentown in the following manner:

- (i) acquisition of the Haiqi Greentown Interests and the Wuxi Greentown Interests, details of which are more particularly set out in the subsection headed “1. Disposal of Haiqi Greentown Interests and Wuxi Greentown Interests” under the section headed “C. Ancillary Transactions” in this circular; and
- (ii) provision of the Haiqi Greentown Loan to Haiqi Greentown and the Wuxi Greentown Loan to Wuxi Greentown, details of which are more particularly set out in the subsection headed “2. Provision of the Loans to Haiqi Greentown and Wuxi Greentown” under the section headed “C. Ancillary Transactions” in this circular.

If the initial Trust Capital is less than the Maximum Trust Capital, the Trust Capital will be utilised to acquire the Haiqi Greentown Interests and provide the Haiqi Greentown Loan in priority over the acquisition of the Wuxi Greentown Interests and the provision of the Wuxi Greentown Loan. Upon the recoupment of part of the initial Trust Capital, the Trustee may re-invest the Trust Capital in the Project Companies other than Haiqi Greentown and Wuxi Greentown which satisfy certain investment criteria as determined by the Beneficiaries by way of special resolution. The Haiqi Greentown Disposal and the Wuxi Greentown Disposal are not inter-conditional. Since the initial Trust Capital reached the Maximum Trust Capital, as at the Latest Practicable Date, the Trust invested in both Haiqi Greentown and Wuxi Greentown in the manner as stated above.

Dividend distribution

Each Project Company shall distribute its distributable dividends in accordance with the resolutions of the board of directors of the relevant Project Company within 90 days after its financial year end.

Establishment of the Investment Management Committee

The Investment Management Committee has been established which consists of five members, of whom, two members are nominated by ICBC, one member is nominated by the Investment Consultant, one member is nominated by the Real Estate Services Provider, and one member is nominated by the Trustee. The responsibilities of the committee include but not limited to, determining (i) whether any event will cause material adverse effects on the Trust; and (ii) whether the Trust shall be subject to early termination under certain conditions.

The decision of the Investment Management Committee is binding on both the Beneficiaries and the Trustee.

LETTER FROM THE BOARD

Calculation and distribution of the Trust Income

The Trust Income shall be distributed in cash based on the net value of the Trust Assets after deducting all relevant costs and fees and all liabilities, and in such amount that shall not exceed the Total Cash Assets of the Trust at the time of distribution. Beneficiaries of the Senior Units shall have priority to receive the Trust Income over the Beneficiaries of the Junior Units. The Trust Income will be distributed (i) during the term of the Trust, (a) upon the Settlement Date by way of fixed income; (b) upon Early Repayment and exercise of the Equity Interests Put Option by way of floating income; (c) prior to exercise of the Trust Units Put Option by way of special income; and (ii) upon termination of the Trust.

(i) *During the term of the Trust*

(a) Distribution of fixed income upon Settlement Date

Only the Beneficiaries of the Senior Units are entitled to receive a fixed income of the Trust which is payable in cash within a certain period after each Settlement Date. Such fixed income for each Senior Unit is calculated based on a fixed rate of 8.5% per annum with reference to the number of investment days of the Trust.

If the Total Cash Assets of the Trust at each Settlement Date is less than the fixed income to be distributed to all the Beneficiaries of the Senior Units, any shortfall will be distributed to the Beneficiaries of the Senior Units on the next Settlement Date in priority over any other Trust Income distributions.

(b) Distribution of floating income and partial refund of the principal of the Trust Units upon Early Repayment and exercise of the Equity Interests Put Option

If the Beneficiaries resolve by way of Beneficiaries' meeting not to re-invest the amount received by the Trust from the Project Companies and Greentown Real Estate or its nominees (as the case may be) upon Early Repayment and exercise of the Equity Interests Put Option and provided that the Total Cash Assets of the Trust at the time of distribution equal to or exceed RMB450 million, the Beneficiaries are entitled to receive a floating income and a partial refund of the principal of the Trust Units. The floating income for each Senior Unit is calculated based on a floating rate which is calculated on the basis of 8.5% per annum plus a fraction of the difference between the annualised yield of each Trust Unit and 8.5% with reference to the number of investment days of the Trust and less any cumulative Trust Income distributed to the Beneficiaries of each Senior Unit; whereas the floating income for each Junior Unit is calculated based on a maximum floating rate of 45% per annum with reference to the number of investment days of the Trust and less any cumulative Trust Income distributed to the Beneficiaries of each Junior Unit.

LETTER FROM THE BOARD

Upon completion of such distribution, the principal of certain Trust Units shall be distributed to the Beneficiaries and such Trust Units will be cancelled and deducted from the total number of the Trust Units. The number of Senior Units and Junior Units to be distributed and cancelled are calculated based on the difference between the Total Cash Assets of the Trust and the total amount of floating income distributed to the Beneficiaries of the Senior Units and the Junior Units and the accrued performance-based bonus payable to the Real Estate Services Provider in the proportion of 85:15 for the Senior Units and the Junior Units.

(c) Distribution of special income prior to exercise of the Trust Units Put Option

The Beneficiaries are entitled to receive a special income of the Trust prior to the exercise of the Trust Units Put Option which is calculated based on a fixed rate of 11.5% per annum in the case of the Senior Units and 45% per annum in the case of the Junior Units with reference to the number of investment days of the Trust and less any cumulative Trust Income distributed to the Beneficiaries of each Senior Unit and each Junior Unit (as the case may be).

In case the Total Cash Asset of the Trust is less than the sum of the special income payable to the Beneficiaries of the Trust Units prior to the exercise of the Trust Units Put Option, the difference will be contributed by Greentown Real Estate.

(ii) *Upon termination of the Trust*

Upon termination of the Trust, the Trust Income will be distributed in the following order:

- (1) a fixed income and the principal of the Trust contributed by the Beneficiaries of the Senior Units to be distributed to the Beneficiaries of the Senior Units;
- (2) the principal of the Trust contributed by the Beneficiaries of the Junior Units to be distributed to the Beneficiaries of the Junior Units;
- (3) a floating income to be distributed to the Beneficiaries of the Senior Units (if any); and
- (4) a floating income to be distributed to the Beneficiaries of the Junior Units (if any).

Upon termination of the Trust, the fixed income to be distributed to the Beneficiaries of each Senior Unit shall be calculated based on a fixed rate of 8.5% per annum with reference to the number of investment days of the Trust less any cumulative Trust Income distributed to the Beneficiaries of each Senior Unit; and the floating income to be distributed to the Beneficiary of each Senior Unit shall be calculated based on a fraction

LETTER FROM THE BOARD

of the remaining Total Cash Asset of the Trust after deducting the total fixed income distributed to the Beneficiaries of all the outstanding Senior Units and the total principal of the Trust distributed to the Beneficiaries of all the outstanding Senior Units and Junior Units with reference to the total number of outstanding Senior Units and Junior Units; whereas the floating income to be distributed to the Beneficiary of each Junior Unit shall be calculated based on the lower of the annualised yield of the Junior Units or a rate of 45% per annum with reference to the number of investment days of the Trust.

Termination

The Trust will be terminated upon the occurrence of any of the following events:

- (i) the expiry of the term of the Trust;
- (ii) termination of the Trust having been approved by the Beneficiaries by way of meeting of the Beneficiaries;
- (iii) the Trust Capital being recouped in full and not subject to re-investment;
- (iv) the Trust Capital being recouped in full upon the expiry of 33 months after the Trust Establishment Date; and
- (v) subject to the decision of the Investment Management Committee, any adverse event in relation to Greentown Real Estate which is considered by the Trustee to have a material adverse effect on the Trust pursuant to the terms of the Trust Agreement.

Extension

The term of the Trust will be extended in any of the following events:

- (i) the Trust Assets are involved in any litigation or arbitration proceedings and the enforcement of which has not been completed;
- (ii) unanimous agreement has been reached among the Trustee, the Beneficiaries and the Subscribers;
- (iii) the Trust Assets have not been fully realized upon the expiry of the term of the Trust; and
- (iv) if required under the terms of the Trust Agreement and the relevant laws and regulations.

Material Adverse Events

If any of the Material Adverse Events occurs, the Trustee shall be obliged to:

- (i) demand the relevant Project Company for the immediate repayment of the Loan and the interest accrued thereon;

LETTER FROM THE BOARD

- (ii) request the Greentown Parties to sell all their remaining Haiqi Greentown Interests and Wuxi Greentown Interests to the Trust pursuant to the Haiqi Greentown RMB1 Equity Interests Purchase Agreements and the Wuxi Greentown RMB1 Equity Interests Purchase Agreement; and/or
- (iii) exercise the Equity Interests Put Option.

Upon the occurrence of a Material Adverse Event, if the Trust fails to recover the Loans and the accrued interest and the Equity Interests Put Option Put Price or the Adjusted Equity Interests Put Option Put Price (as the case may be), the Trustee shall be obliged to exercise the Trust Units Put Option.

The term “Material Adverse Events” shall mean any of the following events:

- (i) delay in any Real Estate Project for more than 90 days which is deemed by the Investment Consultant and the Investment Management Committee to have material adverse effects on the Trust;
- (ii) notification of material adverse event to the Trustee by the Investment Consultant and/or the Investment Management Committee pursuant to the terms of the Trust Agreement;
- (iii) failure of any Project Company to repay the Loan and the accrued interest on time;
- (iv) the average selling price of the Real Estate Projects is less than 80% of the targeted selling price, which is considered by the Investment Consultant to have material adverse effects on the Trust; and
- (v) failure of Greentown Real Estate or its nominees to pay the Equity Interests Put Option Put Price or the Adjusted Equity Interests Put Option Put Price (as the case may be) upon the exercise of the Equity Interests Put Option on time.

C. ANCILLARY TRANSACTIONS

On or about the Trust Establishment Date, the following transactions were entered into:

1. Disposal of Haiqi Greentown Interests and Wuxi Greentown Interests

Haiqi Greentown

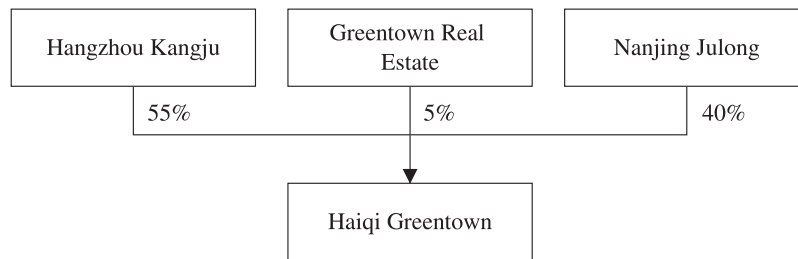
Hangzhou Kangju and the Trustee entered into the Haiqi Greentown Disposal Agreement on the Trust Establishment Date pursuant to which Hangzhou Kangju disposed of 25% of the Haiqi Greentown Interests to the Trust at a consideration of RMB250.0 million (equivalent to approximately HK\$285.0 million) which was determined with reference to the paid up registered capital of Haiqi Greentown.

LETTER FROM THE BOARD

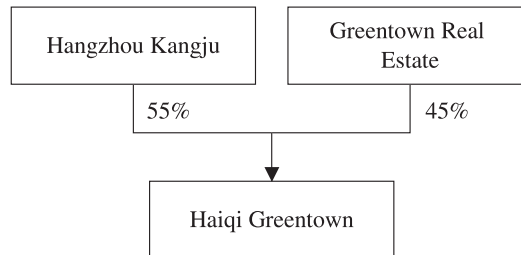
The Haiqi Greentown Acquisition was completed on 16 April 2009 and the Haiqi Greentown Disposal was completed on or around the Trust Establishment Date. Upon the completion of the Haiqi Greentown Disposal, Haiqi Greentown is owned as to 30% by Hangzhou Kangju and as to 45% by Greentown Real Estate and it remains as a subsidiary of the Company.

The shareholding structure of Haiqi Greentown before and immediately upon completion of the Haiqi Greentown Disposal is as follows:

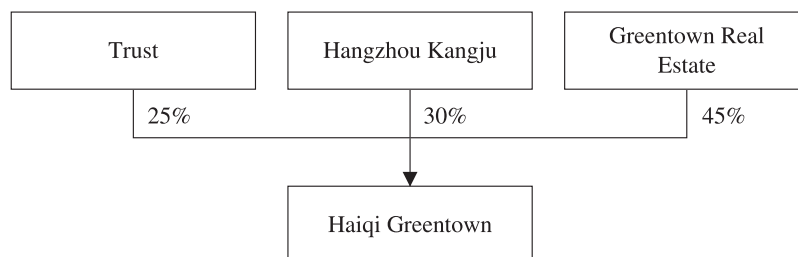
(a) Before the completion of the Haiqi Greentown Acquisition



(b) Immediately upon completion of the Haiqi Greentown Acquisition



(c) Immediately upon completion of the Haiqi Greentown Disposal



LETTER FROM THE BOARD

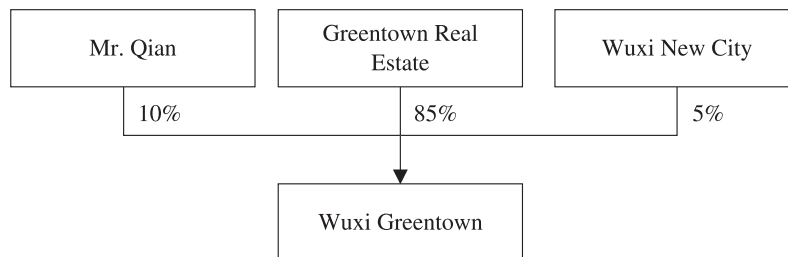
Wuxi Greentown

Greentown Real Estate and the Trustee entered into the Wuxi Greentown Disposal Agreement on the Trust Establishment Date pursuant to which Greentown Real Estate disposed of 45% of the Wuxi Greentown Interests to the Trust at a consideration of RMB45.9 million (equivalent to approximately HK\$52.3 million) which was determined with reference to the paid up registered capital of Wuxi Greentown.

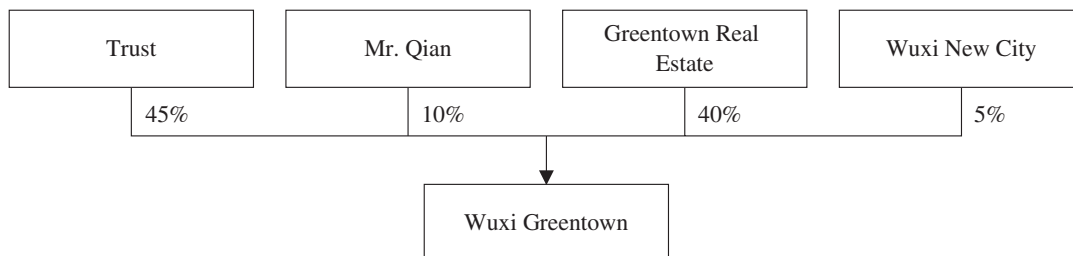
The Wuxi Greentown Disposal was completed on or around the Trust Establishment Date. Upon completion on the Wuxi Greentown Disposal, Wuxi Greentown is owned as to 45% by the Trust, as to 40% by Greentown Real Estate, as to 10% by Mr. Qian and as to 5% by Wuxi New City.

The shareholding structure of Wuxi Greentown before and immediately upon completion of Wuxi Greentown Disposal is as follows:

(a) *Before the completion of the Wuxi Greentown Disposal*



(b) *Immediately upon completion of the Wuxi Greentown Disposal*



2. Provision of Haiqi Greentown Loan and Wuxi Greentown Loan

After completion of the Haiqi Greentown Disposal, Haiqi Greentown and the Trustee entered into the Haiqi Greentown Loan Agreement on the Trust Establishment Date pursuant to which the Trust has agreed to provide the Haiqi Greentown Loan of RMB1,250 million (equivalent to approximately HK\$1,425 million) to Haiqi Greentown for the purpose of financing the development and construction of phase one of the Qianjiang Project (藍色錢江項目) and any other purposes which comply with the relevant law, regulations and requirements.

LETTER FROM THE BOARD

After completion of the Wuxi Greentown Disposal, Wuxi Greentown and the Trustee entered into the Wuxi Greentown Loan Agreement on the Trust Establishment Date pursuant to which the Trust has agreed to provide the Wuxi Greentown Loan of RMB437.1 million (equivalent to approximately HK\$498.3 million) to Wuxi Greentown for the purpose of financing the development and construction of phase one of the Taihu Project (無錫太湖新城項目) and any other purposes which comply with the relevant law, regulations and requirements.

Pursuant to the terms of the Trust Agreement, the Loans shall only be used in the real estate projects of Haiqi Greentown and Wuxi Greentown which have already obtained (i) the state-owned land use rights certificate (國有土地使用證); (ii) the construction land use planning permit (建設用地規劃許可證); (iii) the construction works planning permit (建設工程規劃許可證) and; (iv) the construction works commencement permit (建築工程施工許可證) and any other purposes which comply with the relevant law, regulations and requirements.

The Loans shall bear an annual interest rate of 14%. The principal sum of the Loans shall be repaid by Haiqi Greentown or Wuxi Greentown (as the case may be) by a single instalment on the respective due dates which shall be within 33 months from the Trust Establishment Date save and except that if 40% of the total above-ground GFA of phase one of the Qianjiang Project and the Taihu Project (as the case may be) is sold, the relevant Project Company shall repay half of the principal sum of the Loan; and if 80% of the total above-ground GFA of phase one of the Qianjiang Project and the Taihu Project (as the case may be) is sold, Haiqi Greentown or Wuxi Greentown (as the case may be) shall repay all of the principal sum of the Loan. Under other circumstances, Haiqi Greentown or Wuxi Greentown (as the case may be) may request Early Repayment by multiple instalments if all of the following conditions are satisfied:

- (i) the Trust has been established for more than six months;
- (ii) the relevant Loan has been drawn for more than six months;
- (iii) an one-month prior written notice for Early Repayment has been given to the Trustee;
- (iv) each repayment of the principal sum of the relevant Loan(s) shall not be less than one-third of the principal sum of the relevant Loan(s) as stipulated in the Loan Agreement or RMB250.0 million (equivalent to approximately HK\$285.0 million), whichever is lower; and
- (v) Greentown Real Estate or its nominees have acquired the equity interest of Haiqi Greentown or Wuxi Greentown (as the case may be) held by the Trust in such proportion equivalent to the percentage of the principal sum of the relevant Loan repaid by Haiqi Greentown or Wuxi Greentown (as the case may be).

Each of Haiqi Greentown, Wuxi Greentown and the Greentown Parties undertakes to the Trustee that the Loans shall have priority upon repayment over the other loans provided by the Greentown Parties to Haiqi Greentown and/or Wuxi Greentown (as the case may be).

LETTER FROM THE BOARD

3. Equity interests put option

Greentown Real Estate and the Trustee entered into the Equity Interests Put Option Agreement on the Trust Establishment Date pursuant to which Greentown Real Estate granted the Equity Interests Put Option to the Trustee which shall be obliged to exercise the Equity Interests Put Option and require Greentown Real Estate or its nominees to acquire the Haiqi Greentown Interests and Wuxi Greentown Interests held by the Trust upon the occurrence of any of the following events:

- (i) upon the occurrence of the Material Adverse Event;
- (ii) upon the expiry of the 33rd month after the Trust Establishment Date; or
- (iii) upon Early Repayment (provided that the Haiqi Greentown Interests and/or Wuxi Greentown Interests to be acquired by Greentown Real Estate or its nominees pursuant to the Equity Interests Put Option shall be in such proportion equivalent to the principal sum of the Loan repaid by Haiqi Greentown and/or Wuxi Greentown).

Upon the occurrence of the Material Adverse Event or the expiry of the 33rd month after the Trust Establishment Date, the Equity Interests Put Option can be exercised at a put price based on the following formula:

$$\text{Equity Interests Put Option Put Price} = A \times B \times \left(1 + \frac{40\% \times C}{360}\right) - \sum (D \times E)$$

where:

A: the investment costs of the Trust in the equity interests of the relevant Project Company

$$B = \frac{B1}{B2}$$

where:

B1: the equity interests in the relevant Project Company held by the Trust when the Equity Interests Put Option is exercised

B2: equity interests in the relevant Project Company disposed to the Trust pursuant to the relevant Disposal Agreement

C: number of investment days in the relevant Project Company by the Trust

D: the actual dividend paid by the relevant Project Company to the Trust per annum

LETTER FROM THE BOARD

$$E = \frac{E1}{E2}$$

where:

E1: the equity interests in the relevant Project Company held by the Trust when the Equity Interests Put Option is exercised

E2: the equity interests in the relevant Project Company held by the Trust at the time when the annual dividend is paid by the relevant Project Company

Upon Early Repayment, the Equity Interests Put Option can be exercised at a put price based on the following adjusted formula:

$$\text{Adjusted Equity Interests Put Option Put Price} = A \times F \times \left(1 + \frac{40\% \times C}{360}\right) - \sum (D \times G)$$

where:

A: the investment costs of the Trust in the equity interests of the relevant Project Company

C: number of investment days in the relevant Project Company by the Trust

D: the actual dividend paid by the relevant Project Company to the Trust per annum

$$F = \frac{F1}{F2}$$

where:

F1: the equity interests in the relevant Project Company to be acquired by Greentown Real Estate or its nominees which is proportional to the amount of the Loan repaid

F2: the equity interests in the relevant Project Company disposed to the Trust pursuant to the relevant Disposal Agreement

$$G = \frac{G1}{G2}$$

where:

G1: the equity interests in the relevant Project Company to be acquired by Greentown Real Estate or its nominees which is proportional to the amount of the Loan repaid

G2: the equity interests in the relevant Project Company held by the Trust at the time when the annual dividend is paid by the relevant Project Company

LETTER FROM THE BOARD

If Greentown Real Estate or its nominees fail to fulfil its or their obligations under the Equity Interests Put Option Agreements, the Trustee may transfer the equity interests to other third parties at a consideration of not less than 90% of the value of the equity interests of the Project Companies, the value of which will be determined by an independent valuer if the Investment Management Committee deems it necessary to do so.

4. Trust units put option

Greentown Real Estate and the Other Beneficiaries entered into the Trust Units Put Option Agreements on the Trust Establishment Date pursuant to which Greentown Real Estate granted the Trust Units Put Option to the Other Beneficiaries which shall be obliged to exercise the Trust Units Put Option and require Greentown Real Estate to acquire all the Trust Units owned by the Other Beneficiaries upon, among other things, the occurrence of the Material Adverse Event provided that a special income, in such amount that shall not exceed the Total Cash Assets of the Trust at the time of distribution (after deducting all relevant costs and fees), shall be distributed to the Beneficiaries prior to the exercise of the Trust Units Put Option by the Trustee. Details of the distribution of the special income are more particularly set out in the subsections headed “Distribution of special income prior to the exercise of the Trust Units Put Option” and “Calculation and Distribution of the Trust Income” under the section headed “B. Subscription of Trust Units” in this circular.

The Trust Units Put Option can be exercised at a put price based on a fixed rate of 11.5% per annum in the case of Senior Unit and 45% per annum in the case of Junior Unit with reference to the number of investment days of the Trust less any cumulative Trust Income distributed to the Beneficiaries of the Senior Units or the Junior Units (as the case may be).

5. Provision of Guarantee and Surety

Greentown Real Estate and the Trustee entered into the Guarantee Agreement on the Trust Establishment Date pursuant to which Greentown Real Estate has agreed to provide the Guarantee and pay the Surety to the Trust to secure the performance and obligations of Greentown Real Estate, Haiqi Greentown, Wuxi Greentown and/or the Greentown Parties as detailed below:

The Guarantee

Greentown Real Estate shall provide the Guarantee to the Trust to secure, among other things, the following obligations (the “**Guarantee Obligations**”):

- (i) the representations, warranties and other obligations of Haiqi Greentown and/or Wuxi Greentown (as the case may be) under the Haiqi Greentown Loan Agreement and/or the Wuxi Greentown Loan Agreement;

LETTER FROM THE BOARD

- (ii) the payment obligations of Haiqi Greentown and/or Wuxi Greentown (as the case may be) including the payment of costs incurred in the Qianjiang Project and the Taihu Project under the Accounts Management Agreements;
- (iii) the representations, warranties and other obligations of Haiqi Greentown under the Haiqi Greentown Disposal Agreement;
- (iv) the representations, warranties and other obligations of the Greentown Parties (other than Greentown Real Estate) under the RMB1 Equity Interests Purchase Agreements; and
- (v) the payment of all costs (including legal costs and other relevant costs), losses and compensations of the Trust arising from the enforcement of the Guarantee.

The Surety

Greentown Real Estate shall pay the Surety to the Trust to secure, among other things, the following obligations (the “**Surety Obligations**”):

- (i) the representations, warranties and other obligations of Greentown Real Estate under the Wuxi Greentown Disposal Agreement and the Consultancy Agreement;
- (ii) the representations, warranties and other obligations of Greentown Real Estate and Hangzhou Kangju under the Equity Interests Put Option Agreement;
- (iii) the representations, warranties and other obligations of Haiqi Greentown and/or Wuxi Greentown (as the case may be) under the Haiqi Greentown Loan Agreement and/or the Wuxi Greentown Loan Agreement;
- (iv) the payment obligations of Haiqi Greentown and/or Wuxi Greentown (as the case may be) including the payment of costs incurred in the Qianjiang Project and the Taihu Project under the Accounts Management Agreements;
- (v) the representations, warranties and other obligations of the Greentown Parties under the RMB1 Equity Interests Purchase Agreements;
- (vi) the undertaking by Greentown Real Estate to contribute further funding to the Project Companies in the event that there is any shortfall of funding for the Real Estate Projects; and
- (vii) the payment of all costs (including legal costs and other relevant costs), losses and compensations of the Trust arising from the enforcement of the Surety.

LETTER FROM THE BOARD

Under the Guarantee Agreement, Greentown Real Estate shall be obliged, including but not limited to, the following:

- (i) to pay the outstanding amount of the Haiqi Greentown Loan and/or the Wuxi Greentown Loan and their accrued interest in full to the Trust if Haiqi Greentown and/or Wuxi Greentown (as the case may be) fail to make repayment on time;
- (ii) to indemnify the Trust for the actual loss incurred due to the breach of the representations, warranties and other obligations under:
 - (a) the Haiqi Greentown Loan Agreement and/or the Wuxi Greentown Loan Agreement by Haiqi Greentown and/or Wuxi Greentown (as the case may be);
 - (b) the Equity Interests Put Option Agreement by Greentown Real Estate or its nominees;
 - (c) the Consultancy Agreement by Greentown Real Estate;
 - (d) the RMB1 Equity Interests Agreements by the Greentown Parties;
 - (e) the undertaking by Greentown Real Estate to contribute further funding to the Project Companies in the event that there is any shortfall of funding for the Real Estate Projects; and
- (iii) to indemnify the Trust for the actual loss incurred due to the breach of the payment obligations under the Accounts Management Agreements by Haiqi Greentown and/or Wuxi Greentown (as the case may be).

The Guarantee and the Surety shall be valid for a period of two years after the expiry of the Guarantee Obligations and the Surety Obligations under their respective underlying agreements, which will be in turn terminated after the repayment of all the outstanding Loans and accrued interest by Haiqi Greentown and/or Wuxi Greentown (as the case may be).

On or around the Trust Establishment Date, Greentown Real Estate paid the Surety to the Trust. The Surety shall be returned to Greentown Real Estate in full if no event that triggers Greentown Real Estate's obligations under the Guarantee Agreement has occurred during the term of the Trust.

LETTER FROM THE BOARD

6. Pledge of equity interests in Haiqi Greentown and Wuxi Greentown

To secure, among others, the repayment of the principal sum of the Haiqi Greentown Loan and the Wuxi Greentown Loan and their accrued interest by Haiqi Greentown and Wuxi Greentown (as the case may be), the following Equity Pledge Agreements have been entered into by the parties thereto:

- (i) the Haiqi Greentown Equity Pledge Agreement was entered into on the Trust Establishment Date pursuant to which Hangzhou Kangju and Greentown Real Estate (as pledgors) have agreed to pledge their respective interests in Haiqi Greentown to the Trustee (as pledgee) to secure the obligations of Haiqi Greentown under the Haiqi Greentown Loan Agreement and the obligations of Greentown Real Estate under the Equity Interests Put Option Agreement; and
- (ii) the Wuxi Greentown Equity Pledge Agreement was entered into on the Trust Establishment Date pursuant to which Greentown Real Estate (as pledgor) have agreed to pledge its equity interests in Wuxi Greentown to the Trustee (as pledgee) to secure the obligations of Wuxi Greentown under the Wuxi Greentown Loan Agreement and the obligations of Greentown Real Estate under the Equity Interests Put Option Agreement.

7. Provision of the Real Estate Services by Greentown Real Estate

On the Trust Establishment Date, Greentown Real Estate and the Trustee entered into the Consultancy Agreement for a term of three years pursuant to which Greentown Real Estate has been appointed the Real Estate Services Provider during the term of the Trust to, among other things, manage the Real Estate Projects.

Greentown Real Estate will receive a fixed consultancy fee after each Settlement Date, Distribution Date and Trust Termination Date at a rate of 0.25% per annum with reference to the nominal amount of the total number of outstanding Trust Units and the number of investment days of the Trust and a performance-based bonus. Upon the expiry of the term of the Trust, if the Trust Assets have not been fully realized or if any Loan and its accrued interest has not been fully repaid or if the value of the equity interest of any Project Company upon realisation is less than the Equity Interests Put Option Put Price, Greentown Real Estate will not be entitled to receive the performance-based bonus.

During the term of the Consultancy Agreement for each of the three years ending 31 December 2011, it is expected that the annual maximum amount for the fixed consultancy fee and the performance-based bonus (if any) to be received by Greentown Real Estate will not exceed the following caps:

- (i) RMB5.1 million for the year ending 31 December 2009;
- (ii) RMB5.1 million for the year ending 31 December 2010; and
- (iii) RMB5.1 million for the year ending 31 December 2011.

LETTER FROM THE BOARD

The above annual caps are determined on the assumption that (i) a maximum fixed consultancy fee which is calculated with reference to the maximum number of outstanding Trust Units (i.e. 2,000,000,000 Trust Units) on the expiry of the 33rd month after the Trust Establishment Date will be paid to the Real Estate Services Provider; and (ii) no performance-based bonus will be paid to the Real Estate Services Provider on the basis that the annualised return of the Junior Units will not exceed 45% based on the formulae set out in the Trust Agreement in relation to the calculation of the interest on the Loans, the Equity Interests Put Option and the payouts for the Senior Units, with 15% of the Trust Capital being invested in equity of interests in the Project Companies and 85% of the Trust Capital being invested by way of provision of loans to the Project Companies.

8. RMB1 Options

To protect the interests of the Beneficiaries upon the occurrence of the Material Adverse Event as stipulated in the subsection headed “Material Adverse Events” under the section headed “B. Subscription of Trust Units”, the Trustee and the Greentown Parties entered into the RMB1 Equity Interests Purchase Agreements on the Trust Establishment Date, pursuant to which the Greentown Parties granted the RMB1 Options to the Trust, which shall be obliged to exercise the RMB1 Option and require the Greentown Parties to dispose of their remaining interests in Haiqi Greentown and/or Wuxi Greentown to the Trust at RMB1, the details of which are as follows:

Haiqi Greentown RMB1 Option

The Trustee and the Greentown Parties entered into the Haiqi Greentown RMB1 Equity Interests Purchase Agreements on the Trust Establishment Date pursuant to which the Greentown Parties have agreed to sell all their remaining Haiqi Greentown Interests to the Trust at a consideration of RMB1 upon the occurrence of any Material Adverse Event. However, the Trust shall be obliged to sell all such Haiqi Greentown Interests back to the Greentown Parties at the same consideration if (i) all the Haiqi Greentown Loan and the interest accrued thereon have been repaid; and (ii) the value of the Haiqi Greentown Interests upon realisation is not less than the Equity Interests Put Option Put Price.

Wuxi Greentown RMB1 Option

The Trustee and the Greentown Real Estate entered into the Wuxi Greentown RMB1 Equity Interests Purchase Agreement on the Trust Establishment Date pursuant to which the Greentown Real Estate have agreed to sell all its remaining Wuxi Greentown Interests to the Trust at a consideration of RMB1 upon the occurrence of any Material Adverse Event. However, the Trust shall be obliged to sell all such Wuxi Greentown Interests back to the Greentown Real Estate at the same consideration if (i) all the Wuxi Greentown Loan and the interest accrued thereon have been repaid; and (ii) the value of the Wuxi Greentown Interests upon realisation is not less than the Equity Interests Put Option Put Price.

LETTER FROM THE BOARD

D. REASONS AND BENEFITS

Reasons for the Haiqi Greentown Acquisition

The Directors believe that the economic and social development of Hangzhou will continue to prosper, promoting the long term and healthy development of the local real estate market and they are optimistic about the prospect of the property market in Hangzhou, the place where the Company is currently based. As such, the Directors consider that the Haiqi Greentown Acquisition would be in the best interests of the Company and the Shareholders as a whole as this will enable the Company to maximize benefits and economic return from the Qianjiang Project. Moreover, having majority control over the Haiqi Greentown will also help to improve its operational efficiency.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Haiqi Greentown Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Reasons for the Shanghai Luyuan Disposal

Although the Directors is optimistic about the long term potential of the real estate market in Shanghai, however, they consider that the Shanghai Luyuan Disposal will allow the Group to realise its investment in Shanghai Project Company and utilise the proceeds from the Shanghai Luyuan Disposal to increase its stake in the Haiqi Greentown.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Shanghai Luyuan Disposal are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Reasons for entering into the Trust Agreement and the Ancillary Transactions

The Directors consider that by entering the Trust Agreement and the Ancillary Transactions will help the Company to raise capital to finance the development and construction of the relevant Project Companies and to reduce the liabilities of the Company.

The Directors consider that the Trust Agreement and the Ancillary Transactions were entered into upon normal commercial terms following arm's length negotiations between Greentown Real Estate, ICBC and the Trustee and that the terms of the Trust Agreement and the Ancillary Transactions are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

E. GENERAL INFORMATION

Information of the Group

The Group is one of the leading residential property developers in the PRC and is principally engaged in developing quality residential properties targeting at middle to higher income residents in the PRC. Greentown Real Estate, Hangzhou Kangju and Shanghai Luyu are indirect wholly-owned subsidiaries of the Company and are principally engaged in the development of residential properties.

Information on Harbour Centre and Nanjing Julong

Harbour Centre and its subsidiaries mainly engage in ownership of hotels and properties and investment. Since September 2007, Harbour Centre has embarked on a substantial business initiative in taking on property investments in China and has acquired several sites in four different cities – Changzhou, Suzhou, Chongqing and Hangzhou in China.

Information on Haiqi Greentown

Haiqi Greentown was established on 23 November 2007 in the PRC and was owned as to 45% by Greentown Real Estate, as to 30% by Hangzhou Kangju and as to 25% by the Trust as at the Latest Practicable Date. The registered capital of Haiqi Greentown as at 31 March 2009 was RMB1,000,000,000. Haiqi Greentown is principally engaged in property development and management. As of 31 March 2009, Greentown Real Estate, Hangzhou Kangju and Nanjing Julong contributed registered capital of RMB50,000,000, RMB550,000,000 and RMB400,000,000, respectively and provided shareholder loans of approximately RMB1,067,138,060, RMB399,699,940, and RMB982,392,000, respectively to Haiqi Greentown for the purpose of the acquisition of the Hangzhou Land by Haiqi Greentown.

Haiqi Greentown had not recorded any revenue up to the Latest Practicable Date. According to the accountant's report of Haiqi Greentown as set out in Appendix II to this circular, for the period from 23 November 2007, being the date of its establishment, to 31 December 2007, Haiqi Greentown recorded net loss of approximately RMB1,044,000. According to the accountants' report of Haiqi Greentown as set out in Appendix II to this circular, Haiqi Greentown recorded net loss of approximately RMB152,683,000 for the year ended 31 December 2008.

As at 31 December 2008, Haiqi Greentown had audited total assets of approximately RMB4,132,574,000 (which mainly represented the investment in the Hangzhou Land) and audited total liabilities of approximately RMB4,186,301,000 (which mainly represented the amounts advanced by Greentown Real Estate, Nanjing Julong, and Hangzhou Kangju as at 31 December 2008). Based on the audited accounts of Haiqi Greentown prepared based on the PRC GAAP, Haiqi Greentown had a net asset value of approximately RMB745.3 million as at 20 March 2009.

LETTER FROM THE BOARD

The accountants' report of Haiqi Greentown as set out in Appendix II to this circular was prepared based on International Financial Reporting Standards.

Information on the Hangzhou Land and the Qianjiang Project

The Hangzhou Land is located at the central commercial area of Qianjiang New City in Hangzhou, the PRC with a site area of approximately 84,255 sq.m.. Haiqi Greentown is engaged in the Qianjiang Project (藍色錢江項目), being the development of the Hangzhou Land for high-rise residential and commercial buildings with a planned GFA of about 410,000 sq.m.. The Qianjiang Project will be developed in three phases. As at the Latest Practicable Date, Haiqi Greentown had already obtained (i) the state-owned land use rights certificate (國有土地使用證); (ii) the construction land use planning permit (建設用地規劃許可證); (iii) the construction works planning permit (phase one) (建設工程規劃許可證(第一期)) and; (iv) the construction works commencement permit (phase one) (建築工程施工許可證(第一期)) for phase one of the Qianjiang Project. The Qianjiang Project is expected to be completed in different phases between 2011 and 2013.

The Company has engaged an independent valuer not connected with any of the directors, chief executive and substantial shareholders of the Company and its subsidiaries and associates, to value the Qianjiang Project and details of the valuation report of the Hangzhou Land are set out in Appendix V to this circular.

Reconciliation of the valuation and carrying amounts of Hangzhou Land under development

	Haiqi Greentown RMB'000
Carrying amount as at 31 December 2008	
Properties under development	3,710,451
Movement for the period from 1 January 2009 to 30 April 2009	
Additions	<u>111,860</u>
Carrying amount as at 30 April 2009	3,822,311
Valuation deficit (<i>Note</i>)	<u>(119,311)</u>
Valuation as at 30 April 2009	<u><u>3,703,000</u></u>

Note: The valuation deficit noted in respect of the properties under development held by Haiqi Greentown is mainly due to the profit element being excluded in the valuation as at 30 April 2009.

LETTER FROM THE BOARD

Information on the Shanghai Project Company

Shanghai Project Company was established on 3 February 2008 in the PRC and was owned as to 99.9% by Greentown Real Estate and as to 0.1% by Shanghai Luyu as at the date of the SP Agreement. The registered capital of Shanghai Project Company as at 30 March 2009 was RMB289,524,000. Shanghai Project Company is principally engaged in property development and management, and interior decoration. As of 30 March 2009, Greentown Real Estate and Shanghai Luyu had contributed registered capital of RMB289,234,476 and RMB289,524, respectively and provided shareholder loans of approximately RMB678,165,803 and RMB410,484,195, respectively to Shanghai Project Company for the purpose of the acquisition of the Shanghai Land by Shanghai Project Company.

Shanghai Project Company had not recorded any revenue up to the date of the SP Agreement. Based on the audited accounts of Shanghai Project Company for the period from 3 February 2008, being the date of its establishment, to 31 December 2008, Shanghai Project Company did not record any net profit or net loss.

As at 31 December 2008, Shanghai Project Company had audited net assets of approximately RMB289,524,000, audited total assets of approximately RMB1,359,449,632 (which mainly represented the investment in the Shanghai Land) and audited total liabilities of approximately RMB1,069,925,632 (which mainly represented the amounts advanced by Greentown Real Estate and Shanghai Luyu as at 31 December 2008).

The audited accounts of the Shanghai Project Company were prepared based on PRC GAAP.

Information on the Shanghai Land and the Shanghai Project

The Shanghai Land is located at plot D1, Xinjiangwan Cheng, Yangpu Area in Shanghai, the PRC with a site area of approximately 59,254 sq.m.. As at the Latest Practicable Date, Shanghai Project Company had obtained the land use right certificate for the Shanghai Land and the required construction works commencement permits. The Shanghai Land is expected to be developed into residential buildings. The construction of the Shanghai Project is expected to be completed in November 2010.

The Company has engaged an independent valuer not connected with any of the directors, chief executive and substantial shareholders of the Company and its subsidiaries and associates, to value the Shanghai Project and details of the valuation report of the Shanghai Land are set out in Appendix V to this circular.

LETTER FROM THE BOARD

Information on the Trustee

The Trustee is a non-bank financial institute and is owned as to 95% by China National Offshore Oil Corp. and as to 5% by China Citic Group. It is principally engaged in, and has obtained a licence issued by China Banking Regulatory Commission to engage in providing financial and investment services to corporate and private clients. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Trustee and its ultimate beneficial owners are Independent Third Parties.

Information on ICBC

ICBC is the largest commercial bank in the PRC and provides a wide variety of financial products and services to more than 2.51 million corporate banking customers and 180 million personal banking customers through its 16,807 domestic institutions, 98 overseas institutions and 1,326 correspondent banks around the world. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, ICBC is an Independent Third Party, whose shares are listed on the Stock Exchange and the Shanghai Stock Exchange.

Information on Wuxi Greentown

Wuxi Greentown was established on 7 December 2007 in the PRC and had a registered capital of RMB102 million as at the Latest Practicable Date and was owned as to 45% by the Trust, as to 40% by Greentown Real Estate, as to 10% by Mr. Qian and as to 5% by Wuxi New City as at the Latest Practicable Date.

According to the audited accounts of Wuxi Greentown prepared based on the PRC GAAP, Wuxi Greentown had a net asset value of RMB355.1 million (equivalent to approximately HK\$404.8 million) as at 20 March 2009. As at 31 December 2008, Wuxi Greentown had audited net asset value of approximately RMB42,922,000. Based on the accountants' report of Wuxi Greentown as set out in Appendix III to this circular, Wuxi Greentown recorded net loss (whether before or after taxation and extraordinary items) of RMB59,010,000 (equivalent to approximately HK\$51,763,158) for the financial year ended 31 December 2008. The accountants' report of Wuxi Greentown as set out in Appendix III to this circular was prepared based on International Financial Reporting Standards. After completion of the Wuxi Greentown Disposal, Wuxi Greentown ceased to be a subsidiary of the Company.

LETTER FROM THE BOARD

Information on the Wuxi Land and the Taihu Project

The Wuxi Land is located at Portion A of a piece of land situated at west of Gonghu Avenue, east of Lixin Avenue, north of Wuyue Road and south of Gaolang Road, Wuxi, Jiangsu Province, the PRC with a site area of approximately 180,826 sq.m.. Wuxi Greentown is engaged in the Taihu Project (無錫太湖新城項目), being the development for high-rise residential and commercial buildings with a planned GFA of about 590,000 sq.m. As at the Latest Practicable Date, Wuxi Greentown had already obtained (i) the state-owned land use rights certificate (國有土地使用證); (ii) the construction land use planning permit (建設用地規劃許可證); (iii) the construction works planning permit (phase one) (建設工程規劃許可證(第一期)) and; (iv) the construction works commencement permit (phase one) (建築工程施工許可證(第一期)) for phase one of the Taihu Project. Phase one of the Taihu Project is expected to be completed in 2011.

The Company has engaged an independent valuer not connected with any of the directors, chief executive and substantial shareholders of the Company and its subsidiaries and associates, to value the Taihu Project and details of the valuation report of the Wuxi Land are set out in Appendix V to this circular.

Reconciliation of the valuation and carrying amounts of Wuxi Land under development

	Wuxi Greentown RMB'000
Carrying amount as at 31 December 2008	
Properties under development	668,788
Movement for the period from 1 January 2009 to 30 April 2009	
Additions	<u>38,771</u>
Carrying amount as at 30 April 2009	707,559
Valuation surplus	<u>84,441</u>
Valuation as at 30 April 2009	<u><u>792,000</u></u>

LETTER FROM THE BOARD

F. MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL POSITION AND RESULTS OF OPERATIONS OF HAIQI GREENTOWN AND WUXI GREENTOWN

The following are the management discussion and analysis of the performance of the Haiqi Greentown and Wuxi Greentown:

(1) Review of Past Performance

Haiqi Greentown

Haiqi Greentown was incorporated on 23 November 2007. It is principally engaged in the development and management of the Qianjiang Project. Since the Qianjiang Project is still under the development stage, Haiqi Greentown had not recorded any revenue up to the Latest Practicable Date. As a result, Haiqi Greentown recorded a loss of approximately RMB1,044,000 and RMB152,683,000 for the period from 23 November 2007 to 31 December 2007 and for the year ended 31 December 2008, respectively.

Haiqi Greentown does not have any geographical segment information as the activities of Haiqi Greentown for the period from 23 November 2007 to 31 December 2007 and for the year ended 31 December 2008 were all carried out in Hangzhou, the PRC.

Haiqi Greentown does not have any business segment information as it was only engaged in the development of the Qianjiang Project for the period from 23 November 2007 to 31 December 2007 and for the year ended 31 December 2008.

Wuxi Greentown

Wuxi Greentown was incorporated on 7 December 2007. It is principally engaged in the development and management of the Taihu Project. Since the Taihu Project is still under the development stage, Wuxi Greentown had not recorded any revenue up to the Latest Practicable Date. As a result, Wuxi Greentown recorded a loss of approximately RMB68,000 and RMB59,010,000 for the period from 7 December 2007 to 31 December 2007 and for the year ended 31 December 2008, respectively.

Wuxi Greentown does not have any geographical segment information as the activities of Wuxi Greentown for the period from 7 December 2007 to 31 December 2007 and for the year ended 31 December 2008 were all carried out in Jiangsu, the PRC.

Wuxi Greentown does not have any business segment information as it was only engaged in the development of the Taihu Project for the period from 7 December 2007 to 31 December 2007 and for the year ended 31 December 2008.

LETTER FROM THE BOARD

(2) Material Acquisitions and Disposals

Haiqi Greentown

Save for its interest in the Qianjiang Project, Haiqi Greentown did not have any significant investments, material acquisitions and disposals during the period from 23 November 2007 to 31 December 2007 and for the year ended 31 December 2008.

Wuxi Greentown

Save for its interest in the Taihu Project, Wuxi Greentown did not have any significant investments, material acquisitions and disposals during the period from 7 December 2007 to 31 December 2007 and for the year ended 31 December 2008.

(3) Financial Resources and Liquidity

Haiqi Greentown

The audited total liabilities of Haiqi Greentown as at 31 December 2007 and 31 December 2008 were RMB3,490,953,000 and RMB4,186,301,000, respectively. As at 31 December 2007 and 31 December 2008, Haiqi Greentown had bank balances and cash in the amounts of approximately RMB18,363,000 and RMB410,976,000, respectively. Haiqi Greentown had no bank borrowing as at 31 December 2007. As at 31 December 2008, Haiqi Greentown had bank borrowing of approximately RMB500,000,000 with the average interest rate of 5.67% per annum. Haiqi Greentown generally finances its operation with the funds from bank loans, pre-sale deposits and shareholders' loans.

The gearing ratio of Haiqi Greentown was nil as at 31 December 2007. No gearing ratio was available as at 31 December 2008 as Haiqi Greentown was in a negative equity position.

Save for the increase in the paid-in capital which took place on 1 August 2008, there was no change in capital structure of Haiqi Greentown during the period from 23 November 2007 to 31 December 2007 and the year ended 31 December 2008.

Wuxi Greentown

The audited total liabilities of Wuxi Greentown as at 31 December 2007 and 31 December 2008 were RMB295,000 and RMB660,021,000, respectively. As at 31 December 2007 and 31 December 2008, Wuxi Greentown had bank balances and cash in the amounts of approximately RMB9,976,000 and RMB26,822,000, respectively. Wuxi Greentown had no bank borrowing as at 31 December 2007 and 31 December 2008, respectively.

The gearing ratio of Wuxi Greentown was nil, as Wuxi Greentown had no bank borrowing as at 31 December 2007 and 31 December 2008, respectively.

LETTER FROM THE BOARD

Save for the increase in the paid-in capital which took place on 30 January 2008, there was no change in capital structure during the period from 7 December 2007 to 31 December 2007 and the year ended 31 December 2008.

(4) Contingent Liabilities

Haiqi Greentown

Haiqi Greentown did not have any material contingent liabilities as at 31 December 2007 and 31 December 2008.

Wuxi Greentown

Wuxi Greentown did not have any material contingent liabilities as at 31 December 2007 and 31 December 2008.

(5) Employees and Emoluments Policies

Haiqi Greentown

The number of employees employed by Haiqi Greentown as at 31 December 2007 and 31 December 2008 were 10 and 36, respectively. Haiqi Greentown remunerated its staff with reference to the market terms and the performance, qualifications and experience of individual employees. Total staff costs of Haiqi Greentown (including salaries, wages and other benefits) for the period from 23 November 2007 to 31 December 2007 and for the year ended 31 December 2008 were approximately RMB341,000 and RMB5,548,000, respectively.

Wuxi Greentown

The number of employees employed by Wuxi Greentown as at 31 December 2007 and 31 December 2008 were 8 and 26, respectively. Wuxi Greentown remunerated its staff with reference to the market terms and the performance, qualifications and experience of individual employees. Total staff costs of Wuxi Greentown (including salaries, wages and other benefits) for the period from 7 December 2007 to 31 December 2007 and for the year ended 31 December 2008 were approximately RMB21,000 and RMB1,846,000, respectively.

(6) Pledge of Assets

Haiqi Greentown

Haiqi Greentown did not charge any of its assets as at 31 December 2007. Haiqi Greentown pledged its properties under development and the bank deposits which amounted to a total of RMB2,315,537,000 as at 31 December 2008 to banks to secure general banking facilities granted to Haiqi Greentown.

LETTER FROM THE BOARD

Wuxi Greentown

Wuxi Greentown did not charge any of its assets as at 31 December 2007. Wuxi Greentown pledged its bank deposit which amounted to RMB4,000,000 as at 31 December 2008 to banks to secure general banking facilities granted to Wuxi Greentown.

(7) Foreign Exchange Exposure

Haiqi Greentown

As most of the assets and liabilities of Haiqi Greentown are denominated in RMB, there is no exposure of Haiqi Greentown to foreign currency fluctuation. Haiqi Greentown did not use any financial instrument for hedging purposes during the period from 23 November 2007 to 31 December 2007 and the year ended 31 December 2008.

Wuxi Greentown

As most of the assets and liabilities of Wuxi Greentown are denominated in RMB, there is no exposure of Wuxi Greentown to foreign currency fluctuation. Wuxi Greentown did not use any financial instrument for hedging purposes during the period from 7 December 2007 to 31 December 2007 and the year ended 31 December 2008.

(8) Prospect

Upon completion of the Haiqi Greentown Acquisition and the Haiqi Greentown Disposal, Haiqi Greentown remains as a subsidiary of the Company, and the effective equity interest of the Company in Qianjiang Project will be 75%. The Qianjiang Project will be developed in three phases. As at the Latest Practicable Date, Haiqi Greentown had already obtained (i) the state-owned land use rights certificate (國有土地使用證); (ii) the construction land use planning permit (建設用地規劃許可證); (iii) the construction works planning permit (phase one) (建設工程規劃許可證(第一期)); and (iv) the construction works commencement permit (phase one) (建築工程施工許可證(第一期)) for the Qianjiang Project. The Qianjiang Project is expected to be completed in different phases between 2011 and 2013. The Directors believe that the economic and social development of Hangzhou will continue to prosper, promoting the long term and healthy development of the local real estate market and they are optimistic about the prospect of the property market in Hangzhou, the place where the Company is currently based.

Upon completion of the Wuxi Greentown Disposal, Wuxi Greentown is owned as to 40% by Greentown Real Estate and it has ceased to be a subsidiary of the Company, and the effective equity interest of the Company in Taihu Project will be 40%. Wuxi Greentown is engaged in the Taihu Project (無錫太湖新城項目), being the development for high-rise residential and commercial buildings with a planned GFA of about 590,000

LETTER FROM THE BOARD

sq.m. As at the Latest Practicable Date, Wuxi Greentown had already obtained (i) the state-owned land use rights certificate (國有土地使用證); (ii) the construction land use planning permit (建設用地規劃許可證); (iii) the construction works planning permit (phase one) (建設工程規劃許可證(第一期)); and (iv) the construction works commencement permit (phase one) (建築工程施工許可證(第一期)) for the Taihu Project. Phase one of the Taihu Project is expected to be completed in 2011.

G. FINANCIAL EFFECTS OF THE SHANGHAI LUYUAN DISPOSAL

On the Completion Date, the Group applied the consideration for the Shanghai Luyuan Disposal, being RMB1,230.2 million, to partly off-set against the consideration, being RMB1,382.4 million, for the Haiqi Greentown Acquisition. After the completion of the Shanghai Luyuan Disposal, the Group ceased to have any interest in Shanghai Project Company and thus its assets, liabilities and financial results would no longer be consolidated into those of the Group. Since the consideration of the Shanghai Luyuan Disposal was substantially the same as the aggregate net book value of Shanghai Sale Interest and Shanghai Shareholders' Loan after taking into account the related impairment losses, no material gain or loss is expected from the Shanghai Luyuan Disposal.

H. FINANCIAL EFFECTS OF THE HAIQI GREENTOWN ACQUISITION

Prior to the completion of the Haiqi Greentown Acquisition, Haiqi Greentown was a majority-owned subsidiary of the Company. After completion of the Haiqi Greentown Acquisition, Haiqi Greentown became a wholly-owned subsidiary of the Company and thus its assets, liabilities and financial results would continue to be consolidated into those of the Group.

I. FINANCIAL EFFECTS OF THE PROJECT COMPANIES DISPOSAL TO THE TRUST AND THE PROVISION OF HAIQI GREENTOWN LOAN AND WUXI GREENTOWN LOAN BY THE TRUST

The Directors applied the proceeds of the Project Companies Disposal and the Haiqi Greentown Loan and the Wuxi Greentown Loan to reduce the liabilities of the Group and to finance the development and construction of the Qianjiang Project and the Taihu Project. Pursuant to the Equity Interests Put Option Agreement, the Group shall repurchase the 25% equity interest in Haiqi Greentown and the 45% equity interest in Wuxi Greentown from the Trust at a determinable price on or before the expiry of the 33rd month after the Trust Establishment Date. For accounting purposes, the sale and repurchase arrangements between the Trust and the Group in relation to the 25% equity interest in Haiqi Greentown and the 45% equity interest in Wuxi Greentown are accounted for as a financing arrangement. After completion of the Project Companies Disposal, Haiqi Greentown remained as a wholly-owned subsidiary of the Group, and Wuxi Greentown became an associate of the Group as the Group has no control over Wuxi Greentown, but it is able to exercise significant influence over Wuxi Greentown by appointing one director on the board of directors of Wuxi Greentown.

LETTER FROM THE BOARD

J. IMPLICATION UNDER THE LISTING RULES

In relation to the SP Agreement, as the applicable percentage ratios (as defined in the Listing Rules) in respect of (i) the Haiqi Greentown Acquisition are more than 25% but less than 100% and (ii) the Shanghai Luyuan Disposal are more than 5% but less than 25%, each of the Haiqi Greentown Acquisition and the Shanghai Luyuan Disposal on a stand-alone basis constitutes a major transaction and a discloseable transaction for the Company, respectively under the Listing Rules. In addition, as Harbour Centre is the ultimate beneficial owner of Nanjing Julong, which in turn is a substantial shareholder of Haiqi Greentown, a non-wholly owned subsidiary of the Company, Harbour Centre is therefore a connected person of the Company for the purpose of the Listing Rules and both the Haiqi Greentown Acquisition and the Shanghai Luyuan Disposal constitute connected transactions for the Company under the Listing Rules. Accordingly, pursuant to Rule 14.24 of the Listing Rules, the Haiqi Greentown Acquisition and the Shanghai Luyuan Disposal are subject to the requirements of reporting, announcement and independent Shareholders' approval under Chapters 14 and 14A of the Listing Rules.

In relation to the Trust Agreement and the Ancillary Transactions, as the applicable percentage ratios (as defined in the Listing Rules) in respect of each of the Subscription, the Project Companies Disposal and the exercise of the Equity Interests Put Options are more than 5% but less than 25%, each of the Subscription, the Project Companies Disposal and the exercise of the Equity Interests Put Option on a stand-alone basis constitutes a discloseable transaction for the Company under the Listing Rules. As the applicable percentage ratios (as defined in the Listing Rules) in respect of each of the Trust Units Put Option and the provision of the Guarantee and the Surety by Greentown Real Estate are more than 25% but less than 100%, each of the Trust Units Put Option and the provision of the Guarantee and the Surety by Greentown Real Estate on a stand-alone basis constitutes a major transaction for the Company. Pursuant to Rule 14.76 of the Listing Rules, the RMB1 Options constitutes a major transaction for the Company. Pursuant to Rule 14.24 of the Listing Rules, the Trust Agreement, the Project Companies Disposal Agreements, the Equity Interests Put Option Agreement, the RMB1 Equity Interests Purchase Agreements, the Trust Units Put Option Agreements, the Guarantee Agreement and the transactions contemplated thereunder shall be subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Completion of the Haiqi Greentown Acquisition and the Shanghai Luyuan took place on 16 April 2009. Upon completion of the Haiqi Greentown Acquisition and the Haiqi Greentown Disposal, Haiqi Greentown remains as a subsidiary of the Company and the Trust becomes a substantial shareholder of Haiqi Greentown, thus a connected person of the Company. As a result thereof, the provision of the Haiqi Greentown Loan, the Equity Interests Put Option, the Trust Units Put Option, the provision of the Guarantee and the Surety, the creation of the Equity Pledge and the RMB1 Options constitute connected transactions for the Company. As the applicable percentage ratios in respect of each of the provision of the Haiqi Greentown Loan, the Equity Interests Put Option, the Trust Units Put Option, the provision of the Guarantee and the Surety and the creation of the Equity Pledge is more than 2.5%, each of such transactions constitutes a non-exempt connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and independent Shareholders' approval

LETTER FROM THE BOARD

requirements under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.71 of the Listing Rules, the RMB1 Options will be subject to all connected transaction requirements under Chapter 14A of the Listing Rules. The provision of the Real Estate Services by Greentown Real Estate also constitutes a continuing connected transaction for the Company under the Listing Rules. As one of the applicable percentage ratios in respect of the provision of the Real Estate Services by Greentown Real Estate is more than 0.1% but less than 2.5%, such transaction will be exempt from the independent Shareholders' approval requirement but subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

On the basis that (i) Harbour Centre is not interested in any Shares and no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Haiqi Greentown Acquisition and the Shanghai Luyuan Disposal; (ii) the Trust is not interested in any Shares of the Company and no Shareholder is required to abstain from voting if the Company were to convene a general meeting in respect of the Trust Documents and the transactions contemplated thereunder; and (iii) Delta House Limited, Wisearn Limited and Profitwise Limited, being the closely allied group of Shareholders, which held 492,124,000 Shares, 68,859,000 Shares and 384,490,500 Shares, respectively, representing an aggregate of approximately 61.5% of the issued share capital of the Company as at the Latest Practicable Date, have approved (i) the Haiqi Greentown Acquisition and the Shanghai Luyuan Disposal; and (ii) the Trust Documents and the transactions contemplated thereunder in writing in accordance with Rule 14A.43 of the Listing Rules, the Company applied to the Stock Exchange pursuant to Rule 14A.43 of the Listing Rules for a waiver from strict compliance with the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. The Stock Exchange has granted a waiver to the Company from strict compliance with the requirement to hold a general meeting to approve (i) the Haiqi Greentown Acquisition and the Shanghai Luyuan Disposal; and (ii) the Trust Documents and the transactions contemplated thereunder in writing in accordance with Rule 14A.43 of the Listing Rules. The written approvals by Delta House Limited, Wisearn Limited and Profitwise Limited have also been accepted in lieu of holding a general meeting to approve (i) the Haiqi Greentown Acquisition and the Shanghai Luyuan Disposal; and (ii) the Trust Documents and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules. Accordingly, no general meeting will be held. The information contained in this circular is for information of the Shareholders only.

K. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 57 to 58 of this circular which contains its recommendation to the Shareholders in relation to the Transactions. Your attention is also drawn to the letter of advice from Mizuho Securities set out on pages 59 to 79 of this circular which contains its advice to the Independent Board Committee and the Shareholders in relation to the Transactions and the principal factors and reasons considered by it in concluding its advice.

The Directors consider that the terms of the transactions contemplated under the SP Agreement and the Trust Agreement and the Ancillary Transactions have been negotiated on an arm's length basis and the transactions will be made on normal commercial terms, that their terms are fair and reasonable, and in the interests of the Shareholders as a whole.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Transactions have been negotiated on an arm's length basis and the Transactions will be made on normal commercial terms, that their terms are fair and reasonable, and in the interests of the Shareholders as a whole.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval by a majority vote at a general meeting is required to approve the SP Agreement, Trust Documents and the transactions contemplated thereunder. However, written Shareholders' approval may be accepted in lieu of holding a general meeting provided that no Shareholder is required to abstain from voting at a general meeting to approve the SP Agreement, Trust Documents and the transactions contemplated thereunder and the written Shareholders' approval has been obtained from the Shareholders holding more than 50% of the nominal value of the securities giving the right to attend and vote at a general meeting. As no Shareholders are required to abstain from voting at a general meeting to approve the SP Agreement, Trust Documents and the transactions thereunder, such written Shareholders' approval will be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

Your attention is also drawn to the additional information set out in the appendix to this circular.

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



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)

30 June 2009

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION, MAJOR TRANSACTION
AND CONNECTED TRANSACTIONS
IN RELATION TO THE HAIQI GREENTOWN ACQUISITION
AND THE SHANGHAI LUYUAN DISPOSAL**

**DISCLOSEABLE TRANSACTIONS, MAJOR TRANSACTIONS,
CONNECTED TRANSACTIONS
AND CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE ESTABLISHMENT OF THE TRUST**

We refer to the circular of the Company to the Shareholders dated 30 June 2009 (the “**Circular**”), in which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Shareholders in relation to the Transactions are fair and reasonable so far as the Company and the Shareholders are concerned.

We wish to draw your attention to the letter of advice from Mizuho Securities Asia Limited (“**Mizuho Securities**”), the Independent Financial Adviser appointed to advise the Independent Board Committee and the Shareholders in relation to the Transactions as set out on pages 59 to 79 of the Circular and the letter from the Board set out on pages 15 to 56 of the Circular.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, among other matters, the factors and reasons considered by, and the opinion of Mizuho Securities as stated in its letter of advice, we consider that the Transactions are fair and reasonable so far as the Shareholders are concerned and in the interests of the Shareholders as a whole.

Yours faithfully,

**The Independent Board Committee of
Greentown China Holdings Limited**

Mr. Tsui Yiu Wa, Alec

Mr. Jia Shenghua

Mr. Jiang Wei

Mr. Tang Shiding

Independent non-executive Directors

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

The following is the text of the letter of advice from Mizuho Securities Asia Limited, the independent financial adviser to the Independent Board Committee and Shareholders, in respect of the Transactions, which has been prepared for the purpose of inclusion in this circular.

The Mizuho logo is displayed in white capital letters on a dark grey rectangular background.

Mizuho Securities Asia Limited

11th Floor, CITIC Tower,
1 Tim Mei Avenue, Central, Hong Kong
Tel: 2685-2000 Fax: 2685-2400

30 June 2009

*To the Independent Board Committee and Shareholders
Greentown China Holdings Limited*

Dear Sirs,

**DISCLOSEABLE TRANSACTION, MAJOR TRANSACTION
AND CONNECTED TRANSACTIONS
IN RELATION TO THE HAIQI GREENTOWN ACQUISITION
AND THE SHANGHAI LUYUAN DISPOSAL**

**DISCLOSEABLE TRANSACTIONS, MAJOR TRANSACTIONS,
AND CONNECTED TRANSACTIONS
IN RELATION TO THE ESTABLISHMENT OF THE TRUST**

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the Transactions. Further details of the Transactions are set out in the letter from the Board (the “**Letter from the Board**”) in the circular of the Company to its Shareholders dated 30 June 2009 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

In relation to the SP Agreement, as the applicable percentage ratios (as defined in the Listing Rules) in respect of (i) the Haiqi Greentown Acquisition are more than 25% but less than 100% and (ii) the Disposal are more than 5% but less than 25%, each of the Haiqi Greentown Acquisition and Shanghai Luyuan Disposal on a stand-alone basis constitutes a major transaction and a discloseable transaction for the Company, respectively, under the Listing Rules.

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

In addition, as Harbour Centre is the ultimate beneficial owner of Nanjing Julong, which in turn is a substantial shareholder of Haiqi Greentown, a non-wholly owned subsidiary of the Company, Harbour Centre is therefore a connected person of the Company for the purpose of the Listing Rules and both the Haiqi Greentown Acquisition and the Shanghai Luyuan Disposal constitute connected transactions for the Company under the Listing Rules. Accordingly, pursuant to Rule 14.24 of the Listing Rules, the Haiqi Greentown Acquisition and the Shanghai Luyuan Disposal are subject to the requirements of reporting, announcement and independent shareholders' approval under Chapters 14 and 14A of the Listing Rules.

In relation to the Ancillary Transactions, as the applicable percentage ratios (as defined in the Listing Rules) in respect of the exercise of the Equity Interests Put Option is more than 5% but less than 25%, the exercise of the Equity Interests Put Option constitutes a discloseable transaction for the Company under the Listing Rules. As the applicable percentage ratios (as defined in the Listing Rules) in respect of each of the Trust Units Put Option and the provision of the Guarantee and the Surety by Greentown Real Estate are more than 25% but less than 100%, each of the Trust Units Put Option and the provision of the Guarantee and the Surety by Greentown Real Estate on a stand-alone basis constitutes a major transaction for the Company under the Listing Rules. Pursuant to Rule 14.76 of the Listing Rules, the RMB1 Options will constitute a major transaction for the Company under the Listing Rules.

Completion of the Haiqi Greentown Acquisition and the Shanghai Luyuan took place on 16 April 2009. Upon completion of the Haiqi Greentown Acquisition and the Haiqi Greentown Disposal, Haiqi Greentown remains as a subsidiary of the Company and the Trust becomes a substantial shareholder of Haiqi Greentown, thus a connected person of the Company. As a result thereof, the provision of the Haiqi Greentown Loan, the Equity Interests Put Option, the Trust Units Put Option, the provision of the Guarantee and the Surety, the creation of the Equity Pledge and the RMB1 Options constitute connected transactions for the Company under the Listing Rules. As the applicable percentage ratios in respect of each of the provision of the Haiqi Greentown Loan, the Equity Interests Put Option, the Trust Units Put Option, the provision of the Guarantee and the Surety and the creation of the Equity Pledge is more than 2.5%, each of such transactions constitutes a non-exempt connected transaction of the Company and is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.71 of the Listing Rules, the RMB1 Options will be subject to all connected transaction requirements under Chapter 14A of the Listing Rules.

Our scope of work under this engagement is to assess whether the terms of the Transactions are fair and reasonable so far as the Shareholders are concerned, and the Transactions are in the interests of the Company and the Shareholders as a whole.

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

BASIS OF OUR OPINION

In arriving at our opinion, we have relied on the information, opinions and facts supplied, and representations made to us, by the Directors, advisers and representatives of the Company (including those contained or referred to in the Circular). We have also assumed that the information and representations contained or referred to in the Circular were true and accurate in all respects at the time they were made and continue to be so at the date of dispatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and senior management of the Company. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable, and we have not independently verified the accuracy of such information. We have been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or other prospects of the Company or any of its respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In forming our opinion, we have considered the following principal factors and reasons:

A. THE HAIQI GREENTOWN ACQUISITION AND THE SHANGHAI LUYUAN DISPOSAL UNDER THE SP AGREEMENT

1. The SP Agreement

The Company entered into the SP Agreement with, among others, Harbour Centre on 10 April 2009, pursuant to which (i) Harbour Centre has conditionally agreed to procure the sale of Hangzhou Sale Interest, representing 40% interest in Haiqi Greentown, and the Hangzhou Shareholder's Loan to Greentown Real Estate at a total consideration of RMB1,382,392,000; and (ii) the Company has conditionally agreed to procure the sale of Shanghai Sale Interest, representing 100% interest in Shanghai Project Company, and the Shanghai Shareholder's Loan to Nanjing Julong at a total consideration of RMB1,230,173,997. We have reviewed the SP Agreement and did not note any unusual terms.

2. Reasons for entering into the SP Agreement

As mentioned in the Letter from the Board, the Directors consider that the Haiqi Greentown Acquisition will enable the Company to maximize benefits and economic return from the Qianjiang Project. In addition, the Directors consider that the Shanghai Luyuan Disposal will allow the Group to realise its investment in the Shanghai Project Company and utilise the proceeds from the Shanghai Luyuan Disposal to increase its stake in the Haiqi Greentown.

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

According to the annual report of the Company as at 31 December 2008 (“2008 Annual Report”), approximately 20% and 3% of its land bank as at 31 December 2008 were located in Hangzhou and Shanghai respectively. The Haiqi Greentown Acquisition and the Shanghai Luyuan Disposal would allow the Group to increase its focus in Hangzhou, where the Company is currently based. Moreover, after the completion of the Haiqi Greentown Acquisition, the Company would increase its interests in Haiqi Greentown from 60% to 100%. The Directors consider that the Haiqi Greentown Acquisition would be in the best interests of the Company and the Shareholders as a whole as this will enable the Company to maximize benefits and economic return from the Qianjiang Project. Moreover, the Directors consider that having majority control over Haiqi Greentown will help to improve the operational efficiency of Haiqi Greentown.

3. Information on Haiqi Greentown and Qianjiang Project

Haiqi Greentown is a limited liability company which was established in the PRC and owned as to 5% by Greentown Real Estate, as to 55% by Hangzhou Kangju and as to 40% by Nanjing Julong as at the date of the SP Agreement. The registered capital of Haiqi Greentown as at 31 March 2009 was RMB1,000,000,000. Haiqi Greentown is principally engaged in property development and management. As of 31 March 2009, Greentown Real Estate, Hangzhou Kangju and Nanjing Julong contributed registered capital of RMB50,000,000, RMB550,000,000 and RMB400,000,000, respectively and shareholder loans of approximately RMB1,067,138,060, RMB399,699,940, and RMB982,392,000, respectively to Haiqi Greentown for the purpose of the acquisition of the Hangzhou Land by Haiqi Greentown. The Hangzhou Land is located at the central commercial area of Qianjiang New City in Hangzhou, the PRC with a site area of approximately 84,255 sq.m..

Haiqi Greentown is engaged in the Qianjiang Project, being the development of the Hangzhou Land for high-rise residential and commercial buildings. The Qianjiang Project is expected to be completed in different phases between 2011 and 2013.

Haiqi Greentown had not recorded any revenue up to the Latest Practicable Date. According to the Accountants’ Report of Haiqi Greentown as set out in Appendix II to the Circular, for the period from 23 November 2007, being the date of its establishment, to 31 December 2007, Haiqi Greentown recorded net loss of approximately RMB1,044,000. According to the Accountants’ Report of Haiqi Greentown as set out in Appendix II to the Circular, Haiqi Greentown recorded net loss of approximately RMB152,683,000 for the year ended 31 December 2008.

According to the Accountants’ Report of Haiqi Greentown as set out in Appendix II to the Circular, as at 31 December 2008, Haiqi Greentown had audited total assets of approximately RMB4,132,574,000 (which mainly represented the investment in the Hangzhou Land) and audited total liabilities of approximately RMB4,186,301,000 (which mainly represented the amounts advanced by Greentown Real Estate, Nanjing Julong, and Hangzhou Kangju as at 31 December 2008). Based on the audited accounts of Haiqi Greentown prepared based on PRC GAAP for the period from 1 January 2009 to 20 March 2009, Haiqi Greentown had a net asset value of approximately RMB745.3 million as at 20 March 2009.

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

For details of Haiqi Greentown, the Hangzhou Land and the Qianjiang Project, please refer to the paragraphs headed “Information on Haiqi Greentown” and “Information on the Hangzhou Land the Qianjiang Project” in the Letter from the Board.

4. Information on Shanghai Project Company

Shanghai Project Company is a limited liability company which was established in the PRC and owned as to 99.9% by Greentown Real Estate and as to 0.1% by Shanghai Luyu as at the date of the SP Agreement. The registered capital of Shanghai Project Company as at 30 March 2009 was RMB289,524,000. Shanghai Project Company is principally engaged in property development and management, and interior decoration. As of 30 March 2009, Greentown Real Estate and Shanghai Luyu had contributed registered capital of RMB289,234,476 and RMB289,524, respectively and provided shareholder loans of approximately RMB678,165,803 and RMB410,484,195, respectively to Shanghai Project Company for the purpose of the acquisition of the Shanghai Land by Shanghai Project Company.

The Shanghai Land is expected to be developed into residential buildings. The construction of the Shanghai Project is expected to be completed in November 2010. Shanghai Project Company had not recorded any revenue up to the date of the SP Agreement. Based on the audited accounts of Shanghai Project Company for the period from 3 February 2008, being the date of its establishment, to 31 December 2008, Shanghai Project Company did not record any net profit or net loss.

As at 31 December 2008, Shanghai Project Company had audited net assets of approximately RMB289,524,000, audited total assets of approximately RMB1,359,449,632 (which mainly represented the investment in the Shanghai Land) and audited total liabilities of approximately RMB1,069,925,632 (which mainly represented the amounts advanced by Greentown Real Estate and Shanghai Luyu as at 31 December 2008). The audited accounts of the Shanghai Project Company were prepared based on PRC GAAP.

5. Consideration for the Haiqi Greentown Acquisition

The total consideration for the acquisition of the Hangzhou Sale Interest and the Hangzhou Shareholder’s Loan shall be RMB1,382,392,000, of which RMB400,000,000 is for the Hangzhou Sale Interest and RMB982,392,000 is for the Hangzhou Shareholder’s Loan. As mentioned in the Letter from the Board, the consideration for the Haiqi Greentown Acquisition was determined after arm’s length negotiations between the Company and Harbour Centre with reference to, among other things, the acquisition cost (including deed tax) of the Hangzhou Land attributable to Nanjing Julong which amounted to RMB1,437,880,000.

Haiqi Greentown was established on 23 November 2007. As of 31 March 2009, Greentown Real Estate, Hangzhou Kangju and Nanjing Julong contributed registered capital of RMB50,000,000, RMB550,000,000 and RMB400,000,000, respectively and shareholder’s loan of approximately RMB1,067,138,060, RMB399,699,940, and RMB982,392,000, respectively to Haiqi Greentown for the purpose of the acquisition of the Hangzhou Land by Haiqi Greentown. We note that the consideration for the Haiqi Greentown Acquisition equals to the aggregate of the registered capital and shareholder’s loans contributed by Nanjing Julong.

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

We understand that the major asset of Haiqi Greentown is the investment in the Hangzhou Land, which is under development and the Qianjiang Project has yet to generate any profits.

We consider that when assessing whether the consideration for the Haiqi Greentown Acquisition is fair and reasonable, it is appropriate to consider the valuation of the existing status of the Qianjiang Project as appraised by DTZ, an independent professional valuer.

The valuation of the existing status of the Qianjiang Project as at 30 April 2009 as appraised by DTZ was RMB3,703,000,000. As such, the valuation of the Qianjiang Project attributable to Nanjing Julong was RMB1,481,200,000, which represents approximately 7.1% higher than the consideration for the Haiqi Greentown Acquisition. Based on this, we consider that the consideration for the Haiqi Greentown Acquisition is fair and reasonable.

6. Consideration for the Shanghai Luyuan Disposal

The total consideration for the disposal of the Shanghai Sale Interest and the Shanghai Shareholder's Loan shall be RMB1,230,173,997, of which RMB141,524,000 is for the Shanghai Sale Interest and RMB1,088,649,997 is for the Shanghai Shareholder's Loan, (subject to adjustment as set out in the sub-section headed "Post-Completion Adjustment to Consideration for the Shanghai Luyuan Disposal" in the Letter from the Board), which has been set off against part of the consideration for the Haiqi Greentown Acquisition, that is RMB1,230,173,997, on the Completion Date.

The consideration for the Shanghai Luyuan Disposal was determined after arm's length negotiations between the Company and Harbour Centre with reference to, among other things, the acquisition cost (including deed tax) of the Shanghai Land which amounted to RMB1,297,800,000.

Pursuant to the SP Agreement, the consideration for the Shanghai Luyuan Disposal shall be subject to the Post-Completion Adjustment to be determined following delivery of the Shanghai Completion Account by the Company to Harbour Centre. The Shanghai Completion Account shall be determined on the basis of (i) the valuation amount of the Shanghai Land, being RMB1,112,000,000, representing the acquisition cost (excluding deed tax) of the Shanghai Land in the amount of RMB1,260,000,000 as shown in the land acquisition agreement less the sum of RMB148,000,000; and (ii) the accounting principles generally accepted in the PRC and other relevant PRC laws and regulations in relation to other assets of Shanghai Project Company.

If the Company and Harbour Centre fail to agree on the contents of the Shanghai Completion Account within 10 Business Days from the date of receipt of the Shanghai Completion Account by Harbour Centre, the Company and Harbour Centre shall jointly appoint an auditor to conduct an audit of the accounts of Shanghai Project Company.

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

In the event that (i) the amount of Shanghai Shareholder's Contributions as shown in the Shanghai Management Account is more than the amount of Shanghai Shareholder's Contributions as shown in the Final Account of Shanghai Project Company, the Company shall procure Greentown Real Estate and Shanghai Luyu to repay the amount in excess of the amount of Shanghai Shareholder's Contributions as shown in Final Account of Shanghai Project Company to Nanjing Julong in cash on a dollar-to-dollar basis within 5 Business Days from the date of issue of the Final Account of Shanghai Project Company; or (ii) the amount of Shanghai Shareholder's Contributions as shown in the Shanghai Management Account is less than the amount of Shanghai Shareholder's Contributions as shown in the Final Account of Shanghai Project Company, Harbour Centre shall procure Nanjing Julong to repay the amount of shortfall to Greentown Real Estate and Shanghai Luyu in cash on a dollar-to-dollar basis within 5 Business Days from the date of issue of the Final Account of Shanghai Project Company.

As mentioned in the Letter from the Board, Shanghai Completion Account has been delivered by the Company to Harbour Centre. No Post Completion Adjustment was made to the consideration for the Shanghai Luyuan Disposal.

Shanghai Project Company was established on 3 February 2008. We understand that the major asset of the Shanghai Project Company is the investment in the Shanghai Land, which is under development and the Shanghai Project has yet to generate any profits.

We consider that when assessing whether the consideration for the Shanghai Luyuan Disposal is fair and reasonable, it is appropriate to consider the valuation of the Shanghai Land as appraised by DTZ, an independent professional valuer.

The valuation of the Shanghai Land as at 30 April 2009 as appraised by DTZ amounted to RMB1,220,000,000, which is slightly lower (approximately 0.8%) than the consideration for the Shanghai Luyuan Disposal. Based on this, we consider that the consideration for the Shanghai Luyuan Disposal is fair and reasonable.

7. Financial effects of the Haiqi Greentown Acquisition and the Shanghai Luyuan Disposal

Prior to the completion of the Haiqi Greentown Acquisition, Haiqi Greentown was a majority-owned subsidiary of the Company. After completion of the Haiqi Greentown Acquisition, Haiqi Greentown became a wholly-owned subsidiary of the Company and thus its assets, liabilities and financial results would continue to be consolidated into those of the Group.

After the completion of the Shanghai Luyuan Disposal, the Group ceased to have any interest in Shanghai Project Company and thus its assets, liabilities and financial results would no longer be consolidated into those of the Group. Since the consideration of the Shanghai Luyuan Disposal was substantially the same as the aggregate net book value of Shanghai Sale Interest and Shanghai Shareholders' Loan after taking into account the related impairment losses, no material gain or loss is expected from the Shanghai Luyuan Disposal.

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

The Board applied the proceeds from the Shanghai Luyuan Disposal to fund part of the consideration for the Haiqi Greentown Acquisition. As such, the net cash outflow of the Group due to the Haiqi Greentown Acquisition and the Shanghai Luyuan Disposal would be RMB152,218,003. According to the 2008 Annual Report, the Group had cash balance of RMB1,498,021,000 as at 31 December 2008. The net cash outflow due to the Haiqi Greentown Acquisition and the Shanghai Luyuan Disposal represents approximately 10.2% of the Group's cash balance as at 31 December 2008.

8. Opinion

Having considered the principal factors and reasons described above, we are of the opinion that the terms of the SP Agreement are fair and reasonable as far as the interests of the Shareholders are concerned, and the Haiqi Greentown Acquisition and the Shanghai Luyuan Disposal are on normal commercial terms and in the interests of the Company and its shareholders as a whole.

B. ANCILLARY TRANSACTIONS IN RELATION TO THE TRUST

1. Background

Subscription of Trust Units and ancillary transactions

On 14 April 2009, Greentown Real Estate, a wholly-owned subsidiary of the Company, and the Trustee entered into the Trust Agreement pursuant to which Greentown Real Estate agreed to subscribe not less than 60% of the Junior Units with a total consideration of not more than RMB300.0 million (equivalent to approximately HK\$342.0 million) assuming that Greentown Real Estate subscribes all the Junior Units at a subscription price of RMB1.00 each and the initial Trust Capital is equal to the Maximum Trust Capital; and not less than RMB90.0 million (equivalent to approximately HK\$102.6 million) assuming that Greentown Real Estate subscribes 60% of the Junior Units at a subscription price of RMB1.00 each and the initial Trust Capital is equal to the Minimum Trust Capital, in cash by its internal resources.

For details of the subscription of the Trust Units and the Trust Agreement, please refer to the section headed "Subscription of Trust Units" in the Letter from the Board.

On or about the Trust Establishment Date, the following transactions were entered into:

Disposal of Haiqi Greentown Interests and Wuxi Greentown Interests

Hangzhou Kangju and the Trustee entered into the Haiqi Greentown Disposal Agreement on the Trust Establishment Date pursuant to which Hangzhou Kangju disposed of 25% of the Haiqi Greentown Interests to the Trust at a consideration of

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

RMB250 million (equivalent to approximately HK\$285) million which was determined with reference to the paid up registered capital of Haiqi Greentown.

Greentown Real Estate and the Trustee entered into the Wuxi Greentown Disposal Agreement on the Trust Establishment Date pursuant to which Greentown Real Estate disposed of 45% of the Wuxi Greentown Interests to the Trust at a consideration of RMB45.9 million (equivalent to approximately HK\$52.3 million) which was determined with reference to the paid up registered capital of Wuxi Greentown.

For details of the Haiqi Greentown Disposal Agreement and the Wuxi Greentown Disposal Agreement, please refer to the subsection headed “1. Disposal of Haiqi Greentown Interests and Wuxi Greentown Interests” in the section headed “C. Ancillary Transactions” in the Letter from the Board.

Provision of the Haiqi Greentown Loan and the Wuxi Greentown Loan

After completion of the Haiqi Greentown Disposal, Haiqi Greentown and the Trustee entered into the Haiqi Greentown Loan Agreement on the Trust Establishment Date pursuant to which the Trust has agreed to provide the Haiqi Greentown Loan of RMB1,250 million (equivalent to approximately HK\$1,425 million) to Haiqi Greentown for the purpose of financing the development and construction of phase one of the Qianjiang Project and any other purposes which comply with the relevant law, regulations and requirements.

Upon completion of the Wuxi Greentown Disposal, Wuxi Greentown and the Trustee entered into the Wuxi Greentown Loan Agreement on the Trust Establishment Date pursuant to which the Trust has agreed to provide the Wuxi Greentown Loan of RMB437.1 million (equivalent to approximately HK\$498.3 million) to Wuxi Greentown for the purpose of financing the development and construction of phase one of the Taihu Project and any other purposes which comply with the relevant law, regulations and requirements.

Equity Interests Put Option

Greentown Real Estate and the Trustee entered into the Equity Interests Put Option Agreement on the Trust Establishment Date pursuant to which Greentown Real Estate granted the Equity Interests Put Option to the Trustee which shall be obliged to exercise the Equity Interests Put Option and require Greentown Real Estate or its nominees to acquire the Haiqi Greentown Interests and the Wuxi Greentown Interests held by the Trust upon (i) the expiry of the 33rd month after the Trust Establishment Date; (ii) the occurrence of any Material Adverse Event; or (iii) Early Repayment.

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

Trust Units Put Option

Greentown Real Estate and the Other Beneficiaries entered into the Trust Units Put Option Agreements on the Trust Establishment Date pursuant to which Greentown Real Estate granted the Trust Units Put Option to the Other Beneficiaries which shall be obliged to exercise the Trust Units Put Option and require Greentown Real Estate to acquire all the Trust Units owned by the Other Beneficiaries upon, among other things, the occurrence of the Material Adverse Event provided that a special income, in such amount that shall not exceed the Total Cash Assets of the Trust at the time of distribution (after deducting all relevant costs and fees), shall be distributed to the Beneficiaries prior to the exercise of the Trust Units Put Option by the Trustee.

Provision of Guarantee and Surety

Greentown Real Estate and the Trustee entered into the Guarantee Agreement on the trust Establishment Date pursuant to which Greentown Real Estate has agreed to provide the Guarantee and pay a Surety to the Trust to secure the performance and obligations of Greentown Real Estate, Haiqi Greentown, Wuxi Greentown and/or the Greentown Parties, particulars of which are set out in the subsection headed “5. Provision of Guarantee and Surety” in the section headed “C. Ancillary Transactions” in the Letter from the Board.

Pledge of equity interests in Haiqi Greentown and Wuxi Greentown

To secure, among others, the repayment of the principal sum of the Haiqi Greentown Loan and the Wuxi Greentown Loan and their accrued interest by Haiqi Greentown and Wuxi Greentown (as the case may be), on the Trust Establishment Date, Hangzhou Kangju and Greentown Real Estate (as pledgors) and the Trustee (as pledgee) entered into the Haiqi Greentown Equity Pledge Agreement pursuant to which Hangzhou Kangju and Greentown Real Estate have agreed to pledge their respective interests in Haiqi Greentown to the Trustee; and Greentown Real Estate (as pledgor) and the Trustee (as pledgee) entered into the Wuxi Greentown Equity Pledge Agreement pursuant to which Greentown Real Estate has agreed to pledge its equity interests in Wuxi Greentown to the Trustee.

RMB1 Options

To protect the interests of the Beneficiaries upon the occurrence of any Material Adverse Event, the Trustee and the Greentown Parties entered into the RMB1 Equity Interests Purchase Agreements on the Trust Establishment Date, pursuant to which Greentown Parties granted the RMB1 Options to the Trust, which shall be obliged to exercise the RMB1 Options and require the Greentown Parties to dispose of their remaining equity interests in Haiqi Greentown and/or Wuxi Greentown to the Trust at RMB1.

2. Reasons for entering into the ancillary transactions

The Directors consider that the entering into of the Trust Agreement and the ancillary transactions will help the Company to raise capital to finance the development and construction of the relevant Project Companies and to repay debts. Furthermore, the Directors consider that the ancillary transactions referred to in the section headed “Ancillary Transactions” in the Letter from the Board were entered into upon normal commercial terms following arm’s length negotiations between Greentown Real Estate, ICBC, and the Trustee. ICBC and the Trustee are independent third parties of the Company.

Since the Loans do not require the pledge of land use rights of the Hangzhou Land and Wuxi Land or other land interests of the Group, they allow the Company to obtain additional funding for the relevant Project Companies without affecting the ability of the Project Companies to tap bank financing or project loans which typically require the pledge of land use rights. Moreover, the disposal of the Haiqi Greentown Interests and Wuxi Greentown Interests will allow the Company to raise additional funding from the Trust.

3. Provision of Haiqi Greentown Loan

Upon completion of the Haiqi Greentown Disposal, Haiqi Greentown and the Trustee entered into the Haiqi Greentown Loan Agreement pursuant to which the Trust has agreed to provide the Haiqi Greentown Loan of RMB1,250 million (equivalent to approximately HK\$1,425 million) to Haiqi Greentown for the purpose of financing the development and construction of phase one of the Qianjiang Project and any other purposes which comply with the relevant law, regulations and requirements. For details of the Haiqi Greentown Loan, please refer to the section headed “Provision of Haiqi Greentown Loan and Wuxi Greentown Loan” in the Letter from the Board.

The Loan shall bear an annual interest rate of 14%. The principal sum of the Loan shall be repaid by Haiqi Greentown (as the case may be) by a single instalment on the due date which shall be within 33 months from the Trust Establishment Date save and except that if 40% of the total above-ground GFA of phase one of the Qianjiang Project is sold, the relevant Project Company shall repay half of the principal sum of the Loan; and if 80% of the total above-ground GFA of phase one of the Qianjiang Project is sold, Haiqi Greentown shall repay all of the principal sum of the Loan. Under other circumstances, Haiqi Greentown may request Early Repayment by multiple instalments if all of the following conditions are satisfied:

- (i) the Trust has been established for more than six months;
- (ii) the relevant Loan has been drawn for more than six months;
- (iii) an one-month prior written notice for Early Repayment has been given to the Trustee;

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

- (iv) each repayment of the principal sum of the relevant Loan(s) shall not be less than one-third of the principal sum of the relevant Loan(s) as stipulated in the Loan Agreement or RMB250.0 million (equivalent to approximately HK\$285.0 million), whichever is lower; and
- (v) Greentown Real Estate or its nominees have acquired the equity interest of Haiqi Greentown held by the Trust in such proportion equivalent to the percentage of the principal sum of the relevant Loan repaid by Haiqi Greentown.

Each of Haiqi Greentown and the Greentown Parties undertakes to the Trustee that the Loan shall have priority upon repayment over the other loans provided by the Greentown Parties to Haiqi Greentown.

We understand that the Company has explored other fund raising alternatives and the indicative interest rates for those alternatives were higher than the interest rate of the Loan.

4. Equity Interests Put Option

Greentown Real Estate and the Trustee entered into the Equity Interests Put Option Agreement on or around the Trust Establishment Date pursuant to which Greentown Real Estate granted the Equity Interests Put Option to the Trustee which shall be obliged to exercise the Equity Interests Put Option and require Greentown Real Estate or its nominees to acquire the Haiqi Greentown Interests and Wuxi Greentown Interests held by the Trust upon the occurrence of any of the following events:

- (i) upon the occurrence of the Material Adverse Event;
- (ii) upon the expiry of the 33rd month after the Trust Establishment Date; or
- (iii) upon Early Repayment (provided that the Haiqi Greentown Interests and/or Wuxi Greentown Interests to be acquired by Greentown Real Estate or its nominees pursuant to the Equity Interests Put Option shall be in such proportion equivalent to the principal sum of the Loan repaid by Haiqi Greentown and/or Wuxi Greentown).

Upon the occurrence of the Material Adverse Event or the expiry of the 33rd month after the Trust Establishment Date, the Equity Interests Put Option can be exercised at a put price based on the following formula:

$$\text{Equity Interests Put Option Put Price} = A \times B \times \left(1 + \frac{40\% \times C}{360}\right) - \sum (D \times E)$$

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

where:

A: the investment costs of the Trust in the equity interests of the relevant Project Company

$$B = \frac{B1}{B2}$$

where:

B1: the equity interests in the relevant Project Company held by the Trust when the Equity Interests Put Option is exercised

B2: equity interests in the relevant Project Company disposed to the Trust pursuant to the relevant Disposal Agreement

C: number of investment days in the relevant Project Company by the Trust

D: the actual dividend paid by the relevant Project Company to the Trust per annum

$$E = \frac{E1}{E2}$$

where:

E1: the equity interests in the relevant Project Company held by the Trust when the Equity Interests Put Option is exercised

E2: the equity interests in the relevant Project Company held by the Trust at the time when the annual dividend is paid by the relevant Project Company

Upon Early Repayment, the Equity Interests Put Option can be exercised at a put price based on the following adjusted formula:

$$\text{Adjusted Equity Interests Put Option Put Price} = A \times F \times \left(1 + \frac{40\% \times C}{360}\right) - \sum (D \times G)$$

where:

A: the investment costs of the Trust in the equity interests of the relevant Project Company

C: number of investment days in the relevant Project Company by the Trust

D: the actual dividend paid by the relevant Project Company to the Trust per annum

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

$$F = \frac{F1}{F2}$$

where:

F1: the equity interests in the relevant Project Company to be acquired by Greentown Real Estate or its nominees which is proportional to the amount of the Loan repaid

F2: the equity interests in the relevant Project Company disposed to the Trust pursuant to the relevant Disposal Agreement

$$G = \frac{G1}{G2}$$

where:

G1: the equity interests in the relevant Project Company to be acquired by Greentown Real Estate or its nominees which is proportional to the amount of the Loan repaid

G2: the equity interests in the relevant Project Company held by the Trust at the time when the annual dividend is paid by the relevant Project Company

If Greentown Real Estate or its nominees fail to fulfil its or their obligations under the Equity Interests Put Option Agreements, the Trustee may transfer the equity interests to other third parties at a consideration of not less than 90% of the value of the equity interests of the Project Companies, the value of which will be determined by an independent valuer if the Investment Management Committee deems it necessary to do so.

We note that the Equity Interests Put Option Put Price and the Adjusted Equity Interests Put Option Put Price will be calculated based on 40% annualized return on the investment costs of the Trust in the equity interests of the relevant Project Company, and adjusted by subtracting the relevant dividend paid per annum by the relevant Project Company to the Trust. The Company considers that the major purpose for the establishment of the Trust is to raise capital to finance the development and construction of the projects held by the Project Companies. Since the Equity Interests Put Option may be exercised upon the occurrence of the Material Adverse Event, or upon the expiry of the 33rd month after the trust Establishment Date or Early Repayment, such arrangement could enable the Company to retain its original equity interests in the relevant Project Companies after 33rd month after the trust Establishment Date, or after Early Repayment, the Loans provided by the Trust to the relevant Project Companies under the Trust Agreement and other Ancillary Transactions effectively are the terms and conditions of project loans to Greentown Real Estate. Accordingly, the difference between the Equity Interests Put Option Put Price and the investment costs of the Trust in the equity interests of the relevant Project Company (which will be calculated based on 40% annualized return) can be considered as part of the effective interest payment of this financing exercise.

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

Assuming the investment costs of the Trust in the equity interests in Haiqi Greentown Interests and Wuxi Greentown are RMB250 million and RMB45.9 million respectively, and no dividend is paid before the exercise of the Equity Interests Put Option upon the expiry of the 33rd month after the Trust Establishment Date, the Equity Interests Put Option Price would be RMB621.4 million. Therefore, the total return on the investment of the Trust in the equity interests of Haiqi Greentown and Wuxi Greentown for 33 months would be approximately RMB325.5 million.

Taking into account the aggregate interest paid to the Trust of RMB 649.5 million based on the aggregate amount of Haiqi Greentown Loan and Wuxi Greentown Loan of RMB1,687.1 million on 33 months basis, the Trust's total investment costs in the equity interests of Haiqi Greentown and Wuxi Greentown ("Equity Investment Costs") of RMB295.9 million, as well as the total return on the investment in the equity interests of Haiqi Greentown and Wuxi Greentown of RMB325.5 million, the effective annualized return on the Loans and the Equity Investment Costs would be approximately RMB354.5 million, which represents approximately 17.9% of effective annualized yield.

As mentioned above, we understand that the Company has explored other fund raising alternatives. The indicative interest rates for those alternatives were higher than the effective annualized yield of the Loans and the Equity Investment Costs.

5. Trust Units Put Option

Greentown Real Estate and the Other Beneficiaries entered into the Trust Units Put Option Agreements on the Trust Establishment Date pursuant to which Greentown Real Estate granted the Trust Units Put Option to the Other Beneficiaries which shall be obliged to exercise the Trust Units Put Option and require Greentown Real Estate to acquire all the Trust Units owned by the Other Beneficiaries upon, among other things, the occurrence of the Material Adverse Event provided that a special income, in such amount that shall not exceed the Total Cash Assets of the Trust at the time of distribution (after deducting all relevant costs and fees), shall be distributed to the Beneficiaries prior to the exercise of the Trust Units Put Option by the Trustee. (For details of the distribution of the special income, please refer to the paragraph headed "Distribution of special income prior to the exercise of the Trust Units Put Option" under the section headed "Calculation and Distribution of the Trust Income" in the Letter from the Board.)

The Trust Units Put Option can be exercised at a put price based on a fixed rate of 11.5% per annum in the case of Senior Unit and 45% per annum in the case of Junior Unit with reference to the number of investment days of the Trust less any cumulative Trust Income distributed to the Beneficiaries of the Senior Units or the Junior Units (as the case may be).

As the Trustee shall only have the right to exercise the Trust Units Put Option if the Trust fails to recover the Loans and the accrued interest and the Equity Interests Put Option Put Price or the Adjusted Equity Interests Put Option Put Price (as the case may

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

be) upon the occurrence of the Material Adverse Event, the Trust Units Put Option could be treated as the mechanism for the holders of the Trust Units to recover their investments from Greentown Real Estate should any event of default occur.

Assuming that (i) Material Adverse Events occur immediately before the expiry of 33 months after the Trust Establishment Date, (ii) there is no distribution of Trust Income by the Trust to the holders of the Trust Units prior to the exercise of the Trust Units Put Option, and (iii) total number of Senior Units and Junior Units amounts to 1,700,000,000 and 300,000,000, respectively, the total amount of special income that would be paid to the holders of the Trust Units would be approximately RMB903.5 million.

Furthermore, assuming that (i) no Trust Units were subscribed by Greentown Real Estate, (ii) the investment period is 33 months, and (iii) the amount of initial Trust Capital is RMB1,983,000,000 based on 1,700,000,000 Senior Notes and 300,000,000 Junior Notes, upon the exercise of the Trust Units Put Option, the annualized return on the investment costs for the holders of Trust Units would be approximately RMB328.6 million and the annualized yield according to the put price of the Trust Units Put Option would be approximately 16.6%.

As mentioned above, we understand that the Company has explored other fund raising alternatives. The indicative interest rates for those alternatives were higher than the annualized yield under the Trust Units Put Option. On the basis of this, we consider that the put price of the Trust Units Put Option is reasonable.

6. Provision of Guarantee and Surety

Greentown Real Estate and the Trustee entered into the Guarantee Agreement on the Trust Establishment Date pursuant to which Greentown Real Estate has agreed to provide the Guarantee and pay a Surety to the Trustee to secure the performance and obligations of Greentown Real Estate, Haiqi Greentown, Wuxi Greentown and/or the Greentown Parties as detailed below:

The Guarantee

Greentown Real Estate shall provide the Guarantee to the Trust to secure, among other things, the following obligations (the “**Guarantee Obligations**”):

- (i) the representations, warranties and other obligations of Haiqi Greentown and/or Wuxi Greentown (as the case may be) under the Haiqi Greentown Loan Agreement and/or the Wuxi Greentown Loan Agreement;
- (ii) the payment obligations of Haiqi Greentown and/or Wuxi Greentown (as the case may be) including the payment of costs incurred in the Qianjiang Project and the Taihu Project under the Accounts Management Agreements;

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

- (iii) the representations, warranties and other obligations of Haiqi Greentown under the Haiqi Greentown Disposal Agreement;
- (iv) the representations, warranties and other obligations of the Greentown Parties (other than Greentown Real Estate) under the RMB1 Equity Interests Purchase Agreements; and
- (v) the payment of all costs (including legal costs and other relevant costs), losses and compensations of the Trust arising from the enforcement of the Guarantee.

The Surety

Greentown Real Estate shall pay the Surety to the Trust to secure, among other things, the following obligations (the “**Surety Obligations**”):

- (i) the representations, warranties and other obligations of Greentown Real Estate under the Wuxi Greentown Disposal Agreement and the Consultancy Agreement;
- (ii) the representations, warranties and other obligations of Greentown Real Estate and Hangzhou Kangju under the Equity Interests Put Option Agreement;
- (iii) the representations, warranties and other obligations of Haiqi Greentown and/or Wuxi Greentown (as the case may be) under the Haiqi Greentown Loan Agreement and/or the Wuxi Greentown Loan Agreement;
- (iv) the payment obligations of Haiqi Greentown and/or Wuxi Greentown (as the case may be) including the payment of costs incurred in the Qianjiang Project and the Taihu Project under the Accounts Management Agreements;
- (v) the representations, warranties and other obligations of the Greentown Parties under the RMB1 Equity Interests Purchase Agreements;
- (vi) the undertaking by Greentown Real Estate to contribute further funding to the Project Companies in the event that there is any shortfall of funding for the Real Estate Projects; and
- (vii) the payment of all costs (including legal costs and other relevant costs), losses and compensations of the Trust arising from the enforcement of the Surety.

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

Under the Guarantee Agreement, Greentown Real Estate shall be obliged, including but not limited to, the following:

- (i) to pay the outstanding amount of the Haiqi Greentown Loan and/or the Wuxi Greentown Loan and their accrued interest in full to the Trust if Haiqi Greentown and/or Wuxi Greentown (as the case may be) fail to make repayment on time;
- (ii) to indemnify the Trust for the actual loss incurred due to the breach of the representations, warranties and other obligations under:
 - (a) the Haiqi Greentown Loan Agreement and/or the Wuxi Greentown Loan Agreement by Haiqi Greentown and/or Wuxi Greentown (as the case may be);
 - (b) the Equity Interests Put Option Agreement by Greentown Real Estate or its nominees;
 - (c) the Consultancy Agreement by Greentown Real Estate;
 - (d) The RMB1 Equity Interests Agreements by the Greentown Parties;
 - (e) the undertaking by Greentown Real Estate to contribute further funding to the Project Companies in the event that there is any shortfall of funding for the Real Estate Projects; and
- (iii) to indemnify the Trust for the actual loss incurred due to the breach of the payment obligations under the Accounts Management Agreements by Haiqi Greentown and/or Wuxi Greentown (as the case may be).

The Guarantee and the Surety shall be valid for a period of two years after the expiry of the Guarantee Obligations and the Surety Obligations under their respective underlying agreements, which will be in turn terminated after the repayment of all the outstanding Loans and accrued interest by Haiqi Greentown and/or Wuxi Greentown (as the case may be).

The Surety shall be returned to Greentown Real Estate in full if no event that triggers Greentown Real Estate's obligations under the Guarantee Agreement has occurred during the term of the Trust.

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

We understand that Greentown Real Estate provides guarantees for a majority of the onshore bank loans borrowed by its subsidiaries. It is not unusual for a borrower, a vendor or a service provider to provide guarantee and surety to lender or purchaser (as the case maybe) to secure the performance and obligations.

7. Pledge of equity interests in Haiqi Greentown and Wuxi Greentown

To secure, among others, the repayment of the principal sum of the Haiqi Greentown Loan and the Wuxi Greentown Loan and their accrued interest by Haiqi Greentown and Wuxi Greentown (as the case may be), the following Equity Pledge Agreements have been entered into by the parties thereto:

- (i) the Haiqi Greentown Equity Pledge Agreement was entered into on the Trust Establishment Date pursuant to which Hangzhou Kangju and Greentown Real Estate (as pledgors) have agreed to pledge their respective interests in Haiqi Greentown to the Trustee (as pledgee) to secure the obligations of Haiqi Greentown under the Haiqi Greentown Loan Agreement and the obligations of Greentown Real Estate under the Equity Interests Put Option Agreement; and
- (ii) the Wuxi Greentown Equity Pledge Agreement was entered into on the Trust Establishment Date pursuant to which Greentown Real Estate (as pledgor) has agreed to pledge its equity interests in Wuxi Greentown to the Trustee (as pledgee) to secure the obligations of Wuxi Greentown under the Wuxi Greentown Loan Agreement and the obligations of Greentown Real Estate under the Equity Interests Put Option Agreement.

We understand that the project loans of Greentown Real Estate and its subsidiaries are usually secured by land use rights. It is not unusual for a borrower and/or its controlling shareholder(s) to pledge certain assets to a lender to secure the obligations under a loan agreement. As Hangzhou Kangju and Greentown Real Estate have pledged their equity interests in Haiqi Greentown and Wuxi Greentown to the Trust, no land use rights of the properties owned by Haiqi Greentown and Wuxi Greentown are pledged to the Trust. Accordingly, the Trust provides the flexibility to the Company to obtain additional funding, in addition to bank financing or project loans, which typically require pledge of land use rights.

8. RMB1 Options

To protect the interests of the Beneficiaries upon the occurrence of the Material Adverse Event as stipulated in the paragraph headed “Material Adverse Events” in the Letter from the Board, the Trustee and the Greentown Parties entered into the RMB1 Equity Interests Purchase Agreements on the Trust Establishment Date, pursuant to which Greentown Parties granted the RMB1 Options to the Trust, which shall be obliged to

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

exercise the RMB1 Options and require the Greentown Parties to dispose of their remaining equity interests in Haiqi Greentown and/or Wuxi Greentown to the Trust at RMB1, the details of which are as follows:

Haiqi Greentown RMB1 Option

The Trustee and the Greentown Parties entered into the Haiqi Greentown RMB1 Equity Interests Purchase Agreements on the Trust Establishment Date pursuant to which the Greentown Parties have agreed to sell all their remaining Haiqi Greentown Interests to the Trust at a consideration of RMB1 upon the occurrence of any Material Adverse Event. However, the Trust shall be obliged to sell all such Haiqi Greentown Interests back to the Greentown Parties at the same consideration if (i) all the Haiqi Greentown Loan and the interest accrued thereon have been repaid; and (ii) the value of the Haiqi Greentown Interests upon realisation is not less than the Equity Interests Put Option Put Price.

Wuxi Greentown RMB1 Option

The Trustee and the Greentown Real Estate entered into the Wuxi Greentown RMB1 Equity Interests Purchase Agreement on the Trust Establishment Date pursuant to which the Greentown Real Estate has agreed to sell all its remaining Wuxi Greentown Interests to the Trust at a consideration of RMB1 upon the occurrence of any Material Adverse Event. However, the Trust shall be obliged to sell all such Wuxi Greentown Interests back to the Greentown Real Estate at the same consideration if (i) all the Wuxi Greentown Loan and the interest accrued thereon have been repaid; and (ii) the value of the Wuxi Greentown Interests upon realisation is not less than the Equity Interests Put Option Put Price.

As mentioned above, we understand that the Company considers that the major purpose for the establishment of the Trust is to raise capital to finance the development and construction of the projects held by the Project Companies. In addition, the RMB1 Options are to protect the interests of the Beneficiaries upon the occurrence of Material Adverse Event. Material Adverse Events could be viewed as events of default under a loan agreement. Furthermore, the RMB1 Options could be treated as part of the mechanism that allows the Trust to obtain the pledged assets (i.e. the equity interests in Haiqi Greentown and/or Wuxi Greentown) should any event of default occur. Given this, the RMB1 Options are not unusual arrangement.

Besides, Greentown Parties could buy back those equity interests in Haiqi Greentown and/or Wuxi Greentown (as the case maybe) at the same consideration if (i) all the Loans and the interest accrued thereon have been repaid; and (ii) the values of the Haiqi Greentown Interests and/or the Wuxi Greentown Interests (as the case may be) upon realisation are not less than the Equity Interests Put Option Put Price.

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

OPINION

Having considered the principal factors and reasons described above, we are of the opinion that the terms of the Transactions are fair and reasonable as far as the interests of the Shareholders are concerned, and the Transactions are on normal commercial terms and in the interests of the Company and its shareholders as a whole.

Yours faithfully,
For and on behalf of
MIZUHO SECURITIES ASIA LIMITED
Kelvin S. K. Lau
Managing Director
Capital Markets & Corporate Finance

1. FINANCIAL SUMMARY

The following financial summary has been extracted from the 2007 and 2008 annual reports of the Company.

Consolidated Results

	2006 <i>Rmb'000</i>	2007 <i>Rmb'000</i>	2008 <i>Rmb'000</i>
Revenue	6,400,467	5,738,791	6,635,357
Cost of sales	<u>(3,579,946)</u>	<u>(3,675,198)</u>	<u>(4,765,728)</u>
Gross profit	2,820,521	2,063,593	1,869,629
Other income	139,551	287,909	356,192
Expenses	(751,475)	(736,210)	(1,413,842)
Share of results of associates and jointly controlled entities	<u>(36,730)</u>	<u>120,181</u>	<u>383,731</u>
Profit before taxation	2,171,867	1,735,473	1,195,710
Taxation	<u>(883,373)</u>	<u>(729,884)</u>	<u>(629,088)</u>
Profit for the year from continuing operations	1,288,494	1,005,589	566,622
Profit (loss) for the year from discontinued operations	<u>—</u>	<u>—</u>	<u>—</u>
Profit for the year	<u><u>1,288,494</u></u>	<u><u>1,005,589</u></u>	<u><u>566,622</u></u>
Attributable to:			
Equity holder of the Company	1,269,066	923,376	540,285
Minority interests	<u>19,428</u>	<u>82,213</u>	<u>26,337</u>
	<u><u>1,288,494</u></u>	<u><u>1,005,589</u></u>	<u><u>566,622</u></u>

Consolidated Assets and Liabilities

	2006 <i>Rmb'000</i>	2007 <i>Rmb'000</i>	2008 <i>Rmb'000</i>
Non-current assets	1,139,923	2,542,377	3,537,279
Current assets	16,698,610	30,323,468	39,277,797
Current liabilities	(7,532,932)	(13,971,970)	(22,875,859)
Non-current liabilities	<u>(5,566,967)</u>	<u>(9,407,373)</u>	<u>(9,657,891)</u>
	<u><u>4,738,634</u></u>	<u><u>9,486,502</u></u>	<u><u>10,281,326</u></u>

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

The following consolidated financial statements of the Group have been extracted from the 2008 annual report of the Company.

Consolidated Income Statement

For the year ended 31 December 2008

	<i>Notes</i>	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Revenue	6	6,635,357	5,738,791
Cost of sales		<u>(4,765,728)</u>	<u>(3,675,198)</u>
Gross profit		1,869,629	2,063,593
Other income	7	329,145	271,237
Selling expenses		(293,686)	(196,197)
Administrative expenses		(443,565)	(293,654)
Finance costs	8	(401,290)	(217,269)
Fair value gain on transfer from completed properties for sale to investment property		–	16,658
Impairment losses on property, plant and equipment	14	(53,000)	–
Decrease in fair value of investment property	15	(1,052)	–
Impairment losses on properties under development		(190,433)	–
Impairment losses on completed properties for sale		(30,816)	–
Fair value changes on embedded financial derivatives	26	19,477	(29,090)
Net gain on disposal of an associate		27	–
Net gain on partial disposal of subsidiaries		7,543	–
Net gain on purchase of additional interest in a subsidiary		–	14
Share of results of associates		242,158	66,650
Share of results of jointly controlled entities		<u>141,573</u>	<u>53,531</u>
Profit before taxation	9	1,195,710	1,735,473
Taxation	11	<u>(629,088)</u>	<u>(729,884)</u>
Profit for the year		<u>566,622</u>	<u>1,005,589</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

		2008	2007
	<i>Notes</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Attributable to:			
Equity holders of the Company		540,285	923,376
Minority interests		<u>26,337</u>	<u>82,213</u>
		<u>566,622</u>	<u>1,005,589</u>
Dividends	<i>12</i>	<u>438,283</u>	<u>490,170</u>
Earnings per share	<i>13</i>		
Basic		<u>Rmb0.35</u>	<u>Rmb0.63</u>
Diluted		<u>Rmb0.34</u>	<u>Rmb0.61</u>

Consolidated Balance Sheet*As at 31 December 2008*

	<i>Notes</i>	2008 <i>Rmb '000</i>	2007 <i>Rmb '000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>14</i>	1,321,909	1,154,844
Investment property	<i>15</i>	25,000	26,052
Interests in associates	<i>16</i>	1,434,510	955,621
Interests in jointly controlled entities	<i>17</i>	326,217	193,644
Available-for-sale investments	<i>18</i>	8,500	1,000
Prepaid lease payment	<i>19</i>	148,647	34,413
Rental paid in advance		11,664	13,312
Deferred tax assets	<i>20</i>	260,832	163,491
		<u>3,537,279</u>	<u>2,542,377</u>
CURRENT ASSETS			
Properties for development	<i>21</i>	6,152,221	10,293,210
Properties under development	<i>22</i>	23,250,049	11,094,981
Completed properties for sale		1,962,108	1,127,401
Inventories		11,954	5,139
Embedded financial derivatives	<i>26</i>	157	17,378
Trade and other receivables, deposits and prepayments	<i>23</i>	1,334,601	2,260,651
Amounts due from related parties	<i>37(ii)</i>	4,215,415	1,772,763
Prepaid income taxes		297,522	166,996
Prepaid other taxes		335,532	201,742
Pledged bank deposits	<i>23, 34</i>	220,217	506,282
Bank balances and cash	<i>23</i>	1,498,021	2,876,925
		<u>39,277,797</u>	<u>30,323,468</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

	<i>Notes</i>	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
CURRENT LIABILITIES			
Trade and other payables	24	3,392,250	1,913,882
Pre-sale deposits		6,136,522	3,583,055
Amounts due to related parties	37(ii)	5,279,321	4,865,677
Dividend payable		1,367	1,367
Income taxes payable		1,204,898	912,301
Other taxes payable		269,849	197,794
Embedded financial derivatives	26	22,725	61,622
Bank and other borrowings			
– due within one year	25	3,867,741	2,436,272
Senior notes	27	2,701,186	–
		<u>22,875,859</u>	<u>13,971,970</u>
NET CURRENT ASSETS		<u>16,401,938</u>	<u>16,351,498</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>19,939,217</u>	<u>18,893,875</u>
NON-CURRENT LIABILITIES			
Bank and other borrowings			
– due after one year	25	7,385,305	4,368,130
Convertible bonds	26	2,163,523	2,069,821
Senior notes	27	–	2,879,761
Deferred tax liabilities	20	109,063	89,661
		<u>9,657,891</u>	<u>9,407,373</u>
		<u>10,281,326</u>	<u>9,486,502</u>
CAPITAL AND RESERVES			
Share capital	28	157,395	157,395
Reserves		8,052,075	7,950,073
Equity attributable to equity holders of the Company		8,209,470	8,107,468
Minority interests		2,071,856	1,379,034
		<u>10,281,326</u>	<u>9,486,502</u>

Consolidated Statement of Changes in Equity*For the year ended 31 December 2008*

	Attributable to equity holders of the Company								
	Share capital <i>Rmb'000</i>	Share premium <i>Rmb'000</i>	Special reserve <i>Rmb'000</i> <i>(Note i)</i>	Statutory reserve <i>Rmb'000</i> <i>(Note ii)</i>	Conversion option reserve <i>Rmb'000</i>	Retained earnings <i>Rmb'000</i>	Subtotal <i>Rmb'000</i>	Minority interests <i>Rmb'000</i>	Total <i>Rmb'000</i>
At 1 January 2007	138,690	2,800,030	(551)	147,941	-	1,287,663	4,373,773	364,861	4,738,634
Profit for the year	-	-	-	-	-	923,376	923,376	82,213	1,005,589
Total recognised income for the year	-	-	-	-	-	923,376	923,376	82,213	1,005,589
Capitalisation issue	-	-	-	-	-	(490,170)	(490,170)	(14)	(490,184)
Dividends (<i>Note 12</i>)	-	-	-	-	-	(490,170)	(490,170)	(14)	(490,184)
Issue of shares on conversion	-	-	-	-	-	-	-	-	-
of convertible bonds	4,779	674,576	-	-	-	-	679,355	-	679,355
Issue of new shares	13,926	2,263,045	-	-	-	-	2,276,971	-	2,276,971
Transaction costs attributable to issue	-	(6,643)	-	-	-	-	(6,643)	-	(6,643)
of new shares	-	(6,643)	-	-	-	-	(6,643)	-	(6,643)
Equity component of convertible bonds <i>(Note 26)</i>	-	-	-	-	350,806	-	350,806	-	350,806
Transfer (<i>Note iii</i>)	-	-	(127)	(79,351)	-	79,478	-	-	-
Purchase of additional interest	-	-	-	-	-	-	-	(12,753)	(12,753)
in subsidiaries	-	-	-	-	-	-	-	(12,753)	(12,753)
Capital contribution from minority	-	-	-	-	-	-	-	873,943	873,943
shareholders of subsidiaries	-	-	-	-	-	-	-	873,943	873,943
Liquidation of subsidiaries	-	-	-	-	-	-	-	(518)	(518)
Acquisition of subsidiaries	-	-	-	-	-	-	-	71,302	71,302
Transfer (<i>Note ii</i>)	-	-	-	186,455	-	(186,455)	-	-	-
At 31 December 2007	157,395	5,731,008	(678)	255,045	350,806	1,613,892	8,107,468	1,379,034	9,486,502
Profit for the year	-	-	-	-	-	540,285	540,285	26,337	566,622
Total recognised income for the year	-	-	-	-	-	540,285	540,285	26,337	566,622
Dividends (<i>Note 12</i>)	-	-	-	-	-	(438,283)	(438,283)	(9,740)	(448,023)
Purchase of additional interest	-	-	-	-	-	-	-	(216,536)	(216,536)
in subsidiaries	-	-	-	-	-	-	-	(216,536)	(216,536)
Capital contribution from minority	-	-	-	-	-	-	-	277,140	277,140
shareholders of subsidiaries	-	-	-	-	-	-	-	277,140	277,140
Partial disposal of subsidiaries	-	-	-	-	-	-	-	81,493	81,493
Acquisition of subsidiaries	-	-	-	-	-	-	-	534,128	534,128
Transfer (<i>Note ii</i>)	-	-	-	24,871	-	(24,871)	-	-	-
At 31 December 2008	157,395	5,731,008	(678)	279,916	350,806	1,691,023	8,209,470	2,071,856	10,281,326

Notes:

- (i) The amount as at 1 January 2007 represents the net of the gain on disposal of subsidiaries and associates to related companies with common controlling shareholders of the Group, which is considered capital contribution and recognised as a special reserve, and the distribution to shareholders in excess of paid-in capital upon the group reorganisation (the “Group Reorganisation”) prior to the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).
- (ii) 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.
- (iii) The transfer in 2007 was made on the closure of Zhejiang Green Garden Real Estate Development Co., Ltd. (“Zhejiang Green Garden”) , Hangzhou Greentown Real Estate Development Co., Ltd. (“Hangzhou Greentown”), Hangzhou Osmanthus City Real Estate Development & Operation Co., Ltd. (“Hangzhou Osmanthus City”) and Hangzhou Jiuxi Property Services Company Limited (“Hangzhou Jiuxi”).

Consolidated Cash Flow Statement*For the year ended 31 December 2008*

	<i>Notes</i>	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
OPERATING ACTIVITIES			
Profit before taxation		1,195,710	1,735,473
Adjustments for:			
Share of results of associates		(242,158)	(66,650)
Share of results of jointly controlled entities		(141,573)	(53,531)
Depreciation and amortisation		74,705	24,114
Impairment losses on property, plant and equipment		53,000	–
Impairment losses on properties under development		190,433	–
Impairment losses on completed properties for sale		30,816	–
Interest income		(59,074)	(134,423)
Finance costs		401,290	217,269
Net unrealised foreign exchange gain		(184,476)	(186,735)
Fair value gain on transfer from completed properties for sale to investment property		–	(16,658)
Gain on disposal of property, plant and equipment		(5,609)	–
Decrease in fair value of investment property		1,052	–
Fair value changes on embedded financial derivatives		(19,477)	29,090
Gain on liquidation of a subsidiary		–	(18)
Net gain on partial disposal of subsidiaries		(7,543)	–
Net gain on purchase of additional interest in a subsidiary		–	(14)
Net gain on disposal of associates		(27)	–
Operating cash flows before movements in working capital		1,287,069	1,547,917
Decrease (increase) in properties for development		5,216,292	(5,309,955)
Increase in properties under development		(9,443,689)	(4,924,926)
Increase in completed properties for sale		(866,476)	(17,743)
Increase in inventories		(6,767)	(2,855)
Decrease (increase) in trade and other receivables, deposits and prepayments		479,915	(1,350,251)
Increase in amounts due from related parties		(2,006,838)	(1,325,067)
Increase in prepaid other taxes		(127,813)	(130,403)
Decrease in rental paid in advance		1,648	637
Increase in pre-sale deposits		2,553,467	1,911,465
Increase in trade and other payables		219,244	384,835
Decrease in amounts due to related parties		(609,220)	(2,336,329)
Increase in other taxes payable		72,044	104,936
Cash used in operations		(3,231,124)	(11,447,739)
Income taxes paid		(544,239)	(939,621)
NET CASH USED IN OPERATING ACTIVITIES		(3,775,363)	(12,387,360)

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

	<i>Notes</i>	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(297,258)	(755,552)
Proceeds from disposal of property, plant and equipment		12,609	8,218
Increase in prepaid lease payment		(6,777)	–
Investments in associates		(321,485)	(254,900)
Investments in jointly controlled entities		–	(51,000)
Dividends received from associates and JCE		19,260	24,912
Proceeds from disposal of interests in associates		38,909	12,000
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	29	(75,722)	(333,240)
Purchase of additional interests in subsidiaries		(217,873)	(22,501)
Proceeds from disposal of subsidiaries (net of cash and cash equivalents disposed of)	30	–	246,362
Proceeds from partial disposal of subsidiaries		89,036	–
Advance to third parties		(12,478)	(4,242)
Advance to (repayment from) related parties		(435,814)	132,112
Decrease in pledged bank deposits		286,065	124,098
Interest received		54,906	136,293
Purchase of available-for-sale investments		(7,500)	–
NET CASH USED IN INVESTING ACTIVITIES		<u>(874,122)</u>	<u>(737,440)</u>
FINANCING ACTIVITIES			
Bank and other borrowings raised		7,186,555	6,004,602
Repayment of bank and other borrowings		(3,107,911)	(3,148,402)
Advance from related parties		654,182	5,650,958
Contribution by minority shareholders of subsidiaries		277,140	873,943
Interest paid		(1,285,240)	(665,164)
Dividends paid to equity holders of the Company		(438,283)	(490,170)
Dividends paid to minority interests		(9,740)	(14)
Proceeds on issue of convertible bonds	26	–	2,291,097
Payment to minority equity holders on liquidation of a subsidiary		–	(500)
Proceeds on issue of shares		–	2,276,971
Payment for share issue expenses		–	(6,643)
NET CASH FROM FINANCING ACTIVITIES		<u>3,276,703</u>	<u>12,786,678</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>(1,372,782)</u>	<u>(338,122)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,876,925	3,249,014
Effects of exchange rate changes on the balance of cash held in foreign currencies		(6,122)	(33,967)
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>1,498,021</u>	<u>2,876,925</u>
REPRESENTED BY BANK BALANCES AND CASH		<u>1,498,021</u>	<u>2,876,925</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

1. GENERAL

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 with effect from 13 July 2006. The address of the registered office of the Company is disclosed in the section headed “Corporate Information” of the annual report.

The consolidated financial statements are presented in Renminbi (“Rmb”), which is also the functional currency of the Company.

The Company is an investment holding company. The principal activity of its subsidiaries (together with the Company referred to as the “Group”) is the development of residential properties in 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, the following 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 or have become effective.

IAS 39 & IFRS 7 (Amendments)	Reclassification of Financial Assets
IFRIC 11	IFRS 2: Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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.

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

IFRSs (Amendments)	Improvements to IFRSs May 2008 ¹
IFRSs (Amendments)	Improvements to IFRSs April 2009 ²
IAS 1 (Revised)	Presentation of Financial Statements ³
IAS 23 (Revised)	Borrowing Costs ³
IAS 27 (Revised)	Consolidated and Separate Financial Statements ⁴
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ³
IAS 39 (Amendment)	Eligible Hedged Items ⁴
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ³
IFRS 2 (Amendment)	Vesting Conditions and Cancellations ³
IFRS 3 (Revised)	Business Combinations ⁴
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments ³
IFRS 8	Operating Segments ³
IFRIC 9 & IAS 39 (Amendments)	Embedded Derivatives ⁵
IFRIC 13	Customer Loyalty Programmes ⁶
IFRIC 15	Agreements for the Construction of Real Estate ³
IFRIC 16	Hedges of a Net Investment in a Foreign Operation ⁷
IFRIC 17	Distributions of Non-cash Assets to Owners ⁴
IFRIC 18	Transfers of Assets from Customers ⁸

- ¹ Effective for annual periods beginning on or after 1 January 2009 except the amendments to IFRS 5, which are effective for annual periods beginning on or after 1 July 2009
- ² Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate
- ³ Effective for annual periods beginning on or after 1 January 2009
- ⁴ Effective for annual periods beginning on or after 1 July 2009
- ⁵ Effective for annual periods ending on or after 30 June 2009
- ⁶ Effective for annual periods beginning on or after 1 July 2008
- ⁷ Effective for annual periods beginning on or after 1 October 2008
- ⁸ Effective for transfers on or after 1 July 2009

The adoption of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or 1 January 2010. IAS 27 (Revised) will affect the Group's accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. PRINCIPAL ACCOUNTING POLICIES

The 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, as explained in the accounting policies 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 of Hong Kong Limited 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 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.

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

The acquisition of businesses 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, liabilities incurred or assumed, and equity instruments issued 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 that meet the conditions for recognition under IFRS 3 "Business Combinations" 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.

Acquisition of assets

When the Group acquires a group of assets or net assets that does not constitute a business, the cost of the acquisition is allocated between the individual identifiable assets and liabilities in the group based on their relative fair values at the acquisition date.

Acquisition of additional interests in subsidiaries or associates which are not a business is accounted for as an acquisition of additional interests in assets. The difference between the consideration paid or payable and the carrying amount of minority interests attributable to the acquired interest is allocated to the value of the underlying assets acquired. No goodwill or discount on acquisition is recognised from this transaction.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor 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 associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the 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 net assets 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 (which includes any long-term interests that, in substance, form part of the Group's net investment in the 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, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

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.

Revenue from sales of other goods is recognised when the goods are delivered and title has passed.

Service income is recognised when services are provided.

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.

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.

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.

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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

Government grants

Government grants are recognised as other income in the consolidated income statement when there is reasonable assurance that the grants will be received and become unconditional.

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.

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.

Leasehold land and buildings

The land and building elements of a lease of land and buildings are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Retirement benefit costs

The Group participates in state-managed retirement benefit 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 benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Property, plant and equipment

Property, plant and equipment, including land and buildings held for use in the production or supply of goods or services, or for administrative purposes 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.

Leasehold land and buildings under development for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised

over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property 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 disposals. 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.

Impairment of tangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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.

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 (or 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 (or 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 (or 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.

The Group transfers a property from completed properties for sale to investment property when there is a change of intention to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis.

Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties, pledged bank deposits, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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 Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Other financial liabilities

Other financial liabilities including bank and other borrowings, trade and other payables, amounts due to related parties and dividend payable are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds

- (i) Convertible bonds containing liability component, conversion option derivative and early redemption derivatives

Convertible bonds issued by the Group that contain liability, conversion option and early redemption options (which are not closely related to the host liability component) are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. 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 derivatives are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability, conversion option and redemption option components in proportion to their relative fair values. Transaction costs relating to the conversion option and redemption option derivatives are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

- (ii) Convertible bonds containing liability and equity components, and closely-related early redemption option

Convertible bonds were issued by the Group that contain liability, conversion option and early redemption options. The early redemption options are closely related to the host liability component and are therefore not separately accounted for. The liability and conversion option are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed

amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. At the date of issue, the fair value of the liability component is determined using the prevailing market interest rates of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (conversion option reserve).

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

The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in conversion option reserve until the embedded conversion option is exercised (in which case the balance stated in conversion option reserve will be transferred to share premium). Where the conversion option remains unexercised at the expiry date, the balance stated in conversion option reserve will be released to the retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability, equity and early redemption option components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the early redemption options are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. 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 in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest 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 non-derivative 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".

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 assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Net realisable value for properties under development and completed properties 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 for sale is determined by reference to management estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. During the course of their assessment, management will also make reference to property valuations conducted by independent qualified professional valuers based on comparable market prices. 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 and completed properties for sale may be required. As at 31 December 2008, the carrying amounts of properties under development and completed properties for sale are Rmb23,250,049,000 (2007: Rmb11,094,981,000) and Rmb1,962,108,000 (2007: Rmb1,127,401,000) respectively (net of accumulated impairment loss of Rmb190,433,000 (2007: nil) and Rmb30,816,000 (2007: nil) respectively).

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 are less than expected, a material impairment loss may arise.

Land Appreciation Tax

The provision for Land Appreciation Tax ("LAT") amounting to Rmb640,056,000 (2007: Rmb479,249,000) (included in income 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 LAT is calculated.

Convertible bonds

As described in Note 25, 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) Categories of financial instruments**

	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	157	17,378
Loans and receivables (including cash and cash equivalents)	6,347,361	5,647,171
Available-for-sale financial assets	8,500	1,000
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	22,725	61,622
Amortised cost	24,790,693	18,534,910

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, embedded financial derivatives, trade and other receivables, amounts due from related parties, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to related parties, dividend payable, bank and other borrowings, convertible bonds and senior notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. 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. There has been no significant change in the Group's exposure to these risks or the manner in which it manages and measures risks.

Market risk

(i) Currency risk

The Group has bank balances, amounts due to related parties, convertible bonds and senior notes denominated in foreign currencies, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2008	2007	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Hong Kong dollars ("HKD")	450,646	647,039	42,729	38,120
United States dollars ("USD")	2,792,334	3,014,774	50,797	469,274

The Group does not use any derivative contracts to hedge against its exposure to currency risk.

Sensitivity analysis

The Group is mainly exposed to the fluctuations in exchange rates between Rmb and HKD/USD. The exposure in USD arises mainly from the Company's convertible bonds and senior notes.

The following table details the Group's sensitivity to a 5% increase and decrease in Rmb against the relevant foreign currencies. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where Rmb strengthens 5% against the relevant currency. For a 5% weakening of Rmb against the relevant currency, there would be an equal and opposite impact on post-tax profit.

	HKD Impact		USD Impact	
	2008	2007	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Profit or loss	19,425	28,996	130,787	121,214

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits, amounts due from related parties, bank and other borrowings, convertible bonds and senior notes (see Notes 23, 25, 26, 27 and 37 for details).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank deposits, amounts due to related parties and bank and other borrowings (see Notes 23, 25 and 37 for details).

The Group does not use any derivative contracts to hedge against its exposure to interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to market lending interest rates for non-derivative instruments at the balance sheet date. For variable-rate bank and other borrowings and amounts due to related parties, the analysis is prepared assuming the balances outstanding at the balance sheet date were outstanding for the whole year. A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If the market lending interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2008 would decrease/increase by Rmb17,185,000 (2007: decrease/increase by Rmb13,376,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank and other borrowings and amounts due to related parties.

(iii) Other price risk

The Group is exposed to equity price risk mainly through the conversion option and redemption options embedded in its convertible bonds which allow the convertible bonds to be converted into the Company's shares or redeemed. The fair value of the conversion option and redemption options will be affected either positively and negatively by, inter alia, the changes in short-term (risk free) rate, the Company's share price and share price volatility.

Sensitivity analysis

The fair value of the financial derivatives embedded in the convertible bonds was estimated using the binomial option pricing model. The sensitivity analyses below have been determined based on the exposure to the Company's share price risks at the reporting date only as the management considers that the other variables may not have a significant financial impact on the embedded financial derivatives.

If the Company's share price had been 5% higher/lower and all other variables were held constant, post-tax profit for the year ended 31 December 2008 would have decreased by Rmb212,000/increased by Rmb355,000 (2007: decreased by Rmb3,718,000/increased by Rmb5,018,000).

In management's opinion, the sensitivity analyses are unrepresentative of the inherent market risk as the pricing model used in the valuation of the financial derivatives embedded in the convertible bonds involves multiple variables and certain of them are interdependent.

Credit risk

As at 31 December 2008, 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 provided by the Group arises 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 minimise 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 overdue 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 following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Weighted average interest rate %	Less than 1 year Rmb'000	1-5 years Rmb'000	5+ years Rmb'000	Total undiscounted cash flows Rmb'000	Carrying amount at 31/12/2008 Rmb'000
2008						
Non-derivative financial liabilities						
Trade and other payables	–	3,136,040	256,210	–	3,392,250	3,392,250
Dividend payable	–	1,367	–	–	1,367	1,367
Bank and other borrowings						
– fixed-rate	7.42%	3,495,376	7,269,820	–	10,765,196	9,554,036
– variable-rate	7.77%	1,213,353	672,892	15,810	1,902,055	1,699,010
Amounts due to related parties						
– interest-free	–	2,345,151	–	–	2,345,151	2,345,151
– fixed-rate	6.12%	53,423	–	–	53,423	50,669
– variable-rate	7.96%	3,113,027	–	–	3,113,027	2,883,501
2006 Convertible Bonds	6%	4,921	86,936	–	91,857	73,423
2007 Convertible Bonds	–	–	2,440,238	–	2,440,238	2,090,100
Senior notes	9%	246,046	3,677,016	–	3,923,062	2,701,186
		<u>13,608,704</u>	<u>14,403,112</u>	<u>15,810</u>	<u>28,027,626</u>	<u>24,790,693</u>

	Weighted average interest rate %	Less than 1 year Rmb'000	1-5 years Rmb'000	5+ years Rmb'000	Total undiscounted cash flows Rmb'000	Carrying amount at 31/12/2007 Rmb'000
2007						
Non-derivative financial liabilities						
Trade and other payables	–	1,835,216	78,666	–	1,913,882	1,913,882
Dividend payable	–	1,367	–	–	1,367	1,367
Bank and other borrowings						
– fixed-rate	7.21%	1,463,391	3,966,162	–	5,429,553	4,815,768
– variable-rate	6.78%	1,454,747	425,173	335,561	2,215,481	1,988,634
Amounts due to related parties						
– interest-free	–	2,813,566	–	–	2,813,566	2,813,566
– fixed-rate	6.12%	50,623	–	–	50,623	47,869
– variable-rate	7.69%	2,158,368	–	–	2,158,368	2,004,242
2006 Convertible Bonds	6%	5,259	98,173	–	103,432	73,391
2007 Convertible Bonds	–	–	2,440,238	–	2,440,238	1,996,430
Senior notes	9%	262,966	1,051,864	3,140,978	4,455,808	2,879,761
		<u>10,045,503</u>	<u>8,060,276</u>	<u>3,476,539</u>	<u>21,582,318</u>	<u>18,534,910</u>

(c) Fair value

The fair value of financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model (for example, the binomial model).

Except as detailed in the following table, 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:

	2008		2007	
	Carrying amount of liability component <i>Rmb'000</i>	Fair value <i>Rmb'000</i>	Carrying amount of liability component <i>Rmb'000</i>	Fair value <i>Rmb'000</i>
Financial liabilities				
2006 Convertible Bonds	73,423	64,009 ¹	73,391	77,994 ¹
2007 Convertible Bonds	2,090,100	900,900 ²	1,996,430	Not available
Senior notes	2,701,186	1,011,521 ²	2,879,761	2,658,874 ²

¹ Based on discounted cash flow analysis using market interest rate

² Based on quoted price

(d) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in Notes 25 to 27 (net of cash and cash equivalents) and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

6. REVENUE

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Property sales	6,552,608	5,690,089
Computer system design and installation services	17,834	4,629
Sales of construction materials	11,620	32,202
Hotel operations	50,078	7,390
Other business	3,217	4,481
	6,635,357	5,738,791

Substantially all of the Group's activities are engaged in properties development and sales and substantially all of the Group's sales are to customers located in the PRC. The directors consider that these activities constitute one business segment and one geographical 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

	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>
Interest income on bank balances	22,311	111,226
Interest income on amounts due from related parties	36,763	23,197
Government grants (<i>Note</i>)	8,590	34,094
Net foreign exchange gains	227,652	69,224
Others	33,829	33,496
	<u>329,145</u>	<u>271,237</u>

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

8. FINANCE COSTS

	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>
Interest on:		
– bank borrowings wholly repayable within five years	909,147	350,756
– bank borrowings not wholly repayable within five years	1,088	21,750
– other borrowings	111,190	3,875
Effective interest expense on 2006 Convertible Bonds (<i>Note 26</i>)	10,032	25,065
Effective interest expense on 2007 Convertible Bonds (<i>Note 26</i>)	93,670	56,139
Interest on senior notes (<i>Note 27</i>)	261,128	274,534
	<u>1,386,255</u>	<u>732,119</u>
Less: Capitalised in properties under development	(973,515)	(477,175)
Capitalised in construction in progress	(11,450)	(37,675)
	<u>401,290</u>	<u>217,269</u>

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.66% (2007: 7.31%) per annum to expenditure on the development of properties for sale and for own use.

9. PROFIT BEFORE TAXATION

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Salaries and other benefits	312,596	208,086
Retirement benefits scheme contributions	19,393	11,257
Less: Capitalised in properties under development	<u>(103,105)</u>	<u>(60,068)</u>
	228,884	159,275
Depreciation of property, plant and equipment	73,896	27,213
Less: Capitalised in properties under development	<u>(3,016)</u>	<u>(3,099)</u>
	70,880	24,114
Amortisation of prepaid lease payment (included in administrative expenses)	3,825	–
Auditors' remuneration	8,079	8,714
Cost of inventories recognised as an expense	4,765,728	3,675,198
Share of tax of associates (included in share of results of associates)	116,425	96,069
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	81,162	36,460
Gain on disposal of property, plant and equipment	<u>(5,609)</u>	<u>–</u>

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the 9 (2007: 9) directors of the Company were as follows:

	Song Weiping <i>Rmb'000</i>	Shou Bainian <i>Rmb'000</i>	Chen Shunhua <i>Rmb'000</i>	Guo Jiafeng <i>Rmb'000</i>	Jia Shenghua <i>Rmb'000</i>	Sze Tsai Ping, Michael <i>Rmb'000</i>	Tsui Yiu Wa, Alec <i>Rmb'000</i>	Tang Shiding <i>Rmb'000</i>	Jiang Wei <i>Rmb'000</i>	2008 Total <i>Rmb'000</i>
Fees	–	–	–	–	120	181	181	120	181	783
Other emoluments										
Salaries and other benefits	1,500	1,500	1,200	1,000	–	–	–	–	–	5,200
Contributions to retirement benefits/pension schemes	67	67	58	105	–	–	–	–	–	297
Performance related incentive payments (<i>Note</i>)	<u>450</u>	<u>450</u>	<u>360</u>	<u>300</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,560</u>
Total emoluments	<u>2,017</u>	<u>2,017</u>	<u>1,618</u>	<u>1,405</u>	<u>120</u>	<u>181</u>	<u>181</u>	<u>120</u>	<u>181</u>	<u>7,840</u>

	Song Weiping <i>Rmb'000</i>	Shou Bainian <i>Rmb'000</i>	Chen Shunhua <i>Rmb'000</i>	Guo Jiafeng <i>Rmb'000</i>	Jia Shenghua <i>Rmb'000</i>	Sze Tsai Ping, Michael <i>Rmb'000</i>	Tsui Yiu Wa, Alec <i>Rmb'000</i>	Tang Shiding <i>Rmb'000</i>	Jiang Wei <i>Rmb'000</i>	2007 Total <i>Rmb'000</i>
Fees	-	-	-	-	120	194	194	120	194	822
Other emoluments										
Salaries and other benefits	1,500	1,500	1,200	1,000	-	-	-	-	-	5,200
Contributions to retirement benefits/pension schemes	64	64	55	82	-	-	-	-	-	265
Performance related incentive payments (<i>Note</i>)	450	450	360	360	-	-	-	-	-	1,620
Total emoluments	<u>2,014</u>	<u>2,014</u>	<u>1,615</u>	<u>1,442</u>	<u>120</u>	<u>194</u>	<u>194</u>	<u>120</u>	<u>194</u>	<u>7,907</u>

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, four (2007: four) were directors of the Company whose emoluments are included in the disclosure above. The emoluments of the remaining one (2007: one) individual were as follows:

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Salaries and benefits	1,045	1,382
Contributions to retirement benefits/pension schemes	9	12
Performance related incentive payments	-	-
	<u>1,054</u>	<u>1,394</u>

His emoluments were within the following bands:

	2008 <i>No. of employees</i>	2007 <i>No. of employees</i>
HKD1,000,001 to HKD1,500,000	1	1

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

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Current tax:		
PRC enterprise income tax	359,160	454,870
LAT	345,975	416,883
	<u>705,135</u>	<u>871,753</u>
Under-provision in prior years:		
PRC enterprise income tax	1,892	–
Deferred tax (<i>Note 20</i>):		
Current year	(77,939)	(108,410)
Attributable to a change in tax rate	–	(33,459)
	<u>(77,939)</u>	<u>(141,869)</u>
	<u>629,088</u>	<u>729,884</u>

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 25% (2007: 33%), except for the following entities:

	<i>Notes</i>	Enterprise income tax rate	
		2008	2007
Shanghai Lvyu Real Estate Development Co., Ltd. (“Shanghai Lvyu”)	<i>(i)</i>	18%	15%
Hangzhou Rose Garden Property Services Co., Ltd. (“Hangzhou Rose Garden”)	<i>(ii)</i>	25%	27%
Xinjiang Sunshine Greentown Real Estate Development Co., Ltd. (“Xinjiang Sunshine”)	<i>(iii)</i>	12.5%	Exempted

Notes:

- (i) Shanghai Lvyu is established in Shanghai Pudong New Area and is therefore subject to a reduced enterprise income tax rate of 18% (2007: 15%).
- (ii) Hangzhou Rose Garden is established in Hangzhou Zhijiang National Tourism and Resort Zone in Zhejiang Province and was therefore subject to a reduced enterprise income tax rate of 27% in 2007.
- (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.

On 16 March 2007, the National People’s Congress promulgated the Law of the People’s Republic of China on Enterprise Income Tax (the “New EIT Law”) by order No. 63 of the President of the PRC which was effective from 1 January 2008.

On 6 December 2007, the State Council issued Implementation Regulation of the New EIT Law. Pursuant to the New EIT Law and Implementation Regulation, a uniform income tax rate of 25% was imposed for both domestic and foreign-invested enterprises.

On 26 December 2007, the New EIT Law's Detailed Implementation Rules and the details of the transitional arrangement were promulgated respectively. They contemplate various transition periods and measures for existing preferential tax policies, including a grace period of a maximum of five years for the enterprises which are currently entitled to a lower income tax rate under the previous tax law and continued implementation of preferential tax treatment with a fixed term until the expiration of such fixed term. In addition, the New EIT Law provides that qualified dividend income between two "resident enterprises" that have a direct investment relationship is exempted from income tax. Otherwise, such dividends will be subject to a 5% or 10% withholding tax under the new EIT Law.

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

	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>
Profit before taxation	1,195,710	1,735,473
Tax at the applicable PRC enterprise income tax rate of 25% (2007: 33%)	298,927	572,707
Effect of different tax rates	(24,626)	(128,547)
Tax effect of share of results of associates	(60,539)	(21,994)
Tax effect of share of results of jointly controlled entities	(35,393)	(17,665)
Tax effect of income not taxable for tax purposes	(10,017)	(11,031)
Tax effect of expenses not deductible for tax purposes	89,271	47,300
Under-provision in respect of prior year	1,892	–
Tax effect of tax losses not recognised	57,786	25,889
Tax effect of deductible temporary differences not recognised	42,337	–
Recognition of deferred tax assets on tax losses previously not recognised/utilisation of tax losses previously not recognised	(13,422)	(50,270)
Effect on opening deferred tax balances of changes in applicable tax rates	–	(33,459)
LAT provision for the year	345,975	416,883
Tax effect of LAT	(83,859)	(89,599)
Effect on deferred tax recognised of changes in applicable tax rate	–	19,670
Tax effect of undistributed profits	20,756	–
Tax charge for the year	<u>629,088</u>	<u>729,884</u>

Details of deferred taxation for the year ended 31 December 2008 are set out in Note 20.

PRC LAT

According to the requirements of the Provisional Regulations of the PRC on 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, 1 October 2006 in Shanghai Pudong New Area and 1 January 2007 in Beijing, 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 (關於加強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.

As at the date of these consolidated financial statements, 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.

For the year ended 31 December 2008, the Group estimated and made a provision for LAT in the amount of Rmb345,975,000 (2007: Rmb416,883,000), 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.

12. DIVIDENDS

On 21 May 2007, a dividend of HK36 cents per share, or Rmb490,170,000 in total, was paid to shareholders as the final dividend for 2006.

On 30 May 2008, a dividend of HK32 cents per share, or Rmb438,283,000 in total, was paid to shareholders as the final dividend for 2007.

The directors are not recommending any final dividends to be declared and paid this time in respect of the financial year ended 31 December 2008. However, the directors reserve the right to declare and pay dividends in respect of the financial year ended 31 December 2008 on or after the date of this annual report.

13. 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

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Earnings for the purposes of basic earnings per share (profit for the year attributable to equity holders of the Company)	540,285	923,376
Effect of dilutive potential shares:		
Fair value changes on embedded financial derivatives	(19,477)	–
Interest on 2007 Convertible Bonds (as defined in Note 26)	–	21,852
Interest on 2006 Convertible Bonds (as defined in Note 26)	10,032	–
Effect of foreign exchange rate changes	(7,109)	–
	<u>523,731</u>	<u>945,228</u>
Earnings for the purposes of diluted earnings per share	<u>523,731</u>	<u>945,228</u>

Number of shares

	2008	2007
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,537,361,607	1,474,969,957
Effect of dilutive potential ordinary shares:		
2007 Convertible Bonds (as defined in Note 26)	–	66,213,853
2006 Convertible Bonds (as defined in Note 26)	10,760,900	–
	<u>1,548,122,507</u>	<u>1,541,183,810</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>1,548,122,507</u>	<u>1,541,183,810</u>

The computation of diluted earnings per share for 2007 does not assume the conversion of the Company's outstanding 2006 Convertible Bonds (as defined in Note 26) since their exercise would result in an increase in earnings per share.

The computation of diluted earnings per share for 2008 does not assume the conversion of the Company's outstanding 2007 Convertible Bonds (as defined in Note 26) since their exercise would result in an increase in earnings per share.

14. PROPERTY, PLANT AND EQUIPMENT

	Hotel buildings <i>Rmb'000</i>	Land and buildings <i>Rmb'000</i>	Leasehold improvements <i>Rmb'000</i>	Machinery <i>Rmb'000</i>	Furniture, fixtures and equipment <i>Rmb'000</i>	Transportation equipment <i>Rmb'000</i>	Construction in progress <i>Rmb'000</i>	Total <i>Rmb'000</i>
COST								
At 1 January 2007	–	67,170	22,691	1,354	26,186	110,334	283,558	511,293
Additions	–	3,011	3,576	284	54,011	37,045	695,300	793,227
Transfer	904,441	–	–	–	–	–	(904,441)	–
Transfer to prepaid lease payment	–	–	–	–	–	–	(34,413)	(34,413)
Acquired on acquisition of subsidiaries	–	–	–	–	205	1,650	–	1,855
Disposals	–	(22)	(606)	(12)	(3,963)	(15,361)	–	(19,964)
Reclassification	–	–	–	(921)	921	–	–	–
At 31 December 2007	<u>904,441</u>	<u>70,159</u>	<u>25,661</u>	<u>705</u>	<u>77,360</u>	<u>133,668</u>	<u>40,004</u>	<u>1,251,998</u>
Additions	–	72	12,597	1,402	31,249	29,094	222,844	297,258
Transfer	24,847	–	–	–	–	–	(24,847)	–
Transfer to prepaid lease payment	(537)	–	–	–	–	–	–	(537)
Acquired on acquisition of subsidiaries	–	365	–	137	548	3,190	–	4,240
Disposals	–	(1,985)	(281)	(25)	(634)	(6,175)	–	(9,100)
Reclassification	(4,192)	4,192	–	–	–	–	–	–
At 31 December 2008	<u>924,559</u>	<u>72,803</u>	<u>37,977</u>	<u>2,219</u>	<u>108,523</u>	<u>159,777</u>	<u>238,001</u>	<u>1,543,859</u>
DEPRECIATION AND AMORTISATION								
At 1 January 2007	–	(11,471)	(8,371)	(430)	(14,840)	(46,575)	–	(81,687)
Provided for the year	–	(4,668)	(2,912)	(104)	(4,513)	(15,016)	–	(27,213)
Eliminated on disposals	–	6	498	12	2,800	8,430	–	11,746
Reclassification	–	–	–	287	(287)	–	–	–
At 31 December 2007	<u>–</u>	<u>(16,133)</u>	<u>(10,785)</u>	<u>(235)</u>	<u>(16,840)</u>	<u>(53,161)</u>	<u>–</u>	<u>(97,154)</u>
Provided for the year	(24,882)	(2,455)	(7,958)	(318)	(19,128)	(19,155)	–	(73,896)
Impairment loss recognised in the consolidated income statement	(53,000)	–	–	–	–	–	–	(53,000)
Eliminated on disposals	–	294	11	–	370	1,425	–	2,100
Reclassification	–	–	–	–	–	–	–	–
At 31 December 2008	<u>(77,882)</u>	<u>(18,294)</u>	<u>(18,732)</u>	<u>(553)</u>	<u>(35,598)</u>	<u>(70,891)</u>	<u>–</u>	<u>(221,950)</u>
CARRYING VALUES								
At 31 December 2008	<u>846,677</u>	<u>54,509</u>	<u>19,245</u>	<u>1,666</u>	<u>72,925</u>	<u>88,886</u>	<u>238,001</u>	<u>1,321,909</u>
At 31 December 2007	<u>904,441</u>	<u>54,026</u>	<u>14,876</u>	<u>470</u>	<u>60,520</u>	<u>80,507</u>	<u>40,004</u>	<u>1,154,844</u>

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

Hotel buildings	Over the shorter of the term of the land use rights or 40 years
Land and 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 five years
Machinery	10% to 33 $\frac{1}{3}$ %
Furniture, fixtures and equipment	10% to 33 $\frac{1}{3}$ %
Transportation equipment	10% to 20%

During the year, the Group engaged DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group, to conduct a review of the Group's hotel buildings and determined that one of those buildings was impaired due to the economic downturn and the performance of the hotel building being adversely affected. Accordingly, an impairment loss of Rmb53,000,000 (2007: nil) has been recognised in respect of hotel buildings. The recoverable amount of the relevant hotel building has been determined on the basis of its value in use. The discount rate adopted in measuring the amount of value in use of the relevant hotel building was 10%.

The land and buildings shown above are located on:

	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>
Land in the PRC:		
Medium-term lease	<u>54,509</u>	<u>54,026</u>

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

15. INVESTMENT PROPERTY

	<i>Rmb'000</i>
FAIR VALUE	
At 1 January 2007	–
Transfer from completed properties for sale	<u>26,052</u>
At 31 December 2007	26,052
Decrease in fair value recognised in the consolidated income statement	<u>(1,052)</u>
At 31 December 2008	<u><u>25,000</u></u>

The fair value of the Group's investment property at 31 December 2008 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. The professional valuers from DTZ Debenham Tie Leung Limited are members of the Hong Kong Institute of Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

The investment property shown above is located on:

	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>
Land in the PRC		
Medium-term lease	<u>25,000</u>	<u>26,052</u>

16. INTERESTS IN ASSOCIATES

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Cost of unlisted investments in associates	1,175,255	944,550
Share of post-acquisition profits	259,255	11,071
	<u>1,434,510</u>	<u>955,621</u>

As at 31 December 2007 and 2008, 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
		2008	2007	
杭州集美房地產開發有限公司 Hangzhou Jimei Real Estate Development Co., Ltd.	Rmb32,000,000	30%	30%	Real estate development
杭州余杭綠城九洲房地產開發有限公司 Hangzhou Yuhang Greentown Jiuzhou Real Estate Development Co., Ltd.	Rmb85,000,000	35%	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.	Rmb50,000,000	45%	45%	Real estate development
上海靜宇置業有限公司 Shanghai Jingyu Real Estate Co., Ltd.	Rmb100,000,000	49%	49%	Property investment
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% (i)	50% (i)	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%	45%	Real estate development
杭州濱綠房地產開發有限公司 Hangzhou Binlv Real Estate Development Co., Ltd. ("Hangzhou Binlv")	Rmb 389,140,188	50% (v)	40% (v)	Real estate development
浙江中青旅綠城投資置業有限公司 Zhejiang Zhongqinglv Greentown Real Estate Investment Co., Ltd. ("Zhejiang Zhongqinglv")	Rmb200,000,000	49%	49%	Investment and consulting
河南中州綠城置業投資有限公司 Henan Zhongzhou Greentown Real Estate Development Co., Ltd. ("Henan Zhongzhou")	Rmb60,000,000	38% (ii)	38% (ii)	Real estate development
德清西子房地產開發有限公司 Deqing Xizi Real Estate Development Co., Ltd. ("Deqing Xizi")	Rmb30,000,000	25% (ii)	25% (ii)	Real estate development
德清綠城中田房地產有限公司 Deqing Greentown Zhongtian Real Estate Development Co., Ltd. ("Deqing Zhongtian")	Rmb50,000,000	47% (ii)	47% (ii)	Real estate development
紹興金綠泉房地產開發有限公司 Shaoxing Jinlvquan Real Estate Development Co., Ltd. ("Shaoxing Jinlvquan")	Rmb580,000,000	35%	35%	Real estate development
濟南海爾綠城房地產有限公司 Jinan Haier Greentown Real Estate Co., Ltd. ("Jinan Haier Greentown")	Rmb200,000,000	45% (iii)	45% (iii)	Real estate development

Name of associate	Registered capital	Attributable equity interest held by the Group		Principal activities
		2008	2007	
無錫綠城房地產開發有限公司 Wuxi Greentown Real Estate Development Co., Ltd. ("Wuxi Greentown")	Rmb102,000,000	– (iv)	39% (iv)	Real estate development
無錫太湖綠城房地產開發有限公司 Wuxi Taihu Greentown Real Estate Development Co., Ltd.	Rmb100,000,000	–	39%	Real estate development
慈溪綠城投資置業有限公司 Cixi Greentown Real Estate Investment Co., Ltd. ("Cixi Greentown")	Rmb98,000,000	49% (ii)	–	Real estate development
台州浙能綠城置業有限公司 Taizhou Zheneng Greentown Real Estate Co., Ltd. ("Taizhou Zheneng")	Rmb300,000,000	49% (vi)	–	Real estate development
杭州浙能綠城置業有限公司 Hangzhou Zheneng Greentown Real Estate Co., Ltd. ("Hangzhou Zheneng")	Rmb100,000,000	49% (vi)	–	Real estate development
台州浙信綠城房地產開發有限公司 Taizhou Zhixin Greentown Real Estate Development Co.Ltd. ("Taizhou Zhixin")	Rmb10,000,000	40%	–	Real estate development

Notes:

- (i) 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.
- (ii) Henan Zhongzhou, Deqing Xizi, Deqing Zhongtian and Cixi Greentown are subsidiaries of Zhejiang Zhongqinglv.
- (iii) The equity interest in Jinan Haier Greentown is held by 海爾集團公司 (Haier Group) in trust for the Group.
- (iv) Wuxi Greentown became a subsidiary of the Group in 2008 (see Note 29).
- (v) Only two out of five directors of Hangzhou Binlv are appointed by the Group, while a valid board resolution requires half of the total votes. The Group does not have the power to direct or jointly control the financial and operational policies of Hangzhou Binlv. Therefore, Hangzhou Binlv is accounted for as an associate of the Group.
- (vi) Hangzhou Zheneng is a subsidiary of Taizhou Zheneng. Both entities were newly established in 2008.

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

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Total assets	19,525,949	11,916,880
Total liabilities	<u>(16,041,310)</u>	<u>(9,818,443)</u>
Net assets	<u>3,484,639</u>	<u>2,098,437</u>
Group's share of net assets of associates	<u>1,434,510</u>	<u>948,621</u>
Revenue	<u>3,423,220</u>	<u>1,891,402</u>
Profit for the year	<u>468,690</u>	<u>124,965</u>
Group's share of results of associates for the year	<u>242,158</u>	<u>66,650</u>

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 interests 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:

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Unrecognised share of losses of associates for the year	<u>–</u>	<u>6,350</u>
Accumulated unrecognised share of losses of associates	<u>–</u>	<u>7,000</u>

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Cost of unlisted investments in jointly controlled entities	153,036	153,036
Share of post-acquisition profits	<u>173,181</u>	<u>40,608</u>
	<u>326,217</u>	<u>193,644</u>

As at 31 December 2007 and 2008, the Group had interests in the following jointly controlled entities established and operating in the PRC:

Name of jointly controlled entity	Registered capital	Attributable equity interest held by the Group		Principal activities
		2008	2007	
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%	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%	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)	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%	50%	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%	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”)	Rmb80,000,000	50% (ii)	50% (ii)	Real estate development
南通嘉匯置業有限公司 Nantong Jiahui Real Estate Co., Ltd. (“Nantong Jiahui”)	Rmb30,000,000	50% (ii)	50% (ii)	Real estate development
浙江西子置業有限公司 Zhejiang Xizi Real Estate Co., Ltd. (“Zhejiang Xizi”)	Rmb80,000,000	50% (ii)	50% (ii)	Real estate development
浙江綠城新興置業有限公司 Zhejiang Greentown Xinxing Real Estate Co., Ltd. (“Greentown Xinxing”)	Rmb80,000,000	35% (ii)	35% (ii)	Real estate development
紹興綠城寶業房地產開發有限公司 Shaoxing Greentown Baoye Real Estate Co., Ltd. (“Shaoxing Greentown Baoye”)	Rmb100,000,000	51% (iii)	51% (iii)	Real estate development
杭州凱喜雅房地產開發有限公司 Hangzhou Kaixiya Real Estate Development Co., Ltd. (“Hangzhou Kaixiya”)	Rmb10,000,000	30% (ii)	–	Real estate development
浙江報業綠城房地產開發有限公司 Zhejiang Newspapering Greentown Real Estate Development Co. Ltd. (“Zhejiang Newspapering Greentown Real Estate”)	Rmb100,000,000	50% (iv)	–	Real estate development
南通金管家物業管理有限公司 Nantong Goldsteward Property Management Co., Ltd. (“Nantong Goldsteward”)	Rmb500,000	50% (ii)	–	Property management
浙江綠城新湖商業管理有限公司 Zhejiang Greentown Sinhoo Commerce Management Co., Ltd. (“Zhejiang Greentown Xihu”)	Rmb5,000,000	30% (v)	–	Commerce management

Notes:

- (i) Zhejiang Newspapering Greentown and Richwise Holdings Limited (“Richwise”), a subsidiary of the Group, respectively hold 70% and 25% of the equity interest in Ningbo Greentown Osmanthus Garden. Ningbo Greentown Osmanthus Garden is therefore a subsidiary of Zhejiang Newspapering Greentown. Only one out of five directors of Ningbo Greentown Osmanthus Garden is directly 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) Linan Xizi, Nantong Jiahui, Zhejiang Xizi, Greentown Xinxing, Hangzhou Kaixiya and Nantong Goldsteward are subsidiaries of Zhejiang Greentown Xizi.
- (iii) Three out of five directors of Shaoxing Greentown Baoye are appointed by the Group, while a valid board resolution requires unanimous approval from all directors. The Group does not have the power to direct the financial and operational policies of Shaoxing Greentown Baoye. Therefore, Shaoxing Greentown Baoye is accounted for as a jointly controlled entity of the Group.
- (iv) Zhejiang Newspapering Greentown Real Estate is a newly established wholly owned subsidiary of Zhejiang Newspapering Greentown.
- (v) Zhejiang Greentown Sinhoo is a newly established non-wholly owned subsidiary of Haining Greentown.

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:

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Current assets	<u>3,804,530</u>	<u>3,064,320</u>
Non-current assets	<u>21,962</u>	<u>14,234</u>
Current liabilities	<u>(2,825,360)</u>	<u>(2,340,266)</u>
Non-current liabilities	<u>(682,925)</u>	<u>(539,833)</u>
Income	<u>1,260,895</u>	<u>546,293</u>
Expenses	<u>(1,137,172)</u>	<u>(492,762)</u>

The Group has discontinued recognition of its share of losses of certain jointly controlled entities as its share of losses of those jointly controlled entities equals or exceeds its interests in those jointly controlled entities. The amounts of unrecognised share of losses of these jointly controlled entities, both for the year and cumulatively, are as follows:

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Unrecognised share of losses of jointly controlled entities for the year	<u>25,919</u>	<u>–</u>
Accumulated unrecognised share of losses of jointly controlled entities	<u>25,919</u>	<u>–</u>

18. 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.

19. PREPAID LEASE PAYMENT

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
The Group's prepaid lease payment comprises:		
Leasehold land in the PRC:		
Medium-term lease	152,917	34,413
	<u>152,917</u>	<u>34,413</u>
Analysed for reporting purposes as:		
Current asset (included in trade and other receivables)	4,270	–
Non-current asset	148,647	34,413
	<u>152,917</u>	<u>34,413</u>

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 <i>Rmb'000</i>	Impairment losses <i>Rmb'000</i>	Tax losses <i>Rmb'000</i>	Fair value adjustments <i>Rmb'000</i>	LAT Undistributed provision <i>Rmb'000</i>	Undistributed profit <i>Rmb'000</i>	Others <i>Rmb'000</i>	Total <i>Rmb'000</i>
At 1 January 2007	9,660	–	24,191	(129,961)	30,013	–	(1,942)	(68,039)
Credit to the consolidated income statement for the year	534	–	23,530	3,631	72,739	–	7,976	108,410
Effect of change in tax rate	(441)	–	(1,512)	40,834	(6,003)	–	581	33,459
At 31 December 2007	9,753	–	46,209	(85,496)	96,749	–	6,615	73,830
Credit (charge) to the consolidated income statement for the year	(6,849)	26,225	46,874	4,468	54,448	(20,756)	(26,471)	77,939
At 31 December 2008	<u>2,904</u>	<u>26,225</u>	<u>93,083</u>	<u>(81,028)</u>	<u>151,197</u>	<u>(20,756)</u>	<u>(19,856)</u>	<u>151,769</u>

Others represent mainly deferred tax liabilities recognised in respect of temporary differences arising from accelerated tax depreciation.

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:

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Deferred tax assets	260,832	163,491
Deferred tax liabilities	<u>(109,063)</u>	<u>(89,661)</u>
	<u>151,769</u>	<u>73,830</u>

At the balance sheet date, the Group had unutilised tax losses of Rmb893,888,000 (2007: Rmb533,113,000) available for offset against future profits. A deferred tax asset has been recognised in respect of Rmb391,217,000 (2007: Rmb182,638,000) of such losses. No deferred tax asset has been recognised in respect of the remaining Rmb502,671,000 (2007: Rmb350,475,000) 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:

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
2008	–	16,933
2009	66,798	68,996
2010	24,220	29,079
2011	58,054	74,704
2012	122,454	160,763
2013	<u>231,145</u>	<u>–</u>
	<u>502,671</u>	<u>350,475</u>

Based on the latest budgets, management believes that there will be sufficient future profits for the realisation of the deferred tax assets recognised in respect of tax losses.

At the balance sheet date, the Group has deductible temporary differences of Rmb169,348,000 (2007: nil) in respect of which no deferred tax asset has been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

21. PROPERTIES FOR DEVELOPMENT

Included in properties for development is an amount of Rmb2,712,195,000 (2007: Rmb7,873,257,000) as at 31 December 2008 which represents prepayments made in respect of the long-term leasehold land. As at 31 December 2008, the Group was in the process of obtaining the land use rights certificates for such land included in the balance of properties for development.

All properties for development are expected to be recovered after more than 12 months.

22. PROPERTIES UNDER DEVELOPMENT

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Long-term leasehold land – at cost	16,645,854	6,304,871
Development costs	5,117,146	3,867,732
Finance costs capitalised	1,487,049	922,378
	<u>23,250,049</u>	<u>11,094,981</u>

Properties under development amounting to Rmb18,822,664,000 (2007: Rmb7,885,905,000) are expected to be recovered after more than 12 months.

23. OTHER CURRENT ASSETS**Trade and other receivables, deposits and prepayments**

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Trade receivables	205,844	246,965
Other receivables	207,864	244,236
Prepayments and deposits	920,893	1,769,450
	<u>1,334,601</u>	<u>2,260,651</u>

The Group allows an average credit period of 90 days to its trade customers. The aged analysis of trade receivables is stated as follows:

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
0 – 30 days	133,976	196,988
31 – 90 days	34,123	27,935
91 – 180 days	125	14,798
181 – 365 days	1,025	3,756
Over 365 days	36,595	3,488
	<u>205,844</u>	<u>246,965</u>

Most of the Group's customers take out mortgages from banks to buy their properties. Should a customer fail to obtain a mortgage and honour the property sale and purchase agreement between himself and the Group, the Group has the right to revoke the agreement, reclaim the property and re-sell it in the market.

Included in other receivables were advances to third parties of Rmb58,025,000 (2007: Rmb45,547,000) as at 31 December 2008. 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 other receivables, the movement in which is set out as follows:

Movement in the allowance for doubtful debts

	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>
Balance at beginning of the year	–	8,087
Amounts written off as uncollectible	–	(8,087)
	<u>–</u>	<u>(8,087)</u>
Balance at end of the year	<u>–</u>	<u>–</u>

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 0.36% to 4.41% (2007: 0.72% to 4.60%) per annum.

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 rates which range from 1.98% to 5.58% (2007: 2.25% to 5.80%) per annum.

As at 31 December 2008, the Group had bank balances and cash (including pledged bank deposits) denominated in Renminbi amounting to Rmb1,624,869,000 (2007: Rmb2,893,191,000). Renminbi is not freely convertible into other currencies.

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	USD
	<i>Rmb'000</i>	<i>Rmb'000</i>
As at 31 December 2008	42,729	50,640
As at 31 December 2007	38,120	451,896
	<u>42,729</u>	<u>50,640</u>
	<u>38,120</u>	<u>451,896</u>

24. TRADE AND OTHER PAYABLES

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

	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>
0 – 30 days	1,693,002	998,408
31 – 90 days	193,780	8,895
91 – 180 days	109,312	3,939
181 – 365 days	441,368	72,638
Over 365 days	187,846	220,165
	<u>2,625,308</u>	<u>1,304,045</u>
Trade payables	2,625,308	1,304,045
Other payables and accrued expenses	766,942	609,837
	<u>3,392,250</u>	<u>1,913,882</u>

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

25. BANK AND OTHER BORROWINGS

	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>
Secured bank loans (See Note 33)	8,125,826	5,378,402
Unsecured bank loans	1,690,140	1,350,000
	<u>9,815,966</u>	<u>6,728,402</u>
Secured other loans (See Note 33)	517,400	–
Unsecured other loans	919,680	76,000
	<u>1,437,080</u>	<u>76,000</u>
	<u><u>11,253,046</u></u>	<u><u>6,804,402</u></u>

	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>
Carrying amount repayable:		
Within one year	3,867,741	2,436,272
More than one year, but not exceeding two years	5,180,566	1,614,530
More than two years, but not exceeding three years	1,923,138	2,434,134
More than three years, but not exceeding four years	3,350	4,530
More than four years, but not exceeding five years	263,581	4,530
More than five years	14,670	310,406
	<u>11,253,046</u>	<u>6,804,402</u>
Less: Amounts due within one year shown under current liabilities	<u>(3,867,741)</u>	<u>(2,436,272)</u>
Amounts due after one year	<u><u>7,385,305</u></u>	<u><u>4,368,130</u></u>

Bank and other borrowings can be further analysed as follows:

	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>
Fixed-rate	9,554,035	4,815,768
Variable-rate	1,699,011	1,988,634
	<u><u>11,253,046</u></u>	<u><u>6,804,402</u></u>

The average interest rates paid were as follows:

	2008	2007
Bank loans	7.82%	6.73%
Other loans	8.14%	7.98%

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

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Secured bank loans:		
Independent third parties	<u>30,610</u>	<u>33,056</u>

26. 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. 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, namely SONG Weiping, SHOU Bainian and XIA Yibo (the “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 tranche B 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.

(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 bondholder under which the Company agreed to pay this bondholder 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.

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 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.

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. On 14 August 2007, 29 August 2007 and 5 November 2007, non-mandatory convertible bonds in an aggregate principal amount of USD9,800,000, USD1,900,000 and USD4,300,000 respectively were converted into the Company's shares at a conversion price of HKD8.31 per share. As a result of the conversion, 48,459,107 new shares were issued.

As at 31 December 2008, non-mandatory convertible bonds in an aggregate principal amount of USD12,000,000 (2007: USD12,000,000) remained outstanding.

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

	18 January 2007	2 February 2007	12 April 2007
Exercise price	100%	100%	100%
Risk-free rate of interest	5.28%	5.33%	5.11%
Dividend yield	3.00%	3.00%	3.00%
Time to expiration	4.0 years	3.9 years	3.7 years
Volatility	48.00%	48.00%	48.00%
	14 August 2007	29 August 2007	5 November 2007
Exercise price	100%	100%	100%
Risk-free rate of interest	5.09%	4.82%	4.55%
Dividend yield	3.00%	3.00%	2.00%
Time to expiration	3.4 years	3.4 years	3.2 years
Volatility	48.00%	48.00%	47.00%
	31 December 2007	31 December 2008	
Exercise price		100%	100%
Risk-free rate of interest		4.35%	3.00%
Dividend yield		2.00%	2.64%
Time to expiration		3.0 years	2.0 years
Volatility		48%	62%

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 prior to 31 December 2007 was based on the dividend yield of comparable companies in the past three to four years. The dividend yield adopted as at 31 December 2008 was based on the dividend yield of the company over the past two years.
- (c) The volatility adopted prior to 31 December 2007 was based on the median share price volatility of comparable companies in the past three to four years. The volatility adopted as at 31 December 2008 was based on the share price volatility of the Company over 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.

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 movements of the liability component and embedded derivatives of the convertible bonds for the year are 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>
At 1 January 2007	392,849	412,518	38,020	(70,911)	772,476
Exchange realignment	(9,526)	(11,361)	(919)	1,984	(19,822)
Interest charged during the year	25,065	–	–	–	25,065
Interest paid/payable during the year	(9,819)	–	–	–	(9,819)
Changes in fair value	–	7,045	(29,504)	51,549	29,090
Conversion during the year	<u>(325,178)</u>	<u>(354,177)</u>	<u>–</u>	<u>–</u>	<u>(679,355)</u>
At 31 December 2007	73,391	54,025	7,597	(17,378)	117,635
Exchange realignment	(4,910)	(1,832)	(932)	565	(7,109)
Interest charged during the year	10,032	–	–	–	10,032
Interest paid/payable during the year	(5,090)	–	–	–	(5,090)
Changes in fair value	<u>–</u>	<u>(49,480)</u>	<u>13,347</u>	<u>16,656</u>	<u>(19,477)</u>
At 31 December 2008	<u><u>73,423</u></u>	<u><u>2,713</u></u>	<u><u>20,012</u></u>	<u><u>(157)</u></u>	<u><u>95,991</u></u>

(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 the 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.

The 2007 Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company, and shall at all times rank *pari passu* and without any preference or priority among themselves.

The principal terms of the 2007 Convertible Bonds are as follows:

(i) Guarantee

Each initial Subsidiary Guarantor (as defined below) has unconditionally and irrevocably guaranteed, on a joint and several basis, the due payment of all sums expressed to be payable by the Company under the 2007 Convertible Bonds and the trust deed (as amended or supplemented from time to time, the “Trust Deed”) dated 18 May 2007 constituting the 2007 Convertible Bonds. Each Subsidiary Guarantor’s obligations in respect of the 2007 Convertible Bonds and the Trust Deed (the “Guarantee”) are contained in the Trust Deed.

The initial Subsidiary Guarantors (comprising all of the Subsidiary Guarantors which guarantee the payment of the senior notes (as described in Note 27) as of 18 May 2007) are Richwise Holdings Limited (BVI), Green Sea International Limited (BVI), Hua Yick Investments Limited (BVI), Best Smart Enterprises Limited (BVI), Addgenius Enterprises Limited (BVI), Active Way Development Limited (BVI) and Zest Rich Investments Limited (BVI).

The Company will cause each of its future Subsidiaries (as defined in the indenture dated 8 November 2006 constituting the senior notes) which guarantees the payment of amounts payable under the senior notes or the indenture to guarantee the payment of any amount payable under the 2007 Convertible Bonds or the Trust Deed.

A Subsidiary Guarantor shall be simultaneously released from its obligations under the Guarantee upon the release of the Subsidiary Guarantor from its Subsidiary Guarantee under the indenture.

The payment obligations of the Subsidiary Guarantors under the Guarantee shall at all times rank at least equally with all their other present and future unsecured and unsubordinated obligations.

(ii) *USD settlement*

All amounts due under, and all claims arising out of or pursuant to, the 2007 Convertible Bonds, the Guarantee and/or the Trust Deed from or against the Company and/or any Subsidiary Guarantor shall be payable and settled in USD only.

(iii) *Conversion right*

The conversion right attaching to any 2007 Convertible Bonds may be exercised, at the option of the holder thereof, at any time on and after 28 June 2007 up to the close of business (at the place where the certificate evidencing such bonds is deposited for conversion) on 11 May 2012 or, if such bonds shall have been called for redemption before 18 May 2012 (the "Maturity Date"), then up to the close of business (at the place aforesaid) on a date no later than seven business days prior to the date fixed for redemption thereof.

The number of shares to be issued on conversion of the 2007 Convertible Bonds will be determined by dividing the Rmb principal amount of the 2007 Convertible Bonds to be converted (translated into Hong Kong dollars at the fixed exchange rate of HKD1.00 = Rmb0.9843) by the Conversion Price (as defined below) in effect at the conversion date.

The price at which shares will be issued upon conversion (the "Conversion Price") will initially be HKD22.14 per share but will be subject to adjustment for, among other things, subdivision or consolidation of shares, bonus issues, rights issues, distributions and other dilutive events.

(iv) *Final redemption*

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem the 2007 Convertible Bonds on the Maturity Date at the USD equivalent of their Rmb principal amount multiplied by 105.638%.

(v) *Redemption at the option of the Company*

At any time after 18 May 2009 and prior to the Maturity Date, the Company may, having given not less than 30 nor more than 60 days' notice to the bondholders, the trustee and the principal agent (which notice will be irrevocable), redeem all or some only of the 2007 Convertible Bonds at the USD equivalent of their Early Redemption Amount (as defined below) on the redemption date, provided, however, that no such redemption may be made unless the closing price of the shares (as derived from the daily quotations sheet of the Stock Exchange) translated into Rmb at the prevailing rate applicable to the relevant trading day, for 20 out of 30 consecutive trading days, where the last day of such 30-trading day period falls within five trading days prior to the date upon which notice of such redemption is given, was at least 120% of the Conversion Price then in effect translated into Rmb at the fixed rate of exchange of HKD1.00 to Rmb0.9843.

The Company may, having given not less than 30 nor more than 60 days' notice to the bondholders, the trustee and the principal agent (which notice will be irrevocable), redeem all and not some only of the 2007 Convertible Bonds at the USD equivalent of their Early Redemption Amount (as defined below) on the redemption date if at any time at least 90% in principal amount of the 2007 Convertible Bonds has already been converted, redeemed or purchased and cancelled.

"Early Redemption Amount" of the 2007 Convertible Bonds, for each Rmb100,000 principal amount of the 2007 Convertible Bonds, is determined so that it represents for the bondholder a gross yield of 1.1% per annum, calculated on a semi-annual basis. The applicable Early Redemption Amount for each Rmb100,000 principal amount of the 2007 Convertible Bonds is calculated on a semi-annual

basis in accordance with the following formula, rounded (if necessary) to two decimal places with 0.005 being rounded upwards (provided that if the date fixed for redemption is a Semi-Annual Date (as set out below), such Early Redemption Amount shall be as set out in the table below in respect of such Semi-Annual Date):

$$\text{Early Redemption Amount} = \text{Previous Redemption Amount} \times (1+r/2)^{d/p}$$

Previous Redemption Amount = the Early Redemption Amount for each Rmb100,000 principal amount on the Semi-Annual Date immediately preceding the date fixed for redemption as set out below:

Semi-Annual Date	Early redemption amount <i>Rmb</i>
18 November 2007	100,550.00
18 May 2008	101,103.03
18 November 2008	101,659.09
18 May 2009	102,218.22
18 November 2009	102,780.42
18 May 2010	103,345.71
18 November 2010	103,914.11
18 May 2011	104,485.64
18 November 2011	105,060.31
18 May 2012	105,638.14

$r = 1.1\%$ expressed as a fraction

$d =$ number of days from and including the immediately preceding Semi-Annual Date to, but excluding, the date fixed for redemption, calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed

$p = 180$

(vi) *Redemption at the option of the bondholders*

On 18 May 2010, the holders of the 2007 Convertible Bonds will have the right, at such holders' option, to require the Company to redeem all or some only of the 2007 Convertible Bonds of such holders at the USD equivalent of their Rmb principal amount multiplied by 103.346%.

The net proceeds received from the issue of the 2007 Convertible Bonds have been split between a liability component 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, with the bondholder redemption option but without the conversion option. The issuer redemption option is not separately accounted for because it is considered to be closely related to the host liability component.

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) 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 movements of the liability component and equity component of the 2007 Convertible Bonds for the year are 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 year	<u>56,139</u>	<u>–</u>	<u>56,139</u>
As at 31 December 2007	1,996,430	350,806	2,347,236
Interest charged during the year	<u>93,670</u>	<u>–</u>	<u>93,670</u>
As at 31 December 2008	<u><u>2,090,100</u></u>	<u><u>350,806</u></u>	<u><u>2,440,906</u></u>

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.

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.

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 on 31 December 2007 and 2008.

The movements of the senior notes during the year are set out below:

	<i>Rmb'000</i>
At 1 January 2007	3,070,822
Exchange realignment	(198,241)
Interest charged during the year	274,534
Interest paid/payable during the year	(267,354)
	<hr/>
At 31 December 2007	2,879,761
Exchange realignment	(185,293)
Interest charged during the year	261,128
Interest paid/payable during the year	(254,410)
	<hr/>
At 31 December 2008	<u>2,701,186</u>

According to the indenture of the senior notes issued by the Company, the officers of the Company must certify, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries (as defined in the Indenture) and the Company's and its Restricted Subsidiaries' performance under the indenture and that the Company has fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the trustee of any default or defaults in the performance of any covenants or agreements under the indenture.

During the course of this review, it came to the Company's attention that the Company had defaulted in the performance of or breached certain covenants contained in the indenture (the "Events of Default"). According to the indenture, if any of such Events of Default occurs and is continuing under the indenture, the trustee or the holders of at least 25% in aggregate principal amount of the senior notes then outstanding, by written notice to the Company (and to the trustee if such notice is given by the holders), may, and the trustee at the request of such holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on the senior notes to be immediately due and payable. Upon a declaration of acceleration, such principal, premium, if any, and accrued and unpaid interest shall be immediately due and payable. The directors of the Company are of the opinion that the Group had not received such a notice of acceleration in writing up to the date on which these consolidated financial statements are authorised for issuance.

On 21 April 2009, the Company commenced a tender offer to purchase for cash all outstanding senior notes. Please refer to Note 38(v) for details.

Since the holders have not agreed to waive their right to accelerate repayment as at the balance sheet date, the senior notes have been classified as a current liability in the consolidated financial statements for the year ended 31 December 2008.

28. SHARE CAPITAL

	Number of shares	Share capital <i>HKD'000</i>
<i>Authorised</i>		
Ordinary shares of HKD0.10 each At 31 December 2007 and 2008	10,000,000,000	1,000,000
<i>Issued and fully paid</i>		
Ordinary shares of HKD0.10 each At 1 January 2007	1,347,402,500	134,740
Issue of shares on conversion of convertible bonds	48,459,107	4,846
Issue of new shares	141,500,000	14,150
At 31 December 2007 and 2008	1,537,361,607	153,736
		<i>Rmb'000</i>
Shown on the consolidated balance sheet As at 31 December 2007 and 2008		157,395

On 18 January 2007, 2 February 2007 and 12 April 2007, the 2006 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. On 14 August 2007, 29 August 2007 and 5 November 2007, the 2006 Convertible Bonds in an aggregate principal amount of USD9,800,000, USD1,900,000 and USD4,300,000 respectively were converted into the Company's shares at a conversion price of HKD8.31 per share. As a result of the conversion, 48,459,107 new shares were issued.

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.

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

29. ACQUISITION OF SUBSIDIARIES

Particulars of the subsidiaries acquired during 2007 were as follows:

Acquired company	Principal activities	Acquisition date	Group's effective equity interest acquired	Consideration <i>Rmb'000</i>
養生堂浙江千島湖房地產有限公司 Yangshengtang Zhejiang Qiandaohu Real Estate Co., Ltd.	Real estate development	12 November 2007	51%	68,330
中稷集團(香港)國際金融投資有限公司 Zhongji Group (HK) Int'l Financial Investment Limited ("Zhongji Group")	Investment holding	19 December 2007	100%	135,010
德和國際實業有限公司 De He International Industrial Limited ("De He")	Investment holding	19 December 2007	100%	135,000
舟山瑞豐房地產開發有限公司 Zhoushan Ruifeng Real Estate Development Co., Ltd. ("Zhoushan Ruifeng")	Real estate development	19 December 2007	48% (Note)	—
舟山順帆房地產開發有限公司 Zhoushan Shunfan Real Estate Development Co., Ltd. ("Zhoushan Shunfan")	Real estate development	19 December 2007	58% (Note)	—
舟山卓成房地產開發有限公司 Zhoushan Zhuocheng Real Estate Development Co., Ltd. ("Zhoushan Zhuocheng")	Real estate development	19 December 2007	58% (Note)	—
舟山明程房地產開發有限公司 Zhoushan Mingcheng Real Estate Development Co., Ltd. ("Zhoushan Mingcheng")	Real estate development	19 December 2007	58% (Note)	—
舟山乾源房地產開發有限公司 Zhoushan Qianyuan Real Estate Development Co., Ltd. ("Zhoushan Qianyuan")	Real estate development	19 December 2007	58% (Note)	—
城建中稷(浙江)實業發展有限公司 City Construction (Zhejiang) Industrial Development Co., Ltd. ("City Construction")	Real estate development	19 December 2007	58% (Note)	—
北京城建中稷實業發展有限公司 Beijing Urban Construction Sino-Stately Industry & Development Co., Ltd. ("Beijing Urban Construction")	Real estate development	19 December 2007	60% (Note)	—
				338,340

Note: Beijing Urban Construction, City Construction, Zhoushan Ruifeng, Zhoushan Shunfan, Zhoushan Zhuocheng, Zhoushan Mingcheng and Zhoushan Qianyuan are subsidiaries of Zhongji Group and De He.

Particulars of the subsidiaries acquired during 2008 were as follows:

Acquired company	Principal activities	Acquisition date	Group's effective equity interest acquired	Consideration <i>Rmb'000</i>
新疆燁城萬順房地產開發有限公司 Xinjiang Yecheng Wanshun Real Estate Development Co., Ltd.	Real estate development	8 January 2008	51%	12,372
杭州金馬房地產有限公司 Hangzhou Golden Horse Real Estate Development Co., Ltd.	Real estate development	27 June 2008	51%	45,983
無錫綠城房地產開發有限公司 Wuxi Greentown Real Estate Development Co., Ltd. ("Wuxi Greentown")	Real estate development	3 February 2008	46% (i)	46,920
湖州新錦江房地產開發有限公司 Huzhou Xinjinjiang Real Estate Development Co., Ltd. ("Huzhou Xinjinjiang")	Real estate development	17 January 2008	80%	237,400
寧波太平洋實業有限公司 Ningbo Pacific Real Estate Co., Ltd.	Real estate development	31 March 2008	60%	581,118
浙江華能裝飾工程有限公司 Zhejiang Huaneng Decoration Project Co., Ltd.	Property design and decoration services	4 August 2008	100%	6,460
台州吉利嘉苑房地產有限公司 Taizhou Jilijiayuan Real Estate Development Co., Ltd. ("Taizhou Jilijiayuan")	Real estate development	10 June 2008	60%	24,000
台州翡翠物業管理有限公司 Taizhou Jadeite Property Management Co., Ltd. ("Taizhou Jadeite Property Management")	Property management	10 June 2008	60% (ii)	–
				954,253

Notes:

- (i) Wuxi Greentown was previously a 39%-owned associate of the Group. After the acquisition, the Group held 85% equity interest in Wuxi Greentown.
- (ii) Taizhou Jadeite Property Management is a subsidiary of Taizhou Jilijiayuan.

A summary of the effects of acquisitions of these subsidiaries is as follows:

	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>
Net assets acquired:		
Property, plant and equipment	4,240	1,855
Deferred tax assets	36	–
Properties for development	1,071,144	1,054,364
Properties under development	2,026,444	–
Inventories	48	50
Trade and other receivables	228,403	528
Prepaid income taxes	680	–
Prepaid other taxes	5,977	–
Bank balances and cash	146,693	5,100
Trade and other payables	(1,216,810)	(138,847)
Amounts due to related parties	(368,682)	(473,333)
Other taxes payable	(11)	(75)
Bank borrowings	(370,000)	(40,000)
	<u>1,528,162</u>	<u>409,642</u>
Minority interests	(534,129)	(71,302)
	<u>994,033</u>	<u>338,340</u>
Less: Interest previously acquired and classified as associates	(39,780)	–
	<u>954,253</u>	<u>338,340</u>
Total consideration, satisfied by:		
Other payables	44,823	–
Cash	222,415	338,340
Prepayments and deposits	687,015	–
	<u>954,253</u>	<u>338,340</u>
Net cash (outflow) inflow arising on acquisition		
Cash paid	(222,415)	(338,340)
Bank balances and cash acquired	146,693	5,100
	<u>(75,722)</u>	<u>(333,240)</u>

These acquisitions have been accounted for as acquisitions of assets and liabilities as the subsidiaries acquired are not businesses.

30. DISPOSAL OF SUBSIDIARIES

On 18 February 2007, the Group disposed of its entire equity interest in Gainwise International Limited (“Gainwise”), a wholly owned subsidiary, to Greentown Holdings Group Limited at a consideration of Rmb81,000.

On 20 September 2007, the Group disposed of its 65% equity interest in Shaoxing Jinlvquan (formerly known as Ningbo Chuangfu Real Estate Co., Ltd.), which was established on 14 May 2007, at a consideration of Rmb247,000,000. It became a 35%-owned associate of the Group afterwards.

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

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Net assets disposed of		
Properties for development	–	569,200
Trade and other receivables, deposits and prepayments	–	40
Bank balances and cash	–	719
Amounts due to related parties	–	(189,878)
	–	380,081
Transfer to interests in associates	–	(133,000)
	–	247,081
Total consideration, satisfied by cash	<u>–</u>	<u>247,081</u>
Net cash inflow (outflow) arising on disposal		
Cash consideration received	–	247,081
Bank balances and cash disposed of	–	(719)
	<u>–</u>	<u>246,362</u>

31. OPERATING LEASES

The Group as lessee

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Minimum lease payments made under operating leases in respect of buildings during the year	<u>22,378</u>	<u>14,156</u>

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

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Within one year	13,849	12,434
In the second to fifth year inclusive	44,699	17,490
After five years	33	2,857
	<u>58,581</u>	<u>32,781</u>

Operating lease payments represent rentals payable by the Group for certain office premises. Leases are negotiated for a term ranging from two to 10 years with fixed rentals.

The Group as lessor

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Property rental income, net of negligible outgoings	<u>5,681</u>	<u>3,447</u>

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

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Within one year	2,730	2,141
In the second to fifth year inclusive	7,227	7,338
After five years	8,983	11,323
	<u>18,940</u>	<u>20,802</u>

Property rental income represents rentals receivable by the Group. Leases are negotiated for a term ranging from two to 15 years with fixed rentals.

32. COMMITMENTS

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Commitments contracted for but not provided in the consolidated financial statements in respect of properties for development, properties under development and construction in progress	<u>7,903,986</u>	<u>5,814,769</u>

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

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Contracted for but not provided	<u>2,262,631</u>	<u>239,505</u>

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 2008, no options have been granted, exercised or cancelled.

Certain options were subsequently granted on 22 January 2009. Please refer to Note 38(ii) for details.

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:

	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>
Land and buildings	35,724	35,469
Hotel buildings	873,990	745,016
Prepaid lease payment	41,999	8,501
Construction in progress	31,023	22,322
Properties for development	749,267	1,102,836
Properties under development	10,101,999	4,349,082
Completed properties for sale	161,448	234,208
Bank deposits	220,217	506,282
	<u>12,215,667</u>	<u>7,003,716</u>

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**Guarantees**

The Group provided guarantees of Rmb 3,900,370,000 (2007: Rmb1,988,688,000) at 31 December 2008 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:

	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>
Associates	179,800	118,750
Jointly controlled entities	465,500	218,200
	<u>645,300</u>	<u>336,950</u>

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

	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>
Mortgage loan guarantees provided by an associate to banks in favour of its customers	<u>933,780</u>	<u>604,366</u>

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

	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>
Mortgage loan guarantees provided by jointly controlled entities to banks in favour of its customers	623,284	476,781

37. RELATED PARTY DISCLOSURES

- (i) During the year, in addition to those disclosed in Note 35, the Group entered into the following transactions with related parties:

	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>
Sale of properties to Shareholders	13,160	3,893
Sale of properties to officers	233,100	22,222
Sale of properties to minority shareholders of subsidiaries	216,019	–
Sale of materials to associates and jointly controlled entities	7,260	34,089
Construction service income from associates	4,525	–
Construction service income from jointly controlled entities	1,427	–
Construction service income from Shareholders' Companies	2,037	1,659
Rental fees paid/payable to:		
– Shareholders' Companies	5,098	4,949
– minority shareholders	173	–
Purchases from Shareholders' Companies (<i>Note</i>)	1,460	301
Interior decoration service fees Paid/payable to Shareholders' Companies	21,304	25,995
Sales commission paid/payable to minority shareholders	6,301	–
Property management fees paid/payable to Shareholders' Companies	11,153	10,415
Interest income arising from amounts due from:		
– associates	72,491	18,918
– jointly controlled entities	82,572	2,517
Interest expense arising from amounts due to:		
– associates	90,620	16,252
– jointly controlled entities	77,138	14,637
– minority shareholders	69,809	9,114
Advertising expenses paid/payable to Shareholders' Companies	40,000	40,000
Other service fees to Shareholders' Companies	4,506	1,061
Construction design fees paid/payable to Shareholders' Companies	–	–
Service income from jointly controlled entities	10,093	–
Hotel service income from jointly controlled entities	148	–
Hotel service income from associates	502	–
Hotel service income from Shareholders' Companies	275	–

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.

The directors considered that the transactions above were carried out in the Group's normal course of business and in accordance with the terms agreed with the counterparties.

Shareholders' Companies represent companies owned by the Shareholders.

In respect of project-related balances with related parties:

- (a) The trade balances due from 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.

- (c) The project-related balances due from minority shareholders/associates/jointly controlled entities are mainly project advances to these minority shareholders/associates/jointly controlled entities 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 project-related balances due to minority shareholders/jointly controlled entities are mainly project advances from these minority shareholders/jointly controlled entities 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 project-related balances due to associates/jointly controlled entities are mainly prepaid distributions.

The non-interest bearing balances due from (to) related parties are unsecured and repayable on demand. The key terms of the interest bearing balances due from (to) related parties are as follows:

- (a) The project-related amounts due from associates of Rmb254,277,000 (2007: Rmb61,671,000) at 31 December 2008 carried interest at fixed rates ranging from 8.29% to 10.98% (2007: 10.98%) per annum.

The project-related amounts due from associates of Rmb698,920,000 (2007: Rmb406,698,000) at 31 December 2008 carried interest at variable rates ranging from 7.30% to 7.85% (2007: 6.56% to 7.20%) per annum.

- (b) The project-related amounts due from jointly controlled entities of Rmb727,689,000 (2007: nil) at 31 December 2008 carried interest at a fixed rate 10.98% per annum.

The project-related amounts due from jointly controlled entities of Rmb26,070,000 (2007: Rmb19,000) at 31 December 2008 carried interest at a variable rate of 9.01% (2007: 6.46%) per annum.

- (c) The project-related amounts due to minority shareholders of Rmb560,419,000 (2007: nil) at 31 December 2008 carried interest at a variable rate ranging from 7.06% to 15.00% per annum.
- (d) The project-related amounts due to jointly controlled entities of Rmb184,258,000 (2007: Rmb313,000,000) at 31 December 2008 carried interest at a variable rate of 7.12% (2007: 8.29%) per annum.

- (e) The non-project related amounts due to associates of Rmb50,669,000 at 31 December 2008 (2007: Rmb47,869,000) carried interest at a fixed rate of 6.12% (2007: 6.12%) per annum.

The non-project related amounts due to associates of Rmb1,628,530,000 at 31 December 2008 (2007: Rmb1,015,622,000) carried interest at a variable rate of ranging from 7.17% to 8.26% (2007: 6.81% to 8.61%) per annum.

- (f) The non-project related amounts due to jointly controlled entities of Rmb510,294,000 (2007: Rmb675,620,000) at 31 December 2008 carried interest at a variable rate ranging from 7.97% to 9.01% (2007: 7.42% to 8.87%) per annum.
- (iii) (a) During the year, in addition to those disclosed in Note 29, the Group made acquisitions from related parties as follows:

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Acquisition of interests in associate from Shareholder's Company (i)	–	122,000
Purchase of additional interests in subsidiaries from minority shareholders (ii)	<u>214,357</u>	<u>17,500</u>

Notes:

- (i) On 13 February 2007, the Group entered into an acquisition agreement with Greentown Holdings Group Limited to acquire 49% equity interest held in Zhejiang Zhongqinglv for a consideration of Rmb122,000,000. The 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 Zhejiang Zhongqinglv, Greentown Holdings Group Limited and Zhejiang Zhongqinglv 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.

- (ii) 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.

On 14 January 2008, the Group entered into an agreement to acquire a 40% equity interest held by Hangzhou Binjiang Properties Limited in Hangzhou Lvbin Real Estate Development Co., Ltd., a subsidiary of the Company, for a consideration of Rmb155,007,000.

On 6 October 2008, the Group entered into an agreement to acquire a 20% equity interest held by DOU Zhenggang in Huzhou Xinjinjiang, a subsidiary of the Company, for a consideration of Rmb59,350,000.

On 15 December 2008, the Group contributed an additional capital of Rmb27,000,000 to Anhui Greentown Lianhua Real Estate Development Co., Ltd., a subsidiary of the Company, thereby increasing its equity interest from 54% to 70%. This transaction has been deemed as a purchase of additional interests in a subsidiary from minority shareholders.

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

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Disposal of interests in subsidiaries to a Shareholders' Company	<u>–</u>	<u>81</u>

(iv) Compensation of key management personnel

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

	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>
Short-term benefits	25,970	26,007
Post-employment benefits	506	453
	<u>26,476</u>	<u>26,460</u>

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 2008:

- (i) On 12 January 2009, the Company redeemed the outstanding 2006 Convertible Bonds at USD 12,360,000, representing their outstanding principal amount plus accrued interest, upon the holders of the outstanding 2006 Convertible Bonds exercising their redemption option.
- (ii) On 22 January 2009, under the Scheme, the Company granted a total of 45,280,000 share options (the "Share Options") to its executive directors and other employees to subscribe for the ordinary shares of HKD0.10 each (the "Shares") in the Company, subject to acceptance of the grantees (the "Grantees"). Each Share Option shall entitle the holder of the Share Option to subscribe for one Share upon exercise of such Share Option at an exercise price of HKD2.89 per Share, which represents the highest of (i) the closing price of HKD2.75 per share on 22 January 2009, being the date of the grant (the "Date of Grant"); (ii) the average closing price of HKD2.89 per Share for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of the Share. The Share Options are exercisable during the following periods: (i) up to 50% of the Share Options granted to each Grantee at any time after 22 January 2009; (ii) up to 75% of the Share Options granted to each Grantee at any time after the expiration of 12 months from 22 January 2009; and (iii) all the remaining Share Options granted to each Grantee at any time after the expiration of 24 months from 22 January 2009, and in each case, not later than 21 January 2019. 3,474,000 Share Options out of the aggregate of 45,280,000 Share Options were granted to the following executive directors of the Company with details as follows:

Name of Directors	Number of Share Options
Mr. Song Weiping	1,089,000
Mr. Shou Bainian	1,056,000
Mr. Chen Shunhua	753,000
Mr. Guo Jiafeng	576,000

The directors of the Company are in the process of assessing the financial effect of the grant of Share Options.

- (iii) On 10 April 2009, the Company entered into a sale and purchase agreement with, inter alia, Harbour Centre Development Limited ("Harbour Centre"), pursuant to which (i) Harbour Centre conditionally agreed to procure the sale to Greentown Real Estate Group Co., Ltd. ("Greentown Real Estate"), a wholly-owned subsidiary of the Group, of its 40% equity interest in Hangzhou Greentown Haiqi Real Estate Development Co., Ltd. ("Hangzhou Greentown Haiqi"), a 60%-owned subsidiary of the Group, held by Harbour Centre's wholly owned subsidiary, Nanjing Julong Property Development Company ("Nanjing Julong"), and shareholder loan made by Nanjing Julong to Hangzhou Greentown Haiqi for an aggregate consideration of Rmb1,382,392,000; and (ii) the Company conditionally agreed to procure the sale to Nanjing Julong of its 100% equity interest in Shanghai Luyuan Real Estate Development Co., Ltd. ("Shanghai Luyuan") and shareholder loans made by the Company's subsidiaries to Shanghai Luyuan for a total consideration of Rmb1,230,174,000. The transactions under the sale and purchase agreement were completed on 16 April 2009 as a result of which Hangzhou Greentown Haiqi became a wholly-owned subsidiary of the Company and Shanghai Luyuan ceased to be a subsidiary of the Company.

- (iv) On 14 April 2009, a trust agreement was entered into between Greentown Real Estate and Zhonghai Trust Company Ltd. (the “Trustee”), as trustee of the Zhonghai Greentown No. 1 Real Estate Investment Fund (the “Trust”). Pursuant to the terms of the Trust, on or around 20 April 2009, a major financial institution in the PRC subscribed for a total of 1,700,000,000 senior trust units of the Trust, comprising 100% of the total senior trust units and 85% of the total trust units available for subscription under the Trust, at a consideration of approximately RMB1,683,000,000. On 17 April 2009, Greentown Real Estate subscribed for a total of 180,000,000 junior trust units of the Trust, comprising 60% of the total junior trust units and 9% of the total trust units available for subscription under the Trust, at a consideration of RMB180,000,000. The remaining junior units of the Trust available for subscription under the Trust, comprising 6% of the total trust units available for subscription under the Trust, were subscribed by qualified investors in the PRC for a total consideration amount of RMB120,000,000. The trust was fully constituted on 20 April 2009 (the “Trust Establishment Date”) and the initial Trust capital was approximately RMB1,983,000,000. Pursuant to the terms of the Trust, the following agreements were entered into between Greentown Real Estate and Hangzhou Kangju Investment Management Company Limited (“Hangzhou Kangju”), a wholly-owned subsidiary of the Group, and the Trustee:
- (a) On 14 April 2009 and 17 April 2009, Greentown Real Estate and Hangzhou Kangju entered into separate equity sale and purchase agreements with the Trustee for the sale of 45% of Greentown Real Estate’s interest in Wuxi Greentown Real Estate Development Co., Ltd. (“Wuxi Greentown”), an 85%-owned subsidiary of the Group, and 25% of Hangzhou Kangju’s interest in Hangzhou Greentown Haiqi, for a consideration of RMB45,900,000 and RMB250,000,000, respectively (collectively, the “Equity Sale”). The sale by Greentown Real Estate of its 45% interest in Wuxi Greentown was completed on 15 April 2009. The sale by Hangzhou Kangju of its 25% interest in Hangzhou Greentown Haiqi was completed on 17 April 2009.
- (b) On 20 April 2009, the Trustee entered into separate loan agreements with each of Wuxi Greentown and Hangzhou Greentown Haiqi pursuant to which the Trust provided a loan in the principal amount of RMB437,100,000 to Wuxi Greentown and a loan in the principal amount of RMB1,250,000,000 to Hangzhou Greentown Haiqi (collectively, the “Trust Loans”). The Trust Loans bear an interest rate of 14%, and are repayable in full on the 33rd month after the disbursement, subject to certain early repayment rights of Wuxi Greentown and Hangzhou Greentown Haiqi.
- (c) In connection with the Equity Sale and the Trust Loans, Greentown Real Estate and Hangzhou Kangju entered into various additional agreements with the Trustee in respect of:
- (i) The equity interests sold in the Equity Sale, pursuant to which the Trust has a put option (the “Equity Put”) to require Greentown Real Estate or its nominees to repurchase the equity interest sold in the Equity Sale at a pre-agreed purchase price (the “Equity Put Price”) upon expiry of the 33rd month after the Trust Establishment Date, the occurrence of certain material adverse events affecting Wuxi Greentown, Hangzhou Greentown Haiqi, or Greentown Real Estate, or if the Trust Loans are repaid prior to their maturity;
- (ii) The outstanding equity interests in Wuxi Greentown and Hangzhou Greentown Haiqi held by Greentown Real Estate and Hangzhou Kangju immediately after the Equity Sale (the “Remaining Equity Interests”), pursuant to which the Trustee has the right to acquire the Remaining Equity Interests for a consideration of RMB1 if certain material adverse events occur. However, each of Greentown Real Estate and Hangzhou Kangju has been granted a call option to repurchase the relevant Remaining Equity Interests from the Trust for a consideration of RMB1 if the Trust Loans have been repaid and if the realization value of the Equity Put is not less than the Equity Put Price; and
- (iii) Trust units held by beneficiaries of the Trust (other than Greentown Real Estate), pursuant to which such beneficiaries of the Trust have been granted a put option (the “Trust Put”) to procure Greentown Real Estate to purchase all outstanding Trust units not then held by Greentown Real Estate at a pre-agreed purchase price (the “Trust Put Price”) in the event that (a) certain material adverse events occur; and (b) the Trust is unable to obtain certain agreed minimum returns on equity upon the exercise of Equity Put.

- (d) Under the terms of the Trust, Greentown Real Estate also provided (i) a guarantee to the Trustee in respect of all of the obligations of Wuxi Greentown, Hangzhou Greentown Haiqi and other parties related to Greentown Real Estate under, among other things, the Trust Loans; and (ii) a surety of RMB10,000,000 to the Trustee as security for the obligations of Wuxi Greentown, Hangzhou Greentown Haiqi, Greentown Real Estate and other parties related to Greentown Real Estate under, among other things, the Trust Loans and Equity Put. Furthermore, as security for, among other things, obligations of Wuxi Greentown and Hangzhou Greentown Haiqi under the Trust Loans, Greentown Real Estate and Hangzhou Kangju pledged all of their respective Remaining Equity Interests in Wuxi Greentown and Hangzhou Greentown Haiqi to the Trustee.

The directors of the Company are in the process of assessing the financial effects of the aforementioned transactions.

- (v) On 21 April 2009, the Company commenced a tender offer (the “Tender Offer”) to purchase for cash any and all of its outstanding US\$400,000,000 9.00% Senior Notes due 2013 (the “Notes”). In conjunction with the Tender Offer, the Company is also soliciting (the “Consent Solicitation”, and together with the Tender Offer, the “Offer”) from the holders of the Notes consents (the “Consents”) to proposed amendments and waivers (the “Proposed Amendments and Waivers”) of the provisions of the indenture governing the Notes (the “Indenture”), dated as of 10 November 2006. The Proposed Amendments and Waivers, once effective, will eliminate or modify substantially all of the restrictive covenants, certain events of default and certain other provisions contained in the Indenture, and to waive any and all actual defaults or events of default that have occurred and are continuing as well as any and all potential defaults or events of default that may have occurred or are continuing under the Indenture. Such waiver requires Consents from holders of the Notes representing at least a majority of the aggregate principal amount of the outstanding Notes, being US\$400,000,000 as at the date of these consolidated financial statements. The Offer will expire at 5 pm New York City Time, on May 19 2009, unless otherwise extended by the Company. Holders who validly tender and do not withdraw their Notes on or prior to 5 pm New York City Time, on 4 May 2009 (the “Consent Date”), unless otherwise extended by the Company, will be eligible to receive the total consideration of US\$850 for each US\$1,000 principal amount of the Notes tendered (the “Total Consideration”), which consists of (i) an amount of US\$775 (the “Purchase Price”), (ii) an amount of US\$59, which constitutes an early tender payment (the “Early Tender Payment”, and (iii) a consent payment of US\$16 (the “Consent Payment”), plus accrued and unpaid interest thereon up to, but not including, the date of payment (the “Settlement Date”). Holders who validly tender after the Consent Date but on or before the Expiration Date will be eligible to receive the Purchase Price only, plus accrued and unpaid interest thereon up to, but not including, the Settlement Date. Holders who do not tender their Notes but validly deliver Consents on or prior to the Consent Date, and do not validly revoke their Consents on or prior to the Consent Date, will be eligible to receive the Consent Payment only. All holders who tender Notes pursuant to the Tender Offer will also be deemed to deliver their Consents with respect to such Notes pursuant to the Consent Solicitation. The Settlement Date on which the payment of the Total Consideration, Purchase Price, Early Tender Payment and the Consent Payment will be made is expected to occur on or about 26 May 2009.

Adoption of the Proposed Amendments and Waivers, and payment of the Consent Payment, is conditional upon, among other things, the receipt of Consents of holders representing at least a majority in the aggregate principal amount (the “Requisite Consents”) of the Notes then outstanding (excluding the Notes owned by the Company or any of its affiliates). The consummation of the Offer is subject to the receipt of the Requisite Consents and the satisfaction or waiver of the customary conditions to the Offer as set forth in the Offer to Purchase and Consent Statement.

39. PARTICULARS OF SUBSIDIARIES

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share/ registered capital	Attributable equity interest				Principal activities	Legal form
			Direct		Indirect			
			2008	2007	2008	2007		
才智控股有限公司 Richwise Holdings Limited.	The British Virgin Islands ("The BVI") 16 November 2004	USD100	100%	100%	–	–	Investment holding	Private limited liability company
綠海國際有限公司 Green Sea International Limited.	The BVI 8 February 2005	USD100	–	–	100%	100%	Investment holding	Private limited liability company
佳卓企業有限公司 Best Smart Enterprises Limited.	The BVI 25 November 2005	USD100	–	–	100%	100%	Investment holding	Private limited liability company
華益投資有限公司 Hua Yick Investments Limited.	The BVI 25 November 2005	USD100	–	–	100%	100%	Investment holding	Private limited liability company
綠城房地產集團有限公司 Greentown Real Estate Group Co., Ltd.	The PRC 6 January 1995	Rmb895,000,000	–	–	100%	100%	Real estate development	Wholly foreign-owned enterprise
上海綠宇房地產開發有限公司 Shanghai Lvyu Real Estate Development Co., Ltd.	The PRC 19 July 2000	Rmb100,000,000	–	–	100%	100%	Real estate development	Wholly foreign-owned enterprise
安徽綠城房地產開發有限公司 Anhui Greentown Real Estate Development Co., Ltd.	The PRC 9 August 2001	Rmb30,000,000	–	–	90%	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.	The PRC 9 July 2002	Rmb50,000,000	–	–	70%	54%	Real estate development	Limited liability company
北京綠城投資有限公司 Beijing Greentown Investment Co., Ltd.	The PRC 3 June 2002	Rmb50,000,000	–	–	100%	100%	Investment management	Limited liability company
杭州桃花源房地產開發有限公司 Hangzhou Taohuayuan Real Estate Development Co., Ltd.	The PRC 29 April 1998	Rmb10,000,000	–	–	100%	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")	The PRC 16 March 1993	–	–	–	–	100%	Real estate development	Limited liability company
上虞市綠城房地產開發有限公司 Shangyu Greentown Real Estate Development Co., Ltd.	The PRC 2 August 2002	Rmb30,000,000	–	–	51%	51%	Real estate development	Limited liability company

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share/ registered capital	Attributable equity interest				Principal activities	Legal form
			Direct		Indirect			
			2008	2007	2008	2007		
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.	The PRC 19 June 2002	Rmb100,000,000	-	-	100%	100%	Real estate development	Limited liability company
浙江綠城電子工程有限公司 Zhejiang Greentown Electrical Engineering Co., Ltd.	The PRC 20 December 2001	Rmb5,000,000	-	-	90%	90%	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	Rmb50,000,000	-	-	100%	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.	The PRC 15 January 2001	Rmb50,000,000	-	-	80%	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.	The PRC 15 October 2003	Rmb2,000,000	-	-	100%	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.	The PRC 2 January 2003	Rmb46,660,000	-	-	60%	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.	The PRC 31 March 2003	Rmb5,000,000	-	-	100%	100%	Real estate sales and consulting	Limited liability company
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	-	-	-	-	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 Real Estate Development Co., Ltd.	The PRC 26 October 2000	Rmb50,000,000	-	-	100%	100%	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.	The PRC 30 September 2004	Rmb15,000,000	-	-	75%	75%	Real estate development and investment	Limited liability company

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share/ registered capital	Attributable equity interest				Principal activities	Legal form
			Direct		Indirect			
			2008	2007	2008	2007		
湖南綠城投資置業有限公司 Hunan Greentown Investment & Real Estate Co., Ltd.	The PRC 14 November 2003	Rmb80,000,000	–	–	51%	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 International Business Community Development Co., Ltd.	The PRC 26 September 2003	Rmb50,600,000	–	–	52%	52%	Real estate development	Limited liability company
上海華浙外灘置業有限公司 Shanghai Huazhe Bund Real Estate Co., Ltd.	The PRC 26 September 2002	Rmb50,000,000	–	–	51%	51%	Real estate development	Limited liability company
新疆陽光綠城房地產開發有限公司 Xinjiang Sunshine Real Estate Development Co., Ltd.	The PRC 17 January 2004	Rmb20,000,000	–	–	61%	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 Real Estate Development Co., Ltd.	The PRC 12 November 1999	Rmb30,000,000	–	–	51%	51%	Real estate development	Limited liability company
寧波高新區研發園綠城建設有限公司 Ningbo Gaoxinqu Yanfayuan Greentown Construction Co., Ltd.	The PRC 21 August 2003	Rmb50,000,000	–	–	60%	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 Real Estate Development Co., Ltd.	The PRC 25 December 2001	Rmb50,000,000	–	–	85%	85%	Real estate development	Limited liability company
浙江綠城材料設備有限公司 Zhejiang Greentown Material & Equipment Co., Ltd.	The PRC 20 July 2005	Rmb50,000,000	–	–	100%	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.	The PRC 18 July 2005	Rmb1,000,000	–	–	100%	100%	Real estate consulting	Limited liability company
浙江嘉和實業有限公司 Zhejiang Jiahe Industrial Co., Ltd.	The PRC 25 April 1995	Rmb50,000,000	–	–	100%	100%	Real estate development	Limited liability company
青島綠城置業有限公司 Qingdao Greentown Land Co., Ltd. ("Qingdao Greentown Land")	The PRC 23 January 2006	–	–	–	–	80%	Real estate development	Sino-foreign equity joint venture

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share/ registered capital	Attributable equity interest				Principal activities	Legal form
			Direct		Indirect			
			2008	2007	2008	2007		
杭州綠城東部建設有限公司 Hangzhou Greentown Orient Construction Co., Ltd.	The PRC 14 February 2006	Rmb333,000,000	–	–	96%	96%	Real estate development	Sino-foreign equity joint venture
杭州玫瑰園度假村有限公司 Hangzhou Rose Garden Property Services Co., Ltd.	The PRC 15 August 2006	USD27,000,000	–	–	100%	100%	Real estate development	Wholly foreign-owned enterprise
杭州千島湖綠城投資置業有限公司 Hangzhou Qiandaohu Real Estate Investment Co., Ltd.	The PRC 15 June 2005	Rmb30,000,000	–	–	80%	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.	The PRC 19 June 2006	Rmb5,000,000	–	–	80%	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.	The PRC 1 September 2006	Rmb80,000,000	–	–	100%	100%	Real estate development	Sino-foreign equity joint venture
南京天浦置業有限公司 Nanjing Tianpu Real Estate Co., Ltd.	The PRC 12 November 2002	Rmb50,000,000	–	–	70%	70%	Real estate development	Limited liability company
奮發投資有限公司 Zest Rich Investments Limited	The BVI 2 August 2006	USD100	–	–	100%	100%	Investment holding	Private limited liability company
Active Way Development Limited	The BVI 8 November 2006	USD100	–	–	100%	100%	Investment holding	Private limited liability company
添智企業有限公司 Addgenius Enterprises Limited	The BVI 13 July 2006	USD100	–	–	100%	100%	Investment holding	Private limited liability company
新昌綠城置業有限公司 Xinchang Greentown Real Estate Co., Ltd.	The PRC 12 December 2006	Rmb77,600,000	–	–	80%	100%	Real estate development	Limited liability company
杭州綠濱房地產開發有限公司 Hangzhou Lvbin Real Estate Development Co., Ltd.	The PRC 25 December 2006	USD49,800,000	–	–	100%	60%	Real estate development	Wholly foreign-owned enterprise
浙江台州綠城置業有限公司 Zhejiang Taizhou Greentown Real Estate Co., Ltd. ("Zhejiang Taizhou Greentown")	The PRC 26 December 2006	–	–	–	–	100%	Real estate development	Wholly foreign-owned enterprise
浙江益豐投資諮詢有限公司 Zhejiang Yifeng Investment & Consulting Co., Ltd.	The PRC 21 December 2006	Rmb100,000,000	–	–	51%	51%	Consulting services	Sino-foreign equity joint venture

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share/ registered capital	Attributable equity interest				Principal activities	Legal form
			Direct		Indirect			
			2008	2007	2008	2007		
桐廬九洲房地產有限公司 Tonglu Jiuzhou Real Estate Co., Ltd.	The PRC 16 October 2002	Rmb12,500,000	–	–	51%	51%	Real estate development	Limited liability company
杭州綠城栖霞置業有限公司 Hangzhou Greentown Qixia Real Estate Co., Ltd.	The PRC 24 August 2007	Rmb50,000,000	–	–	100%	100%	Real estate development	Limited liability company
溫州綠城房地產開發有限公司 Wenzhou Greentown Real Estate Development Co., Ltd.	The PRC 15 February 2007	Rmb767,923,810.50	–	–	60%	60%	Real estate development	Sino-foreign equity joint venture
溫州綠城置業有限公司 Wenzhou Greentown Real Estate Co., Ltd.	The PRC 21 May 2007	Rmb386,000,000	–	–	60%	60%	Real estate development	Sino-foreign equity joint venture
溫州綠城家景房地產開發有限公司 Wenzhou Greentown Jiajing Real Estate Development Co., Ltd.	The PRC 21 May 2007	Rmb386,000,000	–	–	60%	60%	Real estate development	Sino-foreign equity joint venture
杭州綠銀置業有限公司 Hangzhou Lvyin Real Estate Co., Ltd. ("Hangzhou Lvyin")	The PRC 9 July 2007	Rmb28,000,000	–	–	26% (Note iii)	26%	Real estate development	Limited liability company
南通綠城房地產開發有限公司 Nantong Greentown Real Estate Development Co., Ltd.	The PRC 23 August 2007	Rmb50,000,000	–	–	75%	75%	Real estate development	Limited liability company
青島綠城華川置業有限公司 Qingdao Greentown Huachuan Real Estate Co., Ltd. ("Qingdao Greentown Huachuan")	The PRC 21 August 2007	Rmb517,764,600	–	–	80%	80%	Real estate development	Sino-foreign equity jointly venture
舟山綠城聯海置業有限公司 Zhoushan Greentown Lianhai Real Estate Co., Ltd.	The PRC 5 June 2007	Rmb250,000,000	–	–	100%	100%	Real estate development	Sino-foreign equity joint venture
杭州華基投資管理有限公司 Hangzhou Huaji Investment Management Co., Ltd.	The PRC 25 August 2006	USD4,000,000	–	–	90%	90%	Real estate development	Sino-foreign equity joint venture
城建中樞(浙江)實業發展有限公司 City Construction (Zhejiang) Industrial Development Co., Ltd.	The PRC 5 May 2005	Rmb160,000,000	–	–	58% (Note iv)	58%	Real estate development	Limited liability company

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share/ registered capital	Attributable equity interest				Principal activities	Legal form
			Direct		Indirect			
			2008	2007	2008	2007		
舟山市瑞豐房地產開發有限公司 Zhoushan Ruifeng Real Estate Development Co., Ltd.	The PRC 12 April 2005	Rmb10,000,000	–	–	36% (Note iv)	48%	Real estate development	Limited liability company
舟山順帆房地產開發有限公司 Zhoushan Shunfan Real Estate Development Co., Ltd.	The PRC 17 April 2007	–	–	–	– (Note iv)	58%	Real estate development	Limited liability company
舟山市卓成房地產開發有限公司 Zhoushan Zhuocheng Real Estate Development Co., Ltd.	The PRC 24 April 2007	–	–	–	– (Note iv)	58%	Real estate development	Limited liability company
舟山明程房地產開發有限公司 Zhoushan Mingcheng Real Estate Development Co., Ltd.	The PRC 31 October 2005	Rmb10,000,000	–	–	58% (Note iv)	58%	Real estate development	Limited liability company
寧波太平洋置業有限公司 Ningbo Pacific Real Estate Co., Ltd.	The PRC 11 July 2003	Rmb177,000,000	–	–	60%	–	Real estate development	Limited liability company
台州吉利嘉苑房地產開發有限公司 Taizhou Jilijayuan Real Estate Development Co., Ltd.	The PRC 15 October 2001	Rmb40,000,000	–	–	60%	–	Real estate development	Limited liability company
舟山市乾源房地產開發有限公司 Zhoushan Qianyuan Real Estate Development Co., Ltd.	The PRC 31 October 2005	Rmb10,000,000	–	–	58% (Note iv)	58%	Real estate development	Limited liability company
海南桃花源置業有限公司 Hainan Taohuayaun Real Estate Co., Ltd.	The PRC 14 November 2007	Rmb30,000,000	–	–	51%	51%	Real estate development	Limited liability company
海南綠城高地投資有限公司 Hainan Greentown Gaodi Investment Co., Ltd.	The PRC 15 November 2007	Rmb60,000,000	–	–	51%	51%	Real estate development	Limited liability company
養生堂浙江千島湖房地產有限公司 Yangshengtang Zhejiang Qiandaohu Real Estate Co., Ltd.	The PRC 24 January 2005	Rmb30,000,000	–	–	51%	51%	Real estate development	Limited liability company
杭州綠城海企房地產開發有限公司 Hangzhou Greentown Haiqi Real Estate Development Co., Ltd.	The PRC 23 November 2007	Rmb100,000,000	–	–	60%	60%	Real estate development	Limited liability company

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share/ registered capital	Attributable equity interest				Principal activities	Legal form
			Direct		Indirect			
			2008	2007	2008	2007		
上海雅舍裝飾工程 有限公司 Shanghai Yashe Decoration Project Co., Ltd.	The PRC 13 August 2007	Rmb2,000,000	-	-	100%	100%	Trading of construction materials	Limited liability company
上海怡境園林景觀 工程有限公司 Shanghai Yijing Garden Decoration Project Co., Ltd.	The PRC 13 August 2007	Rmb2,000,000	-	-	100%	100%	Green construction and management	Limited liability company
杭州奮發投資諮詢 有限公司 Hangzhou Fenfa Investment & Consulting Co., Ltd.	The PRC 6 February 2007	Rmb229,800,000	-	-	100%	100%	Consulting services	Wholly foreign-owned enterprise
杭州綠城東富投資 諮詢有限公司 Hangzhou Greentown Dongfu Investment & Consulting Co., Ltd.	The PRC 1 February 2007	Rmb230,000,000	-	-	100%	100%	Consulting services	Wholly foreign-owned enterprise
杭州添智企業諮詢 有限公司 Hangzhou Tianzhi Enterprise Consulting Co., Ltd.	The PRC 1 February 2007	Rmb230,000,000	-	-	100%	100%	Consulting services	Wholly foreign-owned enterprise
杭州綠城綠智投資 諮詢有限公司 Hangzhou Greentown Lvzhi Investment & Consulting Co., Ltd.	The PRC 1 February 2007	Rmb230,000,000	-	-	100%	100%	Consulting services	Wholly foreign-owned enterprise
青島綠城華景置業 有限公司 Qingdao Greentown Huajing Real Estate Co., Ltd.	The PRC 30 April 2007	Rmb380,000,000	-	-	100%	100%	Real estate development	Wholly foreign-owned enterprise
杭州康居投資管理 有限公司 Hangzhou Kangju Investment Management Co., Ltd.	The PRC 30 April 2007	Rmb456,500,000	-	-	100%	100%	Real estate development	Wholly foreign-owned enterprise
溫州睿佳置業 有限公司 Wenzhou Ruijia Real Estate Co., Ltd.	The PRC 21 May 2007	Rmb386,000,000	-	-	100%	100%	Real estate development	Wholly foreign-owned enterprise
溫州卓著置業 有限公司 Wenzhou Zhuozhu Real Estate Co., Ltd.	The PRC 21 May 2007	Rmb386,000,000	-	-	100%	100%	Real estate development	Wholly foreign-owned enterprise
長沙慧霖投資諮詢 有限公司 Changsha Huilin Investment & Consultation Co., Ltd.	The PRC 21 May 2007	Rmb230,000,000	-	-	100%	100%	Consulting services	Wholly foreign-owned enterprise
杭州致達置業 有限公司 Hangzhou Zhida Real Estate Co., Ltd.	The PRC 30 May 2007	Rmb230,000,000	-	-	100%	100%	Real estate development	Wholly foreign-owned enterprise

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share/ registered capital	Attributable equity interest				Principal activities	Legal form
			Direct		Indirect			
			2008	2007	2008	2007		
杭州時富置業有限公司 Hangzhou Shifu Real Estate Co., Ltd.	The PRC 6 June 2007	Rmb228,000,000	-	-	100%	100%	Real estate development	Wholly foreign-owned enterprise
杭州添惠置業有限公司 Hangzhou Tianhui Real Estate Co., Ltd.	The PRC 6 June 2007	Rmb380,000,000	-	-	100%	100%	Real estate development	Wholly foreign-owned enterprise
杭州益廬投資管理有限公司 Hangzhou Yilu Investment Management Co., Ltd.	The PRC 12 October 2007	Rmb102,449,800	-	-	100%	100%	Real estate development	Wholly foreign-owned enterprise
益添有限公司 Benefitplus Limited	The BVI 3 July 2007	-	-	-	100%	100%	Investment holding	Private limited liability company
佳譽有限公司 Quality Fame Limited	The BVI 9 October 2007	-	-	-	100%	100%	Investment holding	Private limited liability company
凱智有限公司 Victory Smart Limited	The BVI 9 October 2007	-	-	-	100%	100%	Investment holding	Private limited liability company
天勝企業有限公司 Sky Triumph Enterprise Limited	The BVI 9 October 2007	-	-	-	100%	100%	Investment holding	Private limited liability company
峰力企業有限公司 Peakpower Enterprise Limited	The BVI 9 October 2007	-	-	-	100%	100%	Investment holding	Private limited liability company
寧波創瑞置業有限公司 Ningbo Chuangrui Real Estate Co., Ltd.	The PRC 11 May 2007	-	-	-	100%	100%	Real estate development	Wholly foreign-owned enterprise
寧波瑞利置業有限公司 Ningbo Ruili Real Estate Co., Ltd.	The PRC 16 May 2007	-	-	-	100%	100%	Real estate development	Wholly foreign-owned enterprise
中稷集團(香港)國際金融投資有限公司 Zhongji Group (HK) International Financial Investment Limited	HK 6 June 2003	HKD10,000	-	-	100% (Note iv)	100%	Investment holding enterprise	Private limited liability company
德和國際實業有限公司 De He International Industrial Limited	HK 26 July 2004	HKD10	-	-	100% (Note iv)	100%	Investment holding enterprise	Private limited liability company
浩生投資有限公司 Hoson Investments Limited	The BVI 5 April 2007	-	-	-	100%	100%	Investment holding	Private limited liability company
杭州普潤投資管理有限公司 Hangzhou Purun Investment Management Co., Ltd.	The PRC 6 June 2007	-	-	-	100%	100%	Real estate development	Wholly foreign-owned enterprise

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share/ registered capital	Attributable equity interest				Principal activities	Legal form
			Direct		Indirect			
			2008	2007	2008	2007		
北京城建中稷實業發展有限公司 Beijing Urban Construction Sino-State Industry & Development Co., Ltd.	The PRC 18 November 2004	Rmb100,000,000	–	–	60% (Note iv)	60%	Real estate development	Sino-foreign equity joint venture
杭州恒都投資管理諮詢有限公司 Hangzhou Hengdu Investment Management & Consulting Co., Ltd.	The PRC 14 November 2007	USD29,800,000	–	–	100%	100%	Real estate development	Wholly foreign-owned enterprise
溫州綠景置業有限公司 Wenzhou Lvjing Real Estate Co., Ltd.	The PRC 26 November 2007	Rmb206,250,000	–	–	100%	60%	Hotel construction and operation	Wholly foreign-owned enterprise
無錫綠城房地產開發有限公司 Wuxi Greentown Real Estate Development Co., Ltd.	The PRC 7 December 2007	Rmb102,000,000	–	–	85%	39%	Real estate development	Limited liability company
湖州新錦江房地產開發有限公司 Huzhou Xinjinjiang Real Estate Development Co., Ltd.	The PRC 3 February 2004	Rmb50,000,000	–	–	70%	–	Real estate development	Limited liability company
長興綠城房地產開發有限公司 Changxing Greentown Real Estate Development Co., Ltd.	The PRC 30 January 2008	Rmb100,000,000	–	–	51%	–	Real estate development	Limited liability company
北京綠城銀石房地產開發有限公司 Beijing Greentown Yinshi Real Estate Development Co., Ltd.	The PRC 20 February 2008	Rmb50,000,000	–	–	72%	–	Real estate development	Limited liability company
新疆俊發綠城房地產開發有限公司 Xinjiang Junfa Greentown Real Estate Development Co., Ltd.	The PRC 16 January 2008	Rmb50,000,000	–	–	50% (Note vi)	–	Real estate development	Limited liability company
舟山蔚藍海岸房地產開發有限公司 Zhoushan Weilanhai'an Real Estate Development Co., Ltd.	The PRC 6 May 2008	Rmb50,000,000	–	–	60%	–	Real estate development	Limited liability company
新疆燁城萬順房地產開發有限公司 Xinjiang Yechengwanshun Real Estate Development Co., Ltd.	The PRC 23 October 2001	Rmb24,260,000	–	–	51%	–	Real estate development	Limited liability company

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share/ registered capital	Attributable equity interest				Principal activities	Legal form
			Direct		Indirect			
			2008	2007	2008	2007		
上海綠源房地產開發有限公司 Shanghai Luyuan Real Estate Development Co., Ltd.	The PRC 3 February 2008	Rmb289,524,000	-	-	100%	-	Real estate development	Limited liability company
安領控股有限公司 Easy Lead Holdings Limited	The BVI 28 January 2008	-	-	-	100%	-	Investment holding	Private limited liability company
時凱控股有限公司 Era Win Holdings Limited	The BVI 12 March 2008	-	-	-	100%	-	Investment holding	Private limited liability company
永裕投資有限公司 Eternity Wealth Investments Limited	The BVI 28 March 2008	-	-	-	100%	-	Investment holding	Private limited liability company
忠富投資有限公司 Loyal Rich Holdings Limited	The BVI 18 February 2008	-	-	-	100%	-	Investment holding	Private limited liability company
佳城投資有限公司 Prime City Investments Limited	The BVI 28 March 2008	-	-	-	100%	-	Investment holding	Private limited liability company
北京亞奧房地產開發有限公司 Beijing Ya'ao Real Estate Development Co., Ltd.	The PRC 19 August 2008	Rmb50,000,000	-	-	50% (Note vi)	-	Real estate development	Limited liability company
大連綠城房地產開發有限公司 Dalian Greentown Real Estate Development Co., Ltd.	The PRC 11 November 2008	Rmb24,000,000	-	-	100%	-	Real estate development	Limited liability company
寧波象山綠城房地產開發有限公司 Ningbo Xiangshan Greentown Real Estate Development Co., Ltd.	The PRC 19 February 2008	Rmb100,000,000	-	-	50% (Note vi)	-	Real estate development	Limited liability company
杭州金馬房地產有限公司 Hangzhou Jinma Real Estate Development Co., Ltd.	The PRC 22 October 1992	USD12,000,000	-	-	51%	-	Real estate development	Sino-foreign joint venture
杭州綠城進出口貿易有限公司 Hangzhou Greentown Imports & Exports Trading Co., Ltd.	The PRC 29 April 2008	Rmb1,000,000	-	-	100%	-	Imports and exports	Limited liability company
北京綠城閣瑞建築規劃設計諮詢有限公司 Beijing Greentown Gerui Architectural Design & Consultation Co., Ltd.	The PRC 14 May 2008	Rmb350,000	-	-	100%	-	Construction engineering & design consultancy services	Limited liability company
北京興業萬發商務會所有限公司 Beijing Xingyewanfa Property Management Co., Ltd.	The PRC 22 September 2008	Rmb10,000,000	-	-	100%	-	Property management	Limited liability company

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share/ registered capital	Attributable equity interest				Principal activities	Legal form
			Direct		Indirect			
			2008	2007	2008	2007		
浙江華能裝飾工程有限公司 Huaneng Design and Decoration Co., Ltd.	The PRC 15 September 1993	Rmb6,000,000	-	-	100%	-	Property design & decoration services	Limited liability company
浙江綠城商業經營管理有限公司 Zhejiang Greentown Business Management Co., Ltd.	The PRC 14 July 2008	Rmb10,000,000	-	-	100%	-	Business management	Limited liability company
新疆陽光綠城物業管理有限公司 Xinjiang Sunshine Property Management Co., Ltd.	The PRC 16 July 2008	Rmb600,000	-	-	57%	-	Property management	Limited liability company
台州綠城翡翠物業管理有限公司 Taizhou Jade Property Management Co., Ltd.	The PRC 7 June 2007	Rmb1,000,000	-	-	60%	-	Property management	Limited liability company
浙江綠城融信置業有限公司 Zhejiang Greentown Finance and Trust Co., Ltd.	The PRC 24 June 2008	Rmb200,000,000	-	-	50% (Note vi)	-	Investment holding	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 2007.
- (ii) Hangzhou Zhongshan, Beijing Green Shunda and Zhejiang Taizhou Greentown have been closed.
- (iii) Hangzhou Lvvin is a 51%-owned subsidiary of Hangzhou Yuhang Greentown.
- (iv) Beijing Urban Construction, City Construction, Zhoushan Ruifeng, Zhoushan Shunfan, Zhoushan Zhuocheng, Zhoushan Mingcheng and Zhoushan Qianyuan are subsidiaries of Zhongji Group and De He.
- (v) Pursuant to the resolutions of the board of directors and owners of Qingdao Greentown Huachuan and Qingdao Greentown Land made in October 2007, the owners of both parties resolved that Qingdao Greentown Huachuan should absorb and merge with Qingdao Greentown Land. The absorption and merger was completed on 2 July 2008.
- (vi) The Group is able to dominate the board of directors of and has the power to direct the financial and operational policies of these entities. Therefore, these entities are accounted for as subsidiaries of the Group.

3. INDEBTEDNESS

Borrowings

As at the close of business on 30 April 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding borrowings of approximately RMB19,128,819,000, the details of which are set out below:

(i) Bank and other borrowings

	As at 30 April 2009 RMB'000
Secured bank loans	10,863,164
Unsecured bank loans	<u>2,221,140</u>
	<u>13,084,304</u>
Secured other loans	257,900
Unsecured other loans	<u>864,804</u>
	<u>1,122,704</u>
	<u>14,207,008</u>

(ii) Amounts due to related parties

	As at 30 April 2009 RMB'000
Amounts due to:	
Minority shareholders of subsidiaries	2,576,237
Associates	1,830,394
Jointly controlled entities	<u>515,180</u>
	<u>4,921,811</u>

Pledge of assets

As at the close of business on 30 April 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the following assets of the Enlarged Group were pledged to banks to secure general banking facilities granted to the Enlarged Group:

	As at 30 April 2009 <i>RMB'000</i>
Land and buildings	32,171
Hotel buildings	896,909
Prepaid lease payment	43,193
Construction in progress	47,099
Properties for development	743,693
Properties under development	11,547,018
Completed properties for sale	37,580
Bank deposits	659,132
	<u>14,006,795</u>

Debt securities

As at the close of business on 30 April 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding debt securities of approximately RMB4,890,798,000, the details of which are set out below:

	As at 30 April 2009 <i>RMB'000</i>
Senior notes	2,768,928
Convertible bonds	2,121,870
	<u>4,890,798</u>

Contingent liabilities

As at the close of business on 30 April 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group provided guarantees of RMB4,163,303,000 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 Enlarged Group's developed properties.

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

	As at 30 April 2009 <i>RMB'000</i>
Associates	1,160,200
Jointly controlled entities	<u>505,500</u>
	<u><u>1,665,700</u></u>

Save as aforesaid and apart from intra-group liabilities and normal trade payables arising in the ordinary course of business of the Enlarged Group, the Enlarged Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities outstanding at the close of business on 30 April 2009. The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Enlarged Group since 30 April 2009.

4. WORKING CAPITAL

After taking into account the the available credit facilities and the internal resources of the Enlarged Group, and in the absence of unforeseeable circumstances, the Directors are of the opinion that the Enlarged Group will have sufficient working capital for the next 12 months from the date of this circular.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material change in the financial or trading position of the Group since 31 December 2008, being the date of which the latest audited financial statements of the Group were made up.

6. FUTURE PROSPECT FOR THE GROUP

The Company is optimistic about the near- to medium-term outlook of the PRC property market. While the Chinese economy is still being affected by the ongoing global financial crisis, the country's residential market has seen a strong rebound in transaction volumes since the second quarter of 2009, due to China's rapid urbanization rate and the strong demand for housing of its huge population.

In 2009, it is estimated that the newly commenced projects will amount to 3.3 million sq.m. GFA, and the total completed GFA will be 1.96 million sq.m.

The Company will strengthen its focus on sales effort so as to improve its asset turnover, cashflow and financial position. It is estimated that a total of 3.1 million sq.m. GFA will be made available for sales/pre-sales over the course of 2009. Up to 31 May, 2009, the Company already recorded contracted and agreement sales/pre-sales of approximately RMB15.2 billion, up 114% YoY. The Company targets total contracted and agreement sales/pre-sales to reach at least RMB25 billion for full-year 2009.



德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F., One Pacific Place
88 Queensway
Hong Kong

30 June 2009

The Directors
Greentown China Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to Hangzhou Greentown Haiqi Real Estate Development Co., Ltd. (“Haiqi Greentown”) for the period from 23 November 2007 (date of establishment) to 31 December 2007 and the year ended 31 December 2008 (the “Relevant Periods”) for inclusion in the circular dated 30 June 2009 issued by Greentown China Holdings Limited (the “Company”) in connection with (i) the Company’s acquisition of additional interest in Haiqi Greentown and disposal of interest in Shanghai Luyuan Real Estate Development Co., Ltd.; and (ii) the establishment of Zhonghai-Greentown No. 1 Real Estate Investment Fund (the “Circular”).

Haiqi Greentown was established in the People’s Republic of China (the “PRC”) with limited liability on 23 November 2007.

The financial year end date of Haiqi Greentown is December 31.

The statutory financial statements of Haiqi Greentown for the period from 23 November 2007 (date of establishment) to 31 December 2007 and the year ended 31 December 2008 were prepared in accordance with the relevant accounting principles and financial regulations in the PRC and were audited by Zhonghui Certified Public Accountants Co., Ltd., which is registered in the PRC.

For the purpose of this report, the directors of Haiqi Greentown have prepared the financial statements for the Relevant Periods (the “Underlying Financial Statements”) in accordance with International Financial Reporting Standards. We have carried out an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of Haiqi Greentown for the Relevant Periods as set out in this report has been prepared from the Underlying Financial Statements. No adjustments are considered necessary to the Underlying Financial Statements for the preparation of the Financial Information.

The Underlying Financial Statements are the responsibility of the directors of Haiqi Greentown who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Haiqi Greentown as at 31 December 2007 and 2008 and of its results and cash flows for the period from 23 November 2007 (date of establishment) to 31 December 2007 and the year ended 31 December 2008.

I. FINANCIAL INFORMATION

INCOME STATEMENTS

		Year ended 31 December 2008	Period from 23 November 2007 (date of establishment) to 31 December 2007
	<i>NOTES</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Revenue	6	–	–
Other income		213	14
Selling expenses		(1,443)	(277)
Administrative expenses		(5,949)	(781)
Finance costs	7	(145,504)	–
Loss before taxation	8	(152,683)	(1,044)
Taxation	10	–	–
Loss for the year/period		<u>(152,683)</u>	<u>(1,044)</u>
Attributable to equity holders of Haiqi Greentown		<u>(152,683)</u>	<u>(1,044)</u>

APPENDIX II FINANCIAL INFORMATION OF HAIQI GREENTOWN

BALANCE SHEETS

		As at 31 December	
		2008	2007
	<i>NOTES</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	<u>4,220</u>	<u>889</u>
CURRENT ASSETS			
Properties for development	<i>12</i>	–	3,490,050
Properties under development	<i>13</i>	3,710,451	–
Other receivables, deposits and prepayments		352	607
Pledged bank deposits	<i>14, 20</i>	6,575	–
Bank balances and cash	<i>14</i>	<u>410,976</u>	<u>18,363</u>
		<u>4,128,354</u>	<u>3,509,020</u>
CURRENT LIABILITIES			
Trade and other payables	<i>15</i>	24,614	87
Amounts due to related parties	<i>22(ii)</i>	3,661,654	3,490,831
Other taxes payable		<u>33</u>	<u>35</u>
		<u>3,686,301</u>	<u>3,490,953</u>
NET CURRENT ASSETS		<u>442,053</u>	<u>18,067</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>446,273</u>	<u>18,956</u>
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	<i>16</i>	<u>500,000</u>	<u>–</u>
		<u>(53,727)</u>	<u>18,956</u>
CAPITAL AND RESERVES			
Paid-in capital	<i>17</i>	100,000	20,000
Reserves		<u>(153,727)</u>	<u>(1,044)</u>
Equity attributable to equity holders of Haiqi Greentown		<u>(53,727)</u>	<u>18,956</u>

APPENDIX II FINANCIAL INFORMATION OF HAIQI GREENTOWN

STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital <i>Rmb'000</i>	Accumulated losses <i>Rmb'000</i>	Total <i>Rmb'000</i>
At 23 November 2007 (date of establishment)	<u>20,000</u>	<u>–</u>	<u>20,000</u>
Loss for the period and total recognised expense for the period	<u>–</u>	<u>(1,044)</u>	<u>(1,044)</u>
At 31 December 2007	<u>20,000</u>	<u>(1,044)</u>	<u>18,956</u>
Loss for the year and total recognised expense for the year	<u>–</u>	<u>(152,683)</u>	<u>(152,683)</u>
Capital contribution	<u>80,000</u>	<u>–</u>	<u>80,000</u>
At 31 December 2008	<u><u>100,000</u></u>	<u><u>(153,727)</u></u>	<u><u>(53,727)</u></u>

CASH FLOW STATEMENTS

	Year ended 31 December 2008 Rmb'000	Period from 23 November 2007 (date of establishment) to 31 December 2007 Rmb'000
OPERATING ACTIVITIES		
Loss before taxation	(152,683)	(1,044)
Adjustments for:		
Depreciation	749	1
Finance costs	145,504	–
	<hr/>	<hr/>
Operating cash flows before movements in working capital	(6,430)	(1,043)
Decrease (increase) in properties for development	3,490,050	(3,490,050)
Increase in properties under development	(3,640,110)	–
Decrease (increase) in other receivables, deposits and prepayments	255	(607)
Increase in trade and other payables	24,527	87
(Decrease) increase in other taxes payable	(2)	35
	<hr/>	<hr/>
Cash used in operations	(131,710)	(3,491,578)
Income taxes paid	–	–
	<hr/>	<hr/>
NET CASH USED IN OPERATING ACTIVITIES	(131,710)	(3,491,578)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,130)	(890)
Increase in pledged bank deposits	(6,575)	–
	<hr/>	<hr/>
CASH USED IN INVESTING ACTIVITIES	(10,705)	(890)
FINANCING ACTIVITIES		
Bank borrowings raised	500,000	–
(Repayment to) advance from related parties	(39,636)	3,490,831
Capital contribution	80,000	20,000
Interest paid	(5,336)	–
	<hr/>	<hr/>
NET CASH FROM FINANCING ACTIVITIES	535,028	3,510,831
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	392,613	18,363
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	18,363	–
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	410,976	18,363
	<hr/> <hr/>	<hr/> <hr/>
REPRESENTED BY BANK BALANCES AND CASH	410,976	18,363
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Haiqi Greentown was established in Hangzhou, Zhejiang Province, the PRC on 23 November 2007 with limited liability. Its parent is Hangzhou Kangju Investment Management Co., Ltd. (“Hangzhou Kangju”) (established in the PRC) and its ultimate holding company is the Company. The address of the registered office of Haiqi Greentown is 6th floor, No 639 Qianjiang Road, Hangzhou, Zhejiang Province, the PRC.

The financial statements are presented in Renminbi (“Rmb”), which is also the functional currency of Haiqi Greentown.

The principal activity of Haiqi Greentown is the development of residential and commercial properties in the PRC.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, Haiqi Greentown has consistently adopted International Accounting Standards (“IASs”), IFRSs, amendments and Interpretations (“IFRICs”) which are effective for Haiqi Greentown’s financial year beginning on 1 January 2008 throughout the Relevant Periods.

Haiqi Greentown has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

IFRSs (Amendments)	Improvements to IFRSs May 2008 ¹
IFRSs (Amendments)	Improvements to IFRSs April 2009 ²
IAS 1 (Revised)	Presentation of Financial Statements ³
IAS 23 (Revised)	Borrowing Costs ³
IAS 27 (Revised)	Consolidated and Separate Financial Statements ⁴
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ³
IAS 39 (Amendment)	Eligible Hedged Items ⁴
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ³
IFRS 2 (Amendment)	Vesting Conditions and Cancellations ³
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ⁵
IFRS 3 (Revised)	Business Combinations ⁴
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments ³
IFRS 8	Operating Segments ³
IFRIC 9 & IAS 39 (Amendments)	Embedded Derivatives ⁶
IFRIC 13	Customer Loyalty Programmes ⁷
IFRIC 15	Agreements for the Construction of Real Estate ³
IFRIC 16	Hedges of a Net Investment in a Foreign Operation ⁸
IFRIC 17	Distributions of Non-cash Assets to Owners ⁴
IFRIC 18	Transfers of Assets from Customers ⁹

¹ Effective for annual periods beginning on or after 1 January 2009 except the amendments to IFRS 5, which are effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2009

⁴ Effective for annual periods beginning on or after 1 July 2009

⁵ Effective for annual periods beginning on or after 1 January 2010

⁶ Effective for annual periods ending on or after 30 June 2009

⁷ Effective for annual periods beginning on or after 1 July 2008

⁸ Effective for annual periods beginning on or after 1 October 2008

⁹ Effective for transfers on or after 1 July 2009

The directors of Haiqi Greentown anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of Haiqi Greentown.

3. PRINCIPAL ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis and in accordance with the accounting policies set out below which conform with IFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold 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 pre-sale of properties are recorded as pre-sale deposits.

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.

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 period/year in which they are incurred.

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 period/year. Taxable profit differs from profit as reported in the 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. Haiqi Greentown'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 Financial Information 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.

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.

Haiqi Greentown 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 benefit costs

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

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes 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 over their estimated useful lives, and after taking into account their estimated residual value, using the straight-line method.

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 income statement in the year in which the item is derecognised.

Impairment of tangible assets

At each balance sheet date, Haiqi Greentown reviews the carrying amounts of its tangible 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, Haiqi Greentown estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 (or 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 (or 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 (or 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 (i.e. land use rights) 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.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when Haiqi Greentown becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Haiqi Greentown's financial assets are classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including other receivables, pledged bank deposits, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by Haiqi Greentown 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 Haiqi Greentown after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including bank borrowings, trade and other payables and amounts due to related parties are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and Haiqi Greentown 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 assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Net realisable value for properties under development

Properties under development 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. During the course of their assessment, management will also make reference to property valuations conducted by independent qualified professional valuers based on comparable market prices. Management will 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. As at 31 December 2007 and 2008, the carrying amounts of properties under development were nil and Rmb3,710,451,000 respectively.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Financial assets		
Loans and receivables (including cash and cash equivalents)	417,824	18,518
Financial liabilities		
Amortised cost	4,186,268	3,490,918

(b) Financial risk management objectives and policies

Haiqi Greentown's major financial instruments include other receivables, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to related parties, and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include interest rate risk, credit risk and liquidity risk. 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. There has been no significant change in Haiqi Greentown's exposure to these risks or the manner in which it manages and measures risks.

Interest rate risk

Haiqi Greentown is exposed to fair value interest rate risk in relation to fixed-rate bank deposits and amounts due to related parties (see Notes 14 and 22(ii) for details).

Haiqi Greentown is also exposed to cash flow interest rate risk in relation to variable-rate bank deposits and bank borrowings (see Notes 14 and 16 for details).

Haiqi Greentown does not use any derivative contracts to hedge against its exposure to interest rate risk.

Haiqi Greentown's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to market lending interest rates for non-derivative instruments at the balance sheet date. Variable-rate bank deposits are excluded from the analysis because their sensitivity to changes in market interest rates is considered to be low. For variable-rate bank borrowings as at 31 December 2008, the analysis is prepared assuming the balances outstanding at the balance sheet date were outstanding for the whole year. A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If the market lending interest rates had been 50 basis points higher/lower and all other variables were held constant, there would have been no impact on Haiqi Greentown's loss for the year ended 31 December 2008. Additional interest expense of Rmb2,500,000 would have been capitalised in properties under development for the year ended 31 December 2008.

Credit risk

As at 31 December 2007 and 2008, Haiqi Greentown's maximum exposure to credit risk which will cause a financial loss to Haiqi Greentown due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the balance sheet.

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

Haiqi Greentown's concentration of credit risk by geographical locations is mainly in the PRC. Haiqi Greentown has no significant concentration of credit risk, with exposure spread over a number of counterparties, other than deposits with a few banks.

Liquidity risk

In the management of the liquidity risk, Haiqi Greentown monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Haiqi Greentown'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.

Haiqi Greentown relies on amounts due to related parties and bank borrowings as a significant source of liquidity.

Subsequent to 31 December 2008, Haiqi Greentown has also obtained additional funding through a series of arrangements with a trust, the details of which are set out in Note 23.

The following table details Haiqi Greentown's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Haiqi Greentown can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Weighted average interest rate %	Less than 1 year Rmb'000	1-5 years Rmb'000	5+ years Rmb'000	Total undiscounted cash flows Rmb'000	Carrying amount at 31/12/2008 Rmb'000
2008						
Non-derivative financial liabilities						
Trade and other payables	-	23,614	1,000	-	24,614	24,614
Bank borrowings						
- variable-rate	5.67%	28,350	548,116	-	576,466	500,000
Amounts due to related parties						
- interest-free	-	1,782,347	-	-	1,782,347	1,782,347
- fixed-rate	10.98%	2,085,654	-	-	2,085,654	1,879,307
		<u>3,919,965</u>	<u>549,116</u>	<u>-</u>	<u>4,469,081</u>	<u>4,186,268</u>

	Weighted average interest rate %	Less than 1 year Rmb'000	1-5 years Rmb'000	5+ years Rmb'000	Total undiscounted cash flows Rmb'000	Carrying amount at 31/12/2008 Rmb'000
2007						
Non-derivative financial liabilities						
Trade and other payables	-	87	-	-	87	87
Amounts due to related parties						
- interest-free	-	1,850,731	-	-	1,850,731	1,850,731
- fixed-rate	10.98%	1,820,183	-	-	1,820,183	1,640,100
		<u>3,671,001</u>	<u>-</u>	<u>-</u>	<u>3,671,001</u>	<u>3,490,918</u>

(c) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices or rates from observable current market transactions as input.

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

(d) Capital risk management

Haiqi Greentown manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Haiqi Greentown's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Haiqi Greentown consists of net debt, which includes the bank borrowings and amounts due to related parties disclosed in Notes 16 and 22(ii) respectively (net of cash and cash equivalents), and equity attributable to equity holders of Haiqi Greentown, comprising paid-in capital and reserves.

The directors of Haiqi Greentown review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Haiqi Greentown will balance its overall capital structure through the payment of dividends, capital contribution and reduction as well as the issue of new debt or the redemption of existing debt.

6. REVENUE

Haiqi Greentown is engaged in property development in the PRC which constitutes one business segment and one geographical segment. No revenue was recognized during the Relevant Periods because Haiqi Greentown's properties were still under development. Moreover, no geographical analysis of Haiqi Greentown's assets and liabilities is presented as Haiqi Greentown's assets and liabilities are located in the PRC.

7. FINANCE COSTS

	Year ended 31 December 2008 <i>Rmb'000</i>	Period from 23 November 2007 (date of establishment) to 31 December 2007 <i>Rmb'000</i>
Interest on:		
– bank borrowings wholly repayable within five years	5,336	–
– amounts due to related parties	210,459	–
Less: Capitalised in properties under development	(70,291)	–
	<u>145,504</u>	<u>–</u>

8. LOSS BEFORE TAXATION

	Year ended 31 December 2008 <i>Rmb'000</i>	Period from 23 November 2007 (date of establishment) to 31 December 2007 <i>Rmb'000</i>
Loss before taxation has been arrived at after charging:		
Salaries and other benefits	5,548	341
Retirement benefits scheme contributions	261	4
Less: Capitalised in properties under development	(2,251)	–
	<u>3,558</u>	<u>345</u>
Depreciation of property, plant and equipment	799	1
Less: Capitalised in properties under development	(50)	–
	<u>749</u>	<u>1</u>
Auditor's remuneration	<u>35</u>	<u>4</u>

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the directors of Haiqi Greentown were as follows:

	ZHAO Jinbiao <i>Rmb'000</i>	YANG Rongquan <i>Rmb'000</i>	CHAI Hongda <i>Rmb'000</i>	ZHOU Anqiao <i>Rmb'000</i>	WU Ziyuan <i>Rmb'000</i>	Year ended 31 December 2008 <i>Rmb'000</i>
Fees	–	–	–	–	–	–
Other emoluments:						
Salaries and other benefits	–	444	–	–	–	444
Contributions to retirement benefits/pension schemes	–	63	–	–	–	63
Performance related incentive payments	–	133	–	–	–	133
	<u>–</u>	<u>640</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>640</u>

						Period from 23 November 2007 (date of establishment) to 31 December 2007 Rmb'000
	ZHAO Jinbiao Rmb'000	YANG Rongquan Rmb'000	CHAI Hongda Rmb'000	ZHOU Anqiao Rmb'000	WU Ziyuan Rmb'000	
Fees	-	-	-	-	-	-
Other emoluments:						
Salaries and other benefits	-	90	-	-	-	90
Contributions to retirement benefits/pension schemes	-	-	-	-	-	-
Performance related incentive payments	-	22	-	-	-	22
	<u>-</u>	<u>112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112</u>

No directors waived any emoluments during the Relevant Periods.

Of the five individuals with the highest emoluments in Haiqi Greentown, one was a director of Haiqi Greentown whose emoluments are included in the disclosure above. The emoluments of the remaining four individuals were as follows:

	Year ended 31 December 2008 Rmb'000	23 November 2007 (date of establishment) to 31 December 2007 Rmb'000
Salaries and benefits	823	106
Contributions to retirement benefits/pension schemes	114	4
Performance related incentive payments	244	28
	<u>1,181</u>	<u>138</u>

Their emoluments were below HKD1,000,000.

During the Relevant Periods, no emoluments were paid by Haiqi Greentown to any of the directors or the five highest paid individuals as an inducement to join or upon joining Haiqi Greentown or as compensation for loss of office.

10. TAXATION

No provision for enterprise income tax has been made for the Relevant Periods as Haiqi Greentown has had no assessable profits.

Haiqi Greentown is subject to enterprise income tax levied at a rate of 33% and 25% during 2007 and 2008 respectively.

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. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulations, the enterprise income tax rate of Haiqi Greentown was reduced from 33% to 25% from 1 January 2008 onwards.

The tax charge for the year/period can be reconciled to the loss per the income statements as follows:

	Year ended 31 December 2008 Rmb'000	Period from 23 November 2007 (date of establishment) to 31 December 2007 Rmb'000
Loss before taxation	(152,683)	(1,044)
Tax at the applicable PRC enterprise income tax rate of 25%/33%	(38,171)	(344)
Tax effect of tax losses not recognised	38,171	344
Tax charge for the year/period	<u>–</u>	<u>–</u>

As at 31 December 2007 and 2008, Haiqi Greentown had unutilised tax losses of Rmb1,044,000 and Rmb153,727,000 respectively available for offset against future profits. Pursuant to the relevant laws and regulations of the PRC, tax losses can be carried forward for a maximum of five years from the year of origination. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements Rmb'000	Machinery Rmb'000	Furniture, fixtures and equipment Rmb'000	Transportation equipment Rmb'000	Total Rmb'000
COST					
At 23 November 2007 (date of establishment)	–	–	–	–	–
Additions	<u>220</u>	<u>66</u>	<u>3</u>	<u>601</u>	<u>890</u>
At 31 December 2007	220	66	3	601	890
Additions	<u>562</u>	<u>294</u>	<u>221</u>	<u>3,053</u>	<u>4,130</u>
At 31 December 2008	<u>782</u>	<u>360</u>	<u>224</u>	<u>3,654</u>	<u>5,020</u>
DEPRECIATION					
At 23 November 2007 (date of establishment)	–	–	–	–	–
Provided for the period	<u>–</u>	<u>(1)</u>	<u>–</u>	<u>–</u>	<u>(1)</u>
At 31 December 2007	–	(1)	–	–	(1)
Provided for the year	<u>(152)</u>	<u>(44)</u>	<u>(22)</u>	<u>(581)</u>	<u>(799)</u>
At 31 December 2008	<u>(152)</u>	<u>(45)</u>	<u>(22)</u>	<u>(581)</u>	<u>(800)</u>
CARRYING VALUES					
At 31 December 2008	<u>630</u>	<u>315</u>	<u>202</u>	<u>3,073</u>	<u>4,220</u>
At 31 December 2007	<u>220</u>	<u>65</u>	<u>3</u>	<u>601</u>	<u>889</u>

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

Leasehold improvements	Over the shorter of the lease term or five years
Machinery	10% to 33 ¹ / ₃ %
Furniture, fixtures and equipment	10% to 33 ¹ / ₃ %
Transportation equipment	10% to 20%

12. PROPERTIES FOR DEVELOPMENT

Properties for development represent prepayments made in respect of long-term leasehold land. As at 31 December 2007, Haiqi Greentown was in the process of obtaining the land use rights certificates for such land.

13. PROPERTIES UNDER DEVELOPMENT

	As at 31 December	
	2008	2007
	Rmb'000	Rmb'000
Long-term leasehold land – at cost	3,597,377	–
Development costs	42,783	–
Finance costs capitalised	70,291	–
	<u>3,710,451</u>	<u>–</u>

Properties under development are expected to be recovered after more than 12 months.

14. OTHER CURRENT ASSETS

Bank balances and cash/pledged bank deposits

Bank balances and cash comprise cash held by Haiqi Greentown and short-term bank deposits with an original maturity of three months or less. Bank balances carried interest at 0.72% and 0.36% per annum as at 31 December 2007 and 2008 respectively.

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to Haiqi Greentown. The pledged bank deposits carried interest at 1.71% per annum as at 31 December 2008.

As at 31 December 2007 and 2008, all bank balances and cash (including pledged bank deposits) were denominated in Renminbi. Renminbi is not freely convertible into other currencies.

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 31 December	
	2008	2007
	Rmb'000	Rmb'000
0 – 30 days	<u>20,206</u>	<u>–</u>
Trade payables	20,206	–
Other payables and accrued expenses	<u>4,408</u>	<u>87</u>
	<u>24,614</u>	<u>87</u>

Trade payables and other payables principally comprise amounts payable to contractors and ongoing costs.

16. BANK BORROWINGS

Bank borrowings as at 31 December 2008 consisted of a variable-rate bank loan in a principal amount of Rmb500,000,000 due 2011 secured by Haiqi Greentown's properties under development and bank deposits (see Note 20 for details). Interest is repriced every 12 months. The average interest rate on the bank loan during 2008 was 5.67% per annum.

17. PAID-IN CAPITAL

	As at 31 December	
	2008	2007
	Rmb'000	Rmb'000
Registered and paid-in capital:		
Hangzhou Kangju	55,000	11,000
Nanjing Julong Property Development Company Limited ("Nanjing Julong")	40,000	8,000
Greentown Real Estate Group Co., Ltd. ("Greentown Real Estate")	5,000	1,000
	<u>100,000</u>	<u>20,000</u>

Pursuant to the written resolution of the equity holders of Haiqi Greentown dated 1 August 2008, the paid-in capital of Haiqi Greentown was increased from Rmb20,000,000 to Rmb100,000,000.

18. OPERATING LEASES

Haiqi Greentown as lessee

	Year ended	Period from
	31 December	23 November
	2008	2007 (date of
	Rmb'000	establishment)
		to 31
		December
		2007
		Rmb'000
Minimum lease payments made under operating leases in respect of buildings during the year/period	<u>606</u>	<u>200</u>

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

	As at 31 December	
	2008	2007
	Rmb'000	Rmb'000
Within one year	608	599
In the second to fifth year inclusive	2,358	2,527
After five years	—	419
	<u>2,966</u>	<u>3,545</u>

Operating lease payments represent rentals payable by Haiqi Greentown for certain office premises. Leases are negotiated for a term of six years with fixed rentals.

19. COMMITMENTS

	As at 31 December	
	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>
Commitments contracted for but not provided in the Financial Information in respect of properties for development and properties under development	132,525	27,588

20. PLEDGE OF ASSETS

At the balance sheet dates, the following assets were pledged to banks to secure general banking facilities granted to Haiqi Greentown:

	As at 31 December	
	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>
Properties under development	2,308,962	–
Bank deposits	6,575	–
	<u>2,315,537</u>	<u>–</u>

21. RETIREMENT BENEFITS PLANS

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

22. RELATED PARTY DISCLOSURES

- (i) During the Relevant Periods, Haiqi Greentown entered into the following transactions with related parties:

Names of related parties	Nature of transactions	Year ended	Period from
		31 December	23 November
		2008	2007 (date of establishment)
		<i>Rmb'000</i>	to 31 December 2007
		<i>Rmb'000</i>	<i>Rmb'000</i>
Greentown Real Estate	Acquisition of property, plant and equipment	1,500	–
Greentown Real Estate	Interest expense	210,459	–
Hangzhou Greentown Hotel Management Co., Ltd.	Service fees	175	–
Zhejiang Greentown Property Management Co., Ltd.	Service fees	161	–

Both Hangzhou Greentown Hotel Management Co., Ltd. and Zhejiang Greentown Property Management Co., Ltd. are controlled by the substantial shareholders of Greentown.

The directors considered that the transactions above were carried out in Haiqi Greentown's normal course of business and in accordance with the terms agreed with the counterparties.

- (ii) As at the balance sheet dates, Haiqi Greentown had balances with related parties as follows:

	As at 31 December					
	Project-related Rmb'000	2008 Non-project related Rmb'000	Total Rmb'000	Project-related Rmb'000	2007 Non-project related Rmb'000	Total Rmb'000
Due to						
– Nanjing Julong	1,382,632	–	1,382,632	1,396,000	–	1,396,000
– Greentown Real Estate	1,879,307	–	1,879,307	1,640,100	–	1,640,100
– Hangzhou Kangju	399,700	–	399,700	454,731	–	454,731
– Greentown Holdings Group Limited	–	15	15	–	–	–
	<u>3,661,639</u>	<u>15</u>	<u>3,661,654</u>	<u>3,490,831</u>	<u>–</u>	<u>3,490,831</u>

Greentown Holdings Group Limited is controlled by the substantial shareholders of Greentown.

The project-related balances due to equity holders of Haiqi Greentown are mainly project advances from those equity holders 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.

Except for the amount due to Greentown Real Estate, the balances due to related parties are unsecured, interest free and repayable on demand. The amounts due to Greentown Real Estate as at 31 December 2007 and 2008 carried interest at 10.98% per annum.

23. POST BALANCE SHEET EVENTS

The following significant events took place subsequent to 31 December 2008:

- (i) Pursuant to the written resolutions of the equity holders of Haiqi Greentown, the paid-in capital of Haiqi Greentown was increased from Rmb100,000,000 to Rmb500,000,000 on 11 March 2009 and further to Rmb1,000,000,000 on 17 March 2009.
- (ii) On 10 April 2009, the Company entered into a sale and purchase agreement with, inter alia, Harbour Centre Development Limited (“Harbour Centre”), pursuant to which Harbour Centre conditionally agreed to procure the sale to Greentown Real Estate, a wholly-owned subsidiary of the Company, of its 40% equity interest in Haiqi Greentown held by Harbour Centre’s wholly owned subsidiary, Nanjing Julong, and shareholder loan made by Nanjing Julong to Haiqi Greentown for an aggregate consideration of Rmb1,382,392,000. The transaction was completed on 16 April 2009.
- (iii) On 17 April 2009, Hangzhou Kangju entered into an equity sale and purchase agreement with Zhonghai Trust Company Ltd. (the “Trustee”), as trustee of the Zhonghai Greentown No. 1 Real Estate Investment Fund (the “Trust”), for the sale of its 25% interest in Haiqi Greentown to the Trust for a consideration of Rmb250,000,000. The transaction was completed on 17 April 2009.

On 20 April 2009, the Trustee entered into a loan agreement with Haiqi Greentown pursuant to which the Trust provided a loan in the principal amount of Rmb1,250,000,000 to Haiqi Greentown. The loan bears an interest rate of 14%, and is repayable in full on the 33rd month after the disbursement, subject to certain early repayment rights of Haiqi Greentown.

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Haiqi Greentown have been prepared in respect of any period subsequent to 31 December 2008.

DELOITTE TOUCHE TOHMATSU
Certified Public Accountants
Hong Kong



德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F., One Pacific Place
88 Queensway
Hong Kong

30 June 2009

The Directors
Greentown China Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to Wuxi Greentown Real Estate Development Co., Ltd. (“Wuxi Greentown”) for the period from 7 December 2007 (date of establishment) to 31 December 2007 and the year ended 31 December 2008 (the “Relevant Periods”) for inclusion in the circular dated 30 June 2009 issued by Greentown China Holdings Limited (the “Company”) in connection with (i) the Company’s acquisition of additional interest in Hangzhou Greentown Haiqi Real Estate Development Co., Ltd. and disposal of interest in Shanghai Luyuan Real Estate Development Co., Ltd.; and (ii) the establishment of Zhonghai – Greentown No. 1 Real Estate Investment Fund (the “Circular”).

Wuxi Greentown was established in the People’s Republic of China (the “PRC”) with limited liability on 7 December 2007.

The financial year end date of Wuxi Greentown is 31 December.

The statutory financial statements of Wuxi Greentown for the period from 7 December 2007 (date of establishment) to 31 December 2007 and the year ended 31 December 2008 were prepared in accordance with the relevant accounting principles and financial regulations in the PRC and were audited by Wuxi Zhongzheng Certified Public Accountants Co., Ltd., which is registered in the PRC.

For the purpose of this report, the directors of Wuxi Greentown have prepared the financial statements for the Relevant Periods (the “Underlying Financial Statements”) in accordance with International Financial Reporting Standards. We have carried out an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of Wuxi Greentown for the Relevant Periods as set out in this report has been prepared from the Underlying Financial Statements. No adjustments are considered necessary to the Underlying Financial Statements for the preparation of the Financial Information.

The Underlying Financial Statements are the responsibility of the directors of Wuxi Greentown who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Wuxi Greentown as at 31 December 2007 and 2008 and of its results and cash flows for the period from 7 December 2007 (date of establishment) to 31 December 2007 and the year ended 31 December 2008.

I. FINANCIAL INFORMATION

INCOME STATEMENTS

		Year ended 31 December 2008	Period from 7 December 2007 (date of establishment) to 31 December 2007
	<i>NOTES</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Revenue	6	–	–
Other income		241	3
Selling expenses		(617)	(1)
Administrative expenses		(4,473)	(70)
Finance costs	7	(54,161)	–
Loss before taxation	8	(59,010)	(68)
Taxation	10	–	–
Loss for the year/period		<u>(59,010)</u>	<u>(68)</u>
Attributable to equity holders of Wuxi Greentown		<u>(59,010)</u>	<u>(68)</u>

BALANCE SHEETS

		As at 31 December	
		2008	2007
	NOTES	Rmb'000	Rmb'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	<u>2,745</u>	<u>17</u>
CURRENT ASSETS			
Properties under development	12	668,788	–
Other receivables, deposits and prepayments		588	234
Pledged bank deposits	13, 18	4,000	–
Bank balances and cash	13	<u>26,822</u>	<u>9,976</u>
		<u>700,198</u>	<u>10,210</u>
CURRENT LIABILITIES			
Trade and other payables	14	1,073	2
Amounts due to related parties	20(ii)	658,948	291
Other taxes payable		<u>–</u>	<u>2</u>
		<u>660,021</u>	<u>295</u>
NET CURRENT ASSETS		<u>40,177</u>	<u>9,915</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>42,922</u></u>	<u><u>9,932</u></u>
CAPITAL AND RESERVES			
Paid-in capital	15	102,000	10,000
Reserves		<u>(59,078)</u>	<u>(68)</u>
Equity attributable to equity holders of Wuxi Greentown		<u><u>42,922</u></u>	<u><u>9,932</u></u>

STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital <i>Rmb'000</i>	Accumulated losses <i>Rmb'000</i>	Total <i>Rmb'000</i>
At 7 December 2007 (date of establishment)	<u>10,000</u>	<u>–</u>	<u>10,000</u>
Loss for the period and total recognised expense for the period	<u>–</u>	<u>(68)</u>	<u>(68)</u>
At 31 December 2007	<u>10,000</u>	<u>(68)</u>	<u>9,932</u>
Loss for the year and total recognised expense for the year	<u>–</u>	<u>(59,010)</u>	<u>(59,010)</u>
Capital contribution	<u>92,000</u>	<u>–</u>	<u>92,000</u>
At 31 December 2008	<u><u>102,000</u></u>	<u><u>(59,078)</u></u>	<u><u>42,922</u></u>

CASH FLOW STATEMENTS

	Year ended 31 December 2008 <i>Rmb'000</i>	Period from 7 December 2007 (date of establishment) to 31 December 2007 <i>Rmb'000</i>
OPERATING ACTIVITIES		
Loss before taxation	(59,010)	(68)
Adjustments for:		
Depreciation	192	–
Finance costs	54,161	–
	<u> </u>	<u> </u>
Operating cash flows before movements in working capital	(4,657)	(68)
Increase in properties under development	(668,781)	–
Increase in other receivables, deposits and prepayments	(354)	(234)
Increase in trade and other payables	1,071	2
(Decrease) increase in other taxes payable	(2)	2
	<u> </u>	<u> </u>
Cash used in operations	(672,723)	(298)
Income taxes paid	–	–
	<u> </u>	<u> </u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(672,723)</u>	<u>(298)</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,927)	(17)
Increase in pledged bank deposits	(4,000)	–
	<u> </u>	<u> </u>
CASH USED IN INVESTING ACTIVITIES	<u>(6,927)</u>	<u>(17)</u>
FINANCING ACTIVITIES		
Advance from related parties	604,496	291
Capital contribution	92,000	10,000
	<u> </u>	<u> </u>
CASH FROM FINANCING ACTIVITIES	<u>696,496</u>	<u>10,291</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,846	9,976
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	<u>9,976</u>	<u>–</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	<u>26,822</u>	<u>9,976</u>
REPRESENTED BY BANK BALANCES AND CASH	<u>26,822</u>	<u>9,976</u>

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Wuxi Greentown was established in Wuxi, Jiangsu Province, the PRC on 7 December 2007 with limited liability. Its parent is Greentown Real Estate Group Co., Ltd. (“Greentown Real Estate”) (established in the PRC) and its ultimate holding company is the Company. The address of the registered office of Wuxi Greentown is 10th floor, No 2288 Taihu Avenue, Wuxi, Jiangsu Province, the PRC.

The financial statements are presented in Renminbi (“Rmb”), which is also the functional currency of Wuxi Greentown.

The principal activity of Wuxi Greentown is the development of residential and commercial properties in the PRC.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, Wuxi Greentown has consistently adopted International Accounting Standards (“IASs”), IFRSs, amendments and Interpretations (“IFRICs”) which are effective for Wuxi Greentown’s financial year beginning on 1 January 2008 throughout the Relevant Periods.

Wuxi Greentown has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

IFRSs (Amendments)	Improvements to IFRSs May 2008 ¹
IFRSs (Amendments)	Improvements to IFRSs April 2009 ²
IAS 1 (Revised)	Presentation of Financial Statements ³
IAS 23 (Revised)	Borrowing Costs ³
IAS 27 (Revised)	Consolidated and Separate Financial Statements ⁴
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ³
IAS 39 (Amendment)	Eligible Hedged Items ⁴
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ³
IFRS 2 (Amendment)	Vesting Conditions and Cancellations ³
IFRS 2 (Amendment)	Group Cash-settled and Share-based Payment Transactions ⁵
IFRS 3 (Revised)	Business Combinations ⁴
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments ³
IFRS 8	Operating Segments ³
IFRIC 9 & IAS 39 (Amendments)	Embedded Derivatives ⁶
IFRIC 13	Customer Loyalty Programmes ⁷
IFRIC 15	Agreements for the Construction of Real Estate ³
IFRIC 16	Hedges of a Net Investment in a Foreign Operation ⁸
IFRIC 17	Distributions of Non-cash Assets to Owners ⁴
IFRIC 18	Transfers of Assets from Customers ⁹

¹ Effective for annual periods beginning on or after 1 January 2009 except the amendments to IFRS 5, which are effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2009

⁴ Effective for annual periods beginning on or after 1 July 2009

⁵ Effective for annual periods beginning on or after 1 January 2010

⁶ Effective for annual periods ending on or after 30 June 2009

⁷ Effective for annual periods beginning on or after 1 July 2008

⁸ Effective for annual periods beginning on or after 1 October 2008

⁹ Effective for transfers on or after 1 July 2009

The directors of Wuxi Greentown anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of Wuxi Greentown.

3. PRINCIPAL ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis and in accordance with the accounting policies set out below which conform with IFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold 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 pre-sale of properties are recorded as pre-sale deposits.

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.

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 period/year in which they are incurred.

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 period/year. Taxable profit differs from profit as reported in the 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. Wuxi Greentown'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 Financial Information 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.

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.

Wuxi Greentown 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 benefit costs

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

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes 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 over their estimated useful lives, and after taking into account their estimated residual value, using the straight-line method.

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 income statement in the year in which the item is derecognised.

Impairment of tangible assets

At each balance sheet date, Wuxi Greentown reviews the carrying amounts of its tangible 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, Wuxi Greentown estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 (or 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 (or 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Properties under development

Properties under development, representing leasehold land located in the PRC (i.e. land use rights) 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.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when Wuxi Greentown becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Wuxi Greentown's financial assets are classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including other receivables, pledged bank deposits, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by Wuxi Greentown 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 Wuxi Greentown after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables and amounts due to related parties are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and Wuxi Greentown 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 assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Net realisable value for properties under development

Properties under development 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. During the course of their assessment, management will also make reference to property valuations conducted by independent qualified professional valuers based on comparable market prices. Management will 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. As at 31 December 2007 and 2008, the carrying amounts of properties under development were nil and Rmb668,788,000 respectively.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Financial assets		
Loans and receivables (including cash and cash equivalents)	31,113	10,050
Financial liabilities		
Amortised cost	660,021	293

(b) Financial risk management objectives and policies

Wuxi Greentown's major financial instruments include other receivables, pledged bank deposits, bank balances and cash, trade and other payables, and amounts due to related parties. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include interest rate risk, credit risk and liquidity risk. 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. There has been no significant change in Wuxi Greentown's exposure to these risks or the manner in which it manages and measures risks.

Interest rate risk

Wuxi Greentown is exposed to fair value interest rate risk in relation to fixed-rate bank deposits and amounts due to related parties (see Notes 13 and 20(ii) for details).

Wuxi Greentown is also exposed to cash flow interest rate risk in relation to variable-rate bank deposits (see Note 13 for details).

Wuxi Greentown does not use any derivative contracts to hedge against its exposure to interest rate risk.

Wuxi Greentown's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

No sensitivity analysis is prepared because the sensitivity of variable-rate bank deposits to changes in market interest rates is considered to be low.

Credit risk

As at 31 December 2007 and 2008, Wuxi Greentown's maximum exposure to credit risk which will cause a financial loss to Wuxi Greentown due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the balance sheet.

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

Wuxi Greentown's concentration of credit risk by geographical locations is mainly in the PRC. Wuxi Greentown has no significant concentration of credit risk, with exposure spread over a number of counterparties, other than deposits with a few banks.

Liquidity risk

In the management of the liquidity risk, Wuxi Greentown monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Wuxi Greentown's operations and mitigate the effects of fluctuations in cash flows.

Wuxi Greentown relies on amounts due to related parties as a significant source of liquidity.

Subsequent to 31 December 2008, Wuxi Greentown has also obtained additional funding through a series of arrangements with a trust, the details of which are set out in Note 21.

The following table details Wuxi Greentown's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Wuxi Greentown can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Weighted average interest rate %	Less than 1 year Rmb'000	1-5 years Rmb'000	5+ years Rmb'000	Total undiscounted cash flows Rmb'000	Carrying amount at 31/12/2008 Rmb'000
2008						
Non-derivative financial liabilities						
Trade and other payables	-	1,073	-	-	1,073	1,073
Amounts due to related parties - fixed-rate	10.98%	731,301	-	-	731,301	658,948
		<u>732,374</u>	<u>-</u>	<u>-</u>	<u>732,374</u>	<u>660,021</u>

	Weighted average interest rate %	Less than 1 year Rmb'000	1-5 years Rmb'000	5+ years Rmb'000	Total undiscounted cash flows Rmb'000	Carrying amount at 31/12/2007 Rmb'000
2007						
Non-derivative financial liabilities						
Trade and other payables	-	2	-	-	2	2
Amounts due to related parties - interest-free	-	291	-	-	291	291
		<u>293</u>	<u>-</u>	<u>-</u>	<u>293</u>	<u>293</u>

(c) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices or rates from observable current market transactions as input.

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

(d) Capital risk management

Wuxi Greentown manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Wuxi Greentown's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Wuxi Greentown consists of net debt, which includes amounts due to related parties disclosed in Note 20(ii) (net of cash and cash equivalents), and equity attributable to equity holders of Wuxi Greentown, comprising paid-in capital and reserves.

The directors of Wuxi Greentown review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Wuxi Greentown will balance its overall capital structure through the payment of dividends, capital contribution and reduction as well as the issue of new debt or the redemption of existing debt.

6. REVENUE

Wuxi Greentown is engaged in property development in the PRC which constitutes one business segment and one geographical segment. No revenue was recognized during the Relevant Periods because Wuxi Greentown's properties were still under development. Moreover, no geographical analysis of Wuxi Greentown's assets and liabilities is presented as Wuxi Greentown's assets and liabilities are located in the PRC.

7. FINANCE COSTS

	Year ended 31 December 2008 Rmb'000	Period from 7 December 2007 (date of establishment) to 31 December 2007 Rmb'000
Interest on amounts due to related parties	54,161	–
Less: Capitalised in properties under development	–	–
	<u>54,161</u>	<u>–</u>

8. LOSS BEFORE TAXATION

	Year ended 31 December 2008 Rmb'000	Period from 7 December 2007 (date of establishment) to 31 December 2007 Rmb'000
Loss before taxation has been arrived at after charging:		
Salaries and other benefits	1,846	21
Retirement benefits scheme contributions	163	–
Less: Capitalised in properties under development	(484)	–
	<u>1,525</u>	<u>21</u>
Depreciation of property, plant and equipment	199	–
Less: Capitalised in properties under development	(7)	–
	<u>192</u>	<u>–</u>
Auditor's remuneration	<u>20</u>	<u>–</u>

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the directors of Wuxi Greentown were as follows:

	CHEN Shunhua <i>Rmb'000</i>	QIAN Xiaohua <i>Rmb'000</i>	GU Guohua <i>Rmb'000</i>	ZHANG Mingchun <i>Rmb'000</i>	YANG Chunxiao <i>Rmb'000</i>	Year ended 31 December 2008 <i>Rmb'000</i>
Fees	-	-	-	-	-	-
Other emoluments:						
Salaries and other benefits	-	-	317	-	-	317
Contributions to retirement benefits/pension schemes	-	-	81	-	-	81
Performance related incentive payments	-	-	95	-	-	95
	<u>-</u>	<u>-</u>	<u>493</u>	<u>-</u>	<u>-</u>	<u>493</u>

	CHEN Shunhua <i>Rmb'000</i>	QIAN Xiaohua <i>Rmb'000</i>	GU Guohua <i>Rmb'000</i>	ZHANG Mingchun <i>Rmb'000</i>	YANG Chunxiao <i>Rmb'000</i>	Period from 7 December 2007 (date of establishment) to 31 December 2007 <i>Rmb'000</i>
Fees	-	-	-	-	-	-
Other emoluments:						
Salaries and other benefits	-	-	-	-	-	-
Contributions to retirement benefits/pension schemes	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

No directors waived any emoluments during the Relevant Periods.

Of the five individuals with the highest emoluments in Wuxi Greentown, one in the year ended 31 December 2008 was a director of Wuxi Greentown whose emoluments are included in the disclosure above, whereas none in the period from 7 December 2007 (date of establishment) to 31 December 2007 was a director of Wuxi Greentown. The emoluments of the remaining five and four individuals for the period from 7 December 2007 (date of establishment) to 31 December 2007 and the year ended 31 December 2008 respectively were as follows:

	Year ended 31 December 2008 <i>Rmb'000</i>	7 December 2007 (date of establishment) to 31 December 2007 <i>Rmb'000</i>
Salaries and benefits	521	53
Contributions to retirement benefits/pension schemes	277	15
Performance related incentive payments	156	-
	<u>954</u>	<u>68</u>

Their emoluments were below HKD1,000,000.

During the Relevant Periods, no emoluments were paid by Wuxi Greentown to any of the directors or the five highest paid individuals as an inducement to join or upon joining Wuxi Greentown or as compensation for loss of office.

10. TAXATION

No provision for enterprise income tax has been made for the Relevant Periods as Wuxi Greentown has had no assessable profits.

Wuxi Greentown is subject to enterprise income tax levied at a rate of 33% and 25% during 2007 and 2008 respectively.

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. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulations, the enterprise income tax rate of Wuxi Greentown was reduced from 33% to 25% from 1 January 2008 onwards.

The tax charge for the year/period can be reconciled to the loss per the income statements as follows:

	Year ended 31 December 2008 Rmb'000	Period from 7 December 2007 (date of establishment) to 31 December 2007 Rmb'000
Loss before taxation	(59,010)	(68)
Tax at the applicable PRC enterprise income tax rate of 25%/33%	(14,752)	(22)
Tax effect of tax losses not recognised	14,752	22
Tax charge for the year/period	<u> -</u>	<u> -</u>

As at 31 December 2007 and 2008, Wuxi Greentown had unutilised tax losses of Rmb68,000 and Rmb59,078,000 respectively available for offset against future profits. Pursuant to the relevant laws and regulations of the PRC, tax losses can be carried forward for a maximum of five years from the year of origination. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>Rmb'000</i>	Furniture, fixtures and equipment <i>Rmb'000</i>	Transportation equipment <i>Rmb'000</i>	Total <i>Rmb'000</i>
COST				
At 7 December 2007 (date of establishment)	–	–	–	–
Additions	–	17	–	17
At 31 December 2007	–	17	–	17
Additions	1,606	722	599	2,927
At 31 December 2008	1,606	739	599	2,944
DEPRECIATION				
At 7 December 2007 (date of establishment) and 31 December 2007	–	–	–	–
Provided for the year	(134)	(27)	(38)	(199)
At 31 December 2008	(134)	(27)	(38)	(199)
CARRYING VALUES				
At 31 December 2008	1,472	712	561	2,745
At 31 December 2007	–	17	–	17

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

Leasehold improvements	Over the shorter of the lease term or five years
Furniture, fixtures and equipment	10% to 33⅓%
Transportation equipment	10% to 20%

12. PROPERTIES UNDER DEVELOPMENT

	As at 31 December	
	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>
Long-term leasehold land – at cost	636,240	–
Development costs	32,548	–
	<u>668,788</u>	<u>–</u>

Properties under development are expected to be recovered after more than 12 months.

13. OTHER CURRENT ASSETS**Bank balances and cash/pledged bank deposits**

Bank balances and cash comprise cash held by Wuxi Greentown and short-term bank deposits with an original maturity of three months or less. Bank balances carried interest at 0.72% and 0.36% per annum as at 31 December 2007 and 2008 respectively.

Pledged bank deposits represent deposits pledged to banks to secure short-term banking facilities granted to Wuxi Greentown. The pledged bank deposits carried interest at 3.06% per annum as at 31 December 2008.

As at 31 December 2007 and 2008, all bank balances and cash (including pledged bank deposits) were denominated in Renminbi. Renminbi is not freely convertible into other currencies.

14. 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 31 December	
	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>
0 – 30 days	5	–
31 – 90 days	199	–
91 – 180 days	413	–
	<u>617</u>	<u>–</u>
Trade payables	617	–
Other payables and accrued expenses	456	2
	<u>1,073</u>	<u>2</u>
	<u><u>1,073</u></u>	<u><u>2</u></u>

Trade payables and other payables principally comprise amounts payable to contractors and ongoing costs.

15. PAID-IN CAPITAL

	As at 31 December	
	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>
Registered and paid-in capital:		
Wuxi New City Construction Investment Management Co., Ltd.	5,100	5,100
Greentown Real Estate	86,700	3,900
QIAN Xiaohua	10,200	1,000
	<u>102,000</u>	<u>10,000</u>
	<u><u>102,000</u></u>	<u><u>10,000</u></u>

Pursuant to the written resolutions of the equity holders of Wuxi Greentown on 30 January 2008, the paid-in capital of Wuxi Greentown was increased from Rmb10,000,000 to Rmb102,000,000.

16. OPERATING LEASES

Wuxi Greentown as lessee

	Year ended 31 December 2008 <i>Rmb'000</i>	Period from 7 December 2007 (date of establishment) to 31 December 2007 <i>Rmb'000</i>
Minimum lease payments made under operating leases in respect of buildings during the year/period	540	24

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

	As at 31 December 2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Within one year	775	213
In the second to fifth year inclusive	344	–
	<u>1,119</u>	<u>213</u>

Operating lease payments represent rentals payable by Wuxi Greentown for certain office premises. Leases are negotiated for a term of two years with fixed rentals.

17. COMMITMENTS

	As at 31 December 2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Commitments contracted for but not provided in the Financial Information in respect of properties under development	–	563,080

18. PLEDGE OF ASSETS

At the balance sheet dates, the following assets were pledged to banks to secure general banking facilities granted to Wuxi Greentown:

	As at 31 December 2008 <i>Rmb'000</i>	2007 <i>Rmb'000</i>
Bank deposits	4,000	–

19. RETIREMENT BENEFITS PLANS

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

20. RELATED PARTY DISCLOSURES

- (i) During the Relevant Periods, Wuxi Greentown entered into the following transactions with a related party:

Name of related party	Nature of transaction	2008	2007
		Rmb'000	Rmb'000
Greentown Real Estate	Interest expense	54,161	–

The directors considered that the transaction above was carried out in Wuxi Greentown's normal course of business and in accordance with the terms agreed with the counterparty.

- (ii) As at the balance sheet dates, Wuxi Greentown had balances with related parties as follows:

	As at 31 December					
	2008		Total	2007		Total
	Project-related	Non-project related		Project-related	Non-project related	
Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	
Due to						
– Greentown Real Estate	658,948	–	658,948	–	–	–
– Wuxi Taihu Greentown Real Estate Development Co., Ltd. (“Wuxi Taihu Greentown”)	–	–	–	–	291	291
	<u>658,948</u>	<u>–</u>	<u>658,948</u>	<u>–</u>	<u>291</u>	<u>291</u>

Wuxi Taihu Greentown was an associate of the Company.

The project-related balance due to Greentown Real Estate is a project advance and is tied to the project development cycle. In the opinion of the directors, this balance is expected to be settled when the project concerned commences pre-sales.

The amount due to Wuxi Taihu Greentown was unsecured, interest free and repayable on demand. The amount due to Greentown Real Estate was unsecured, repayable on demand and carried interest at 10.98% per annum.

21. POST BALANCE SHEET EVENTS

The following significant events took place subsequent to 31 December 2008:

- (i) On 14 April 2009, Greentown Real Estate entered into an equity sale and purchase agreement with Zhonghai Trust Company Ltd. (the “Trustee”), as trustee of the Zhonghai Greentown No. 1 Real Estate Investment Fund (the “Trust”), for the sale of its 45% interest in Wuxi Greentown to the Trust for a consideration of Rmb45,900,000. The transaction was completed on 15 April 2009.

On 20 April 2009, the Trustee entered into a loan agreement with Wuxi Greentown pursuant to which the Trust provided a loan in the principal amount of Rmb437,100,000 to Wuxi Greentown. The loan bears an interest rate of 14%, and is repayable in full on the 33rd month after the disbursement, subject to certain early repayment rights of Wuxi Greentown.

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Wuxi Greentown have been prepared in respect of any period subsequent to 31 December 2008.

DELOITTE TOUCHE TOHMATSU
Certified Public Accountants
Hong Kong

**APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION
ON THE ENLARGED GROUP**

**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL
INFORMATION**

TO THE DIRECTORS OF GREENTOWN CHINA HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Greentown China Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how (i) the acquisition of additional interest in Hangzhou Greentown Haiqi Real Estate Development Co., Ltd. and the disposal of interest in Shanghai Luyuan Real Estate Development Co., Ltd.; and (ii) the establishment of Zhonghai-Greentown No. 1 Real Estate Investment Fund (collectively referred to as the "Trust Arrangement") might have affected the financial information presented, for inclusion in Appendix IV to the circular dated 30 June 2009 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out in Appendix IV to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom these reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

**APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION
ON THE ENLARGED GROUP**

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31 December 2008 or at any future date.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 June 2009

**APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION
ON THE ENLARGED GROUP**

**A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF
THE ENLARGED GROUP**

The accompanying unaudited pro forma financial information of the Group after the completion of (i) the Haiqi Greentown Acquisition and the Shanghai Luyuan disposal; and (ii) the establishment of the Trust (collectively referred to as the “Trust Arrangement”) has been prepared to illustrate the effect of the Trust Arrangement to the assets and liabilities of the Group after the completion of the Trust Arrangement.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is prepared based on the audited consolidated balance sheet of the Group as at 31 December 2008, which has been extracted from the Company’s annual report for the year then ended, after making pro forma adjustments that are (a) directly attributable to the Trust Arrangement; and (b) factually supportable as if the Trust Arrangement had been completed on 31 December 2008.

The unaudited pro forma financial information is prepared to provide information on the Enlarged Group as a result of the Trust Arrangement. As it is prepared for illustrative purposes only, it does not purport to represent what the financial position of the Enlarged Group will be on completion of the Trust Arrangement.

**B. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF
THE ENLARGED GROUP**

	As at 31 December 2008	Pro forma adjustments	Subtotal	RMB'000	RMB'000	Pro forma adjustments				Pro Forma Enlarged Group	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		<i>Note (i)</i>		<i>Note (ii)</i>	<i>Note (iii)(a)</i>	<i>Note (iii)(b)</i>	<i>Note (iv)</i>	<i>Note (v)</i>	<i>Note (vi)</i>		
NON-CURRENT ASSETS											
Property, plant and equipment	1,321,909	(645)	1,321,264		(2,745)						1,318,519
Investment property	25,000		25,000								25,000
Interests in associates	1,434,510		1,434,510		36,483		437,100				1,470,993
							(437,100)				
Interests in jointly controlled entities	326,217		326,217								326,217
Available-for-sale investments	8,500		8,500	180,000							188,500
Prepaid lease payment	148,647		148,647								148,647
Rental paid in advance	11,664		11,664								11,664
Deferred tax assets	260,832		260,832								260,832
Long-term deposit	-		-					10,000			10,000
	<u>3,537,279</u>		<u>3,536,634</u>								<u>3,760,372</u>

**APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION
ON THE ENLARGED GROUP**

	As at 31 December 2008	Pro forma	Subtotal RMB'000	RMB'000	RMB'000	Pro forma adjustments				Pro Forma Enlarged Group RMB'000
	The Group RMB'000	adjustments RMB'000				RMB'000	RMB'000	RMB'000	RMB'000	
		Note (i)		Note (ii)	Note (iii)(a)	Note (iii)(b)	Note (iv)	Note (v)	Note (vi)	
CURRENT ASSETS										
Properties for development	6,152,221		6,152,221							6,152,221
Properties under development	23,250,049	(1,214,646)	22,183,403		(668,788)					21,366,615
Completed properties for sale	1,962,108		1,962,108							1,962,108
Inventories	11,954		11,954							11,954
Embedded financial derivatives	157		157							157
Trade and other receivables, deposits and prepayments	1,334,601	(1,247)	1,333,354		(588)					1,332,766
Amounts due from related parties	4,215,415	(2)	4,215,413		658,948					4,874,361
Prepaid income taxes	297,522		297,522							297,522
Prepaid other taxes	335,532		335,532							335,532
Pledged bank deposits	220,217		220,217		(4,000)					216,217
Bank balances and cash	1,498,021	(152,913)	1,345,108	(180,000)	19,079	250,000	1,250,000	(10,000)		2,674,187
	<u>39,277,797</u>		<u>38,056,989</u>							<u>39,223,640</u>
CURRENT LIABILITIES										
Trade and other payables	3,392,250	(1,461)	3,390,789		(1,073)					3,389,716
Pre-sale deposits	6,136,522		6,136,522							6,136,522
Amounts due to related parties	5,279,321	(1,382,632)	3,896,689							3,896,689
Dividend payable	1,367		1,367							1,367
Income taxes payable	1,204,898		1,204,898							1,204,898
Other taxes payable	269,849	(32)	269,817							269,817
Embedded financial derivatives	22,725		22,725							22,725
Bank and other borrowings – due within one year	3,867,741		3,867,741							3,867,741
Senior notes	2,701,186		2,701,186							2,701,186
	<u>22,875,859</u>		<u>21,491,734</u>							<u>21,490,661</u>
NET CURRENT ASSETS	<u>16,401,938</u>		<u>16,565,255</u>							<u>17,732,979</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>19,939,217</u>		<u>20,101,889</u>							<u>21,493,351</u>
NON-CURRENT LIABILITIES										
Bank and other borrowings – due after one year	7,385,305		7,385,305		45,900	250,000	1,250,000		(276,020)	8,655,185
Convertible bonds	2,163,523		2,163,523							2,163,523
Deferred tax liabilities	109,063		109,063							109,063
Derivatives	–		–						276,020	276,020
	<u>9,657,891</u>		<u>9,657,891</u>							<u>11,203,791</u>
NET ASSETS	<u>10,281,326</u>		<u>10,443,998</u>							<u>10,289,560</u>

**APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION
ON THE ENLARGED GROUP**

Notes:

- (i) The adjustment relates to (i) the acquisition of the 40% equity interest in and shareholder's loan to Haiqi Greentown, a non-wholly owned subsidiary, by the Group from Harbour Centre at a total consideration of RMB1,382,392,000; and (ii) the sale of the 100% equity interest in and shareholder's loan to Shanghai Luyuan by the Group to Harbour Centre at a total consideration of RMB1,230,173,997. The consideration for the acquisition of the 40% equity interest in and shareholder's loan to Haiqi Greentown was satisfied partly by the consideration for the sale of the 100% equity interest in and shareholder's loan to Shanghai Luyuan and partly by a cash consideration of RMB152,218,003. After the acquisition of additional 40% equity interest, the Group held 100% equity interest in Haiqi Greentown.

The adjustment represents the derecognition of the assets and liabilities of Shanghai Luyuan and the payment of the consideration of RMB152,218,003 by the Group to Harbour Centre.

- (ii) The adjustment represents the subscription of 180,000,000 junior units of the Trust by the Group at a consideration of RMB180,000,000.
- (iii) The adjustments relate to the sale by the Group to the Trust of (i) the 25% equity interest in Haiqi Greentown at a consideration of RMB250,000,000; and (ii) the 45% equity interest in Wuxi Greentown at a consideration of RMB45,900,000. Pursuant to the Equity Interests Put Option Agreement, the Group shall repurchase the 25% equity interest in Haiqi Greentown and the 45% equity interest in Wuxi Greentown from the Trust at a determinable price on or before the expiry of the 33rd month after the Trust Establishment Date. For accounting purposes, the sale and repurchase arrangements between the Trust and the Group in relation to 25% equity interest in Haiqi Greentown and the 45% equity interest in Wuxi Greentown are accounted for as a financing arrangement. Upon the completion of the Trust Arrangement, Haiqi Greentown remains as a wholly-owned subsidiary of the Group, and Wuxi Greentown becomes an associate of the Group as the Group has no control over Wuxi Greentown, but it is able to exercise significant influence over Wuxi Greentown by appointing one director on the board of directors of Wuxi Greentown.
- (a) The adjustment represents (i) the de-consolidation of the assets and liabilities of Wuxi Greentown and the accounting for the 85% equity interest held by the Group in Wuxi Greentown as an associate using the equity method; and (ii) the recognition of the cash receipts of RMB45,900,000 as borrowings as a result of the sale and repurchase arrangement in relation to the 45% equity interest in Wuxi Greentown.
- (b) The adjustment represents the recognition of the cash receipts of RMB250,000,000 as borrowings as a result of the sale and repurchase arrangement in relation to the 25% equity interest in Haiqi Greentown.
- (iv) The adjustment relates to the recognition of the cash receipts from the loans granted by the Trust to Haiqi Greentown and Wuxi Greentown as borrowings in the principal amount of RMB1,250,000,000 and RMB437,100,000 respectively.
- (v) The adjustment relates to the surety of RMB10,000,000 provided by the Group to the Trustee as security for certain obligations of the Group under the Trust. The surety shall be refunded upon termination of the Trust.
- (vi) The adjustment relates to the recognition of (i) the Trust Units Put Option; (ii) the Guarantee; and (iii) the RMB1 Options set out in the respective Transaction Documents at fair value, which are accounted for as separate derivatives. The details of these derivatives are set out in the sections headed "4. Trust Units Put Option", "5. Provision of Guarantee and Surety" and "8. RMB1 Options" in this circular. The fair value of the borrowings and derivatives recognised under the Trust Arrangement as at the Trust Establishment Date is not finalised at the date of this circular and may be subject to further changes.

APPENDIX V VALUATION REPORTS OF THE HANGZHOU LAND, SHANGHAI LAND AND WUXI LAND

The following is the text of a letter and valuation certificates prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of value of the property interests in the PRC as at 30 April 2009.



10th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

The Directors
Greentown China Holdings Limited
Huanglong Century Plaza,
No. 1 Hangda Road,
Hangzhou,
Zhejiang Province,
The PRC

30 June 2009

Dear Sirs,

INSTRUCTIONS, PURPOSE AND DATE OF VALUATION

In accordance with your instructions for us to value the property interests held by Greentown China Holdings Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) in the People’s Republic of China (the “PRC”) as listed in the attached summary of valuations, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Group with our opinion of the market values of such property interests as at 30 April 2009 (the “date of valuation”).

VALUATION STANDARDS AND DEFINITION OF MARKET VALUE

In valuing the property interests, we have complied with the requirement set out in The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Our valuation of the property interests represents our opinion of its Market Value which in accordance with The HKIS Valuation Standards is defined as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

APPENDIX V VALUATION REPORTS OF THE HANGZHOU LAND, SHANGHAI LAND AND WUXI LAND

VALUATION BASIS AND ASSUMPTION

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In valuing the property interests which are situated in the PRC, we have assumed that transferable land use rights in respect of the property interests for the specific land use term at nominal annual land use fee have been granted and that any premium has already been fully settled. We have relied on the advice given by the Group regarding the title to the property interests and have valued the entire interest of the property.

In valuing the property interests, we have assumed that the grantees of the properties have free and uninterrupted rights to use or to assign the properties for the whole of the unexpired terms as granted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the properties nor any expenses which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

In valuing the property interests, we have complied with the requirements set out in Chapter 5 of Practice Note 12 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Valuation Standards (First Edition 2005) on Valuation of Properties published by The Hong Kong Institute of Surveyors.

METHOD OF VALUATION

The properties are held under development in the PRC. We have valued them on the basis that each of these properties will be developed and completed in accordance with the Group's latest development proposals provided to us, if any. We have assumed that all consents, approvals and licences from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development. The "capital value when completed of the proposed development" represents our opinion of the aggregate selling price of the property assuming that it would have been completed at the date of valuation.

APPENDIX V VALUATION REPORTS OF THE HANGZHOU LAND, SHANGHAI LAND AND WUXI LAND

SOURCE OF INFORMATION

We have been provided by the Group with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and its PRC legal advisor, Zhe Jiang T & C Law Firm, in respect of the property interests in the PRC and have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, scheduled completion date of development, number of car parking spaces, particulars of occupancy, development schemes, construction costs, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimension, measurements and areas included in the attached valuation certificates are based on the information provided to us and are therefore only approximations. We have had no reasons to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

SITE INSPECTION

We have inspected the exterior and, wherever possible, the interior of the properties. However, we have not carried out investigations on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No test was carried out on any of the services. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and gross floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

**APPENDIX V VALUATION REPORTS OF THE HANGZHOU LAND,
SHANGHAI LAND AND WUXI LAND**

CURRENCY

Unless otherwise stated, all sums stated in our valuations are in Renminbi (RMB), the official currency of the PRC.

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K. F. Chan
China Real Estate Appraiser
R.P.S.(GP), MSc., M.H.K.I.S., M.R.I.C.S.
Director

Note: Mr. Andrew Chan is a Registered Professional Surveyor who has over 22 years of experience in the valuation of properties in the PRC and Hong Kong.

**APPENDIX V VALUATION REPORTS OF THE HANGZHOU LAND,
SHANGHAI LAND AND WUXI LAND**

SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 30 April 2009 <i>RMB</i>	Attributable interest to the Group <i>%</i>	Capital value in existing state as at 30 April 2009 attributable to the Group <i>RMB</i>
1. The proposed Qianjiang New City, Junction of Zhijiang Road and Wangjiang East Road, Shangcheng District, Hangzhou, Zhejiang Province, the PRC	3,703,000,000	75	2,777,250,000
2. Portion A of a piece of land situated at west of Gonghu Avenue, east of Lixin Avenue, north of Wuyue Road and south of Gaolang Road, Wuxi, Jiangsu Province, the PRC	792,000,000	40	316,800,000
3. A proposed development situated at 1 Qiu of 443 Jiefang, Xinjianwancheng, West of Zhengchen Road, North of Guoxiao Road, East of Songhu Road, South of Yinhang Road, Yangpu District, Shanghai, the PRC	1,220,000,000	0	–
		Total:	<u>3,094,050,000</u>

**APPENDIX V VALUATION REPORTS OF THE HANGZHOU LAND,
SHANGHAI LAND AND WUXI LAND**

VALUATION CERTIFICATE

Properties held under development by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2009																		
1. The proposed Qianjiang New City, Junction of Zhijiang Road and Wangjiang East Road, Shangcheng District, Hangzhou, Zhejiang Province, the PRC	<p>The property comprises a site with a site area of approximately 84,255 sq.m.</p> <p>According to the development scheme provided by the Group, the property is planned to be developed by 3 phases, scheduled for completion between November 2011 and June 2013.</p> <p>The property is planned to provide the following gross floor areas:</p> <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Planned Use</th> <th style="text-align: right;">Approximate Gross Floor Area sq.m.</th> </tr> </thead> <tbody> <tr><td>Hotel</td><td style="text-align: right;">40,771</td></tr> <tr><td>Office</td><td style="text-align: right;">43,005</td></tr> <tr><td>Commercial</td><td style="text-align: right;">10,319</td></tr> <tr><td>Residential</td><td style="text-align: right;">197,358</td></tr> <tr><td>Clubhouse</td><td style="text-align: right;">811</td></tr> <tr><td>Public Facility</td><td style="text-align: right;">3,649</td></tr> <tr><td>Ancillary Buildings</td><td style="text-align: right;">885</td></tr> <tr><td>Total:</td><td style="text-align: right;"><u>296,798</u></td></tr> </tbody> </table>	Planned Use	Approximate Gross Floor Area sq.m.	Hotel	40,771	Office	43,005	Commercial	10,319	Residential	197,358	Clubhouse	811	Public Facility	3,649	Ancillary Buildings	885	Total:	<u>296,798</u>	Phase 1 of the development is under foundation work, whereas Phases 2 and 3 of the development are vacant sites pending for development.	<p>RMB3,703,000,000</p> <p>(75% interest attributable to the Group: RMB2,777,250,000)</p>
Planned Use	Approximate Gross Floor Area sq.m.																				
Hotel	40,771																				
Office	43,005																				
Commercial	10,319																				
Residential	197,358																				
Clubhouse	811																				
Public Facility	3,649																				
Ancillary Buildings	885																				
Total:	<u>296,798</u>																				
	<p>In addition, the property upon completion will provide approximately 1,932 car parks in basement with a total gross floor area of approximately 110,458 sq.m.</p> <p>The land use rights of the property have been granted for a term of 70 years for residential use and a term of 40 years for commercial/composite (office) uses.</p>																				

APPENDIX V VALUATION REPORTS OF THE HANGZHOU LAND, SHANGHAI LAND AND WUXI LAND

Notes:

- (1) According to 5 Certificates for the Use of State-owned Land (國有土地使用證) issued by Hangzhou Land and Resources Bureau (杭州市土地管理局), the land use rights of the property, comprising a total site area of 84,255 sq.m., have been granted to Hangzhou Greentown Haiqi Real Estate Co., Ltd. (杭州綠城海企房地產開發有限公司) with the particulars as follows:

Certificate No.	Location	Site Area <i>sq.m.</i>	Date of Expiry	Land Use
HSGY(2008)000135	The northwest side of the cross of Wangjiang Road East and Kunpeng Road, Shangcheng District	29,017	2 December 2077	Residential
HSGY(2008)000136	The northwest side of the cross of Wangjiang Road East and Kunpeng Road, Shangcheng District	2,514	2 December 2047	Commercial
HSGY(2008)000137	The northwest side of the cross of Wangjiang Road East and Kunpeng Road, Shangcheng District	618	2 December 2047	Composite (office)
HSGY(2008)000138	The southwest side of the cross of Wangjiang Road East and Kunpeng Road, Shangcheng District	30,136	2 December 2077	Residential
HSGY(2008)000139	The southwest side of the cross of Wangjiang Road East and Kunpeng Road, Shangcheng District	21,970	2 December 2047	Commercial
Total:		<u>84,255</u>		

- (2) According to Grant Contract of Land Use Rights No. HTHZ(2007)32, the land use rights of the property have been granted to 杭州葛洲壩實業投資有限公司, 綠城房地產集團有限公司 and 杭州康居投資管理有限公司 at a total land premium of approximately RMB3,490 million, with the particulars as follows:

Land Grant Contract No.	Location	Site Area <i>sq.m.</i>	Uses	Land Use Term	Development Scale
HTHZ(2007)32	East to Zhijiang Road, South to Land Lots No. HZCC (2005) 41, 42, west to Fuchunjiang Road, north to Wangjiang Road, Shangcheng District	84,255	Residential/ Commercial and Financial	70 (Residential)/ 40 (Commercial and Financial)	296,799 sq.m.

APPENDIX V VALUATION REPORTS OF THE HANGZHOU LAND, SHANGHAI LAND AND WUXI LAND

- (3) According to a Planning Permit for Construction Use of Land (建設用地規劃許可證) issued by Hangzhou Planning Bureau (杭州市規劃局), the particulars of the proposed development are summarized as follows:

Permit No.	Site Area <i>sq.m.</i>	Issue Date
DZD330100200800389	84,255	30 July 2008

- (4) According to a Planning Permit for Construction Works (建設工程規劃許可證) issued by Hangzhou Planning Bureau (杭州市規劃局), the particulars of the proposed development are summarized as follows:

Permit No.	Gross Floor Area <i>sq.m.</i>	Issue Date
JZD330100200800447	114,130	13 November 2008

- (5) According to a Permit for Commencement of Construction Works issued by Hangzhou Construction Committee (杭州市建設委員會), the particulars of the proposed development are summarized as follows:

Permit No.	Gross Floor Area <i>sq.m.</i>	Issue Date
330100200811270101	114,130	27 November 2008

- (6) As advised by the Group, the total construction costs expended as at 30 April 2009 was approximately RMB23,300,000 and the estimated outstanding construction cost to complete the development is approximately RMB2,837,000,000. In the course of our valuation, we have taken into account the above construction costs expended.

- (7) The capital value when completed of the proposed development is approximately RMB10,269,000,000.

- (8) According to Business Licence No. 330100000021195 dated 23 November 2007, Hangzhou Greentown Haiqi Real Estate Co., Ltd. (杭州綠城海企房地產開發有限公司) became a limited company with a registered capital of RMB20,000,000 for a valid operation period from 23 November 2007 to 22 November 2027.

- (9) We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia that:

- (i) Hangzhou Greentown Haiqi Real Estate Co., Ltd. (杭州綠城海企房地產開發有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of its land use right at no extra land premium or other onerous payment payable to the government;
- (ii) all land premium and other costs of ancillary utilities services have been settled in full;
- (iii) the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities; and
- (iv) the property may be disposed of freely to the purchasers.

**APPENDIX V VALUATION REPORTS OF THE HANGZHOU LAND,
SHANGHAI LAND AND WUXI LAND**

- (10) In accordance with the information provide by the Company, the status of title and grant of major approvals and licenses are as follows:

Certificate for the Use of State-owned Land	Yes
Grant Contract of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Red-line Plan	Yes
Business License	Yes

**APPENDIX V VALUATION REPORTS OF THE HANGZHOU LAND,
SHANGHAI LAND AND WUXI LAND**

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2009
2. Portion A of a piece of land situated at west of Gonghu Avenue, east of Lixin Avenue, north of Wuyue Road, south of Gaolang Road, Wuxi, Jiangsu Province, the PRC	The property comprises a portion of a piece of land with a site area of approximately 180,826.2 sq.m. As advised by the Group, the property is planned to be developed into a composite development including residential blocks, retail shops, car parking spaces, storerooms and other ancillary facilities.	Pre-construction work of the property is in progress.	RMB792,000,000 (40% interest attributable to the Group: RMB316,800,000)

Details of the proposed development scheme are summarized as follows:

Planned Use	Approximate Gross Floor Area <i>sq.m.</i>
Residential	374,305
Retail	17,050
Facilities	6,462
Total:	<u>397,817</u>

In addition, the property upon completion will provide approximately 3,874 car parks in basement with a total gross floor area of approximately 187,946 sq.m.

Phase 1 of the property is scheduled for completion in December 2011.

The land use rights of the property have been granted for 70 years and 40 years for residential and commercial uses respectively.

APPENDIX V VALUATION REPORTS OF THE HANGZHOU LAND, SHANGHAI LAND AND WUXI LAND

Notes:

- (1) According to State-owned Land Use Rights Grant Contract XGTCH(2007) No. 41 entered into between the People's Republic of China Wuxi Municipal Land Resources Bureau (the Grantor) and Wuxi Taihu Newcity Construction Investment & Management Co., Ltd. 無錫太湖新城建設投資管理有限公司 (the Grantee) on 6 September 2007, the land use rights of the property comprising a total site area of approximately 562,289.5 sq.m. (including Part A,B&C) have been granted to the grantee 70 years, 40 years and 50 years for residential, commercial and office uses at a consideration of RMB548,230,000.

According to Cooperation Development Contract, Wuxi Taihu Newcity Construction Investment & Management Co., Ltd. 無錫太湖新城建設投資管理有限公司 cooperate with Greentown Real Estate Group Co., Ltd to establish a new company named Wuxi Greentown Real Estate Development Co., Ltd. to develop Part A of the land with a total site area of approximately 180,826.2 sq.m which have been granted to the grantee 70 years and 40 years for residential and commercial uses.

- (2) According to 3 Certificates for the Use of State-owned Land issued by Wuxi Municipal Government on 3 February 2008, the land use rights of the property comprising a total site area of 180,826.2 sq.m. have been vested in Wuxi Greentown Real Estate Development Co., Ltd. for residential and commercial uses with details as follows:

Certificate No.	Location	Site Area <i>sq.m.</i>
XBGY(2008)14	A-1, Taihu Newcity Central Zone	49,672.30
XBGY(2008)15	A-2, Taihu Newcity Central Zone	84,540.40
XBGY(2008)16	A-3, Taihu Newcity Central Zone	46,613.50
Total:		<u>180,826.20</u>

- (3) According to Planning Permits for Construction Use of Land No. 3202112008B0003 issued by Wuxi Municipal Planning Bureau on 3 February 2008, the planning of the site of the property was in compliance with the requirement of urban planning and was permitted to be developed with a total site area of 180,826.3 sq.m.
- (4) According to 2 Planning Permits for Construction Works Nos. JZDF-3202112008B0113 and JZDF-3202112008B0114 issued by Wuxi Municipal Urban and Rural Construction Committee on 24 November 2008 and 25 November 2008 respectively, the planning of the construction works of the property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of 216,532 sq.m.
- (5) According to Permits for Commencement of Construction Work No. 3202112008121000002A issued by Wuxi Municipal Urban and Rural Construction Committee on 10 December 2008, commencement of the construction works of the property was permitted with a total gross floor area of 113,031 sq.m.
- (6) As advised by the Group, the total construction costs expended as at 30 April 2009 was approximately RMB5,250,000 and the estimated outstanding construction cost to complete the development is approximately RMB2,112,000,000. In the course of our valuation, we have taken into account the above construction costs expended.
- (7) The capital value when completed of the proposed development is approximately RMB4,398,000,000.
- (8) According to Business Licence No. 320211000200802030021N dated 3 February 2008, Wuxi Greentown Real Estate development Co., Ltd. became a limited company with a registered capital of RMB102,000,000 for a valid operation period from 07 December 2007.

APPENDIX V VALUATION REPORTS OF THE HANGZHOU LAND, SHANGHAI LAND AND WUXI LAND

- (9) We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alias that:
- (i) Greentown Real Estate Group Co., Ltd. in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;
 - (ii) All land premium, costs of public utilities, ancillary infrastructure fees and compensation to and resettlement of any original residents to make way for the proposed development have been fully settled;
 - (iii) The proposed design and construction of the property have been approved by the relevant government departments; and
 - (iv) The property may be freely disposed of to the purchasers at nil encumbrances.
- (10) In accordance with the information provide by the Company, the status of title and grant of major approvals and licenses are as follows:

Grant Contract for State-owned Land Use Rights	Yes
Certificate for the Use of State-owned Land	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Work	Yes
Business Licence	Yes

**APPENDIX V VALUATION REPORTS OF THE HANGZHOU LAND,
SHANGHAI LAND AND WUXI LAND**

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2009								
3. A proposed development situated at 1 Qiu of 443 Jiefang, Xinjianwancheng, West of Zhengchen Road, North of Guoxiao Road, East of Songhu Road, South of Yinhang Road, Yangpu District, Shanghai, the PRC	<p>The property comprises a development site with a total site area of approximately 59,253.7 sq.m.</p> <p>The property is planned to be developed into a residential development scheduled for completion in October 2011.</p> <p>The property has a total planned gross floor area, including basement, of approximately 143,542 sq.m. with the area breakdown as follows:</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Planned Use</th> <th style="text-align: right;">Approximate Gross Floor Area sq.m.</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td style="text-align: right;">101,599</td> </tr> <tr> <td>Ancillary Facilities (above ground)</td> <td style="text-align: right; border-bottom: 1px solid black;">2,628</td> </tr> <tr> <td>Total:</td> <td style="text-align: right; border-bottom: 3px double black;">104,227</td> </tr> </tbody> </table>	Planned Use	Approximate Gross Floor Area sq.m.	Residential	101,599	Ancillary Facilities (above ground)	2,628	Total:	104,227	<p>The property is under foundation work.</p>	<p>RMB1,220,000,000</p> <p>(0% interest attributable to the Group: RMB nil)</p>
Planned Use	Approximate Gross Floor Area sq.m.										
Residential	101,599										
Ancillary Facilities (above ground)	2,628										
Total:	104,227										
	<p>In addition, the property upon completion will provide approximately 600 car parks and ancillary facilities in basement with a total gross floor area of approximately 39,315 sq.m.</p> <p>The land use rights of the property have been granted for a term of 70 years for residential use to expiry on 8 July 2077.</p>										

APPENDIX V VALUATION REPORTS OF THE HANGZHOU LAND, SHANGHAI LAND AND WUXI LAND

Notes:

- (1) According to Shanghai State-owned Land Use Rights Grant Contracts (2007) No. 113 entered into between Shanghai Yangpu Housing and Land Resources Bureau (the Grantor) and Greentown Real Estate Group Co., Ltd. (綠城房地產集團有限公司) and 添智企業有限公司 (together the Grantee), the land use rights of the property, comprising a total site area of approximately 59,253.7 sq.m., have been granted to the grantee 70 years for residential use to expiry on 8 July 2077.

The particulars of the above-mentioned land grant contract are as follows:

Plot Ratio : Not more than 1.7

Central Greenery Ratio : Not less than 15%

Unit Size : Flats with GFA no more than 90 sq.m. must account for 70% (or above) of the total development GFA in the new residential projects

Land Premium : RMB1,260,000,000

- (2) According to the Town Planning Supplementary Agreement for Lot D1 of New Jiangwan Town dated 9 July 2007, Greentown Real Estate Group Co., Ltd. and Tianzhi Company Co., Ltd. need to pay RMB29,212,074 as city planning ancillary fee to Shanghai City Construction Investment Development Co., Ltd.
- (3) According to Certificate of Real Estate Ownership No. (2008) 019788 issued by Shanghai Housing and Land Resources Bureau, the title ownership of the property, comprising a total site area of 59,253.7 sq.m., have been vested in Shanghai Luyuan Real Estate Development Co., Ltd. (上海綠源房地產開發有限公司) for a term of 70 years for residential use to expiry on 8 July 2077.
- (4) According to Planning Permit for Construction Land No. (2008) 10080428E00545 issued by Shanghai Yangpu Planning Bureau dated on 28 April 2008, a total land area of 59,253.7 sq.m. has been approved to be developed by Greentown Real Estate Group Co., Ltd.
- (5) According to Planning Permit for Construction Works No. (2008) 10081021F02597 issued by Shanghai Yangpu Planning Bureau dated 31 October 2008, the construction works of the basement of the property have been approved with a total gross floor area of 39,315 sq.m.

According to Planning Permit for Construction Works No. (2008) 10081030F2681 issued by Shanghai Yangpu Planning Bureau dated 30 October 2008, the construction works of the property have been approved with a total gross floor area of 104,227 sq.m.

- (6) According to Construction Permit for Construction Works No. 310110200803260619 0801YP0006 D01-D03 issued by Shanghai Construction Committee, the construction works of Greentown Yu Lan Gong Guan have been approved with a total gross floor area of 143,542 sq.m.
- (7) As advised by the Group, the total construction costs expended as at 30 April 2009 was approximately RMB117,000,000 and the estimated outstanding construction cost to complete the development is approximately RMB994,000,000. In the course of our valuation, we have taken into account the above construction costs expended.
- (8) According to Business Licence No. 310000400561290 dated 3 February 2008, Shanghai Luyuan Real Estate Development Co., Ltd. (上海綠源房地產開發有限公司) became a limited company with a registered capital of RMB1,447,620,000 for a valid operation period from 3 February 2008 to 2 February 2038.
- (9) The capital value when completed of the proposed development is approximately RMB3,160,000,000.

**APPENDIX V VALUATION REPORTS OF THE HANGZHOU LAND,
SHANGHAI LAND AND WUXI LAND**

- (10) We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, inter alia that:
- (i) Shanghai Luyuan Real Estate Development Co., Ltd. (上海綠源房地產開發有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government;
 - (ii) All land premium, costs of public utilities, ancillary infrastructure fees and compensation to and resettlement of any original residents to make way for the proposed development have been fully settled;
 - (iii) The proposed design and construction of the property have been approved by the relevant government departments; and
 - (iv) The property may be freely disposed of to the purchasers at nil encumbrances.
- (11) The status of title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:

Certificate of Real Estate Ownership	Yes
Contract for Grant of Land use Rights	Yes
Planning Permit for Construction Land	Yes
Planning Permit for Construction Works	Yes
Construction Permit for Construction Works	Yes
Business Licence	Yes

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Director's interests in Shares

As at the Latest Practicable Date, save as disclosed below, none of the Directors or chief executives of the Company had interests or short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange:

(i) Long positions in shares and underlying shares of the Company

Name of Director	Total number of Shares	Options to subscribe for Shares of the Company	Number of Shares held under equity derivative	Capacity in which interests are held	Interests as to % to the issued share capital of the Company
Mr. Song Weiping	68,859,000 (Note 1)	–	–	Interest of a controlled corporation	4.48%
	492,124,000 (Note 2)	–	–	Interest of a controlled corporation	32.01%
	–	1,089,000 (Note 3)	–	Beneficial owner	0.07%
Mr. Shou Bainian	384,490,500 (Note 4)	–	–	Interest of a controlled corporation	25.01%
	–	1,056,000 (Note 3)	–	Beneficial owner	0.07%

Name of Director	Total number of Shares	Options to subscribe for Shares of the Company	Number of Shares held under equity derivative	Capacity in which interests are held	Interests as to % to the issued share capital of the Company
Mr. Chen Shunhua	–	753,000 (Note 3)	–	Beneficial owner	0.05%
Mr. Guo Jiafeng	–	576,000 (Note 3)	–	Beneficial owner	0.04%

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) Pursuant to the share option scheme adopted by a resolution of the Shareholders on 22 June 2006, these share options were granted on 22 January 2009 and are exercisable at HK\$2.89 per Share from 22 January 2009 to 21 January 2019.
- (4) Mr. Shou Bainian is interested in such ordinary shares as the sole shareholder of Profitwise Limited.

(ii) Long positions in shares and underlying shares of associated corporation

Name of Director	Name of associated corporation	Interest held by controlled corporation	Personal interest	Number of ordinary shares (long positions)		Approximate % of issued share capital of associated corporation
				Family interest		
Mr. Song Weiping	Delta House Limited	–	Beneficial owner	–		100%
	Wisearn Limited	–	–	Beneficial owner		100%
Mr. Shou Bainian	Profitwise Limited	–	Beneficial owner	–		100%

(b) Substantial Shareholders

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Board, no persons (not being a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Number of Ordinary Shares Held	Nature of interest	Approximately shareholding percentage in the Company
Mrs. Xia Yibo	560,983,000(L) <i>(Note 1)</i>	Interest of a controlled corporation and interest jointly held with another person	36.49%
Delta House Limited	492,124,000(L) <i>(Note 2)</i>	Beneficial owner	32.01%
Profitwise Limited	384,490,500(L) <i>(Note 3)</i>	Beneficial owner	25.01%
Lehman Brothers Holdings Inc.	101,400,450(L) <i>(Note 4)</i>	Interest of controlled corporations	6.60%
	31,868,575(S) <i>(Note 4)</i>	Interest of controlled corporations	2.07%
Warburg Pincus & Co	92,289,000(L) <i>(Note 5)</i>	Interest of controlled corporations	6.00%
Warburg Pincus Private Equity IX, L.P.	92,289,000(L) <i>(Note 5)</i>	Beneficial owner	6.00%

Notes:

- (1) Mrs. Xia Yibo held interest in 68,859,000 shares via Wisearn Limited, and deemed interest in 492,124,000 shares held by Delta House Limited, a controlled corporation owned by her spouse, Mr. Song Weiping.
- (2) Interests held by Mr. Song Weiping through a controlled corporation, duplicates to those disclosed in the section "Directors' Interests in Shares" above.
- (3) Interests held by Mr. Shou Bainian through a controlled corporation, duplicates to those disclosed in the section "Directors' Interests in Shares" above.

(4) Lehman Brothers Holdings Inc. held interest in a total of 101,400,450(L) shares and 31,868,575(S) shares in the company by virtue of its control over the following corporations, which held direct interests in the company:

- Lehman Brothers Commercial Corporation Asia Limited held 10,768,010(L) shares in the company. Lehman Brothers Commercial Corporation Asia Limited was 50% owned by LBCCA Holdings I LLC and 50% owned by LBCCA Holdings II LLC. LBCCA Holdings I LLC and LBCCA Holdings II LLC were respectively wholly owned by Lehman Brothers Holdings Inc..
- Lehman Brothers International (Europe) held 34,157,882(L) shares and 23,917,500(S) shares in the company. Lehman Brothers International (Europe) was wholly owned by Lehman Brothers Holdings Inc..
- Lehman Brothers Inc. held 2,009,575(L) shares and 2,009,575(S) shares in the company. Lehman Brothers Inc. was wholly owned by Lehman Brothers Holdings Inc.
- Lehman Brothers Finance S.A. held 54,464,983(L) shares and 5,941,500(S) shares in the company. Lehman Brothers Finance S.A. was wholly owned by Lehman Brothers Holdings Inc.

Among the entire interest of Lehman Brothers Holdings Ltd. in the company, 35,065,892(L) shares and 3,773,000(S) shares were held through derivatives as follows:

- 35,065,892(L) shares through physically settled derivatives (off exchange)
 - 173,000(S) shares through physically settled derivatives (off exchange)
 - 3,600,000(S) shares through cash settled derivatives (off exchange)
- (5) Warburg Pincus Private Equity IX, L.P. was wholly owned by Warburg Pincus IX LLC which in turn was wholly owned by Warburg Pincus Partners LLC which was then wholly owned by Warburg Pincus & Co..
- (6) The letter “L” denotes a long position. The letter “S” denotes a short position.

3. MATERIAL CONTRACTS

The following contracts, not being contracts entered in the ordinary course of business of the Enlarged Group, have been entered into by members of the Enlarged Group within two years immediately preceding the date of this circular and up to and including the Latest Practicable Date which are or may be material:

- (1) the joint venture agreement dated 17 October 2007 entered into between the Company and Harbour Centre in relation to the formation of a joint venture enterprise owned as to 60% by the Company;
- (2) the transfer agreement dated 4 August 2008 entered into between Greentown Real Estate, a wholly-owned subsidiary of the Company, Mr. Ying Bao, Ms. Song Shuping and Ms. Xia Jueying in relation to the acquisition of 100% equity interest in Zhejiang Huaneng Decoration Engineering Co. Ltd. for a consideration of RMB6,460,296;
- (3) the SP Agreement;

- (4) the Trust Agreement;
- (5) the Accounts Management Agreements;
- (6) the Consultancy Agreement;
- (7) the Equity Interests Put Option Agreement;
- (8) the Guarantee Agreement
- (9) the Haiqi Greentown Disposal Agreement;
- (10) the Haiqi Greentown Equity Pledge Agreement;
- (11) the Haiqi Greentown Loan Agreement;
- (12) the Haiqi Greentown RMB1 Equity Interests Purchase Agreements;
- (13) the Trust Units Put Option Agreements;
- (14) the Wuxi Greentown Disposal Agreement;
- (15) the Wuxi Greentown Equity Pledge Agreement;
- (16) the Wuxi Greentown Loan Agreement;
- (17) the Wuxi Greentown RMB1 Equity Interests Purchase Agreement;
- (18) the supplemental indenture dated 5 May 2009 entered into between the Company, the Subsidiary Guarantors (as defined therein) and Deutsche Bank Trust Company Americas, as trustee in relation to the amendments and waivers of the provisions of the indenture governing the Senior Note dated 10 November 2006;
- (19) the agreement dated 7 May 2009 entered into between Richwise Holdings Limited (“**Richwise**”), the Company, Tandellen Group Limited (“**Tandellen**”) and Mr. Luo Zhaoming (“**Mr. Luo**”) in relation to the acquisition of the entire issued share capital of Skymoon International Limited by Richwise from Tandellen (the “**Skymoon Acquisition**”); and
- (20) the supplemental agreement dated 8 May 2009 entered into between Richwise, the Company, Tandellen and Mr. Luo in relation to the Skymoon Acquisition.

4. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with the Company which does not expire or which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

5. COMPETING BUSINESS INTEREST OF DIRECTORS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group as required to be disclosed pursuant to the Listing Rules.

Name of Director	Name of Competing Entity	Nature of business of the competing entity	Nature of interest of the director in the competing entity
Mr. Song Weiping	Greentown Holdings Group Limited	The development and sale of the Remaining Non-Inclusion Projects <i>(Note)</i>	Director and substantial shareholder
Mr. Shou Bainian	Greentown Holdings Group Limited	The development and sale of the Remaining Non-Inclusion Projects <i>(Note)</i>	Director and substantial shareholder

Note:

The remaining four (the “**Remaining Non-Inclusion Projects**”) out of eight property projects (the “**Non-Inclusion Projects**”) as referred to in the deed of non-competition dated 22 June 2006, details of which are disclosed in the prospectus of the Company dated 30 June 2008.

6. MATERIAL ADVERSE CHANGE

The Company is not aware of any material adverse change in the financial or trading position of the Enlarged Group since 31 December 2008, being the date to which the latest published audited financial statements of the Company were made up.

7. EXPERTS’ QUALIFICATIONS AND CONSENTS

Mizuho Securities, Deloitte Touche Tohmatsu and DTZ Debenham Tie Leung Limited (“**DTZ**”) have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their respective letters and references to their respective names in the form and context in which they respectively appear.

The following are the qualifications of the experts who have given their respective opinion or advice which are contained in this circular:

Name	Qualification
Mizuho Securities	A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
DTZ	An independent professional property valuer

As at the Latest Practicable Date, Mizuho Securities, Deloitte Touche Tohmatsu and DTZ did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Enlarged Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Enlarged Group, since 31 December 2008, the date to which the latest audited financial statements of the Company was made up; and was not beneficially interested in the share capital of any member of the Enlarged Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

8. LITIGATION

So far as the Company is aware, as at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

9. GENERAL

- (a) None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group or proposed to be so acquired, disposed of by or leased to any member of the Enlarged Group since 31 December 2008, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.
- (b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group, which was subsisting and was significant in relation to the business of the Enlarged Group.
- (c) The company secretary of the Company is Mr. Lam Jim. Mr. Lam is a member of the Hong Kong Institute of Certified Public Accountants.

- (d) The registered address of the Company is M&C Corporate Services Limited, PO Box 309GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands.
- (e) The principal place of business of the Company in Hong Kong is at Room 1406-08, 14th Floor, New World Tower 1, 16-18 Queen's Road Central, Hong Kong.
- (f) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Ltd.
- (g) The principal share registrar of the Company is Butterfield Fulcrum Group (Cayman) Limited (formerly known as Butterfield Fund Services (Cayman) Limited).
- (h) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Room 1406-08, 14th Floor, New World Tower 1, 16-18 Queen's Road Central, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including 16 July 2009:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the two years ended 31 December 2008;
- (c) the letter from the Independent Board Committee to the Shareholders, the text of which is set out on pages 57 to 58 of this circular;
- (d) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Shareholders, the text of which is set out on pages 59 to 79 of this circular;
- (e) the accountants' report of Haiqi Greentown as set out in Appendix II to this circular;
- (f) the accountants' report of Wuxi Greentown as set out in Appendix III to this circular;
- (g) the report issued by Deloitte Touche Tohmatsu in connection with the unaudited pro forma financial information on the Enlarged Group as set out in Appendix IV to this circular;
- (h) the valuation reports issued by DTZ on the Hangzhou Land, Shanghai Land and Wuxi Land as set out in Appendix V to this circular;

- (i) the material contracts referred to in the paragraph headed “Material Contracts” in this Appendix;
- (j) the written consents referred to in the paragraph headed “Experts’ Qualifications and Consents” in this Appendix; and
- (k) this circular.