



绿城房产
GREENTOWN

**GREENTOWN CHINA
HOLDINGS LIMITED**

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 3900)

INTERIM REPORT **2006**



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Lam Kam Tong

QUALIFIED ACCOUNTANT

Lam Kam Tong

AUTHORIZED REPRESENTATIVES

Shou Bainian
Lam Kam Tong

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Jia Shenghua
Sze Tsai Ping, Michael
Chen Shunhua

NOMINATION COMMITTEE

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Cayman) Limited

Butterfield House, 68 Fort Street
P.O. Box 705, George Town
Grand Cayman, Cayman Islands
British West Indies

HONG KONG BRANCH REGISTRAR

Computershare Hong Kong Investor Services Limited

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

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISORS TO OUR COMPANY

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

as to PRC law:
T&C Law Firm

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

COMPLIANCE OFFICER

Platinum Securities Company Limited

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Bank of China Limited
Industrial and Commercial Bank of China
Agricultural Bank of China
China Construction Bank Limited
Bank of Communications
Shanghai Pudong Development Bank

The board of directors (the "Board") of Greentown China Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2006 (the "First Half of 2006"), together with comparative figures. The interim results have been reviewed by Deloitte Touche Tohmatsu, our auditors, and the audit committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2006

	NOTES	Six months ended 30 June 2006 Rmb'000 (Unaudited)	2005 Rmb'000 (Audited)
Continuing operations			
Revenue	3	1,210,449	991,372
Cost of sales		(692,667)	(685,183)
Gross profit		517,782	306,189
Other income	4	40,889	51,138
Selling and administrative expenses		(140,346)	(120,820)
Finance costs	5	(22,116)	(27,138)
Fair value changes on embedded financial derivatives	19	(10,842)	–
Net gain on disposal of an associate		27	573
Net gain on disposal of subsidiaries		–	39,332
Share of results of associates		(9,835)	26,845
Profit before taxation	6	375,559	276,119
Taxation	7	(130,565)	(54,960)
Profit for the period from continuing operations		244,994	221,159
Discontinued operations			
Loss for the period from discontinued operations	8	–	(34)
Profit for the period		244,994	221,125
Attributable to:			
Equity holders of the Company		256,901	238,403
Minority interests		(11,907)	(17,278)
		244,994	221,125
Dividends	9	401,645	198,420
Earnings per share	10		
From continuing and discontinued operations:			
Basic		Rmb0.26	Rmb0.24
Diluted		Rmb0.25	Rmb0.24
From continuing operations:			
Basic		Rmb0.26	Rmb0.24
Diluted		Rmb0.25	Rmb0.24

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2006

	NOTES	As at 30 June 2006 Rmb'000 (Unaudited)	As at 31 December 2005 Rmb'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	299,896	244,074
Intangible asset	12	144	288
Interests in associates		427,904	479,327
Available-for-sale investments		1,000	1,000
Rental paid in advance		14,127	14,161
Deferred tax assets		112,908	74,135
		855,979	812,985
CURRENT ASSETS			
Properties for development	13	2,851,443	2,506,091
Properties under development	14	6,405,479	5,654,287
Completed properties for sale		620,792	699,233
Inventories		2,295	12,419
Embedded financial derivatives	19	89,607	–
Trade and other receivables, deposits and prepayments	15	331,546	383,880
Amounts due from related parties		572,269	1,081,009
Income taxes recoverable		181,988	60,039
Other taxes recoverable		308,104	235,647
Pledged bank deposits	24	131,000	276,699
Bank balances and cash		922,999	859,393
		12,417,522	11,768,697
CURRENT LIABILITIES			
Trade and other payables	16	985,706	1,000,291
Pre-sale deposits	17	5,084,830	4,823,954
Amounts due to related parties		396,509	652,086
Dividend payable		–	1,367
Income taxes payable		83,931	57,908
Other taxes payable		197,018	175,509
Embedded financial derivatives	19	266,765	–
Bank and other borrowings – due within one year	18	2,371,787	2,510,841
		9,386,546	9,221,956

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

AS AT 30 JUNE 2006

	NOTES	As at 30 June 2006 <i>Rmb'000</i> (Unaudited)	As at 31 December 2005 <i>Rmb'000</i> (Audited)
NET CURRENT ASSETS		3,030,976	2,546,741
TOTAL ASSETS LESS CURRENT LIABILITIES		3,886,955	3,359,726
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year	18	1,949,598	2,368,512
Convertible bonds	19	880,860	–
Deferred tax liabilities		309,752	128,081
		3,140,210	2,496,593
		746,745	863,133
CAPITAL AND RESERVES			
Paid-in capital	20	102,976	–
Reserves		425,817	665,938
Equity attributable to equity holders of the Company		528,793	665,938
Minority interests		217,952	197,195
		746,745	863,133

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Attributable to equity holders of the Company					Subtotal <i>Rmb'000</i>	Minority Interests <i>Rmb'000</i>	Total <i>Rmb'000</i>
	Paid-in capital <i>Rmb'000</i>	Special reserve <i>Rmb'000</i> <i>(Note i)</i>	Statutory reserve <i>Rmb'000</i> <i>(Note ii)</i>	Translation reserve <i>Rmb'000</i>	Retained earnings <i>Rmb'000</i>			
At 1 January 2005	210,501	94,467	116,493	–	125,728	547,189	134,039	681,228
Profit (loss) for the period	–	–	–	–	238,403	238,403	(17,278)	221,125
Total recognised income and expenses for the period	–	–	–	–	238,403	238,403	(17,278)	221,125
Dividends <i>(Note 9)</i>	–	–	–	–	(198,420)	(198,420)	–	(198,420)
Distribution of paid-in capital	(10,500)	–	–	–	–	(10,500)	–	(10,500)
Purchase of additional interest in subsidiaries	–	–	–	–	–	–	(10,709)	(10,709)
Capital contribution from minority shareholders of subsidiaries	–	–	–	–	–	–	287,245	287,245
Disposal of subsidiaries	–	–	–	–	–	–	(10,843)	(10,843)
Acquisition of subsidiaries	–	–	–	–	–	–	112,787	112,787
At 30 June 2005	200,001	94,467	116,493	–	165,711	576,672	495,241	1,071,913
At 1 January 2006	–	(551)	116,743	–	549,746	665,938	197,195	863,133
Exchange differences arising on translation of foreign operations	–	–	–	7,599	–	7,599	–	7,599
Net income and expenses recognised directly in equity	–	–	–	7,599	–	7,599	–	7,599
Profit (loss) for the period	–	–	–	–	256,901	256,901	(11,907)	244,994
Total recognised income and expenses for the period	–	–	–	7,599	256,901	264,500	(11,907)	252,593
Transfer <i>(Note ii)</i>	–	–	31,004	–	(31,004)	–	–	–
Dividends <i>(Note 9)</i>	–	–	–	–	(401,645)	(401,645)	–	(401,645)
Capitalisation issue <i>(Note 20)</i>	102,976	–	–	–	(102,976)	–	–	–
Capital contribution from minority shareholders of subsidiaries	–	–	–	–	–	–	39,188	39,188
Disposal of subsidiaries	–	–	–	–	–	–	(6,524)	(6,524)
At 30 June 2006	102,976	(551)	147,747	7,599	271,022	528,793	217,952	746,745

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2006

Notes:

- (i) *The amount represents the net of the gain on disposal of subsidiaries and associates to related companies with common controlling shareholders being considered as capital contribution and recognised as a special reserve and the distribution to shareholders in excess of paid-in capital upon the Group Reorganisation as defined in note 1 to the condensed consolidated financial statements.*
- (ii) *The statutory reserve is non-distributable and the transfer to this reserve is determined by the board of directors 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.*

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Six months ended 30 June	
	2006	2005
	Rmb'000	Rmb'000
	(Unaudited)	(Audited)
Net cash (used in) from operating activities	(348,475)	298,970
Net cash from investing activities		
Purchase of property, plant and equipment	(76,771)	(13,485)
Repayment from related parties	493,504	1,044,816
Other investing cash flows	(788)	(243,796)
	415,945	787,535
Net cash used in financing activities		
Bank and other borrowings raised	1,432,886	2,874,280
Repayment of bank and other borrowings	(1,887,069)	(2,773,421)
Repayment to related parties	(218,804)	(1,732,855)
Decrease (increase) in pledged deposits	145,699	(147,146)
Interest paid	(160,068)	(178,201)
Dividends paid	(403,012)	(11,173)
Proceeds on issue of convertible bonds	1,048,983	–
Other financing cash flows	39,188	276,745
	(2,197)	(1,691,771)
Net increase (decrease) in cash and cash equivalents	65,273	(605,266)
Cash and cash equivalents at 1 January	859,393	1,119,435
Effect of foreign exchange rate changes	(1,667)	–
Cash and cash equivalents at 30 June	922,999	514,169
Represented by bank balances and cash		
– presented on face of balance sheet	922,999	513,946
– included in assets classified as held for sale	–	223
	922,999	514,169

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

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

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

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

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

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

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

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

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

2. Principal accounting policies

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

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

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

Convertible bonds

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

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

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

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

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

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

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 March 2006

³ Effective for annual periods beginning on or after 1 May 2006

⁴ Effective for annual periods beginning on or after 1 June 2006

⁵ Effective for annual periods beginning on or after 1 November 2006

3. Revenue

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

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

4. Other income

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

5. Finance costs

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

6. Profit before taxation

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

7. Taxation

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

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

PRC land appreciation tax

According to the requirements of the PRC Provisional Regulations on Land Appreciation Tax ("LAT") (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the PRC Provisional Regulations on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

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

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

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

8. Discontinued operations

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

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

9. Dividends

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

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

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

10. Earnings per share

From continuing and discontinued operations

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

Earnings

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

10. Earnings per share (Continued)*Number of shares*

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

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

From continuing operations

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

Earnings figures are calculated as follows:

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

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

From discontinued operations

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

11. Property, plant and equipment

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

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

12. Intangible asset

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

13. Properties for development

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

14. Properties under development

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

15. Other current financial assets

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

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

16. Trade and other payables

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

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

17. Pre-sale deposits

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

18. Bank and other borrowings

	As at 30 June 2006 Rmb'000	As at 31 December 2005 Rmb'000
Secured bank loans (Note 24)	2,796,645	3,441,174
Unsecured bank loans	378,000	472,000
	3,174,645	3,913,174
Secured other loans	366,600	335,170
Unsecured other loans	780,140	631,009
	1,146,740	966,179
	4,321,385	4,879,353
	As at 30 June 2006 Rmb'000	As at 31 December 2005 Rmb'000
The amount is repayable as follows:		
Amounts due within one year	2,371,787	2,510,841
Amounts due after one year	1,949,598	2,368,512
	4,321,385	4,879,353

18. Bank and other borrowings *(Continued)*

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

Secured bank loans:

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

Unsecured bank loans:

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

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

Unsecured other loans:

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

19. Convertible bonds

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

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

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

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

- (ii) Embedded derivatives, comprising:

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

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

20. Paid-in capital

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

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

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

21. Acquisition of a subsidiary

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

The net assets acquired in the transaction were as follows:

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

21. Acquisition of a subsidiary *(Continued)*

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

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

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

22. Disposal of a subsidiary

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

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

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

23. Commitments

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

24. Pledge of assets

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

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

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

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

25. Contingent liabilities

(i) Guarantees

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

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

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

Contingent liabilities arising from interests in associates:

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

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

(ii) Land idle fees

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

25. Contingent liabilities (Continued)*(ii) Land idle fees (Continued)*

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

- (i) the delay in commencing construction was caused by the failure of the government to relocate original residents and to complete demolition and site preparation;
- (ii) the project plan could not be finalised on time due to the failure of the government to relocate certain public equipment situated in the project site; and
- (iii) this project was approved by the Hangzhou Development and Planning Bureau Yuhang Branch as a single development project and the Group had commenced the construction of the overall project in October 2004 under the relevant rules.

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

26. Related party disclosures

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

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

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

26. Related party disclosures *(Continued)*

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

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

27. Subsequent events

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

The year of 2006 is a year of significant importance to the Company. During the First Half of 2006, the Company has set our foothold in the international capital market, and has consolidated its leading position among other competitors in Zhejiang and continued to implement our national brandname expansion strategy. On top of our successful introduction of strategic investors in January 2006 with the issuance of convertible bonds, we scored even greater success with the listing of our shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 July 2006.

As at 30 June 2006, the Company recorded a revenue of Rmb1,210,449,000, a year-on-year increase of 22%; our profit attributable to shareholders amounted to Rmb256,901,000, a year-on-year increase of 8%; and our basic earnings per share amounted to Rmb0.26.

Dividend

The Board endeavors to maintain a stable dividend policy for a sound financial condition for our future development. Under the principle of maximizing shareholders' interests, the Board resolves not to distribute interim dividend for the First Half of 2006. Both the Company and the Board consider that the dividend distribution policy for the whole year of 2006 as disclosed in our Prospectus will not change.

Market Review

With the speeding up the progress of urbanization and the sustainable economic development of the PRC, the real estate industry which represents a pillar industry of the national economy will find ample room of development over the next 15 to 20 years. Since the second half of 2004, in order to ensure long-term, steady and healthy development and prevent the real estate industry from "overshooting" in its growth in certain regions and cities, the PRC government adopted a number of macro-economic control policies in respect of land supplies, credit availability, taxation and industry guidance. The implementation of these policies in effect have resulted in the consolidation of the industry, and enterprises with capital, management and brand name advantages have found a better opportunity to increase their market shares. The Company stays firm with its perspective of providing quality products and superior services and continues to improve our project operation and management. For the First Half of 2006, our operations were running smoothly and thereby paving the way for us to accomplish all our targets set for the year.

Project Development

For the First Half of 2006, the Company had commenced the construction or construction in phases of 11 projects. The GFA of newly commenced projects amounted to 684,000 sq.m., of which the Company owned as to 439,000 sq.m., the breakdown of which is as follows:

Newly commenced projects as at 30 June 2006

Unit: sq.m.

	GFA of newly commenced projects	GFA of newly commenced projects attributable to the Company
Hangzhou	125,942	58,301
Other cities in Zhejiang Province	470,287	315,345
Shanghai	11,556	11,556
Beijing	42,294	33,835
Other cities of China	34,010	20,121
Total	684,089	439,158

During the same period, 4 projects had been completed and delivered to owners, and the total completed and delivered GFA amounted to 168,000 sq.m. of which the Company owned as to 134,000 sq.m., the breakdown of which as at 30 June 2006 is as follows:

Completion of projects as at 30 June 2006

1 January 2006 – 30 June 2006

Unit: sq.m.

No.	Project	Project phase	Location	Completed GFA	Interest attributable to the Company	Completed GFA attributable to the Company
1	Chunjiang Huayue	Phase III	Shangcheng District, Hangzhou, Zhejiang Province	60,192	100%	60,192
2	Taohuayuan West	(Portion)	Yuhang District, Hangzhou, Zhejiang Province	35,580	100%	35,580
3	Haining Baihe	Multi-storey Phase II	Haining, Zhejiang Province	64,590	50%	32,295
4	Beijing Baihe Apartments	Phase I (Portion)	Fangshan District, Beijing	7,984	80%	6,387
Total				168,346	N/A	134,454

According to the development plan of the Company, it is anticipated that for the 13 projects to be completed and delivered by the second half of 2006, the completed area will amount to 963,000 sq.m., of which the Company will own as to 768,000 sq.m. in GFA. So far these projects are in good progress. The stage of development of projects as at 31 August 2006 in the following list:

Projects to be completed during the second half of 2006

(1 July 2006 – 31 December 2006)

No	Project	Project phase	Location	Estimated completed GFA during the second half of 2006	Interest attributable to the Company	Construction status as at 30 August	Estimated date of delivery	Unit: sq.m. Estimated completed GFA attributable to the Company during the second half of 2006
1.	Chunjiang Huayue	Phase IV	Shangcheng District, Hanzhou, Zhejiang Province	79,457	100%	Construction of the main body and installation have been completed, 70% of the landscaping have been completed	November 2006	79,457
2.	Chunjiang Huayue	Phase V	Shangcheng District, Hanzhou, Zhejiang Province	67,806	100%	Construction of the main body and installation have been completed, 40% of the landscaping have been completed	December 2006	67,806
3.	Jiuxi Rose Garden Villa	–	Zhijiang State Travel and Holiday Area, Hangzhou, Zhejiang Province	2,836	100%	Construction of the main body has been completed, 90% of the installation has been completed, 60% of the interior decoration has been completed	November 2006	2,836
4.	Deep Blue Plaza	–	Xiacheng District, Hangzhou, Zhejiang Province	134,107	100%	Construction of main body has been completed, 90% of the installation has been completed, 60% of landscaping and interior decoration have been completed	October 2006	134,107
5.	Dingxiang Apartment	–	Xihu District, Hanzhou, Zhejiang Province	31,468	100%	Construction of the main body, installation and landscaping have been completed, 95% of interior decoration has been completed	October 2006	31,468

Projects to be completed during the second half of 2006 (Continued)

(1 July 2006 – 31 December 2006)

No	Project	Project phase	Location	Estimated completed GFA during the second half of 2006	Interest attributable to the Company	Construction status as at 30 August	Estimated date of delivery	Unit: sq.m.
								Estimated completed GFA attributable to the Company during the second half of 2006
6.	Jingui Plaza	–	Xihu District, Hangzhou, Zhejiang Province	33,776	100%	Construction of main body has been completed, 90% of the installation has been completed, 60% of interior decoration has been completed	December 2006	33,776
7.	Taohuayuan West	Portion	Yuhang District, Hangzhou, Zhejiang Province	10,285	100%	70% of construction of main body and installation have been completed, 60% of the landscaping has been completed	December 2006	10,285
8.	Zhoushan Guihua City	Phase I	Lincheng New District, Zhoushan, Zhejiang Province	153,680	100%	Construction of the main body and installation have been completed, 50% of landscaping has been completed	December 2006	153,680
9.	Hefei Guihua Garden	Portion	High and New Technological Development Zone, Hefei, Anhui	64,464	90%	Construction of main body and installation have been completed, 90% of the landscaping has been completed	October 2006	58,018
10.	Taohuayuan South	Phase I	Yuhang District, Hangzhou, Zhejiang Province	18,981	51%	Construction of main body has been completed installation has been completed, 60% of landscaping and interior decoration have been completed	December 2006	9,680
11.	Shangyu Guihua Garden	–	Baiguan Road, Shangyu, Zhejiang Province	184,839	51%	Construction of main body and installation have been completed, 80% of the landscaping has been completed	November 2006	94,268

Projects to be completed during the second half of 2006 (Continued)

(1 July 2006 – 31 December 2006)

No	Project	Project phase	Location	Estimated completed GFA during the second half of 2006	Interest attributable to the Company	Construction status as at 30 August	Estimated date of delivery	Unit: sq.m.
								Estimated completed GFA attributable to the Company during the second half of 2006
12.	Changsha Guihua	Phase I	Yuhua District, Changsha, Hunan Province	169,813	51%	Construction of the main body and installation have been completed, 60% of the landscaping has been completed	December 2006	86,605
13.	Xingjiang Rose Garden	Phase I	Shumogou District, Urumqi, Xinjiang Uygur Autonomous Region	11,073	51%	Construction of main body and installation have been completed, 100% of landscaping has been completed	September 2006	5,647
			Total	962,585				767,633

Property Sales

For the First Half of 2006, a total of approximately 286,000 sq.m. were sold/pre-sold (including customers that have executed sale and purchase agreements), and the turnover for the sold/pre-sold area amounted to approximately Rmb2.4 billion. As at 30 June 2006, of all the Company's saleable/pre-saleable properties by area, 66% has been sold/pre-sold. The Company has accomplished sales of approximately 90% of the area as estimated in our profit forecast in the Prospectus for the year of 2006.

On 13 July 2006, Shanghai Jingyu Real Property Investment Company Limited, an associated company 49% owned by the Company, entered into a property pre-sale agreement with an independent third party, whereby it was agreed that East Sea Plaza Phase I, a property under development, should be pre-sold to an independent third party at a total consideration of approximately Rmb1.95 billion. To date, procedures such as filing of the contract are being gone through.

Land Bank

Land bank replenishment is one of the key strategies of the Company for boosting our sustainable development. In the First Half of 2006, the Company has secured a plot of land by acquiring the equity interest of a project company. It is located in Jiubaozhen, Jianggan District, Hangzhou. Its total planned GFA is 100,000 sq.m. and the total planned area is 336,000 sq.m.. The Company owns 100% of the project company.

As at 30 June 2006, the Company's land bank amounted to 8.65 million sq.m. in GFA, of which the Company owned 5.94 million sq.m. in GFA; the total GFA of land for which the Company has obtained the land use rights amounted to 7.51 million sq.m., of which the Company owned as to 4.80 million sq.m. in GFA.

Land Bank (Continued)

In addition, the Company has entered into contracts or agreements of certain projects. Set forth below are the nature of the projects and the interests owned by the Company:

Unit: sq.m.

No.	Project	Phase	Location	Total site area	Total Gross Floor Area	Attributable Profit to the Company	Current Status
1.	Hangzhou Liu Zhuang Project	Phase II	Tianmushan Road, Xihu District, Hangzhou, Zhejiang Province	16,188	17,807	45%	Land Use Rights Certificate to be obtained after settlement of the land premium.
2.	Hangzhou Baochu Road Project		Baochu Road, Xihu District, Hangzhou, Zhejiang Province	25,041	46,200	75%	Tender notice has been obtained. Land Grant Contract will be signed after the approval from relevant local authorities.
3.	Shanghai Green View Project		Xinqiaozhen Songjiang District, Shanghai	360,000	432,000	60%	In communication with the government departments.
4.	Beijing Qinglongqiao Project	Phase III	Qinglongqiao Cun, Haidianxiang, Haidian District, Beijing	90,196	76,811	65%	Relocation commenced.
5.	Beijing Qinglongqiao Project	Phase IV	Qinglongqiao Cun, Haidianxiang, Haidian District, Beijing	151,044	154,996	65%	Relocation commenced.
6.	Qingdao Project		Licang District Qingdao City, Shandong Province	1,200,587	1,580,900	80%	Entity for the project development has been confirmed. The first phase of commodity property of an area of 200 mu has been confirmed. Relocation commenced.
Total				1,843,056	2,308,714	N/A	

Land Bank *(Continued)*

On 26 July 2006, Ningbo Zheda Science Park Construction Co., Ltd. ("NZSPC", and subsequently renamed Ningbo High-Tech Zone Research Garden Greentown Construction Limited), a subsidiary of the Company, entered into an agreement with the local government, pursuant to which the contract for the grant of land use rights entered into between NZSPC and the State-owned Land Bureau of Ningbo Science Park on 10 December 2003 was discharged and a compensation of Rmb20 million should be made by the government as a result. Afterwards, NZSPC duly acquired the State-owned land use rights by way of listing-for-sale. NZSPC was owned as to 60% by the Company.

On 2 August 2006, the Company entered into a strategic co-operation agreement with China Gezhouba (Group) Corporation to jointly develop the Hangzhou and Zhejiang markets by way of project joint ventures.

On 3 August 2006, the Company acquired a plot of land by way of listing-for-sale. It is located in Tonglu County, Hangzhou with a site area of 107,387 sq.m., and it is anticipated that a total of 128,864 sq.m. in GFA will be developed. The Company has established a wholly-owned subsidiary for the development and construction of the project.

Brand Building

Commitment to improving brand value is an essential component of our brand building strategy. During the First Half of 2006, the Company launched our promotion activities with the theme of "the Splendid Way of Greentown Living" and established a plan to take care of the health of Greentown residents under the name of "Angel's Plan". Our Greentown Club held a lot of highly entertaining social events and handing-over evening shows and highlighted the exemplary landscape communities and units aiming at enhancing the value attached to our brand name all-round.

In the First Half of 2006, the Company was once again ranked one of the Top 10 Property Enterprises in China in terms of overall corporate strength by Enterprise Research Institute of the Development Research Centre of the State Council, Qinghua University Real Estate Research Center and Soufun China Index Institute. We were also ranked one of Top 10 Real Estate Enterprises in China in 2006 by the City Development and Environment Research Center of the China Social Science Institute, the Federation of China National Real Estate Enterprises and the China Real Estate Enterprises Association. It has been ranked by the Zhejiang Province Association of Real Estate Properties as the No. 1 of the Top 50 Real Estate Development Enterprises of Zhejiang in 2005. Hence, both our brand name and our leading position in the industry have been further recognized and consolidated.

Business Strategies

1. We adhere to our brand name development strategy to enhance the quality of our products through innovations and improvements. We place more emphasis on the sales and marketing strategy centered around "quality experience" to improve our service quality, customer satisfaction and loyalty and to consolidate and enhance the brand name of Greentown products;
2. We shall strengthen our dynamic management of targets and implementation of plans, in particular the grasping of our project construction plans and sales plans in order that our annual operation targets can be accomplished;
3. We shall fully leverage on our overall strengths of group management and strengthen the dynamic management and guidance of our project companies so as to elevate the construction capability and operation standard of our project companies;
4. We shall take advantage of this opportune time and our overall strength in brand name, capital and management to push forward with our development strategy, in particular the land bank in Hangzhou and Zhejiang, thereby ensuring the sustainable growth as shown in our results and our enduring momentum in development;
5. We shall move further in building up and implementation of our operation risk control system and put more efforts in the research on policy and market, thereby heightening our grasping of the market;
6. By internal training and introduction of new blood, we aim at improving the quality of our human resources in order to cope with any new business environment and to meet our management requirements.

FINANCIAL ANALYSIS

The Company recorded a revenue of Rmb1,210,449,000 for the interim period of 2006, representing an increase of Rmb219,077,000, or approximately 22% from Rmb991,372,000 of the interim period of 2005. Increase in revenue was mainly attributable to the significant increase in the average selling prices of units delivered over the same period of last year. Our 2006 cost of sales was nearly the same as that of last year but our unit cost has increased. This was mainly attributable to the lower unit cost of Beijing Sunshine and Anhui Greentown, the major properties sold in the first half of 2005, whereas the land cost of Hangzhou Chunjiang Huayue and Taohuayuan, the major properties sold in the First Half of 2006, are relatively higher. Our gross profit margin rose from 31% of the interim period of last year to 43% of this period. The higher gross profit margin was attributable to the generally higher property prices over the last few years as well as the higher gross profit margin of Taohuayuan and Hangzhou Chunjiang Huayue which represented 85% of the total revenue for the period.

Other income declined from Rmb51,138,000 of the same period of last year to Rmb40,889,000 of this period. It was mainly attributable to the increase in interest income and decrease in government subsidy. Selling and administration expenses rose from Rmb120,820,000 of the same period of last year to Rmb140,346,000 of this period, or by approximately 16%. It was mainly due to the increase in salary of staff, benefit and remuneration, and our expansion also resulted in the increase of the number of our employees.

In the first half of 2005, we recorded a gain on disposal of subsidiaries that amounted to Rmb39,332,000 but we did not have such gain in the First Half of 2006.

We shared net losses of associates of Rmb9,835,000 in the First Half of 2006 because those associates had no properties delivered to the customers and therefore no revenue was recognised in the book of associates. However, in the same period of last year, we shared net profits of associates of Rmb26,845,000 because the Hangzhou Jimei Qilixiangxi Project had delivered properties to customers and recognised the corresponding revenues.

Our income tax rose from Rmb54,960,000 of the same period of last year to Rmb130,565,000 of this period, and our effective tax rate rose from 20% to 35% of this period. It is because the profit in the first half of 2005 included government subsidy and gains in the investment in associated companies, provision for taxation was not required, so that our effective taxation liabilities were lower than normal. These effects have resulted in a higher effective taxation liabilities for this period.

Taking into account all the above-mentioned analysis, comparing with the same period of last year, our revenue increased by 22% and our gross profit increased by 69%, but profit attributable to our shareholders increased from Rmb238,403,000 to Rmb256,901,000 of the last comparable period by only 8%, the reasons being the decrease in income of other operations, the decrease in gains from the disposal of subsidiaries, the decrease in the investment gains in associated companies and the increase in effective tax rate.

Financial Resources and Liquidity

At 30 June 2006, the Group's cash on hand amounted to Rmb922,999,000 (31 December 2005: Rmb859,393,000) with total borrowings of Rmb5,202,245,000 (31 December 2005: Rmb4,879,353,000). Gearing ratio, measured by net debt to equity ratio, was slightly increased from 433% as at 31 December 2005 to 556% as at 30 June 2006. Immediately after the Company's shares were listed in the Stock Exchange, the gearing ratio has dropped significantly to approximately 40%.

All borrowings, except for convertible bonds, were denominated in Renminbi, while the convertible bonds were denominated in United States Dollars.

FOREIGN EXCHANGE RISKS

Most of the Group's revenues and operating costs were denominated in Renminbi. As the proceeds from the Global Offering were received in Hong Kong Dollars, the Group is exposed to foreign exchange risks. For the First Half of 2006, the Group has recorded an exchange loss of approximately Rmb1,843,000. The Group's operating cash flow or liquidity is not subject to any exchange rate fluctuations. The Group did not enter into any foreign exchange hedging arrangements as at 30 June 2006.

EMPLOYEES

As at 30 June 2006, the Group employed a total of 1,062 employees. Employees were remunerated on the basis of their performance, experience and prevailing industry practices. The Group's remuneration policies and packages were reviewed on a regular basis. As an incentive for the employees, bonuses and cash awards may also be given to employees based on individual performance evaluation.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

The shares of the Company became listed on the Stock Exchange on 13 July 2006. As at 13 July 2006, the interests and short positions of the directors or chief executives in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate shareholding percentage in the Company
Mr. Song Weiping	–	68,859,000 ⁽¹⁾ ordinary shares	501,524,000 ⁽²⁾ ordinary shares	–	570,383,000 ordinary shares	43.92%
Mr. Shou Bainian	–	–	383,643,000 ⁽³⁾ ordinary shares	–	383,643,000 ordinary shares	29.54%

Notes:

- (1) Mr. Song Weiping is interested in such ordinary shares held by Wisearn Limited, a company wholly-owned by his spouse, Mrs. Xia Yibo.
- (2) Mr. Song Weiping is interested in such ordinary shares as the sole shareholder of Delta House Limited.
- (3) Mr. Shou Bainian is interested in such ordinary shares as the sole shareholder of Profitwise Limited.

Save as disclosed above, as at 13 July 2006, none of the directors or chief executives of the Company had registered any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 13 July 2006, the interests or short positions of every person, other than the directors or chief executives of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name	Number of Ordinary Shares Held	Nature of Interest	Percentage of Shareholding in the Company
Mrs. Xia Yibo	570,383,000 ⁽¹⁾	Deemed interest, interest of a controlled corporation	43.92%
Delta House Limited	501,524,000 ⁽²⁾	Beneficial owner	38.62%
Profitwise Limited	383,643,000 ⁽³⁾	Beneficial owner	29.54%
Wisearn Limited	68,859,000 ⁽⁴⁾	Beneficial owner	5.30%
Warburg Pincus & Co.	70,000,000 ⁽⁵⁾	Interest of a controlled corporation	5.39%
Warburg Pincus IX, LLC	70,000,000 ⁽⁵⁾	Interest of a controlled corporation	5.39%
Warburg Pincus Partners LLC	70,000,000 ⁽⁵⁾	Interest of a controlled corporation	5.39%
Warburg Pincus Private Equity IX, L.P.	70,000,000 ⁽⁵⁾	Beneficial owner	5.39%
J.P. Morgan Securities Ltd.	79,738,760 ⁽⁶⁾	Beneficial owner and interests held jointly with another person	6.14%
JPMorgan Chase & Co.	80,249,260 ⁽⁶⁾	Beneficial owner, interests held jointly with another person and custodian corporation/approved lending agent	6.18%

Name	Short Position Held (ordinary shares)	Nature of Interest	Percentage of shareholding in the Company
J.P. Morgan Securities Ltd.	48,701,000	Interests held jointly with another person	3.75%
JPMorgan Chase & Co.	48,701,000	Interests held jointly with another person	3.75%

Notes:

- (1) Includes deemed interest in 68,859,000 shares held via controlled corporation, and deemed interest in 501,524,000 shares held by Delta House, a controlled corporation of her spouse, Mr. Song Weiping, duplicates to those disclosed in the section "Directors' Interests and Short Positions in Shares" above.
- (2) Interests held by Mr. Song Weiping through a controlled corporation, duplicates to those disclosed in the section "Directors' Interests and Short Positions in Shares" above.
- (3) Interests held by Mr. Shou Bainian through a controlled corporation, duplicates to those disclosed in the section "Directors' Interests and Short Positions in Shares" above.
- (4) Interests held by Mrs. Xia Yibo through a controlled corporation.
- (5) Warburg Pincus Private Equity IX, L.P. was wholly owned by Warburg Pincus Partners LLC, which was wholly owned by Warburg Pincus IX, LLC, which was wholly owned by Warburg Pincus & Co.
- (6) J.P. Morgan Securities Ltd. was a subsidiary indirectly held by JPMorgan Chase & Co.

Save as disclosed above, as at 13 July 2006, no person, other than the directors or chief executives of the Company whose interests are set out in the section headed "Directors' interests and short positions in shares" above, had registered any interest or short position in the shares and underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2006.

SHARE OPTION SCHEME

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

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

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

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the First Half of 2006.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct for dealings in securities of the Company by the directors. The Company has made specific enquiry of all directors of the Company and the directors confirmed that they have complied with the required standard set out in the Model Code throughout the First Half of 2006.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's unaudited interim financial statements and the interim report for the First Half of 2006. The Audit Committee comprises all of the five independent non-executive directors, namely Mr. Tsui Yiu Wa, Alec (the Chairman of the Audit Committee), Mr. Jia Shenghua, Mr. Jiang Wei, Mr. Sze Tsai Ping, Michael and Mr. Tang Shiding.

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

Hangzhou, the PRC, 5 September 2006