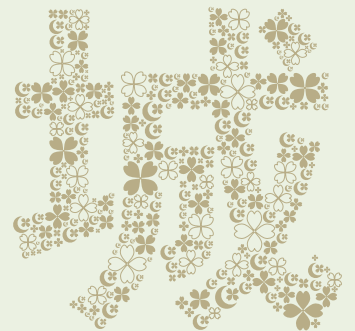


绿城房产
GREENTOWN



Greentown China Holdings Limited
绿城中国控股有限公司*

(incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)
(Stock Code 股份代號: 3900)

Interim Report 2009 中期報告

* For identification purpose only
* 僅供識別

The homes built by Greentown lead lifestyle. Our premier class of architecture fully demonstrates dynamic blend of taste and culture. The architecture characteristics embrace the culture of city and show respect to natural landscape. Join us to live elegantly and delicately.

Since its establishment, Greentown is determined to create beauty for the city with an idealistic human-oriented spirit adopted through the course of development and after-sales services for its property products, and bring ideal life for its customers with quality properties.



LinAn Qingshan Lake Rose Garden



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Corporate Information

Directors

Executive Directors

Mr. SONG Weiping (*Chairman*)
Mr. SHOU Bainian (*Executive Vice-Chairman*)
Mr. LUO Zhaoming
(*Vice-Chairman*)
(*appointed on 17 July 2009*)
Mr. CHEN Shunhua
Mr. GUO Jiafeng

Independent Non-Executive Directors

Mr. JIA Shenghua
Mr. JIANG Wei
Mr. SZE Tsai Ping, Michael
Mr. TSUI Yiu Wa, Alec
Mr. TANG Shiding
Mr. KE Huanzhang

Company Secretary

Mr. LAM Jim

Authorized Representatives

Mr. SHOU Bainian
Mr. LAM Jim

Audit Committee

Mr. TSUI Yiu Wa, Alec
Mr. SZE Tsai Ping, Michael
Mr. JIA Shenghua
Mr. TANG Shiding
Mr. JIANG Wei

Remuneration Committee

Mr. JIA Shenghua
Mr. SZE Tsai Ping, Michael
Mr. CHEN Shunhua

Nomination Committee

Mr. SZE Tsai Ping, Michael
Mr. TSUI Yiu Wa, Alec
Mr. SHOU Bainian
Mr. TANG Shiding

Auditors

Deloitte Touche Tohmatsu

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

Registered Office

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

Principle Place of Business in Hong Kong

Room 1406-08, New World Tower 1
16-18 Queen's Road Central
Hong Kong

Legal Advisors to Our Company

as to Hong Kong law and U.S. law:
Sidley Austin

as to PRC law:
Zhejiang T&C Law Firm

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

Principal Bankers

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

Investor Relations

Email: ir@chinagreentown.com
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Stock Code

HKEX: 3900.HK

Website

www.chinagreentown.com
www.greentownchina.com

Corporate Profile



Greentown China Holdings Limited (“Greentown” or “the Company”, together with its subsidiaries “the Group” or “Greentown Group”), is one of the leading property developers in the People’s Republic of China (the “PRC”). It plays a leading role in the industry leveraging on its quality properties. From 2005 to 2009, we have been ranked for five consecutive years as one of the TOP 10 property enterprises in China jointly by four institutions, including Enterprise Research Institute of the Development Research Center of the State Council, China Real Estate Association, Qinghua University Real Estate Research Center and China Index Institute.

Since its establishment 15 years ago, the Group has been based on Zhejiang province, one of the most economically dynamic and developed provinces in China, with significant operations in the most prosperous cities in Zhejiang such as Hangzhou, Ningbo, Wenzhou, Taizhou, Shaoxing, and other places on the list of the Top 100 most competitive counties and county-level cities of China in Zhejiang Province. The Company has aroused wide awareness towards its brand and gained fame. With its national expansion strategy commenced in 2000, Greentown Group has become a quality national residential property developer and has its operations extended to other important cities in Yangtze River Delta including Shanghai, Nanjiang, Wuxi and Nantong, important cities in Bohai Rim Economic Belt including Beijing, Qingdao, Jinan and Dalian, and other provincial cities such as Hefei of Anhui province, Zhengzhou of Henan province, Changsha of Hunan province and Urumqi of Xinjiang province.

As at 31 August 2009, the Group’s premier land bank comprises over 19 million square meters of saleable and property held-for-operation area, ensuring that the Group’s sustainable and steady development in the next five years is guaranteed. Most importantly, our quality human resources, highly effective group management structure, successful establishment of our quality brand in Zhejiang and other cities with our presence, and the accumulation of excellent project development and operational capability have all provided a sound foundation for the Group’s rapid development.



Allocation of Land Bank

| Provinces | Proportion to total land bank | Cities with presence | No. of projects | Site Area (sq.m.) | Total GFA (sq.m.) |
|--------------------------------|-------------------------------|----------------------|-----------------|-------------------|-------------------|
| Zhejiang | 63.2% | Hangzhou | 21 | 2,640,763 | 5,005,640 |
| | | Zhoushan | 4 | 4,294,806 | 4,111,875 |
| | | Ningbo | 2 | 211,675 | 682,170 |
| | | Shaoxing | 3 | 417,686 | 907,238 |
| | | Chun'an | 2 | 287,116 | 516,092 |
| | | Deqing | 2 | 114,508 | 210,158 |
| | | Tonglu | 2 | 124,959 | 149,076 |
| | | Haining | 1 | 410,272 | 710,485 |
| | | Wenzhou | 1 | 130,899 | 656,318 |
| | | Huzhou | 1 | 289,359 | 353,432 |
| | | Taizhou | 3 | 467,010 | 944,702 |
| | | Changxing | 1 | 112,889 | 343,717 |
| | | Lin'an | 2 | 1,208,772 | 468,208 |
| | | Xinchang | 1 | 251,071 | 157,212 |
| | | Xiangshan | 1 | 89,514 | 198,237 |
| | | Zhuji | 1 | 369,543 | 937,270 |
| Cixi | 2 | 184,564 | 411,947 | | |
| Jiangsu | 5.9% | Nantong | 2 | 176,837 | 354,767 |
| | | Nanjing | 1 | 239,441 | 86,003 |
| | | Wuxi | 2 | 403,448 | 1,116,429 |
| Shanghai (Municipality) | 1.8% | Shanghai | 3 | 702,782 | 481,777 |
| Shandong | 14.9% | Qingdao | 1 | 1,055,483 | 2,146,748 |
| | | Jinan | 1 | 860,593 | 1,804,969 |
| Beijing (Municipality) | 2.6% | Beijing | 4 | 446,690 | 677,169 |
| Anhui | 1.0% | Hefei | 2 | 80,248 | 261,944 |
| Hunan | 1.1% | Changsha | 1 | 1,104,416 | 297,349 |
| Henan | 0.3% | Zhengzhou | 1 | 35,431 | 84,779 |
| Xinjiang | 2.2% | Urumqi | 2 | 427,167 | 575,280 |
| Hainan | 6.6% | Lingshui | 1 | 1,991,706 | 1,744,910 |
| Liaoning | 0.4% | Dalian | 1 | 10,800 | 111,710 |
| Total | | | 72 | 19,140,448 | 26,507,611 |

* landbank as at 31 August 2009

Allocation of Land Bank



Greentown in China

 Provinces and municipalities that Greentown has presence



Chairman's Statement

In the first half of 2009, both domestic and international macroeconomic conditions showed improvements. The recovery of the whole real estate market in the PRC went beyond expectation. After the outbreak of the “economic crisis” last year, we further consolidated and strengthened our confidence in the urbanisation process and the real estate market in the PRC. We always believe that development is the most important. In particular, the basis of development of the nation as well as enterprises is enhancement of technology and quality.

The real estate products of Greentown feature quality and value. We strive for perfection and global business coverage, with a view to providing the best living environment for people. As to the existing product portfolio of Greentown, we will continue to enhance innovation and development of the Company, aiming to construct high quality real estate products that can meet international standard.

The year 2009 is the “Year of Operation and Management” of Greentown. Following the fundamental policy of “sound and positive development with high efficiency and good performance”, the Group has adjusted its pace of expansion to achieve its goals of operation and management, i.e. “attaining strong and sustainable marketing ability, stable and sound financing ability, and stable and sustainable ability to create exquisite products”, and strived to become a real estate enterprise with excellent quality and performance.

The growth and success of an enterprise is by no means the result of luck, but of combined efforts supported by human resources, a solid system and framework, corporate value and culture. Greentown was founded by a small group of people and it has been 15 years since its establishment. From the recognitions and practices experienced in the development process of the PRC’s real estate sector, we believe that we have been on the right track and it will lead us to a bright future.

Greentown aims to satisfy customers with its actions, products and services. We will work practically and aim at building high quality houses for our customers. We advance with steady steps to ensure that each kind of houses will be of first-class quality in our nation and in the world. We will strive to do our best to bring excellent and advanced real estate products with cultural impact to more people. People in Greentown will always bear in mind to support morality, take the correct path and enjoy the right results.

Finally, I would like to take this opportunity to express my sincere gratitude to our shareholders and directors for their understanding and support, and to the staff for their dedication and efforts.

SONG Weiping
Chairman
16 September 2009

Management Discussion and Analysis



The property market recorded unexpected move in the first half of 2009 and exhibited strong characteristics of a periodic cycle. Transaction volume receded significantly during January and February but starting from March, the property market revived with a significant increase in the transaction volume of commodity housing. Transaction volume of residential properties in the Group's core regions such as Hangzhou, Zhejiang, Shanghai and Beijing soared, which represented a boom in the property market in the PRC. Property prices rebound as a result of the increased demand for residence, improvement of living standard and investment return, increased liquidity in the market, the expectation of inflation and acceleration of destocking by real estate companies. In the current cycle, the Group's overall sales performance has outperformed that of its peers. This has further strengthened our belief that only companies with excellent product quality can survive and develop under intense competition. The Group will adhere to the core values of "sincerity, goodwill, excellence and perfection" and further leverage on our strengths in ideas, quality and services.

The First Part – Operation and Management Review

Rapid – Encouraging sales growth

Leveraging on outstanding product quality, strong brand effect and committed sales efforts, the Group managed to achieve prominent sales performance. Property projects of the Group from ordinary apartments to high-end properties were sold well.

During the six months ended 30 June 2009 (the "Reporting Period"), sales performance of all operating regions of the Group (including associates and jointly controlled entities) was much better than previous years with sales/pre-sales of Rmb21.1 billion (including Rmb18.4 billion contracted sales and Rmb2.7 billion of agreement sales), representing a growth of 170% compared with the same period last year. Sales/pre-sales attributable to the Group grew 150% from the same period of last year to Rmb13.8 billion. It set a new record for the Group. During the Reporting Period, the Group's sales represented one of the highest among all the property developers in the PRC. Average selling price increased 16% from Rmb11,600 per sq.m. in the same period of last year to Rmb13,445 per sq.m. during the Reporting Period. In the first half year of 2009, the Group's sales ranked the top in Hangzhou as well as cities such as Wenzhou, Zhoushan, Haining, Deqing, Xiangshan, Hefei and Jinan.



Management Discussion and Analysis

Contracted and agreement sales of major projects from January to August 2009

| Project name | Saleable area (sq.m.) | Area sold from January to August (sq.m.) | Sales amount from January to August (Rmb'000) | Percentage of area sold | Average price (Rmb/sq.m) |
|------------------------------|--------------------------|---|--|----------------------------|-----------------------------|
| Wenzhou Lucheng Plaza | 170,362 | 165,668 | 6,824,882 | 97% | 41,196 |
| Hangzhou Sapphire Mansion | 78,505 | 78,505 | 2,338,863 | 100% | 29,792 |
| Beijing Majestic Mansion | 44,453 | 43,609 | 1,758,490 | 98% | 40,324 |
| Shanghai Bund House | 27,953 | 27,953 | 1,447,030 | 100% | 51,767 |
| Jinan National Games Project | 192,940 | 157,437 | 1,427,352 | 82% | 9,066 |
| Shaoxing Yulan Garden | 118,985 | 104,789 | 1,269,792 | 88% | 12,118 |
| Hangzhou Tulip Bank | 92,151 | 89,080 | 1,145,169 | 97% | 12,855 |
| Haining Lily New Town | 113,979 | 105,571 | 1,010,121 | 93% | 9,568 |
| Shanghai Rose Garden | 29,904 | 21,635 | 940,829 | 72% | 43,487 |
| Zhengzhou Lily Apartment | 118,268 | 109,203 | 899,735 | 92% | 8,239 |
| Hangzhou Hope Town | 83,278 | 81,715 | 895,232 | 98% | 10,956 |
| Hangzhou Lijiang Apartment | 59,057 | 58,753 | 832,436 | 99% | 14,168 |
| Other projects | 1,566,112 | 1,097,670 | 10,740,575 | 70% | 9,785 |
| Total | 2,695,947 | 2,141,588 | 31,530,506 | 79% | 14,723 |

As at 31 August 2009, the Group (including associates and jointly controlled entities) recorded sales/pre-sales of Rmb31.5 billion (including agreements), an increase of 158% compared with the same period of last year. Sales/pre-sales attributable to the Group amounted to Rmb19.7 billion, representing an increase of 129% over the same period of last year. The Group had 51 on-sale projects in 25 cities, with the core areas of Hangzhou, Zhejiang, Beijing and Shanghai representing 80% of total sales. Four major projects, named Wenzhou Lucheng Plaza, Hangzhou Sapphire Mansion, Beijing Majestic Mansion and Shanghai Bund House achieved sales/pre-sales of Rmb12.4 billion this year. With the efforts of employees at all levels of the Group, the Group achieved a pre-sale rate of 79% on its 2.70 million sq.m. saleable area and 80% on its newly launched properties.

As at 31 August 2009, the Group pre-sold 85% of the above-ground saleable area of those projects planned to be completed in the current year. As at 31 August 2009, revenues of Rmb9.3 billion and Rmb26.7 billion have been locked-in through sales/pre-sales contracts for the second half of 2009 and years after 2009 respectively, of which Rmb6.6 billion and Rmb16.7 billion are attributable to the Group. Total revenue locked-in through sales/pre-sales contracts but not yet recognised thus amounts to Rmb36.0 billion, of which Rmb23.3 billion is attributable to the Group. As such, the Group is on track to achieve its full year results target.

Management Discussion and Analysis



Flexibility – Adjustment of work progress in response to market situation

By strengthening execution capabilities, the Group ensures that the completion plan for the year will be fully accomplished. In 2009, the Group strengthened its monitoring and assessment on the progress of development of each project. It also gained satisfactory results in terms of consolidating the planning design, construction, sourcing of construction materials and optimisation of workflows of its various projects, which further enhanced the Group's project management and operational capabilities. As a result, the pace of development of each project was assured.

The Group controlled the pace of development according to the actual condition of each project. During the first half of 2009, the Group commenced construction on 19 projects or phases of projects with a total GFA of 1 million sq.m., among which a total of 610,000 sq.m. was attributable to the Group. As at 30 June 2009, the Group had 54 projects under construction, with a total GFA of 6.79 million sq.m..

In the first half of 2009, all projects planned to be delivered were completed as scheduled with completed total GFA of 570,000 sq.m. and completed above-ground saleable area of 400,000 sq.m.. The progress of other projects to be delivered in the year was also on track. 85% of the above-ground saleable area completed in the first half of 2009 was sold on or before 30 June 2009. According to the existing completion schedule, it is anticipated that 870,000 sq.m. of above-ground saleable area will be completed in the second half of 2009.

Details of completed projects during the Reporting Period were as follows:

| No. | Project | Phases | Interests attributable to the Group | Total GFA (sq.m.) | Saleable GFA (sq.m.) |
|-------|-----------------------------|---|---|-------------------------|----------------------------|
| 1 | Beijing Majestic Mansion | Phase 1 Block 1, Phase 2 (west clubhouse) | 100% | 14,397 | 2,770 |
| 2 | Hefei Lily Apartment | Phase 4 | 77% | 46,462 | 35,150 |
| 3 | Qingdao Ideal City | Phase 1, Low-rise | 80% | 93,609 | 59,618 |
| 4 | Hangzhou Jiuxi Rose Garden | Part 3 | 100% | 5,623 | – |
| 5 | Hangzhou Taohuayuan South | Plot F | 51% | 25,351 | 19,581 |
| 6 | Nanjing Rose Garden | Clubhouse | 70% | 4,475 | – |
| 7 | Haining Lily New Town | High-rise Phase 1 | 50% | 77,632 | 61,201 |
| 8 | Hangzhou Majestic Mansion | All | 45% | 77,567 | 54,190 |
| 9 | Nantong Hupanju | Phase 2B | 50% | 46,557 | 28,756 |
| 10 | Deqing Sweet Osmanthus Town | Phase 2, Hefeng Garden | 47% | 32,821 | 26,517 |
| 11 | Zhengzhou Lily Apartment | Phase 3 Plot D | 38% | 94,170 | 71,177 |
| 12 | Beijing Lily Apartment | Phase 6 | 80% | 52,177 | 38,868 |
| Total | | | | 570,841 | 397,828 |



Management Discussion and Analysis

Persistence – Ample quality land bank for rapid development

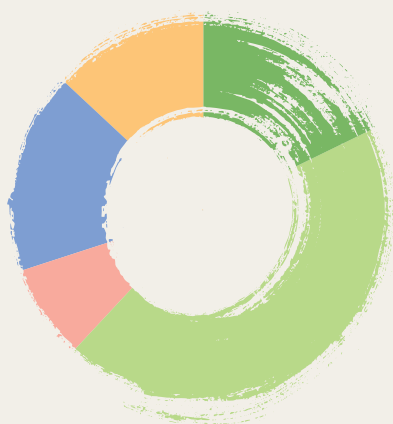
As at 31 August 2009, the Group entered into 30 cities with 72 projects. The site area of the land bank was 19.14 million sq.m., of which 11.58 million sq.m. was attributable to the Group. Total GFA of the land bank was 26.51 million sq.m., of which 16.47 million sq.m. was attributable to the Group. Total above-ground saleable area of the land bank was 19.57 million sq.m. (including properties held for investment), of which 12.14 million sq.m. was attributable to the Group. The average cost of the land bank (based on above-ground saleable area) was Rmb3,081/sq.m. The ample and quality land bank ensures satisfactory profits of the Group in the future.

During the first half of 2009, given the uncertain market situation amid the Group’s sufficient land bank, the Group remained prudent on land bank expansion. As the market situation became more certain in July 2009, the Group added more quality land bank in a timely manner.

During the first eight months of 2009 the Group newly acquired 5 new projects with a total site area of 790,000 sq.m., of which 660,000 sq.m. was attributable to the Group. The Group’s newly acquired land bank has an accumulated total GFA of 1.77 million sq.m., of which 1.45 million sq.m. is attributable to the Group.

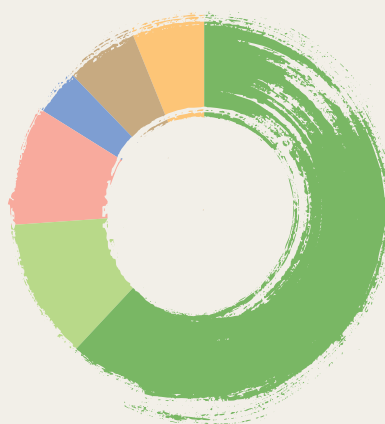
As at 31 August 2009, allocation of land bank of the Company was as follows:

Analysis by Region



- 18% Hangzhou
- 44% Zhejiang (exclude Hangzhou)
- 8% Yangtze River Delta Region
- 17% Bohai Rim Region
- 13% Other regions

Analysis by Property Type



- 62% High-rise apartment
- 12% Low-rise apartment
- 10% Villa
- 4% Office
- 6% Retail spaces
- 6% Held for operation/investment

Management Discussion and Analysis



An analysis of major projects acquired during January to August 2009 is as follows:

| No. | New projects | Region | Interests attributable to the Group | Total land premium (Rmb'000) | Site area (sq.m.) | GFA (sq.m.) | Price per GFA (Rmb/sq.m.) | Means of acquiring the property |
|-------|-------------------------------------|----------|-------------------------------------|------------------------------|-------------------|-------------|---------------------------|-----------------------------------|
| 1 | Beijing Dongzhimen Project (Note 1) | Beijing | 100% | N/A | 28,004 | 62,585 | N/A | Acquisition |
| 2 | Zhuji Project (Note 2) | Zhejiang | 90% | 2,718,000 | 369,544 | 735,200 | 3,697 | Acquisition |
| 3 | Cixi Hushan Project (Note 3) | Zhejiang | 60% | 1,089,000 | 62,576 | 169,363 | 6,430 | Acquisition |
| 4 | Wuxi Project | Jiangsu | 100% | 2,900,000 | 222,617 | 525,109 | 5,523 | Auction and tender in open market |
| 5 | Shaoxing Jinghu Project | Zhejiang | 35% | 1,220,000 | 111,155 | 277,887 | 4,390 | Auction and tender in open market |
| Total | | | | 7,927,000 | 793,895 | 1,770,144 | | |

Note 1: The consideration for the acquisition of the project was HK\$610 million, which was satisfied by the issuance of 100 million new shares at an issue price of HK\$6.10 per share. The details of which had been disclosed in the Company's circular dated 29 May 2009 and the Company's announcement dated 15 July 2009.

Note 2: Total consideration of Rmb2.718 billion for the acquisition of the land will be paid in phases according to the development progress. The Group was only required to pay Rmb550 million in this year and the remaining amount will be paid from sales revenue of the joint venture company after the completion of different phases and the details of which had been disclosed in the Company's announcement dated 7 July 2009.

Note 3: Details of the acquisition had been disclosed in the Company's announcement dated 8 July 2009.



Management Discussion and Analysis

Aggressive – Continued enhancement of management standard

The Group places talents development as its top priority and solidifies its foundation by adhering to the corporate culture and implementing the “Greentown Academy”. It implemented standardization procedures to strengthen the development of the Group. During the Reporting Period, the Group enhanced its sales capabilities, product quality, community services, financial management, project cost control to improve its core competitiveness. Besides, the Group strengthened its budget management, risk management and appraisal system to optimize the operation mode of the Group. The Company successfully redeemed 90.3% of its US\$400 million senior notes due 2013 in the first half of 2009 which enabled the Company to have more room for development without the restrictive covenants of the senior notes. On 10 September 2009, Greentown Real Estate Group Co., Ltd (“Greentown Real Estate”), a wholly-owned subsidiary of the Company entered into a framework agreement with Ping An Trust & Investment Co. Ltd (“Ping An Trust”), pursuant to which Greentown Real Estate and Ping An Trust agreed to set out the cooperation framework for the investment in real estate projects in different parts of the PRC. It is expected that the total capital to be invested by Ping An Trust will amount to Rmb15 billion in the next three years, of which an estimated amount of Rmb3 billion to Rmb5 billion will be invested in 2009. The co-operation with Ping An Trust will not only develop a new financing channel for the Group, but will also allow the Group to enter into the field of property fund management, thus providing support to the Group’s rapid development in the future.

The Second Part – Future Prospects and Strategies

Property sales started to recede in the second half of 2009 as a result of the surge in demand in the first half of 2009 after a long suppression in late last year, the decrease in commodity housing supply in core cities as well as the refinement of the macro policies. However, we believe this does not imply a downward trend of the property market but rather a reversion to mean following the strong sales in the first half of 2009. The long term prospect of China’s macro economic growth is still positive, and the relatively relaxed macroeconomic policies as well as the expectation of inflation shall bring opportunities for the property market, not to mention that the property market remains one of the key drivers for China’s economic recovery. The property market has entered into a new development cycle with more opportunities available for the leading industry players. In view of the general tight supply situation amid the overall healthy market outlook of the core regions of the Group, the Group’s ample inventory of properties available for sale should ensure its promising growth.

Maintain sufficient supply and accelerate sales

In view of the current market condition and the expected trend, the Group will emphasize on the timely launch of new projects for sale in the second half of 2009 to ensure strong cashflow and rapid asset turnover. As at 31 August 2009, the Group had 0.81 million sq.m. saleable area and is expected to launch new projects such as Hangzhou Xixi Chengyuan, Hangzhou Lilac Apartment and Cixi Rose Garden, as well as new phases of projects including Shanghai Bund House, Hangzhou Lijiang Apartment and Ningbo Crown Garden in September to December 2009. It is expected that the newly launched saleable area will amount to approximately 1.31 million sq.m. Given the Group’s ample supply in the next four months, we have raised our annual contracted sales target of 2009 to Rmb38 billion.

Management Discussion and Analysis



Increase the pace of development in response to market situation

The Group adjusted the construction schedule in a timely manner based on market situation in 2009 so that the pace of project development matched with the market situation and the pace of sales. It increased its project construction commencement schedule for 2009 from 2.14 million sq.m. GFA in early 2009 to 3.97 million sq.m. GFA to ensure that there will be sufficient properties available for sale in the second half of 2009 and the following year. It is expected that newly commenced projects will reach 2.97 million sq.m. GFA in the second half of 2009 and the projects under development will reach 8.34 million sq.m. GFA by end of 2009. The Group will strengthen the budget management, optimize the planning and project management, enhance product quality, control the pace of development reasonably, shorten the project development cycle and accelerate the turnover of assets.

Strengthen land bank quality and optimize cooperation strategy

The Group will be more selective towards land bank expansion in the future. Land bank expansion will focus mainly in Zhejiang, Yangtze River Delta Region with Shanghai as the centre and Bohai Rim Region with Beijing as the centre. The Group will also ensure the sustainability of development and earnings in its operating regions. Size of the land bank will be set according to the Group's development needs in the next three years. The timing and size of land bank acquisitions will be decided in response to market situation so as to maintain a reasonable balance between the size of the land bank and sales progress.

The Group will continue to reinforce and deepen the cooperation with existing strategic partners, enhance the benefits of "quality brand and professional management", stringently control the cost of land acquisition and control the balance between scale of development and financial risk.

Fully enhance the Group's financial management capability and introduce innovative financing methods

The Group will adapt to changes in market situation by adopting different financial strategies, increase the effectiveness and efficiency of resources allocation, strengthen controls over cost, and fully implement budget management at all levels. The Company will also continue to strengthen the cooperation with various financial institutions, and actively explore various innovative financing methods, thus providing adequate financial support for the Group's future development.

Enhance product quality and community service system

The Group will further implement the standardization of product quality, optimize design management, enhance supervision of production process and improve the overall quality of properties. It will further improve and standardize the community services system. The Company will strive to enhance community service system to increase its core competitiveness.



Management Discussion and Analysis

Financial Analysis

Revenue

Revenue (net of business tax) is primarily derived from property development, hotel operations, and sales of construction materials. For the six months ended 30 June 2009, revenue was Rmb1,940 million, whereas revenue for the same period in 2008 was Rmb1,765 million, representing a growth of 9.9%. The revenue from property sales amounted to Rmb1,911 million, representing 98.5% of the total revenue and a rise of 10.3% from Rmb1,733 million for the same period in 2008. The GFA of sales recognized in the Reporting Period amounted to 264,464 sq.m., representing an increase of 34.0% from 197,295 sq.m. for the same period in 2008 as the number of projects delivered in the period increased.

Property sales revenue of the Reporting Period was mainly derived from projects in Hangzhou, Qingdao, Zhoushan and Hefei. Sales derived from projects in Hangzhou amounted to Rmb550 million with total area sold of 22,782 sq.m., representing 28.8% of the total property sales and 8.6% of the total area sold. In terms of proportion to total sales, sales in Hangzhou ranked the first, followed by Qingdao, Zhoushan and Hefei which accounted for 20.0%, 17.9% and 11.6% of total property sales respectively, and 24.9%, 21.4% and 19.0% of total area sold respectively.

Our average selling price per square meter decreased quite significantly at a rate of 17.7% from Rmb8,784 in the first half of 2008 to Rmb7,226 during the Reporting Period. Firstly, the decrease in average selling price was driven by the geographical locations of the projects delivered during the Reporting Period. Although projects in Hangzhou still had the largest proportion to total sales in the Reporting Period as in the first half of 2008, the revenue from projects in Hangzhou only accounted for 28.8% of the total revenue in the Reporting Period, representing a significant decrease comparing to the proportion of 39.9% in the same period of 2008. Since Hangzhou is situated in the economic booming Yangtze Delta region, in which the brand advantage of Greentown properties has been fully reflected, the decrease in the proportion of revenue from projects in Hangzhou effected the average selling price to a certain extent. Besides, it was projects in Qingdao which ranked number two in terms of proportion of sales during the Reporting Period with average selling price per square meter of Rmb5,810, while projects in Shanghai which ranked number two in the first half of 2008 accounted for 21.2% of total sales in that period with average selling price per square meter reaching Rmb19,200, thus also dragging down the period's average selling price to a certain extent. Secondly, the decrease in average selling price was due to the difference in property type. Sales of villas accounted for 65.3% of total property sales in the same period of 2008 but it decreased to 29.1% with sales revenue from villas of Rmb557 million during the Reporting Period. Besides, the proportion of apartments recorded substantial increase, which also contributed to the decrease of average selling price per square meter in the Reporting Period.

Management Discussion and Analysis



Set out below is a table that illustrates the area sold, revenue, and interest attributable to the Group:

| Projects | Area sold (sq.m.) | Revenue (Rmb million) | Interest attributable to the Group |
|---|----------------------|--------------------------|--|
| Hangzhou | | | |
| Taohuayuan South | 14,464 | 500 | 51% |
| Others | 8,318 | 50 | |
| | 22,782 | 550 | |
| Zhejiang Province (excluding Hangzhou) | | | |
| Zhoushan Sweet Osmanthus Town | 56,710 | 343 | 100% |
| Ningbo Crown Garden | 5,197 | 48 | 60% |
| Others | 571 | 3 | |
| | 62,478 | 394 | |
| Qingdao | | | |
| Qingdao Ideal City | 65,744 | 382 | 80% |
| Hefei | | | |
| Hefei Sweet Osmanthus Garden | 7,645 | 19 | 99% |
| Hefei Lily Apartment | 42,625 | 203 | 77% |
| | 50,270 | 222 | |
| Beijing | | | |
| Beijing Lily Apartment | 35,566 | 199 | 80% |
| Changsha | | | |
| Changsha Sweet Osmanthus Town | 21,088 | 87 | 51% |
| Changsha Green Bamboo Garden | 2,428 | 57 | 52% |
| | 23,516 | 144 | |
| Shanghai | | | |
| Shanghai Greentown | 4,108 | 20 | 100% |
| Total | 264,464 | 1,911 | |



Management Discussion and Analysis

Gross Profit Margin of Property Sales

Gross profit margin of property sales decreased from 36.3% in the same period of 2008 to 29.4% in the Reporting Period, but there was a slight increase comparing with the annual gross profit margin of 27.8% in 2008. The Group has been dedicated to improving product quality and enhancing its product tier ranking, thus incurring higher construction cost in respect of its property projects. In addition, the Group's strategy has been to increase the turnover of assets, which also affected the Group's gross profit margin to a certain extent. On the other hand, according to the Group's branding strategy, the gross profit margin of new projects in newly entered cities (e.g. Qingdao Ideal City) is generally lower. Furthermore, the growing popularity of exquisitely fitting-out properties may also somehow affect the Group's future gross profit margin.

Other Income

Other income included interest income, government subsidy and foreign exchange gain, etc. Other income of Rmb43 million was recorded during the Reporting Period, representing a decrease of 85.5% from Rmb297 million for the same period of 2008, mainly due to the substantial drop in foreign exchange gain during the Reporting Period. During the first half of 2008, the successive appreciation in Renminbi amounted to approximately 6.0%, resulting in substantial exchange gain arising from the US dollar denominated senior notes and convertible bonds issued in 2006. At the same time, a slight foreign exchange loss was incurred in the deposits denominated in foreign currency. After setting off with the exchange gain arising from Renminbi appreciation, a net exchange gain of Rmb201 million was resulted. During the Reporting Period, the US dollar denominated convertible bonds issued in 2006 were all redeemed and the majority of the US dollar denominated senior notes were repurchased. Adding that the exchange rate of Renminbi had little fluctuation in the first half of 2009. After the deduction of exchange gain by exchange loss incurred from foreign currency deposits, an exchange gain of Rmb4 million was resulted. Interest income during the Reporting Period was Rmb14 million, representing a significant drop from Rmb82 million in the same period of 2008 due to the decrease in interest income from associates and jointly controlled entities in the Reporting Period.

Repurchase of Senior Notes and Redemption of Convertible Bonds

The Company repurchased part of the senior notes due in 2013 (90.3% of senior notes was repurchased) in May 2009 and generated a gain of Rmb328 million. The redemption of convertible bonds issued in 2006 incurred a gain of Rmb14 million in January 2009.

Fair Value Changes on Trust-related Financial Derivatives

The losses arising from the fair value changes in Trust-related financial derivatives in the Reporting Period were Rmb53 million. A trust agreement was entered into between Greentown Real Estate and Zhonghai Trust Company Ltd.. The Trust Put Option, the Guarantee and RMB1 Options relating to the above agreement were deemed as derivatives and measured according to their fair values. Losses of Rmb53 million were recorded in the Reporting Period due to valuation gain on the derivatives.

Management Discussion and Analysis



Selling and Administrative Expenses

Selling and administrative expenses in the Reporting Period increased by 41.0% from Rmb334 million in the same period of 2008 to Rmb471 million. Administrative expenses increased by 38.9% to Rmb293 million from Rmb211 million in the first half of 2008. Human resources cost of Rmb136 million was the single largest item under administrative expenses during the Reporting Period, representing 46.4% of total administrative expenses while human resources cost was Rmb81 million in the same period of 2008, representing 38.5% of total administrative expenses. The increase was mainly due to the grant of three lots of share options during the Reporting Period which recognized Rmb52 million of human resources cost. Selling expenses increased 44.7% to Rmb178 million during the Reporting Period from Rmb123 million in the first half of 2008. The biggest increase in selling expenses was expense in sales and marketing activities as well as advertising expense, which increased by Rmb39 million over the same period of last year to Rmb113 million during the Reporting Period, mainly due to the increase in properties launched during the Reporting Period. As a percentage of pre-sale proceeds received by our subsidiaries, our selling expenses decreased significantly from 2.2% in the same period of 2008 to 1.4% in the first half of 2009.

Reversal of Impairment Provision

The impairment provision in the second half of 2008 was Rmb274 million, of which Shanghai Xinjiangwan Project, Zhoushan Sheraton Hotel, Hefei Sweet Osmanthus Garden, Nantong Yulan Apartment and Thousand-Island Lake Rose Garden accounted for Rmb148 million, Rmb53 million, Rmb28 million, Rmb21 million and Rmb21 million, respectively. As the market revived, all the impairment provision for Nantong Yulan Apartment and Thousand-Island Lake Rose Garden totalling Rmb42 million was reversed during the Reporting Period. Zhoushan Sheraton Hotel and Hefei Sweet Osmanthus Garden maintained the impairment provision in the Reporting Period and there was no impairment reversal for Shanghai Xinjiangwan Project as it was sold in the Reporting Period.

Finance Costs

Interest expenses charged to the consolidated income statement during the Reporting Period decreased by 21.2% to Rmb193 million from Rmb245 million for the first half of 2008. Total interest expenses increased by 28.9% to Rmb833 million from Rmb646 million for the first half of 2008. The increase was caused by the surge in the number of projects and hence the increase in average debt amounts during the Reporting Period. Rmb640 million of such interest expenses was capitalized during the Reporting Period and the capitalization rate was 76.8%. For the first half of 2008, Rmb402 million of such interest expenses was capitalized and the capitalization rate was 62.1%. The increase in the capitalization rate was due to the increased number of projects acquired in previous years which commenced construction in the second half of 2008 or in the first half of 2009.



Management Discussion and Analysis

Share of Profit of Associates and Jointly Controlled Entities

The share of profit of associates and jointly controlled entities was Rmb175 million for the Reporting Period, which was approximately the same as Rmb170 million in the same period of 2008. Sales from associates and jointly controlled entities amounted to Rmb2,518 million, representing a drop of 8.5% from Rmb2,751 million in the same period of 2008. GFA sold was 238,801 sq.m., approximately the same as 234,000 sq.m. in the same period of 2008. Gross profit margin of sales from associates and jointly controlled entities decreased slightly from 27.6% in the same period of 2008 to 23.5% during the Reporting Period. The delivery of Hangzhou Majestic Mansion achieved sales of Rmb1,363 million, representing 54.1% of the total sales from associates and jointly controlled entities and contributed a profit of Rmb120 million to the Group. As the land premium and construction cost were relatively higher for Hangzhou Majestic Mansion, its gross profit margin was just 24.7%. Shanghai East Sea Plaza Phase 1 delivered in the first half of 2008 achieved sales of Rmb1,889 million, representing 68.7% of the total sales from associates and jointly controlled entities in the first half of 2008 with gross profit margin of 27.1%. Therefore, the gross profit margin for the Reporting Period was lower than that in the same period of 2008. As the overall market improved, the impairment provision of Rmb54 million for Nantong Rudong Hupanju in the second half of 2008 was reversed in the Reporting Period and contributed Rmb20 million to the share of profit of associates and jointly controlled entities during the Reporting Period.

Taxation Charges

Taxation for the first half of 2009 included LAT of Rmb95 million and enterprise income tax of Rmb19 million. LAT accounted for 5.0% of revenue from property sales during the Reporting Period, which was lower than 6.9% for the same period in 2008. It was mainly due to the decrease in gross profit margin of property sales and lower proportion of sales from villas.

Earnings for the Reporting Period and Profit Attributable to the Owners of the Company

Earnings for the Reporting Period decreased slightly to Rmb354 million from Rmb370 million in the same period of 2008. Net profit margin for the period was 18.2%, representing a slight decrease over 20.9% in the same period of 2008.

The profit attributable to the owners of the Company for the Reporting Period was Rmb323 million, a slight decrease from Rmb341 million in the same period of 2008.

Basic and diluted earnings per share for the Reporting Period were Rmb0.21 and Rmb0.20 respectively. Return on equity was 3.9%.

Pre-sale Deposits

As at 30 June 2009, the balance of pre-sale deposits of the subsidiaries was Rmb12,610 million, representing an increase of 105.5% from Rmb6,137 million as at 31 December 2008, and the balance of pre-sale deposits of associates and jointly controlled entities was Rmb7,214 million, rising 42.6% from Rmb5,058 million as at 31 December 2008, locking in part of the profit for the second half of 2009 and the years afterwards.

Management Discussion and Analysis



Financial Resources and Liquidity

As at 30 June 2009, the Group's cash balance amounted to Rmb5,963 million (31 December 2008: Rmb1,718 million) with total borrowings of Rmb17,580 million (31 December 2008: Rmb16,118 million). Net gearing ratio, measured by net debt over net assets, decreased from 140.1% as at 31 December 2008 to 107.5% as at 30 June 2009.

Foreign Exchange Fluctuation Risks

The principal place of operation for the Group is the PRC. Most of the income and expenditure are denominated in Renminbi. Since the Group has deposits denominated in US dollars or HK dollars and certain senior notes denominated in US dollars, the Group was exposed to foreign exchange risks. However, the Group's operating cash flow or liquidity was not subject to any exchange rate fluctuations. The Group did not enter into any foreign exchange hedging arrangements as at 30 June 2009.

Financial Guarantees

As at 30 June 2009, the Group provided guarantees of Rmb5,381 million (31 December 2008: Rmb3,900 million) to banks in favor of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's developed properties.

Pledge of Assets

As at 30 June 2009, the Group had pledged buildings, hotels buildings, prepaid lease payment, construction in progress, properties for development, properties under development, completed properties for sale, interests in associates, amounts due from associates and bank deposits with an aggregate carrying amount of Rmb15,534 million (31 December 2008: Rmb12,216 million) to secure general credit facilities granted to the Group.

Capital Commitments

As at 30 June 2009, the Group has contracted capital expenditure in respect of properties for development, properties under development and construction in progress but not provided for amounted to Rmb7,673 million (31 December 2008: Rmb7,904 million).

Employees

As at 30 June 2009, the Group employed a total of 2,657 employees. Employees were remunerated on the basis of their performance, experience and prevailing industry practices. The Group's remuneration policies and packages were reviewed by the remuneration committee and the board of directors (the "Board") of the Company 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.



Management Discussion and Analysis

Directors' and Chief Executive's Interests in Securities

As at 30 June 2009, the interests and short positions of directors, chief executive of the Company and their associates in the shares, underlying shares and dentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (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:

Long positions in shares and underlying shares of the Company

| Name of Director | Personal interests (Share options granted to the directors) | Family interests | Corporate interests | Other interests | Number of ordinary shares held (note 1) | Approximate shareholding percentage in the Company |
|------------------|--|---------------------------|----------------------------|--------------------|--|---|
| Mr. SONG Weiping | 1,089,000(L) (note 2) | 68,859,000(L) (note 3) | 492,124,000(L) (note 3) | – | 562,072,000(L) | 36.56% |
| Mr. SHOU Bainian | 1,056,000(L) (note 4) | – | 384,490,500(L) (note 5) | – | 385,546,500(L) | 25.08% |
| Mr. CHEN Shunhua | 753,000(L) (note 6) | – | – | – | 753,000(L) | 0.05% |
| Mr. GUO Jiafeng | 576,000(L) (note 7) | – | – | – | 576,000(L) | 0.04% |

Notes:

- (1) The letter "L" denotes the person's long position in such securities.
- (2) Pursuant to the share option scheme adopted by a resolution of the shareholders of the Company on 22 June 2006, 1,089,000 share options were granted to Mr. SONG Weiping on 22 January 2009 and are exercisable at HK\$2.89 per share from 22 January 2009 to 21 January 2019.
- (3) Included interests in 492,124,000(L) shares held via a controlled corporation, Delta House Limited and deemed interest in 68,859,000(L) shares held by Wisearn Limited, a controlled corporation owned by his spouse, Ms. Xia Yibo.
- (4) Pursuant to the share option scheme adopted by a resolution of the shareholders of the Company on 22 June 2006, 1,056,000 share options were granted to Mr. SHOU Bainian on 22 January 2009 and are exercisable at HK\$2.89 per share from 22 January 2009 to 21 January 2019.
- (5) Interests held through a controlled corporation, Profitwise Limited.

Management Discussion and Analysis



- (6) Pursuant to the share option scheme adopted by a resolution of the shareholders of the Company on 22 June 2006, 753,000 share options were granted to Mr. CHEN Shunhua on 22 January 2009 and are exercisable at HK\$2.89 per share from 22 January 2009 to 21 January 2019.
- (7) Pursuant to the share option scheme adopted by a resolution of the shareholders of the Company on 22 June 2006, 576,000 share options were granted to Mr. GUO Jiafeng on 22 January 2009 and are exercisable at HK\$2.89 per share from 22 January 2009 to 21 January 2019.

Other than as disclosed above, none of the directors, chief executive of the Company nor their associates had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2009.

Substantial Shareholders' Interests in Securities

The register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, as at 30 June 2009, the following shareholders, other than those disclosed in the section headed "Directors' and Chief Executive's Interests in Securities", had notified the Company of relevant interests in the issued share capital of the Company:

| Name | Number of ordinary shares held (Note 1) | Nature of interest | Approximate shareholding percentage in the Company |
|--|--|---|--|
| Ms. XIA Yibo | 562,072,000(L) (Note 2) | Interest of a controlled corporation and interest of spouse | 36.56% |
| Delta House Limited | 492,124,000(L) (Note 3) | Beneficial owner | 32.01% |
| Profitwise Limited | 384,490,500(L) (Note 4) | Beneficial owner | 25.01% |
| Lehman Brothers Holdings Inc. | 101,400,450(L) (Note 5) | Interest of controlled corporations | 6.60% |
| | 31,868,575(S) (Note 5) | Interest of controlled corporations | 2.07% |
| Warburg Pincus & Co | 92,289,000(L) (Note 6) | Interest of controlled corporations | 6.00% |
| Warburg Pincus Private Equity IX, L.P. | 92,289,000(L) (Note 6) | Beneficial owner | 6.00% |



Management Discussion and Analysis

Notes:

- (1) The letter “L” denotes the person’s long position and the letter “S” denotes the person’s short position in such securities.
- (2) Ms. XIA Yibo has deemed interest in 68,859,000(L) shares as sole shareholder of Wisearn Limited, is deemed to be interested in 492,124,000(L) shares held by Delta House Limited, a company wholly-owned by her spouse, Mr. SONG Weiping, and is deemed to be interested in 1,089,000(L) underlying shares held by Mr. SONG Weiping.
- (3) Controlled corporation of Mr. SONG Weiping, duplicates to those disclosed in the section “Directors’ and Chief Executive’s Interests in Securities” above.
- (4) Controlled corporation of Mr. SHOU Bainian, duplicates to those disclosed in the section “Directors’ and Chief Executive’s Interests in Securities” above.
- (5) 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)
- (6) 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.

Other than as disclosed above, the Company has not been notified of any other notifiable interests or short positions in the issued share capital of the Company as at 30 June 2009.

Management Discussion and Analysis



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 2009.

Share Option Scheme

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 (the "Board") may grant share 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 share options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which share 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 of time, without prior approval from the Company's shareholders. Share 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 HK\$5,000,000 must be approved in advance by the Company's shareholders.

Share 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 Board, and will not be less than the higher of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares of the Company. Detailed terms of the share option scheme should be referred to Note 21 to the condensed consolidated financial statements.

Details of the share options granted pursuant to the Scheme on 22 January 2009, 13 May 2009 and 22 June 2009, respectively, during the six months ended 30 June 2009 were as follows:

| Name of grantee | No. of share options outstanding at the beginning of the period | No. of share options granted during the period (note 5) | No. of shares acquired on exercise of the share options during the period | No. of share options forfeited during the period | No. of options outstanding at the end of the period | Date of grant | Period during which share options are exercisable (note 5) | Exercise price per share (HK\$) |
|------------------|---|---|---|--|---|-----------------|--|---------------------------------|
| Mr. SONG Weiping | - | 1,089,000 | - | - | 1,089,000 | 22 January 2009 | 22 January 2009 to 21 January 2019 | 2.89 |
| Mr. SHOU Bainian | - | 1,056,000 | - | - | 1,056,000 | 22 January 2009 | 22 January 2009 to 21 January 2019 | 2.89 |
| Mr. CHEN Shunhua | - | 753,000 | - | - | 753,000 | 22 January 2009 | 22 January 2009 to 21 January 2019 | 2.89 |
| Mr. GUO Jiafeng | - | 576,000 | - | - | 576,000 | 22 January 2009 | 22 January 2009 to 21 January 2019 | 2.89 |



Management Discussion and Analysis

| Name of grantee | No. of share options outstanding at the beginning of the period | No. of share options granted during the period (note 5) | No. of shares acquired on exercise of the share options during the period | No. of share options forfeited during the period | No. of options outstanding at the end of the period | Date of grant | Period during which share options are exercisable (note 5) | Exercise price per share (HK\$) |
|--|---|---|---|--|---|-----------------|--|---------------------------------|
| Mr. CAO Zhounan (note 1) | – | 10,000,000 | – | – | 10,000,000 | 13 May 2009 | 13 May 2009 to 12 May 2019 | 7.16 |
| Certain employees of the Company's subsidiaries, associates and jointly controlled entities | – | 41,806,000 (note 2) | – | – | 41,806,000 | 22 January 2009 | 22 January 2009 to 21 January 2019 | 2.89 |
| | – | 45,242,000 (note 3) | – | – | 45,242,000 | 22 June 2009 | 22 June 2009 to 21 June 2019 | 11.00 |
| Certain employees of Zhejiang Greentown Property Management Company, Hangzhou Jinshagang Travel Cultural Company Limited and Greentown Holdings Group, all being associates of Mr. SONG Weiping and Mr. SHOU Bainian | – | 2,129,000 (note 4) | – | – | 2,129,000 | 22 June 2009 | 22 June 2009 to 21 June 2019 | 11.00 |

Notes:

- (1) executive general manager of the Company
- (2) among the offer to grant 41,806,000 share options, only 33,882,000 shares had been accepted
- (3) among the offer to grant 45,242,000 share options, only 38,755,000 shares had been accepted
- (4) among the offer to grant 2,129,000 share options, only 1,745,000 shares had been accepted
- (5) details of the exercisable period of the share option should be referred to Note 21 to the condensed consolidated financial statements

During the Reporting Period, no share options were exercised, cancelled or lapsed.

Valuation of Options

The Company has been using the Binomial Valuation Model (the "Model") to value the share options granted. Details of the key parameters used in the Model and the corresponding fair values of the options granted during the Reporting Period should be referred to Note 21 to the condensed consolidated financial statements.

Management Discussion and Analysis



Corporate Governance

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange (the “Listing Rules”) throughout the six months ended 30 June 2009.

Changes in Biographical Details of Certain Directors

Change in biographical details of directors subsequent to the publication of the Company’s annual report as at 31 December 2008, which are required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules is set out below:

- (1) Mr. TSUI Yiu Wa, Alec retired as an independent non-executive director of Vertex Group Limited and has been appointed as an independent non-executive director of China Oilfield Services Limited.
- (2) Mr. SZE Tsai Ping, Michael has been appointed as a member of the Securities and Futures Appeals Tribunal effective from 1 April 2009 for the period of 2 years.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct for dealings in securities of the Company by the directors. The Company has made specific enquiry of all directors of the Company and all directors confirmed that they have complied with the required standard set out in the Model Code throughout the period for the six months ended 30 June 2009.

Audit Committee

The audit committee of the Company (the “Audit Committee”) has reviewed the accounting principles and practices adopted by the Group, the internal controls and financial reporting with the management of the Group, including the Group’s unaudited interim financial statements and the interim report for the six months ended 30 June 2009. The Audit Committee comprises 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.

Closure of Register of Members

The Register of Members of the Company will be closed from Monday, 12 October 2009, to Wednesday, 14 October 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 9 October 2009.







Report on Review of Interim Financial Information

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF GREENTOWN CHINA HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 29 to 64, which comprises the condensed consolidated statement of financial position of Greentown China Holdings Limited (the “Company”) and its subsidiaries as of 30 June 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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


Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

16 September 2009

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

| | Notes | Six months ended 30 June | |
|---|-------|--------------------------------|--------------------------------|
| | | 2009 Rmb'000 (Unaudited) | 2008 Rmb'000 (Unaudited) |
| Revenue | 3 | 1,940,468 | 1,765,161 |
| Cost of sales | | (1,358,175) | (1,118,113) |
| Gross profit | | 582,293 | 647,048 |
| Other income | 4 | 43,372 | 296,566 |
| Reversal of write-down of properties under development | | 42,433 | – |
| Selling expenses | | (177,521) | (123,562) |
| Administrative expenses | | (293,406) | (210,742) |
| Finance costs | 5 | (192,804) | (244,615) |
| Net gain on redemption of 2006 Convertible Bonds/ fair value changes on embedded financial derivatives | | 14,267 | 24,153 |
| Fair value changes on Trust-related financial derivatives | | (52,520) | – |
| Net gain on purchase of senior notes | | 327,967 | – |
| Net gain on partial disposal of subsidiaries | | – | 502 |
| Share of results of jointly controlled entities | | 11,019 | (4,475) |
| Share of results of associates | | 163,705 | 174,524 |
| Profit before taxation | 6 | 468,805 | 559,399 |
| Taxation | 7 | (114,409) | (189,675) |
| Profit and total comprehensive income for the period | | 354,396 | 369,724 |
| Attributable to: | | | |
| Owners of the Company | | 323,176 | 340,999 |
| Minority interests | | 31,220 | 28,725 |
| | | 354,396 | 369,724 |
| Earnings per share | 9 | | |
| Basic | | Rmb0.21 | Rmb0.22 |
| Diluted | | Rmb0.20 | Rmb0.21 |



Condensed Consolidated Statement of Financial Position

As at 30 June 2009

| | | As at 30 June 2009 | As at 31 December 2008 |
|---|-------|--------------------------|------------------------------|
| | Notes | Rmb'000 (Unaudited) | Rmb'000 (Audited) |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | 1,462,176 | 1,321,909 |
| Investment property | | 25,000 | 25,000 |
| Interests in associates | 17(C) | 1,473,052 | 1,434,510 |
| Interests in jointly controlled entities | | 249,408 | 326,217 |
| Available-for-sale investments | 17(A) | 193,000 | 8,500 |
| Prepaid lease payment | | 146,824 | 148,647 |
| Rental paid in advance | | 11,164 | 11,664 |
| Deferred tax assets | | 399,405 | 260,832 |
| Amount due from related party | 17(B) | 10,000 | – |
| Other receivables | 21 | 60,359 | – |
| | | 4,030,388 | 3,537,279 |
| CURRENT ASSETS | | | |
| Properties for development | 11 | 6,902,892 | 6,152,221 |
| Properties under development | 12 | 25,660,233 | 23,250,049 |
| Completed properties for sale | | 1,684,270 | 1,962,108 |
| Inventories | | 23,130 | 11,954 |
| Embedded financial derivatives | 18 | – | 157 |
| Trade and other receivables, deposits and prepayments | 13 | 1,834,786 | 1,334,601 |
| Amounts due from related parties | | 4,935,564 | 4,215,415 |
| Prepaid income taxes | | 586,232 | 297,522 |
| Prepaid other taxes | | 658,302 | 335,532 |
| Pledged bank deposits | 25 | 621,942 | 220,217 |
| Bank balances and cash | | 5,341,064 | 1,498,021 |
| | | 48,248,415 | 39,277,797 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 14 | 3,050,207 | 3,392,250 |
| Pre-sale deposits | 15 | 12,610,075 | 6,136,522 |
| Amounts due to related parties | | 4,225,179 | 5,279,321 |
| Dividend payable | | 278,092 | 1,367 |
| Income taxes payable | | 1,485,424 | 1,204,898 |
| Other taxes payable | | 476,131 | 269,849 |
| Embedded financial derivatives | 18 | – | 22,725 |
| Bank and other borrowings – due within one year | 16 | 4,803,595 | 3,867,741 |
| Senior notes | 19 | – | 2,701,186 |
| | | 26,928,703 | 22,875,859 |

Condensed Consolidated Statement of Financial Position

As at 30 June 2009

| | | As at 30 June 2009 Rmb'000 (Unaudited) | As at 31 December 2008 Rmb'000 (Audited) |
|---|-------|--|--|
| NET CURRENT ASSETS | | 21,319,712 | 16,401,938 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 25,350,100 | 19,939,217 |
| NON-CURRENT LIABILITIES | | | |
| Bank and other borrowings – due after one year | 16 | 10,377,006 | 7,385,305 |
| Amount due to related party | 17(D) | 1,342,125 | – |
| Trust-related financial derivatives | 17(D) | 311,700 | – |
| Convertible bonds | 18 | 2,138,553 | 2,163,523 |
| Senior notes | 19 | 261,331 | – |
| Deferred tax liabilities | | 117,726 | 109,063 |
| | | 14,548,441 | 9,657,891 |
| | | 10,801,659 | 10,281,326 |
| CAPITAL AND RESERVES | | | |
| Share capital | 20 | 157,395 | 157,395 |
| Reserves | | 8,283,748 | 8,052,075 |
| Equity attributable to owners of the Company | | 8,441,143 | 8,209,470 |
| Minority interests | | 2,360,516 | 2,071,856 |
| | | 10,801,659 | 10,281,326 |

The condensed consolidated financial statements on pages 29 to 64 were approved and authorised for issue by the Board of Directors on 16 September 2009 and are signed on its behalf by:

SHOU Bainian
Director

CHEN Shunhua
Director



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

| | Attributable to owners of the Company | | | | | | | | | |
|---|---------------------------------------|--------------------------|----------------------------|--|--------------------------------------|----------------------------------|------------------------------|---------------------|-------------------------------|------------------|
| | Share capital Rmb'000 | Share premium Rmb'000 | Special reserve Rmb'000 | Statutory reserve Rmb'000 (Note i) | Conversion option reserve Rmb'000 | Share options reserve Rmb'000 | Retained earnings Rmb'000 | Subtotal Rmb'000 | Minority interests Rmb'000 | Total Rmb'000 |
| At 1 January 2008 (audited) | 157,395 | 5,731,008 | (678) | 255,045 | 350,806 | – | 1,613,892 | 8,107,468 | 1,379,034 | 9,486,502 |
| Profit and total comprehensive income for the period | – | – | – | – | – | – | 340,999 | 340,999 | 28,725 | 369,724 |
| Dividends (Note 8) | – | – | – | – | – | – | (438,283) | (438,283) | (9,740) | (448,023) |
| Transfer (Note i) | – | – | – | 3,644 | – | – | (3,644) | – | – | – |
| Purchase of additional interest in a subsidiary | – | – | – | – | – | – | – | – | (154,884) | (154,884) |
| Disposal of partial interest in subsidiaries | – | – | – | – | – | – | – | – | 15,018 | 15,018 |
| Acquisition of subsidiaries (Note 22) | – | – | – | – | – | – | – | – | 518,128 | 518,128 |
| Capital contribution from minority shareholders of subsidiaries | – | – | – | – | – | – | – | – | 117,295 | 117,295 |
| At 30 June 2008 (unaudited) | 157,395 | 5,731,008 | (678) | 258,689 | 350,806 | – | 1,512,964 | 8,010,184 | 1,893,576 | 9,903,760 |
| At 1 January 2009 (audited) | 157,395 | 5,731,008 | (678) | 279,916 | 350,806 | – | 1,691,023 | 8,209,470 | 2,071,856 | 10,281,326 |
| Profit and total comprehensive income for the period | – | – | – | – | – | – | 323,176 | 323,176 | 31,220 | 354,396 |
| Dividends (Note 8) | – | – | – | – | – | – | (276,725) | (276,725) | (34,268) | (310,993) |
| Transfer (Note i) | – | – | – | 35,182 | – | – | (35,182) | – | – | – |
| Recognition of equity-settled share-based payments | – | – | – | – | – | 52,290 | – | 52,290 | – | 52,290 |
| Recognition of share option premiums | – | – | – | – | – | 132,932 | – | 132,932 | – | 132,932 |
| Purchase of additional interest in subsidiaries | – | – | – | – | – | – | – | – | (355,396) | (355,396) |
| De-consolidation of a subsidiary (Note 17(C)) | – | – | – | – | – | – | – | – | (6,196) | (6,196) |
| Acquisition of subsidiaries (Note 22) | – | – | – | – | – | – | – | – | 60,000 | 60,000 |
| Capital contribution from minority shareholders of subsidiaries | – | – | – | – | – | – | – | – | 593,300 | 593,300 |
| At 30 June 2009 (unaudited) | 157,395 | 5,731,008 | (678) | 315,098 | 350,806 | 185,222 | 1,702,292 | 8,441,143 | 2,360,516 | 10,801,659 |

Note:

- (i) The statutory reserve is non-distributable and the transfer to this reserve is determined by the board of directors of the relevant companies in accordance with the relevant laws and regulations of the People's Republic of China (the "PRC"). This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2009

| | Notes | Six months ended 30 June | |
|---|-------|--------------------------------|--------------------------------|
| | | 2009 Rmb'000 (Unaudited) | 2008 Rmb'000 (Unaudited) |
| Net cash from operating activities | | 3,491,361 | 881,136 |
| Net cash used in investing activities | | | |
| Purchase of property, plant and equipment | | (180,701) | (90,762) |
| Advance to related parties | | (657,046) | (2,113,642) |
| (Increase) decrease in pledged deposits | | (401,725) | 329,862 |
| Acquisition of subsidiaries (net of cash and cash equivalents acquired) | 22 | (17,593) | (31,529) |
| Dividends received from associates and jointly controlled entities | | 237,265 | – |
| Purchase of additional interests in subsidiaries | | (9,200) | (155,008) |
| De-consolidation of a subsidiary | 17(C) | (246,150) | – |
| Disposal of a subsidiary (net of cash and cash equivalents disposed of) | 23 | (336,363) | – |
| Purchase of available-for-sale investments | | (184,500) | (7,500) |
| Investments in associates | | – | (340,841) |
| Investments in jointly controlled entities | | – | (100,000) |
| Other investing cash flows | | (88,510) | 106,642 |
| | | (1,884,523) | (2,402,778) |
| Net cash from financing activities | | | |
| Bank and other borrowings raised | | 7,046,041 | 4,113,351 |
| Repayment of bank and other borrowings | | (2,538,486) | (1,691,251) |
| Advance from (repayment) to related parties | | 141,482 | (111,735) |
| Interest paid | | (807,831) | (643,931) |
| Dividends paid | | (2,000) | (448,023) |
| Purchase of senior notes | | (2,122,427) | – |
| Redemption of 2006 Convertible Bonds | | (84,497) | – |
| Contribution by minority shareholders of subsidiaries | | 593,300 | 117,295 |
| Proceeds from issue of share options | | 12,214 | – |
| | | 2,237,796 | 1,335,706 |
| Net increase (decrease) in cash and cash equivalents | | 3,844,634 | (185,936) |
| Cash and cash equivalents at 1 January | | 1,498,021 | 2,876,925 |
| Effect of foreign exchange rate changes | | (1,591) | (7,332) |
| Cash and cash equivalents at 30 June | | 5,341,064 | 2,683,657 |
| Represented by bank balances and cash | | 5,341,064 | 2,683,657 |



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

1. Basis of preparation

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

2. Principal accounting policies

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2008 except as described below.

In the current interim period, the Group has adopted the accounting policy on equity-settled share-based payment transactions as follows:

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve). Share option premiums received or receivable from grantees are recognized in share options reserve.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new and revised IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and the International Financial Reporting Interpretations Committee (the “IFRIC”) of the IASB, which are effective for the Group’s financial year beginning on 1 January 2009.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

2. Principal accounting policies (Continued)

IAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. IFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, IAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group did not present any segment information because (i) the Group engages in principally one business segment – properties development; (ii) substantially all of its customers are located in the PRC; and (iii) substantially all of its assets and liabilities are located in the PRC. The application of IFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14 (see Note 3). The adoption of the other new and revised IFRSs has had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

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

| | |
|--------------------------|--|
| IFRSs (Amendments) | Amendment to IFRS 5 as part of Improvements to IFRSs issued in 2008 ¹ |
| IFRSs (Amendments) | Improvements to IFRSs issued in 2009 ² |
| IAS 27 (Revised in 2008) | Consolidated and Separate Financial Statements ¹ |
| IAS 39 (Amendment) | Eligible Hedged Items ¹ |
| IFRS 1 (Amendment) | Additional Exemptions for First-time Adopters ³ |
| IFRS 2 (Amendment) | Group Cash-settled Share-based Payment Transactions ³ |
| IFRS 3 (Revised) | Business Combinations ¹ |
| IFRIC – Int 17 | Distributions of Non-cash Assets to Owners ¹ |
| IFRIC – Int 18 | Transfer of Assets from Customers ⁴ |

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

² Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2010

⁴ Effective for transfers on or after 1 July 2009

The adoption of IFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. IAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. 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.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

3. Revenue and segment information

| | Six months ended 30 June | |
|---------------------------------|--------------------------|------------------|
| | 2009 | 2008 |
| | Rmb'000 | Rmb'000 |
| Property sales | 1,910,619 | 1,733,013 |
| Hotel operations | 25,047 | 21,149 |
| Sales of construction materials | 1,196 | 9,390 |
| Other business | 3,606 | 1,609 |
| | 1,940,468 | 1,765,161 |

The chief operating decision-maker of the Group has been identified as the executive directors and certain senior management (collectively referred to as the "CODM"). Management determines the operating segments based on the Group's internal reports, which are then submitted to the CODM for performance assessment and resources allocation.

The Group's consolidated revenue and results are attributable to the market in the PRC and almost all of the Group's consolidated assets are located in the PRC. The Group has identified two reportable segments, namely property development and hotel operations.

For the property development operations, the CODM review the financial information of each property development project which constitutes a separate operating segment. However, the property development projects possess similar economic characteristics, and are with similar development and selling activities as well as similar customer bases. Therefore, all property development projects are aggregated into one reportable segment.

The CODM assess the performance of the operating segments based on the post-tax profit of the group entities engaged in the respective segment activities which includes share of results of associates and jointly controlled entities and related finance costs. Financial information provided to the CODM is measured in a manner consistent with the accounting policies adopted in the preparation of the condensed consolidated financial statements.

Sales between segments are carried out on terms agreed between the counterparties.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009



3. Revenue and segment information (Continued)

An analysis of the Group's revenue and results by operating segment for the period under review is as follows:

| | Property development Rmb'000 | Hotel operations Rmb'000 | All other segments Rmb'000 | Group Rmb'000 |
|---|------------------------------------|--------------------------------|----------------------------------|------------------|
| Six months ended 30 June 2009 | | | | |
| Revenue | 1,910,619 | 26,867 | 153,532 | 2,091,018 |
| Inter-segment revenue | – | (1,820) | (148,730) | (150,550) |
| Revenue from external customers | 1,910,619 | 25,047 | 4,802 | 1,940,468 |
| Segment results | 279,073 | (15,045) | (15,444) | 248,584 |
| Unallocated corporate expenses | | | | (79,020) |
| Finance costs | | | | (152,162) |
| Net gain on purchase of senior notes | | | | 327,967 |
| Net gain on redemption of 2006 Convertible Bonds | | | | 14,267 |
| Unallocated taxation | | | | (5,240) |
| Profit for the period | | | | 354,396 |
| Six months ended 30 June 2008 | | | | |
| Revenue | 1,733,013 | 24,648 | 141,885 | 1,899,546 |
| Inter-segment revenue | – | (3,499) | (130,886) | (134,385) |
| Revenue from external customers | 1,733,013 | 21,149 | 10,999 | 1,765,161 |
| Segment results | 291,784 | (14,648) | (3,362) | 273,774 |
| Unallocated corporate expenses | | | | (12,660) |
| Other income | | | | 273,385 |
| Finance costs | | | | (178,382) |
| Fair value changes on embedded financial derivatives | | | | 24,153 |
| Unallocated taxation | | | | (10,546) |
| Profit for the period | | | | 369,724 |



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

4. Other income

| | Six months ended 30 June | |
|----------------------------|--------------------------|----------------|
| | 2009 | 2008 |
| | Rmb'000 | Rmb'000 |
| Interest income | 13,991 | 81,849 |
| Net foreign exchange gains | 3,636 | 201,471 |
| Government grants | 7,603 | 1,850 |
| Others | 18,142 | 11,396 |
| | <u>43,372</u> | <u>296,566</u> |

5. Finance costs

| | Six months ended 30 June | |
|----------------------------|--------------------------|----------------|
| | 2009 | 2008 |
| | Rmb'000 | Rmb'000 |
| Interest on borrowings | 832,525 | 646,490 |
| Less: Interest capitalised | (639,721) | (401,875) |
| | <u>192,804</u> | <u>244,615</u> |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009



6. Profit before taxation

| | Six months ended 30 June | |
|--|--------------------------|----------------|
| | 2009 | 2008 |
| | Rmb'000 | Rmb'000 |
| Profit before taxation has been arrived at after charging: | | |
| Salaries and other benefits | 167,479 | 151,840 |
| Equity-settled share-based payments | 52,290 | – |
| Retirement benefits scheme contributions | 8,215 | 7,821 |
| Less: Capitalised in properties under development | (56,368) | (47,489) |
| Total staff costs | 171,616 | 112,172 |
| Depreciation of property, plant and equipment | 38,348 | 34,148 |
| Less: Capitalised in properties under development | (1,890) | (1,469) |
| | 36,458 | 32,679 |
| Cost of inventories recognised as an expense | 1,358,175 | 1,118,113 |
| Amortisation of prepaid lease payment (included in selling and administrative expenses) | 2,077 | 491 |

7. Taxation

| | Six months ended 30 June | |
|-----------------------------------|--------------------------|----------------|
| | 2009 | 2008 |
| | Rmb'000 | Rmb'000 |
| Current tax: | | |
| PRC enterprise income tax | 148,931 | 96,449 |
| PRC Land Appreciation Tax ("LAT") | 95,388 | 119,228 |
| | 244,319 | 215,677 |
| Deferred tax: | | |
| Current period | (129,910) | (26,002) |
| | 114,409 | 189,675 |



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

7. Taxation (Continued)

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

No provision for income tax has been made for the Company and group entities established in the British Virgin Islands 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% (2008: 25%), except for (i) Xinjiang Sunshine Greentown Real Estate Development Co., Ltd. which 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; and (ii) Shanghai Lvyu Real Estate Development Co., Ltd. which is established in Shanghai Pudong New Area and is therefore subject to a reduced enterprise income tax rate of 20% (2008: 18%).

As at the date of this report, the relevant local tax bureaus responsible for the enforcement of LAT regulations had not required the Group to pay any LAT other than the LAT prepayments.

For the six months ended 30 June 2009, the Group has estimated and made a provision for LAT in the amount of Rmb95,388,000 (six months ended 30 June 2008: Rmb119,228,000) according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

8. Dividends

On 30 May 2008, a dividend of HK\$0.32 per share, or Rmb438,283,000 in total, was paid to shareholders as the final dividend for 2007.

On 19 June 2009, a special dividend of Rmb18 cents per share, or Rmb276,725,000 in total, was declared for the financial year ended 31 December 2008. The special dividend was paid on 16 July 2009.

The Board of Directors has resolved to declare an interim dividend of HK9.6 cents per ordinary share in issue in respect of the six months ended 30 June 2009 (six months ended 30 June 2008: Nil) payable on 23 October 2009 to shareholders whose names are on the Register of Members of the Company on 9 October 2009.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009



9. Earnings per share

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

Earnings

| | Six months ended 30 June | |
|---|--------------------------|----------|
| | 2009 | 2008 |
| | Rmb'000 | Rmb'000 |
| Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company) | 323,176 | 340,999 |
| Effect of dilutive potential ordinary shares: | | |
| Fair value changes on embedded financial derivatives | – | (24,153) |
| Interest on 2006 Convertible Bonds | – | 4,936 |
| Net gain on redemption of 2006 Convertible Bonds | (14,267) | – |
| Earnings for the purpose of diluted earnings per share | 308,909 | 321,782 |

Number of shares

| | Six months ended 30 June | |
|---|--------------------------|---------------|
| | 2009 | 2008 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 1,537,361,607 | 1,537,361,607 |
| Effect of dilutive potential ordinary shares: | | |
| 2006 Convertible Bonds | 324,301 | 11,191,336 |
| Share options | 13,914,190 | – |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 1,551,600,098 | 1,548,552,943 |

The computation of diluted earnings per share for the six months ended 30 June 2008 and 30 June 2009 does not assume the conversion of the Company's outstanding 2007 Convertible Bonds (as defined in Note 26 to the Company's 2008 consolidated financial statements) since their exercise would result in an increase in earnings per share.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

10. Property, plant and equipment

During the period, the Group acquired property, plant and equipment in the amount of Rmb180,701,000, in which Rmb166,931,000 was spent on the construction of its hotel properties. In addition, the Group disposed of certain motor vehicles and equipment at their carrying amount of Rmb656,000.

Details of the buildings and construction in progress pledged to secure banking facilities granted to the Group are disclosed in note 25.

11. Properties for development

The Group was in the process of obtaining the land use rights certificates for Rmb3,798,812,000 (31 December 2008: Rmb2,712,195,000) of the long-term leasehold land included in the balance of properties for development as at 30 June 2009.

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

12. Properties under development

| | As at 30 June 2009 Rmb'000 | As at 31 December 2008 Rmb'000 |
|------------------------------------|----------------------------------|--------------------------------------|
| Long-term leasehold land – at cost | 16,537,573 | 16,645,854 |
| Development costs | 7,055,812 | 5,117,146 |
| Finance costs capitalised | 2,066,848 | 1,487,049 |
| | 25,660,233 | 23,250,049 |

Properties under development amounting to Rmb19,576,317,000 (31 December 2008: Rmb18,822,664,000) are expected to be recovered after more than 12 months.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009



13. Trade and other receivables, deposits and prepayments

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

| | As at 30 June 2009 Rmb'000 | As at 31 December 2008 Rmb'000 |
|--------------------------|----------------------------------|--------------------------------------|
| 0 – 30 days | 140,394 | 133,976 |
| 31 – 90 days | 7,858 | 34,123 |
| 91 – 180 days | 25,216 | 125 |
| 181 – 365 days | 9,168 | 1,025 |
| Over 365 days | 3,921 | 36,595 |
| Trade receivables | 186,557 | 205,844 |
| Other receivables | 723,922 | 207,864 |
| Prepayments and deposits | 924,307 | 920,893 |
| | 1,834,786 | 1,334,601 |

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 30 June 2009 Rmb'000 | As at 31 December 2008 Rmb'000 |
|-------------------------------------|----------------------------------|--------------------------------------|
| 0 – 30 days | 1,560,307 | 1,693,002 |
| 31 – 90 days | 136,350 | 193,780 |
| 91 – 180 days | 422,927 | 109,312 |
| 181 – 365 days | 92,962 | 441,368 |
| Over 365 days | 178,059 | 187,846 |
| Trade payables | 2,390,605 | 2,625,308 |
| Other payables and accrued expenses | 659,602 | 766,942 |
| | 3,050,207 | 3,392,250 |



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

15. Pre-sale deposits

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

16. Bank and other borrowings

| | As at 30 June 2009 Rmb'000 | As at 31 December 2008 Rmb'000 |
|-------------------------------|----------------------------------|--------------------------------------|
| Secured bank loans (Note 25) | 11,230,046 | 8,125,826 |
| Unsecured bank loans | 2,903,660 | 1,690,140 |
| | <u>14,133,706</u> | <u>9,815,966</u> |
| Secured other loans (Note 25) | 465,000 | 517,400 |
| Unsecured other loans | 581,895 | 919,680 |
| | <u>1,046,895</u> | <u>1,437,080</u> |
| | <u>15,180,601</u> | <u>11,253,046</u> |

The amount is repayable as follows:

| | | |
|-----------------------------|-------------------|-------------------|
| Amounts due within one year | 4,803,595 | 3,867,741 |
| Amounts due after one year | 10,377,006 | 7,385,305 |
| | <u>15,180,601</u> | <u>11,253,046</u> |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009



16. Bank and other borrowings (Continued)

At the end of the reporting period, certain bank loans were also supported by guarantees from the following parties:

| | As at 30 June 2009 Rmb'000 | As at 31 December 2008 Rmb'000 |
|---------------------------|----------------------------------|--------------------------------------|
| Secured bank loans | | |
| Independent third parties | 29,228 | 30,610 |
| Minority shareholders | 50,000 | – |
| | 79,228 | 30,610 |
| Unsecured bank loans | | |
| Minority shareholders | 102,000 | – |

17. Trust

On 14 April 2009, a trust agreement was entered into between Greentown Real Estate Group Co., Ltd. (“Greentown Real Estate”), a wholly-owned subsidiary of the Company, 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, a bank 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 trust units of the Trust available for subscription under the Trust, comprising 40% of the total junior trust units and 6% of the total trust units available for subscription under the Trust, were subscribed by qualified investors in the PRC for a consideration 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.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

17. Trust (Continued)

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 Company, 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% equity interest in Wuxi Greentown Real Estate Development Co., Ltd. (“Wuxi Greentown”) and 25% equity interest in Hangzhou Greentown Haiqi Real Estate Development Co. Ltd. (“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% equity interest in Wuxi Greentown was completed on 15 April 2009. The sale by Hangzhou Kangju of its 25% equity 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 Trust Establishment Date save and except that if 40% of the total above-ground gross floor area (“GFA”) of phase one of the Qianjiang Project (undertaken by Hangzhou Greentown Haiqi) and the Taihu Project (undertaken by Wuxi Greentown) (as the case may be) is sold, the relevant project company shall repay half of the principal sum of the relevant Trust 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, the relevant project company shall repay all of the principal sum of the Trust Loan. Under other circumstances, Hangzhou Greentown Haiqi 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 Trust Loan has been drawn for more than six months;
 - (iii) a one-month prior written notice for early repayment has been given to the Trustee;

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009



17. Trust (Continued)

- (iv) each repayment of the principal sum of the relevant Trust Loan(s) shall not be less than one-third of the principal sum of the relevant Trust Loan(s) as stipulated in the loan agreements or Rmb250.0 million, whichever is lower; and
 - (v) Greentown Real Estate or its nominees have acquired the equity interest of Hangzhou Greentown Haiqi 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 Trust Loan repaid by Hangzhou Greentown Haiqi or Wuxi Greentown (as the case may be).
- (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 shall be obliged (the “Equity Put”) to require Greentown Real Estate or its nominees to repurchase the equity interests sold in the Equity Sale at a pre-agreed purchase price (the “Equity Put Price”) upon (a) the expiry of the 33rd month after the Trust Establishment Date; (b) the occurrence of certain material adverse events affecting Wuxi Greentown, Hangzhou Greentown Haiqi or Greentown Real Estate; or (c) early repayment of the Trust Loans. The Equity Put Price is based on a fixed rate of 40% per annum with reference to the number of investment days in Wuxi Greentown and/or Hangzhou Greentown Haiqi less any cumulative dividend paid by Wuxi Greentown and/or Hangzhou Greentown Haiqi;
 - (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 (the “Rmb1 Options”); and



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

17. Trust (Continued)

- (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. The Trust Put Price is based on a fixed rate of 11.5% per annum in the case of senior Trust units and 45% per annum in the case of junior Trust units with reference to the number of investment days of the Trust less any cumulative Trust income distributed to the beneficiaries of the senior Trust units or the junior Trust units (as the case may be).

- (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 (the “Guarantee”); 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 (the “Surety”). 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 accounting treatment for the junior trust units subscribed for by Greentown Real Estate and various agreements entered into between the Trustee, Greentown Real Estate and Hangzhou Kangju (described above) is as follows:

- (A) The 180,000,000 junior units of the Trust subscribed for by the Group at a consideration of Rmb180,000,000 are accounted for as an available-for-sale investment. Beneficiaries of junior units are subordinate to those of senior units in receiving Trust income. They are entitled to a floating income only, which is 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, (i) upon early repayment of the Trust Loans and exercise of the Equity Put; (ii) prior to exercise of the Trust Put; and (iii) upon termination of the Trust.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

17. Trust (Continued)

- (B) The Surety of Rmb10,000,000 provided by the Group to the Trustee as security for certain obligations of the Group under the Trust is accounted for as a non-current amount due from related party. The Surety shall be refunded upon termination of the Trust.
- (C) For accounting purposes, the Equity Sale and the Equity Put together are considered to be sale and repurchase arrangements. The sale and repurchase arrangements between the Trust and the Group in relation to the 25% equity interest in Hangzhou Greentown Haiqi and the 45% equity interest in Wuxi Greentown are accounted for as a financing arrangement rather than a disposal of equity interests in Hangzhou Greentown Haiqi and Wuxi Greentown.

On the Trust Establishment Date, 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. The assets and liabilities of Wuxi Greentown were de-consolidated and the 85% equity interest held by the Group in Wuxi Greentown is accounted for as an associate using the equity method.

| | 2009 Rmb'000 |
|---|-----------------|
| Net assets de-consolidated: | |
| Property, plant and equipment | 2,637 |
| Deferred tax assets | 196 |
| Properties under development | 702,013 |
| Trade and other receivables, deposits and prepayments | 602 |
| Bank balances and cash | 246,150 |
| Trade and other payables | (4,487) |
| Amounts due to related parties | (505,892) |
| Other taxes payable | (1) |
| Bank borrowings | (400,000) |
| | 41,218 |
| Minority interests | (6,196) |
| Transfer to interest in an associate | 35,022 |



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

17. Trust (Continued)

(D) The net proceeds received from the Trust under the sale and repurchase arrangements in relation to the 25% equity interest in Hangzhou Greentown Haiqi and the 45% equity interest in Wuxi Greentown and the Trust Loans have been split into a liability component and a number of 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 derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 22% per annum to the liability component since the Trust Establishment Date.

The cash receipts of Rmb45,900,000 and Rmb250,000,000 are accounted for as borrowings of the Group as a result of the sale and repurchase arrangements in relation to the 45% equity interest in Wuxi Greentown and the 25% equity interest in Hangzhou Greentown Haiqi respectively.

The cash receipts from the Trust Loans granted by the Trust to Hangzhou Greentown Haiqi and Wuxi Greentown are accounted for as borrowings of the Group and associate respectively in the principal amount of Rmb1,250,000,000 and Rmb437,100,000 respectively.

The liability component is classified as a non-current amount due to related party.

- (ii) The Trust Put, the Guarantee and the Rmb1 Options (together, the “Trust-related financial derivatives”) are accounted for as separate derivatives at fair value.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009



17. Trust (Continued)

The movements of the liability component and Trust-related financial derivatives for the period under review are set out below:

| | Liability component Rmb'000 | Trust Put Rmb'000 | Guarantee Rmb'000 | Rmb1 Options Rmb'000 | Total Rmb'000 |
|---------------------------------------|-----------------------------------|----------------------|----------------------|----------------------------|------------------|
| At 20 April 2009 | 1,286,720 | 186,360 | 71,730 | 1,090 | 1,545,900 |
| Interest charged during the period | 55,405 | – | – | – | 55,405 |
| Changes in fair value | – | 62,850 | (13,610) | 3,280 | 52,520 |
| At 30 June 2009 | 1,342,125 | 249,210 | 58,120 | 4,370 | 1,653,825 |

18. Convertible bonds

On 9 January 2009, the Company redeemed the outstanding 2006 Convertible Bonds at US\$12,360,000 (equivalent to Rmb84,497,000), representing their outstanding principal amount plus accrued interest, upon the holders of the 2006 Convertible Bonds exercising their redemption option.

19. Senior notes

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 also solicited (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 Offer expired at 5:00 p.m., New York City time, on 19 May 2009 (the “Expiration Date”).



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

19. Senior notes (Continued)

As of the Expiration Date:

- (i) US\$361,334,000 of the principal amount of the Notes, representing approximately 90.3% of the total aggregate principal amount of Notes outstanding, had been validly tendered and not been withdrawn; and
- (ii) Consents (including Consents deemed to have been delivered) from holders holding US\$370,003,000 of the principal amount of the Notes, representing approximately 92.5% of the total aggregate principal amount of Notes outstanding, had been validly delivered and not been revoked.

Following the settlement of the Offer, US\$38,666,000 of the principal amount of the Notes remains outstanding. The Company has accepted all the tendered Notes for payment. As at 30 June 2009, the carrying amount of the outstanding Notes amounted to Rmb261,331,000.

On 5 May 2009, the Company executed with the Subsidiary Guarantors and the trustee a supplement to the Indenture containing the Proposed Amendments and Waivers which became effective upon execution but does not become operative until the settlement date. The Proposed Amendments and Waivers, among other things,

- (a) eliminated substantially all of the restrictive covenants contained in the Indenture including the limitations on (i) incurrence of indebtedness and preferred stock, (ii) restricted payments, (iii) liens other than liens over the Collateral, (iv) dividends and other payment restrictions affecting subsidiaries, (v) sales and issuances of capital stock in restricted subsidiaries, (vi) issuances of guarantees by restricted subsidiaries, (vii) sale and leaseback transactions, (viii) transactions with shareholders and affiliates, (ix) business activities, (x) designation of restricted and unrestricted subsidiaries and (xi) anti-layering, and compliance with certain financial requirements in the mergers, consolidations or sales of assets covenants;
- (b) eliminated certain Events of Default with respect to the Notes; and
- (c) waived 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 directly or indirectly, from or in connection with, any non-compliance or potential non-compliance with the Indenture.

The aggregate amount paid by the Company to the holders for the purchase of the Notes tendered pursuant to the Tender Offer and the payment for the Consents delivered pursuant to the Consent Solicitation is approximately US\$311,026,000 (equivalent to Rmb2,122,427,000) (which includes accrued interest thereon and fees paid). Payment was made on 22 May 2009 for all tendered Notes and delivered Consents.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009



19. Senior notes (Continued)

As at 31 December 2008, since the Company had defaulted in the performance of or breached certain covenants contained in the Indenture and holders had not agreed to waive their right to accelerate repayment, the Notes were classified as a current liability. As at 30 June 2009, the Notes were reclassified as a non-current liability after the Proposed Amendments and Waivers had taken effect.

20. Share capital

| | Number of shares | Share capital HKD'000 |
|--|---------------------|-----------------------------|
| <i>Issued and fully paid</i> | | |
| Ordinary shares of HKD0.10 each | | |
| As at 31 December 2008 and 30 June 2009 | 1,537,361,607 | 153,736 |
| | | Rmb'000 |
| Shown on the condensed consolidated statement of financial position as at 31 December 2008 and 30 June 2009 | | 157,395 |

21. Share-based payments

The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

| | Number of share options |
|--|-------------------------|
| Outstanding at 1 January 2009 | – |
| Granted and accepted during the period | 87,856,000 |
| Outstanding at 30 June 2009 | 87,856,000 |

The closing prices of the Company's shares on 22 January, 13 May and 22 June 2009, the dates of grant, were HK\$2.75, HK\$7.16 and HK\$11.00 respectively.

In the current period, share options were granted on 22 January, 13 May and 22 June 2009. The fair values of the share options determined at the dates of grant using the Binomial model were HK\$1.19, HK\$3.41 and HK\$4.71 respectively.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

21. Share-based payments (Continued)

The share options are exercisable during the following periods:

22 January 2009

- (i) up to 50% of the share options granted to each grantee at any time from 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.

13 May 2009

- (i) up to 33% of the share options granted to each grantee at any time from 13 May 2009;
- (ii) up to 67% of the share options granted to each grantee at any time after the expiration of 24 months from 13 May 2009; and
- (iii) all the remaining share options granted to each grantee at any time after the expiration of 36 months from 13 May 2009, and in each case, not later than 12 May 2019.

22 June 2009

- (i) up to 50% of the share options granted to each grantee at any time from 22 June 2009;
- (ii) up to 75% of the share options granted to each grantee at any time after the expiration of 12 months from 22 June 2009; and
- (iii) all the remaining share options granted to each grantee at any time after the expiration of 24 months from 22 June 2009, and in each case, not later than 21 June 2019.

HK\$1.00 is payable for each acceptance of grant of share options. In addition, (i) in respect of the share options granted on 22 January 2009, certain grantees were required to pay HK\$1.00 per share option up front; and (ii) in respect of the share options granted on 22 June 2009, certain grantees were required to pay HK\$3.50 per share option in three instalments. As at 30 June 2009, share option premiums receivable amounting to Rmb60,359,000 and Rmb60,359,000 were included in current other receivables and non-current other receivables respectively according to the payment terms of the share option premiums.

The following assumptions were used to calculate the fair values of the share options:

| | 22 January 2009 | 13 May 2009 | 22 June 2009 |
|-------------------------|-----------------|-------------|--------------|
| Grant date share price | HK\$2.75 | HK\$7.16 | HK\$11.00 |
| Exercise price | HK\$2.89 | HK\$7.16 | HK\$11.00 |
| Expected life | 10 years | 10 years | 10 years |
| Expected volatility | 58% | 59% | 59% |
| Dividend yield | 2.81% | 2.81% | 4.16% |
| Risk-free interest rate | 1.450% | 2.372% | 2.951% |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

21. Share-based payments (Continued)

The Binomial model has been used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the share options.

At each reporting date, the Group revises its estimates of the number of share options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the share options reserve.

22. Acquisition of subsidiaries

Particulars of the subsidiaries acquired during the six months ended 30 June 2009 were as follows:

| Acquired company | Principal activities | Acquisition date | Equity interest acquired | Consideration Rmb'000 |
|---|-------------------------|------------------|-----------------------------|--------------------------|
| 浙江報業綠城房地產開發有限公司 Zhejiang Newspapering Greentown Real Estate Development Co., Ltd. (Note i) | Real Estate Development | 18 May 2009 | 50% | 100,000 |
| 杭州休博園湖畔綠景 休閒開發有限公司 Hangzhou Xiuboyuan Hupan Lvjing Xiuxian Development Co., Ltd. (Note ii) | Real Estate Development | 25 May 2009 | 50% | 60,000 |
| | | | | 160,000 |

Notes:

- (i) Zhejiang Newspapering Greentown Real Estate Development Co., Ltd. was previously a wholly owned subsidiary of Zhejiang Newspapering Greentown Investment Co., Ltd., a jointly controlled entity of the Group.
- (ii) The Group is able to dominate the board of directors of and has the power to direct the financial and operational policies of Hangzhou Xiuboyuan Hupan Lvjing Xiuxian Development Co., Ltd. Therefore, it is accounted for as a subsidiary of the Group.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

22. Acquisition of subsidiaries (Continued)

Particulars of the subsidiaries acquired during the six months ended 30 June 2008 were as follows:

| Acquired company | Principal activities | Acquisition date | Equity interest acquired | Consideration Rmb'000 |
|---|-------------------------|------------------|-----------------------------|--------------------------|
| 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 |
| 無錫綠城房地產開發 有限公司 Wuxi Greentown Real Estate Development Co., Ltd. (Note) | Real estate development | 8 February 2008 | 46% | 46,920 |
| 湖州新錦江房地產 開發有限公司 Huzhou Xinjinjiang Real Estate Development Co., Ltd. | Real estate development | 17 January 2008 | 80% | 237,400 |
| 寧波太平洋實業有限公司 Ningbo Pacific Industry Co., Ltd. | Real estate development | 31 March 2008 | 60% | 581,118 |
| 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 |
| | | | | 923,793 |

Note: Wuxi Greentown Real Estate Development Co., Ltd. was previously a 39%-owned associate of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009



22. Acquisition of subsidiaries (Continued)

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

| | 2009 Rmb'000 | 2008 Rmb'000 |
|--|-----------------|-----------------|
| Net assets acquired: | | |
| Property, plant and equipment | 1,247 | 9,314 |
| Properties for development | 1,244,750 | 1,071,144 |
| Properties under development | 97,681 | 1,307,570 |
| Inventories | – | 48 |
| Trade and other receivables | 58,349 | 65,058 |
| Bank balances and cash | 42,407 | 102,791 |
| Trade and other payables | (1,224,226) | (335,537) |
| Amounts due to related parties | – | (368,682) |
| Other taxes payable | (7) | (5) |
| Bank borrowings | – | (370,000) |
| | 220,201 | 1,481,701 |
| Minority interests | (60,000) | (518,128) |
| | 160,201 | 963,573 |
| Less: Interests previously acquired and classified as jointly controlled entities/associates | (201) | (39,780) |
| | 160,000 | 923,793 |
| Total consideration, satisfied by: | | |
| Other payables | 100,000 | 102,458 |
| Prepayments | – | 687,015 |
| Cash | 60,000 | 134,320 |
| | 160,000 | 923,793 |
| Net cash outflow arising on acquisition | | |
| Cash paid | (60,000) | (134,320) |
| Bank balances and cash acquired | 42,407 | 102,791 |
| | (17,593) | (31,529) |



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

22. Acquisition of subsidiaries (Continued)

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

The subsidiaries acquired did not contribute any revenue to the Group for the period between the dates of acquisition and the end of the reporting period.

The losses attributable to the subsidiaries acquired amounted to Rmb1,391,000 (six months ended 30 June 2008: Rmb4,920,000), which have been recognised in the Group's profit for the period between the dates of acquisition and the end of the reporting period.

23. Disposal of a subsidiary

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 of its 40% equity interest in Hangzhou Greentown Haiqi, a 60%-owned subsidiary of the Company, 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 consideration for the acquisition of the 40% equity interest in and shareholder's loan to Hangzhou Greentown Haiqi 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 Rmb152,218,000. 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009



23. Disposal of a subsidiary (Continued)

The net assets and shareholder loans of Shanghai Luyuan disposed of at the date of disposal were as follows:

| | 2009 Rmb'000 |
|---|-----------------|
| Net assets disposed of: | |
| Property, plant and equipment | 40 |
| Properties under development | 1,284,982 |
| Trade and other receivables, deposits and prepayments | 1,243 |
| Bank balances and cash | 184,145 |
| Trade and other payables | (36,231) |
| Amounts due to related parties | (1,117,994) |
| Other taxes payable | (89) |
| Bank borrowings | (180,000) |
| | 136,096 |
| Shareholder loans | 1,088,650 |
| | 1,224,746 |
| Satisfied by: | |
| Cash consideration paid | (152,218) |
| 40% net assets of Hangzhou Greentown Haiqi | 1,376,964 |
| | 1,224,746 |
| Net cash outflow arising on disposal | |
| Cash paid | (152,218) |
| Bank balances and cash disposed of | (184,145) |
| | (336,363) |



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

24. Commitments

| | As at 30 June 2009 Rmb'000 | As at 31 December 2008 Rmb'000 |
|--|----------------------------------|--------------------------------------|
| Commitments contracted for but not provided in the condensed consolidated financial statements in respect of properties for development, properties under development and construction in progress | 7,672,804 | 7,903,986 |

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

| | As at 30 June 2009 Rmb'000 | As at 31 December 2008 Rmb'000 |
|---------------------------------|----------------------------------|--------------------------------------|
| Contracted for but not provided | 587,032 | 2,262,631 |

25. Pledge of assets

At the end of the Reporting Period, apart from the equity pledge discussed in Note 17(d), the following assets were pledged to banks and other parties to secure credit facilities granted to the Group:

| | As at 30 June 2009 Rmb'000 | As at 31 December 2008 Rmb'000 |
|-------------------------------|----------------------------------|--------------------------------------|
| Land and buildings | 32,010 | 35,724 |
| Hotel buildings | 842,043 | 873,990 |
| Prepaid lease payment | 41,881 | 41,999 |
| Construction in progress | 43,761 | 31,023 |
| Properties for development | 487,586 | 749,267 |
| Properties under development | 12,599,533 | 10,101,999 |
| Completed properties for sale | 263,995 | 161,448 |
| Bank deposits | 621,942 | 220,217 |
| Interest in associates | 40,197 | – |
| Amount due from associates | 560,675 | – |
| | 15,533,623 | 12,215,667 |

Notes to the Condensed Consolidated Financial Statements

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26. Contingent liabilities

Guarantees

The Group provided guarantees of Rmb5,380,703,000 at 30 June 2009 (31 December 2008: Rmb3,900,370,000) to banks in favour of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

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

| | As at 30 June 2009 Rmb'000 | As at 31 December 2008 Rmb'000 |
|-----------------------------|----------------------------------|--------------------------------------|
| Associates | 1,245,200 | 179,800 |
| Jointly controlled entities | 585,500 | 465,500 |
| | 1,830,700 | 645,300 |

Contingent liabilities arising from interests in associates at the end of the reporting period:

| | As at 30 June 2009 Rmb'000 | As at 31 December 2008 Rmb'000 |
|--|----------------------------------|--------------------------------------|
| Mortgage loan guarantees provided by associates to banks in favour of their customers | 1,291,901 | 933,780 |

Contingent liabilities arising from interests in jointly controlled entities at the end of the reporting period:

| | As at 30 June 2009 Rmb'000 | As at 31 December 2008 Rmb'000 |
|---|----------------------------------|--------------------------------------|
| Mortgage loan guarantees provided by jointly controlled entities to banks in favour of their customers | 832,910 | 623,284 |



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For the six months ended 30 June 2009

27. Related party disclosures

- (i) During the six months ended 30 June 2009, in addition to those disclosed in Notes 16 and 26, the Group had the following significant transactions with related parties.

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2009 Rmb'000 | 2008 Rmb'000 |
| Sales of properties to officers | 39,160 | 3,237 |
| Sales of materials to associates | 551 | – |
| Sales of materials to jointly controlled entities | 1,073 | 4,374 |
| Construction service income from Shareholders' Companies | – | 555 |
| Construction service income from associates | 1,691 | 256 |
| Construction service income from jointly controlled entities | 693 | 2,010 |
| Rental expense to Shareholders' Companies | 3,881 | 2,537 |
| Purchases from Shareholders' Companies (Note) | 1,151 | 528 |
| Interior decoration service fees paid to Shareholders' Companies | – | 9,027 |
| Property management fees paid to Shareholders' Companies | 8,129 | 2,570 |
| Interest income arising from trade balances due from associates | 17,407 | 38,072 |
| Interest income arising from amounts due from jointly controlled entities | 38,674 | 42,069 |
| Interest expense paid to minority shareholders | 84,051 | – |
| Interest expenses arising from amounts due to associates | 38,477 | 46,302 |
| Interest expenses arising from amounts due to jointly controlled entities | 54,529 | 19,231 |
| Advertising expenses paid to Shareholders' Companies | 20,000 | 20,000 |
| Other services fees to Shareholders' Companies | 1,490 | 965 |
| Other income from Shareholders' Companies | 731 | 107 |
| Other income from associates | 34 | – |

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

Shareholders' Companies represent companies owned by SONG Weiping, SHOU Bainian and XIA Yibo, the ultimate controlling shareholders of the Company.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009



27. Related party disclosures (Continued)

- (ii) During the six months ended 30 June 2009, in addition to those disclosed in Note 22, the Group made the following acquisitions from related parties:

| | Six months ended 30 June | |
|--|--------------------------|---------|
| | 2009 | 2008 |
| | Rmb'000 | Rmb'000 |
| Partial acquisition of interest in subsidiaries from minority shareholders | 161,418 | 155,007 |

- (iii) Compensation of key management personnel

The remuneration of directors and other members of key management during the six months ended 30 June 2009 was as follows:

| | Six months ended 30 June | |
|-------------------------------------|--------------------------|---------|
| | 2009 | 2008 |
| | Rmb'000 | Rmb'000 |
| Short-term benefits | 13,843 | 12,656 |
| Post-employment benefits | 210 | 258 |
| Equity-settled share-based payments | 19,186 | – |
| | 33,239 | 12,914 |

28. Events after the end of the interim period

The following significant events took place subsequent to 30 June 2009:

- (i) On 7 July 2009, Greentown Real Estate and Zhuji City Yuedu Investment Development Co., Ltd. (“Yuedu Investment”) entered into an agreement pursuant to which Greentown Real Estate agreed to make a capital contribution of Rmb270,000,000 to the registered capital of Zhuji City Yuedu Property Co., Ltd. Immediately after the completion of the capital contribution, the registered capital of Zhuji City Yuedu Property Co., Ltd. was increased from Rmb30,000,000 to Rmb300,000,000 and Greentown Real Estate and Yuedu Investment respectively own 90% and 10% equity interest in Zhuji City Yuedu Property Co., Ltd.

The directors of the Company are in the process of assessing the financial effect of the acquisition.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

28. Events after the end of the interim period (Continued)

- (ii) On 8 July 2009, Greentown Real Estate, Zhejiang Xiangsheng Real Estate Development Co., Ltd. (“Xiangsheng Real Estate”) and Zhejiang Zhongyi Group Co., Ltd. (“Zhongyi Group”) entered into a joint venture contract for the establishment of Cixi Greentown Real Estate Development Co., Ltd. pursuant to which Greentown Real Estate agreed to make a capital contribution of Rmb58,800,000 to the registered capital of Cixi Greentown Real Estate Development Co., Ltd. Upon the establishment of Cixi Greentown Real Estate Development Co., Ltd. on 27 July 2009, Greentown Real Estate, Xiangsheng Real Estate and Zhongyi Group respectively own 60%, 30% and 10% of the equity interest in Cixi Greentown Real Estate Development Co., Ltd.
- (iii) On 7 May 2009, the Company, Richwise Holdings Limited (“Richwise”), a wholly-owned subsidiary of the Company, Tandellen Group Limited (“Tandellen”) and Mr. LUO Zhaoming, a shareholder of Tandellen, entered into an agreement (as amended by the supplemental agreement dated 8 May 2009), pursuant to which Tandellen conditionally agreed to sell the entire issued share capital of Skymoon International Limited (“Skymoon International”) to Richwise at a consideration of HK\$610,000,000, which would be satisfied in full by the allotment and issue of 100,000,000 new shares in the Company (the “Consideration Shares”) to Tandellen (or its nominees) at HK\$6.1 per share. Skymoon International holds 100% equity interest in Litao (Hangzhou) Construction and Design Consultancy Co., Ltd., which in turn holds 100% equity interest in Hangzhou Chuangjing Property Co. Ltd. Hangzhou Chuangjing Property Co., Ltd. holds 100% equity interest in Beijing Laifu Century Property Co., Ltd.

The acquisition of Skymoon International was completed on 16 July 2009. The directors of the Company are in the process of assessing the financial effect of the acquisition.

- (iv) After the completion of the acquisition of Skymoon International, Mr. LUO Zhaoming was appointed an executive director and the vice chairman of the Company with effect from 17 July 2009. On the same date, the Company granted 15,000,000 share options to Mr. LUO. Each share option shall entitle Mr. LUO to subscribe for one ordinary share of HK\$0.10 each in the Company upon exercise of such share option at an exercise price of HK\$11.59 per share, which represents the highest of (i) the closing price of HK\$11.52 per share on 17 July 2009, being the date of grant (the “Date of Grant”); (ii) the average closing price of HK\$11.59 per share for the five full trading 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 Mr. LUO at any time after 17 July 2009; (ii) up to 75% of the share options granted to Mr. LUO at any time after the expiration of 12 months from 17 July 2009; and (iii) all the remaining share options granted to Mr. LUO at any time after the expiration of 24 months from 17 July 2009, and in each case, not later than 16 July 2019.

The directors of the Company are in the process of assessing the financial effect of the grant of share options.

御園

MAJESTIC MANSION







绿城·温州鹿城广场
GREENTOWN





SAPPHIRE MANSION
绿城·蓝色钱江



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