



GREENTOWN CHINA HOLDINGS LIMITED

綠城中國控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 3900)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2007

FINANCIAL HIGHLIGHTS

- Revenues amounted to RMB2.1 billion, an increase of 74% versus same period last year.
- Profit attributable to shareholders before adjustment for the fair value changes on embedded financial derivatives was RMB311 million, an increase of 16% versus same period last year.
- Contract sales income and total GFA (including associates) amounted to RMB5.1 billion and 644,284 sqm respectively, an increase of 114% and 125% versus same period last year.
- Land bank increased by approximately 2.18 million sqm, total GFA of land bank accumulated to 15.05 million sqm.
- The Company raised the funds of approximately HK\$ 4.6 billion by placing 141,500,000 new shares and issuing zero coupon convertible bonds due in 2012.

The board of directors (the “Board”) of Greentown China Holdings Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007 (the “1H 2007”), together with comparative figures. The interim results have been reviewed by Deloitte Touche Tohmatsu, our auditors, and the audit committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2007

	NOTES	Six months ended 30 June	
		2007	2006
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	2,100,239	1,210,449
Cost of sales		<u>(1,496,446)</u>	<u>(692,667)</u>
Gross profit		603,793	517,782
Other income		111,108	40,889
Selling expenses		(82,903)	(43,571)
Administrative expenses		(134,355)	(96,775)
Finance costs	4	(78,927)	(22,116)
Changes in fair value of investment property		16,658	—
Fair value changes on embedded financial derivatives		(52,480)	(10,842)
Net gain on disposal of an associate		—	27
Share of results of jointly controlled entities		16,745	2,225
Share of results of associates		<u>(6,637)</u>	<u>(12,060)</u>
Profit before taxation	5	393,002	375,559
Taxation	6	<u>(129,076)</u>	<u>(130,565)</u>
Profit for the period		<u>263,926</u>	<u>244,994</u>
Attributable to:			
Equity holders of the Company		258,891	256,901
Minority interests		<u>5,035</u>	<u>(11,907)</u>
		<u>263,926</u>	<u>244,994</u>
Dividends	7	<u>490,170</u>	<u>401,645</u>
Earnings per share	8		
Basic		<u>RMB0.18</u>	<u>RMB0.26</u>
Diluted		<u>RMB0.18</u>	<u>RMB0.25</u>

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2007

	As at 30 June 2007	As at 31 December 2006
<i>NOTES</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Audited)</i>
NON-CURRENT ASSETS		
Property, plant and equipment	654,261	429,606
Investment property	26,052	—
Interests in associates	651,848	538,595
Interests in jointly controlled entities	105,569	90,371
Available-for-sale investments	1,000	1,000
Rental paid in advance	13,485	13,949
Deferred tax assets	124,103	66,402
	<u>1,576,318</u>	<u>1,139,923</u>
CURRENT ASSETS		
Properties for development	4,013,798	4,498,091
Properties under development	8,195,004	5,680,019
Completed properties for sale	1,390,883	1,119,052
Inventories	2,178	2,234
Embedded financial derivatives	36,783	70,911
Trade and other receivables, deposits and prepayments	1,023,579	905,670
Amounts due from related parties	454,608	390,008
Income taxes recoverable	103,901	67,186
Other taxes recoverable	123,237	86,045
Pledged bank deposits	563,110	630,380
Bank balances and cash	5,747,998	3,249,014
	<u>21,655,079</u>	<u>16,698,610</u>

	As at 30 June 2007 <i>NOTES</i> RMB'000 <i>(Unaudited)</i>	As at 31 December 2006 RMB'000 <i>(Audited)</i>
CURRENT LIABILITIES		
Trade and other payables	1,571,748	1,404,449
Pre-sale deposits	2,071,905	1,671,590
Amounts due to related parties	958,116	1,077,793
Dividend payable	1,367	1,367
Income taxes payable	236,174	785,869
Other taxes payable	298,044	201,979
Embedded financial derivatives	242,927	450,538
Bank and other borrowings — due within one year	<u>1,971,369</u>	<u>1,939,347</u>
	<u>7,351,650</u>	<u>7,532,932</u>
NET CURRENT ASSETS	<u>14,303,429</u>	<u>9,165,678</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>15,879,747</u>	<u>10,305,601</u>
NON-CURRENT LIABILITIES		
Bank and other borrowings — due after one year	2,845,687	1,968,855
Convertible bonds	2,121,830	392,849
Senior notes	2,998,587	3,070,822
Deferred tax liabilities	<u>91,133</u>	<u>134,441</u>
	<u>8,057,237</u>	<u>5,566,967</u>
	<u>7,822,510</u>	<u>4,738,634</u>
CAPITAL AND RESERVES		
Share capital	155,953	138,690
Reserves	<u>7,054,391</u>	<u>4,235,083</u>
Equity attributable to equity holders of the Company	7,210,344	4,373,773
Minority interests	<u>612,166</u>	<u>364,861</u>
	<u>7,822,510</u>	<u>4,738,634</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

Investment properties

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

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

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

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

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

- ¹ Effective for annual periods beginning on or after 1 January 2009
² Effective for annual periods beginning on or after 1 March 2007
³ Effective for annual periods beginning on or after 1 January 2008
⁴ Effective for annual periods beginning on or after 1 July 2008

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

3. REVENUE

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

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

4. FINANCE COSTS

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

5. PROFIT BEFORE TAXATION

Six months ended 30 June
2007 2006
RMB'000 **RMB'000**

Profit before taxation has been arrived at after charging:

Staff costs	78,678	71,053
Retirement benefit scheme contributions	3,695	3,312
Less: Capitalised in properties under development	<u>(22,382)</u>	<u>(22,239)</u>
 Total staff costs	 <u>59,991</u>	 <u>52,126</u>
 Depreciation of property, plant and equipment	 12,452	 12,838
Less: Capitalised in properties under development	<u>(1,312)</u>	<u>(1,579)</u>
	<u>11,140</u>	<u>11,259</u>
 Cost of inventories recognised as an expense	 1,342,410	 665,189
Loss on disposal of property, plant and equipment (included in selling and administrative expenses)	—	465
Allowance for doubtful debts (included in selling and administrative expenses)	—	432
Amortisation of intangible assets (included in selling and administrative expenses)	<u>—</u>	<u>144</u>

6. TAXATION

Six months ended 30 June
2007 2006
RMB'000 **RMB'000**

Current PRC enterprise income tax	<u>188,121</u>	<u>4,866</u>
Deferred tax:		
Current period	(77,722)	125,699
Attributable to change in tax rate	<u>18,677</u>	<u>—</u>
	<u>(59,045)</u>	<u>125,699</u>
	<u>129,076</u>	<u>130,565</u>

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

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

The Group entities established in the PRC (except for Shanghai Lvyu, Xianjiang Sunshine, Hangzhou Jiuxi and Hangzhou Rose Garden) are subject to enterprise income tax levied at a rate of 33%. The enterprise income tax rate is 15% for Shanghai Lvyu, and 27% for Hangzhou Jiuxi and Hangzhou Rose Garden, and Xianjiang Sunshine is exempted from enterprise income tax for three years starting from its first profit-marking year in 2005, followed by a 50% reduction for the next three years.

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

PRC land appreciation tax

All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

For the six months ended 30 June 2007, the Group has estimated, made and included in cost of sales a provision for LAT in the amount of RMB132,705,000 (2006: RMB27,478,000) according to the requirements set forth in the relevant PRC tax laws and regulations.

7. DIVIDENDS

On 19 March 2006, the Group declared a special dividend of US\$50 million (equivalent to approximately RMB402 million) to the Company's shareholders whose names appeared on the register of members on the record date of 1 January 2006. The special dividend was paid in March and April 2006.

On 21 May 2007, a dividend of HK\$0.36 per share was paid to shareholders as the final dividend for 2006.

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

8. EARNINGS PER SHARE

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

Earnings

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

Number of shares

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

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

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Market and Operational Review

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

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

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

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

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

Property Development

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

The continuing innovation and promotion of products and services quality has laid a firm foundation for the Company to gain satisfactory results in different market conditions.

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

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

Newly commenced projects in the 6 months ended 30 June 2007

Location	Newly commenced GFA (10 thousand sqm)	Newly commenced gross floor area attributable to the Company (10 thousand sqm)
Hangzhou	31	18
Other cities in Zhejiang Province	29	18
Shanghai	9	5
Beijing	5	4
Anhui Province	6	5
Jiangsu Province	6	3
Hunan Province	11	6
Henan Province	7	3
Xinjiang	<u>2</u>	<u>1</u>
Total	<u><u>106</u></u>	<u><u>63</u></u>

Projects Completed and Delivered

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

Completion of projects in the 6 months ended 30 June 2007

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

Property Sales

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

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

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

Pre-sales in the 6 months ended 30 June 2007

Location	Approximate Saleable areas sold (sqm)	Approximate total value (RMB million)
Hangzhou	145,325	1,241
Other cities in Zhejiang Province	211,577	1,235
Shanghai	66,795	1,171
Beijing	74,127	732
Hefei, Anhui Province	50,577	230
Changsha, Hunan Province	61,323	319
Zhengzhou, Henan Province	27,660	141
Urumqi, Xinjiang	6,900	61
Total	<u>644,284</u>	<u>5,130</u>

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

Land Bank

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

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

Acquisition/increasing Our Equity Interests in Projects

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

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

Tender and Auction

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

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

List of newly acquired land in the 1H 2007

	Location Particulars	Total site Area (sqm)	Total GFA (sqm)	Interests attributable to the Company	Expected Commencement date	Expected Completion date
Beijing Yuyuan (note i)	Haidian District, Beijing	346,369	340,533	100%	Commenced	2011
Zhoushan Dinghai Project	Dinghai District, Zhoushan, Zhejiang Province	48,381	120,952	100%	2009	2011
New Jiangwan City Project	New Jiangwan City, Yangpu District, Shanghai	59,254	130,816	100%	2008	2011

	Location Particulars	Total site Area (sqm)	Total GFA (sqm)	Interests attributable to the Company	Expected Commencement date	Expected Completion date
Deqing Guihua City	Wukang Town, Deqing, Zhejiang Province	166,734	303,786	46.55%	Commenced	2009
Zhengzhou Baihe Apartment	Zhengdong New District, Zhengzhou, Henan Province	219,458	420,322	37.73%	Commenced	2009
Keqiao Project	Keqiao District, Shaoxing, Zhejiang Province	124,112	580,640	35%	2008	2012
Taohuayuan 50# Block	Yuhang District, Hangzhou, Zhejiang Province	14,871	15,615	26.01%	2008	2009
Deqing Baihe Apartment	Wukang Town, Deqing, Zhejiang Province	103,120	209,922	24.5%	Commenced	2010
Qianjiang New City Project	Qianjiang New City, Hangzhou, Zhejiang Province	84,255	400,000	(note ii)	2008	2012

Notes:

- (i) increased project equity holding from 65% to 100%.
- (ii) the attributable interest is under negotiation with a joint venture partner.

BUSINESS OUTLOOK

Market and Business Outlook and Strategy

Market Outlook

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

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

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

The imbalance of supply and demand in land and housing products remains a main conflict in the Chinese property market. With a continuing vigorous economy development and an accelerating urbanization in China, demands for quality real estate from medium and high income city residence has seen a rapid growth, together with a need of updating the housing products, the demand in housing, especially in quality housing products has become an internal momentum of market growth.

And the continuing enforcement of the most rigorous land supply policy and increase of the ratio of land supply in indemnificatory housing, will further intensify the conflict between the decrease in land supply for commercial residence and the demand for high quality commercial residence. In particular, of that in regional central cities in economic developed areas including the Yangtze River Delta, will further enlarge the differentiation of price between indemnificatory housing and high quality commercial residence.

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

Business Outlook and Strategy

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

- 1. Continue to enhance the personnel ability and quality of mid-level to senior executive posts in project managements, and enlarge the middle to senior executive group.** High quality group of employees, especially middle to senior executives are the key guarantee of the Company's rapid and high quality growth, and they are the most important assets and fortune of the Company. We must improve their working quality and business capability through various ways and measures. Meanwhile, we should adopt the "Internal Promotion and external Engagement" approach to expand our middle to senior executives, so as to fulfil a need of rapid growth of the Company.
- 2. Strengthen the overall operation ability by focusing on planned management in order to enhance the management standard.** Further arrange the management structure, optimize guarantee methods, and improve management efficiency under the executive manager separation management system established early this year. To guarantee quality, improve efficiency and prevent risk in strict compliance with all working plans such as major start up points, sales, complement and delivery, cash flow management established early this year, to solve difficulties occurred in the process of all projects.
- 3. Enhance product and service quality leading by the implementation of "fine-product project" and the deepening of "living district service system".** "Fine-product project" is a requirement to meet the customer and market needs, and is the only way for the Company to maintain a leading position in the product market and to become fine and powerful. The implementation and promotion of "living district service system" is an important measure to innovate and enrich the Company's product quality. We must further explore and innovate, consolidate our fruit and extend our success by fully integrating the Group's internal and external resources, on the basis of achievement gained in the first half of the year.

4. Manage cash flow scientifically and concentrate on expanding projects with high potential. By means of cooperation with well-established institutions locally and aboard, explore potential opportunities and allow for some flexibility in order to manage cash flow scientifically, and take full advantage in production and management of the Company, with combined means of acquisition and merger; expand operations to other developed cities and regional projects with high potential. Better improve our property development structure and appropriately increase the proportion of operational properties, to lay a foundation for the Company's stable cash flow in future.

Delivery Plan

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

Expected completion projects in the second half of 2007 (1 July – 31 December 2007)

No.	Project	Phase	Location	Expected completed GFA in the second half of the year (sqm)	Interests attributable to the Company	Expected delivery date	Expected
							completed GFA attributable to the Company in the second half of the year (sqm)
1	Jiuxi Rose Garden Holiday Village		Xihu District, Hangzhou	25,973	100%	November	25,973
2	Taohuayuan South	Phase I (part)	Yuhang District, Hangzhou	38,331	51%	December	19,549
3	Ningbo Guihua Garden	Phase I	Zhenhai District, Ningbo	164,090	60%	December	98,454
4	Zhoushan Grand Hotel		Lincheng New District, Zhoushan	87,484	100%	November	87,484
5	Beijing Baihe Apartment	Phase IV	Fangshan District, Beijing	65,444	80%	November	52,355
6	Beijing Yuyuan	Phase I (part)	Haidian District, Beijing	33,068	100%	December	33,068
7	Hefei Baihe Apartment	Phase II	Gaoxin District, Hefei	24,315	54%	November	13,130
8	Changsha Guihua City	Phase II	Yuhua District, Changsha	45,076	51%	December	22,989
9	Hunan Qingzhu Garden North	Phase I (part)	Kaifu District, Changsha	39,913	52.47%	December	20,942

No.	Project	Phase	Location	Expected completed GFA in the second half of the year (sqm)	Interests attributable to the Company	Expected delivery date	Expected completed GFA attributable to the Company in the second half of the year (sqm)
10	Xinjiang Rose Garden	Phase II	Shuimogou District, Urumqi	13,343	61.2%	November	8,166
11	Jade City	Phase I	Yuhang District, Hangzhou	160,642	45%	December	72,289
12	East Sea Plaza	Phase I	Jingan District, Shanghai	81,247	49%	December	39,811
13	Deqing Baihe Apartment	Phase I	Wukang Town, Deqing	70,880	24.5%	December	17,366
14	Deqing Guihua City	Phase I	Wukang Town, Deqing	181,325	46.55%	December	84,407
15	Zhengzhou Baihe Apartment	Phase II	Zhengdong New District, Zhengzhou	90,687	37.73%	December	34,216
16	Shanghai Rose Garden	Phase I (part)	Minhang District, Shanghai	19,042	100%	December	19,042

FINANCIAL ANALYSIS

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

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

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

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

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

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

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

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

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

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

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

Enterprise income tax: Enterprise income tax decreased from RMB131 million in the same period of 2006 to RMB129 million, and effective tax rate decreased from 34% in the same period of 2006 to 29% (prior to adjustment for changes in fair value on embedded financial derivatives). The reasons were: Shanghai Greentown project, the principal profit contributor in this period, was entitled to a preferential tax rate of 15%; and increase in share of gain on jointly-controlled entities this period comparing to that of the same period last year, and the share of their tax provision is not included in enterprise income tax in the consolidated income statement, hence the effective tax in this period was

lower than normal tax rate. However, with the new Enterprise Income Tax Law to be effective from 1 January 2008, deferred income tax has been adjusted pursuant to the new rate of 25% during this period, accordingly, income tax expense in this period has been increased, and partially offset the lowered tax mentioned above.

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

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

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

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

Pledge of Assets

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

Financial Guarantees

As at 30 June 2007, the Group provided guarantees of approximately RMB2,015 million to banks in favor of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's developed properties.

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

Capital Commitments

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

EMPLOYEES

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

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

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

SHARE OPTION SCHEME

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

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

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

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the 1H 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of listed Issuers (“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 1H 2007.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group’s unaudited interim financial statements and the interim report for the 1H 2007. The Audit Committee comprises all of the five independent non-executive directors, namely Mr. Tsui Yiu Wa, Alec (the Chairman of the Audit Committee), Mr. Jia Shenghua, Mr. Jiang Wei, Mr. Sze Tsai Ping, Michael and Mr. Tang Shiding.

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

Hangzhou, Zhejiang, the PRC, 11 September 2007

As at the date of this announcement, Mr. Song Weiping, Mr. Shou Bainian, Mr. Chen Shunhua and Mr. Guo Jiafeng are the executive Directors of the Company; Mr. Tsui Yiu Wa, Alec, Mr. Jia Shenghua, Mr. Jiang Wei, Mr. Sze Tsai Ping, Michael and Mr. Tang Shiding are the Independent Non-executive Directors of the Company.

* *For identification purpose only*