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If you have sold or transferred all your shares in **WHEELOCK AND COMPANY LIMITED**, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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WHEELOCK

Founded 1857

WHEELOCK AND COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 20

MAJOR TRANSACTION

A letter from the Board of Directors of Wheelock and Company Limited is set out on pages 9 to 43 of this circular.

24 July 2012

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Announcement”	the joint announcement issued by the Company and Wharf dated 8 June 2012 in relation to the Transaction
“associate(s)”	shall have the same meaning ascribed to the Listing Rules
“Board”	the board of Directors
“Breach Event”	occurs when (i) the Gearing Ratio is 100% or more; and (ii) a member of the Greentown China Group carries out any acquisition of land or investment in any property development project without the prior written consent from the majority of the members of the Investment Committee
“Business Day”	a day, other than a Saturday or Sunday or public holiday, on which commercial banks are generally open for normal banking business in Hong Kong
“Capital Distribution”	<p>(i) any distribution of assets in specie by Greentown China for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes without limitation an issue of Greentown China Shares or other securities credited as fully or partly paid (other than Greentown China Shares credited as fully paid) by way of capitalisation of reserves, but excludes a Scrip Dividend adjusted for under (ii)); and (ii) any cash dividend or distribution (including, without limitation, a Scrip Dividend) of any kind by Greentown China for any financial period (whenever paid and however described) unless:</p> <p>(a) (and to the extent that) in the case of a Relevant Cash Dividend, such dividend does not, when taken together with any other Relevant Cash Dividends previously made or paid in respect of the same fiscal year, on a per Greentown China Share basis exceed 50% of Greentown China’s most recently published annual or interim consolidated net income; or</p>

DEFINITIONS

(b) it comprises a purchase or redemption of Greentown China Shares by or on behalf of Greentown China (or a purchase of Greentown China Shares by or on behalf of a subsidiary of Greentown China) where the weighted average price (before expenses) on any one day in respect of such purchases does not exceed the average closing market price of the Greentown China Shares as quoted by the Stock Exchange or, as the case may be, an alternative stock exchange, by more than 105% either (1) for the five trading days on which transactions in the Greentown China Shares were recorded preceding the day of the purchase, or (2) where an announcement has been made of the intention to purchase Greentown China Shares at some future date at a specified price, on the trading day immediately preceding the date of such announcement (excluding, for the avoidance of doubt, general authority for such purchases given by a Greentown China Shareholders' meeting of Greentown China, or any notice convening such meeting)

“Company”	Wheelock and Company Limited (stock code: 20), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“connected person(s)”	shall have the same meaning ascribed to it under the Listing Rules
“Conversion Price”	the price per Greentown China Share at which Greentown China Shares will be allotted and issued upon conversion of the Perpetual Subordinated Convertible Securities, such price initially being HK\$7.40 per Greentown China Share but subject to adjustment in accordance with the terms and conditions of the Perpetual Subordinated Convertible Securities
“Conversion Shares”	the Greentown China Shares to be allotted and issued by Greentown China upon conversion of the Perpetual Subordinated Convertible Securities
“Directors”	the directors of the Company

DEFINITIONS

“EGM”	an extraordinary general meeting to be held by Greentown China to consider and, if thought fit, approve the Investment Agreement and the transactions contemplated thereunder, and the re-election of Mr Stephen T H Ng and the appointment of Mr Paul Y C Tsui as non-executive Greentown China Directors
“First Tranche Greentown China Shares”	the 327,849,579 Greentown China Shares allotted and issued to Investor A under the Subscription Agreement
“First Tranche Subscription”	the allotment and issue of the First Tranche Greentown China Shares to Investor A under the Subscription Agreement
“Gearing Ratio”	the gearing ratio of Greentown China from time to time as measured by the net debt divided by net assets and disclosed in the latest published annual or interim financial results of Greentown China (whichever is more recent) from time to time
“GFA”	Gross floor area
“Greentown China”	Greentown China Holdings Limited (stock code: 3900), an exempted company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“Greentown China Board”	the board of directors of Greentown China
“Greentown China Director(s)”	director(s) of Greentown China
“Greentown China Group”	Greentown China and its subsidiaries
“Greentown China Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of Greentown China
“Greentown China Shareholder(s)”	the registered holder(s) of the Greentown China Share(s)
“Group”	the Company together with its subsidiaries

DEFINITIONS

“Guarantee”	the guarantee given by Greentown China on a subordinated basis in respect of the due payment of all sums expressed to be payable by the Issuer under the Perpetual Subordinated Convertible Securities
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“i-CABLE”	i-CABLE Communications Limited (stock code: 1097), a subsidiary of Wharf, incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Initial Spread”	8.4%, which is calculated based on the distribution rate of 9% for the first five years of the Perpetual Subordinated Convertible Securities less the U.S. five year treasury rate as at 19 July 2012 (based on U.S. time)
“Investment Agreement”	the investment agreement among Greentown China, the Issuer, Wharf and the Investors dated 8 June 2012 in relation to the subscription and issue of the Second Tranche Greentown China Shares and the Perpetual Subordinated Convertible Securities as amended and supplemented by the Supplemental Agreement and by the parties to the Investment Agreement from time to time
“Investment Committee”	the investment committee established by Greentown China at the board level in accordance with the Investment Agreement upon completion of the First Tranche Subscription (which shall comprise the written consent of the representative appointed by Investor A)
“Investors”	Investor A and Investor B
“Investor A”	Target Smart Investments Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Wharf
“Investor B”	Enzio Investments Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Wharf

DEFINITIONS

“Issue Date”	the date of issue of the Perpetual Subordinated Convertible Securities under the Investment Agreement
“Issuer”	Active Way Development Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Greentown China
“Last Trading Day”	7 June 2012, being the last full trading day of the Greentown China Shares on the Stock Exchange immediately prior to the publication of the Announcement
“Latest Practicable Date”	20 July 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr Luo”	Mr Luo Zhaoming, the vice chairman of the Greentown China Board and an executive Greentown China Director
“Mr Shou”	Mr Shou Bainian, the executive vice chairman of the Greentown China Board, the chief executive officer of Greentown China and an executive Greentown China Director
“Mr Song”	Mr Song Weiping, the chairman of the Greentown China Board and an executive Greentown China Director
“Original Greentown China Shareholders”	Mr Song and his spouse Ms Xia Yibo, and Mr Shou

DEFINITIONS

“Parity Securities”	in respect of the Issuer and Greentown China, as the case may be: (i) any security issued or guaranteed by the Issuer which ranks or is expressed to rank <i>pari passu</i> with the Perpetual Subordinated Convertible Securities; (ii) any securities issued by Greentown China which ranks or is expressed to rank <i>pari passu</i> with Greentown China’s obligation under the Guarantee; and (iii) any security guaranteed by Greentown China or for which Greentown China has otherwise assumed liability where Greentown China’s obligations under the relevant guarantee or other assumption of liability rank or are expressed to rank <i>pari passu</i> with Greentown China’s obligations under the Guarantee
“parties acting in concert”	shall have the meaning ascribed to it under the Takeovers Code, and the terms “concert parties” shall be construed accordingly
“Perpetual Subordinated Convertible Securities”	the Hong Kong dollar denominated perpetual subordinated convertible securities of the Issuer with an aggregate principal amount of HK\$2,550 million to be issued pursuant to the Investment Agreement
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“psm”	per square metre
“Public Float Issues”	has the meaning ascribed to it under “Restrictions on conversion” in the paragraph headed “Letter from the Board — Details of the Transaction — The Investment Agreement — The Perpetual Subordinated Convertible Securities” in this circular
“Relevant Cash Dividend”	the aggregate cash dividend or distribution declared by Greentown China, including any cash dividend in respect of which there is any Scrip Dividend (which, for the avoidance of doubt, shall exclude a purchase or redemption of Greentown China Shares, but include the Relevant Cash Dividend component of a Scrip Dividend)

DEFINITIONS

“Reset Date”	the 10th anniversary of the Issue Date and the day falling on the expiry of every five calendar years after the fifth anniversary of the Issue Date
“s.m.”	square metre
“Scrip Dividend”	any Greentown China Shares issued in lieu of the whole or any part of any Relevant Cash Dividend being a dividend which the Greentown China Shareholders concerned would or could otherwise have received and which would not have constituted a Capital Distribution
“Second Tranche Greentown China Shares”	the 162,113,714 Greentown China Shares to be allotted and issued to Investor A under the Investment Agreement
“Second Tranche Subscription”	allotment and issue of the Second Tranche Greentown China Shares to Investor A under the Investment Agreement
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Option Scheme”	the share option scheme adopted by the Greentown China Shareholders on 22 June 2006 and any other similar option scheme(s) to be adopted by Greentown China from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement among Greentown China, Investor A and Wharf dated 8 June 2012 in relation to the subscription and issue of the First Tranche Greentown China Shares
“Subscription Price”	HK\$5.20 per Greentown China Share
“Supplemental Agreement”	the supplemental agreement to the Investment Agreement among Greentown China, the Issuer, Wharf and the Investors dated 16 July 2012
“Takeovers Code”	The Code on Takeovers and Mergers and Share Repurchase

DEFINITIONS

“Transaction”	the subscription of the First Tranche Greentown China Shares pursuant to the Subscription Agreement and the subscription of the Second Tranche Greentown China Shares and the Perpetual Subordinated Convertible Securities pursuant to the Investment Agreement together with the relevant transactions contemplated thereunder
“Treasury Rate”	5-year U.S. Treasury Rate with respect to the relevant Reset Date
“VWAP”	<p>in respect of the Perpetual Subordinated Convertible Securities, the order book volume-weighted average price of a Greentown China Share appearing on or derived from Bloomberg screen 3900 HK Equity VAP on a particular day, provided that where such price is not available or cannot otherwise be determined as provided above, VWAP shall be:</p> <ul style="list-style-type: none">(a) the closing price on such day; and(b) if the closing price is not available, the VWAP determined as provided above, on the immediately preceding Stock Exchange trading day on which the same can be so determined
“Wharf”	The Wharf (Holdings) Limited (stock code: 4), a subsidiary of the Company, incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Wharf Group”	Wharf together with its subsidiaries
“Winding-up”	with respect to the Issuer or Greentown China, a final and effective order or resolution for the bankruptcy, winding up, liquidation, receivership or similar proceedings in respect of the Issuer or Greentown China, as the case may be
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



WHEELOCK

Founded 1857

WHEELOCK AND COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 20

Directors:

Peter K C Woo, *GBM, JP (Chairman)*
Stephen T H Ng *(Deputy Chairman)*
Stewart C K Leung *(Vice Chairman)*
Paul Y C Tsui *(Executive Director & Group Chief Financial Officer)*
Alexander S K Au, *OBE**
Mignonne Cheng *(Mrs.)**
Herald L F Lau*
Alan H. Smith, *JP**
Kenneth W S Ting, *SBS, JP**
Ricky K Y Wong
Glenn S Yee*

Registered Office:
23rd Floor,
Wheelock House,
20 Pedder Street,
Hong Kong

(Independent Non-executive Directors)*

24 July 2012

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

INTRODUCTION

On 8 June 2012, the Board announced that (a) Investor A, a wholly-owned subsidiary of Wharf, and Wharf entered into the Subscription Agreement with Greentown China on 8 June 2012 pursuant to which Greentown China has conditionally agreed to allot and issue, and Investor A has conditionally agreed to subscribe for, the First Tranche Greentown China Shares each at the Subscription Price in cash and Wharf has agreed to act as a guarantor and among other things, guaranteed the punctual and due performance and observation of Investor A's obligations, commitments, undertakings and covenants under or pursuant to the Subscription Agreement; and (b) the Investors, Wharf, Greentown China and the Issuer entered into the Investment Agreement pursuant to which (i) Greentown China has conditionally agreed to allot and issue the Second Tranche Greentown China Shares each at the Subscription Price in cash to Investor A; (ii) the Issuer has conditionally agreed to issue the Perpetual Subordinated Convertible Securities to

LETTER FROM THE BOARD

Investor B, and Investor A has conditionally agreed to subscribe for the Second Tranche Greentown China Shares and Investor B has conditionally agreed to subscribe for the Perpetual Subordinated Convertible Securities; and (iii) Wharf has agreed to act as a guarantor and has, among other things, guaranteed the punctual and due performance and observation of the obligations, commitments, undertakings and covenants of Investor A and Investor B under or pursuant to the Investment Agreement. Completion of the First Tranche Subscription took place on 15 June 2012. Subject to the terms and conditions of the Perpetual Subordinated Convertible Securities, they may be converted into Greentown China Shares. As subsequently announced by the Company on 16 July 2012, the Investment Agreement was amended and supplemented by the Supplemental Agreement dated 16 July 2012, in which the parties have conditionally agreed on certain amendments to the terms and conditions of the Perpetual Subordinated Convertible Securities.

The Transaction constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements as set out in the Listing Rules. A written shareholders' approval of the Company has already been obtained from a closely allied group of 17 shareholders of the Company together holding more than 50% of the issued share capital of the Company, for the entering into of the Transaction.

The purpose of this circular is to give you further information in relation to the Transaction as required under the Listing Rules.

DETAILS OF THE TRANSACTION

The Subscription Agreement

Date: 8 June 2012

Parties: Investor A, a wholly-owned subsidiary of Wharf
Wharf
Greentown China

Total number of First Tranche Greentown China Shares allotted and issued under the Subscription Agreement:

327,849,579 Greentown China Shares of HK\$0.10 each, representing approximately 19.99% of the entire issued share capital of Greentown China as at the date of the Announcement and approximately 16.67% of the entire issued share capital of Greentown China as enlarged by the First Tranche Subscription.

Subscription Price:

The total subscription price for the First Tranche Subscription amounts to approximately HK\$1,705 million. The Subscription Price of HK\$5.20 per Greentown China Share represents:

- (a) a discount of approximately 2.8% to the closing price of HK\$5.35 per Greentown China Share as quoted on the Stock Exchange on the Last Trading Day;

LETTER FROM THE BOARD

- (b) a premium of approximately 4.1% to the average of the closing price of the Greentown China Shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK\$4.99 per Greentown China Share;
- (c) a premium of approximately 5.2% to the average of the closing price of the Greentown China Shares as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$4.95 per Greentown China Share;
- (d) a discount of approximately 39.1% to the closing price of HK\$8.54 per Greentown China Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (e) a discount of approximately 41.9% to the net asset value per Greentown China Share of RMB7.28 (or HK\$8.95 at the exchange rate of RMB1.00 to HK\$1.23) as at 31 December 2011.

The Subscription Price was determined by Investor A, Wharf and Greentown China after arm's length negotiations with reference to, among other things, the strategic value of the investment, the trading prices of the Greentown China Shares prior to the entering into of the Subscription Agreement and the prevailing market price of the Greentown China Shares.

Conditions precedent:

Completion of the First Tranche Subscription is conditional upon:

- (a) the Listing Committee of the Stock Exchange granting the approval for the listing of and permission to deal in the First Tranche Greentown China Shares;
- (b) each of Wharf and the Company having obtained all necessary approvals, consents and waivers from the Stock Exchange and its shareholders for the transactions contemplated under the Subscription Agreement and the Investment Agreement;
- (c) the warranties given by Greentown China to Investor A under the Subscription Agreement are as at the date of the Subscription Agreement and will as at the second Business Day after the First Unconditional Date (as defined below) be true, accurate and not misleading in all material respects. Investor A may waive the condition precedent set out in this item (c) at any time by notice in writing to Greentown China; and
- (d) the warranties given by Investor A and Wharf to Greentown China under the Subscription Agreement are as at the date of the Subscription Agreement and will as at the second Business Day after the First Unconditional Date (as defined below) be true, accurate and not misleading in all material respects. Greentown China may waive the condition precedent set out in this item (d) at any time by notice in writing to Investor A.

LETTER FROM THE BOARD

The date on which all the conditions precedent set out above have been (and continue to be) satisfied (or waived pursuant to the terms set out in the Subscription Agreement) shall be the unconditional date (the “**First Unconditional Date**”). If the First Unconditional Date has not occurred within 45 days after the date of the Subscription Agreement or such later date as may be agreed between Greentown China and Investor A in writing, then the Subscription Agreement shall automatically terminate and, without prejudice to the rights and/or obligations of any party thereto in respect of any antecedent breach, the parties to the Subscription Agreement shall be released and discharged from their respective obligations under the Subscription Agreement.

Completion of the First Tranche Subscription is not conditional upon completion of the transactions under the Investment Agreement.

Completion:

Pursuant to the Subscription Agreement, completion of the First Tranche Subscription shall take place on the second Business Day after the First Unconditional Date, or on such other date as Greentown China and Investor A may agree. Such completion took place on 15 June 2012.

Ranking:

The First Tranche Greentown China Shares ranked *pari passu* in all respects with the Greentown China Shares in issue on the date of allotment and issue of the First Tranche Greentown China Shares.

Undertakings given by Investor A and Wharf:

(a) Non-disposal undertaking

Each of Investor A and Wharf undertakes to Greentown China that during the period from the date of the Subscription Agreement and until the expiry of two years from the date of completion of the First Tranche Subscription (the “**First Non-disposal Period**”), it will not, without Greentown China’s prior written consent offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right, interest, encumbrance or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase or enter into any of the economic consequences of ownership of the First Tranche Greentown China Shares (or any other shares, securities or interest of Greentown China deriving from the First Tranche Greentown China Shares) or the shares of Investor A or any of its holding companies or enter into any arrangement or agreement in respect of the voting rights attached to any of the First Tranche Greentown China Shares (or any such other shares, securities or interest) or the shares of Investor A or any of its holding companies, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise. The aforesaid non-disposal undertaking of Investor A shall cease to have effect upon the occurrence during the First Non-disposal Period of the following event(s):

- (i) either Mr Song or Mr Shou terminates his service with the Greentown China Group as a member of its senior management or an employee of the Greentown China Group;

LETTER FROM THE BOARD

- (ii) Mr Song, Mr Shou and Mr Luo together cease to control 30% or more of the voting power of Greentown China, other than as a result of (i) a transfer or sale of any Greentown China Shares to Investor A, Wharf or any or their respective associates or (ii) the conversion of the Perpetual Subordinated Convertible Securities pursuant to its terms;
- (iii) the Greentown China Group carries out any acquisition of land or investment in any property development project in breach of the undertaking that for so long as the gearing ratio of Greentown China is 100% or more and Investor A holds at least 16.67% or more of the then issued share capital of Greentown China from time to time, except with the prior written consent from the majority of the Investment Committee (which shall comprise the written consent from Investor A's Representative (as defined below) to the Investment Committee), no member of the Greentown China Group shall carry out any acquisition of land or investment in any property development project; or
- (iv) any resolution is passed or order made for the winding up, dissolution, administration or reorganisation of any member of the Greentown China Group (other than a dormant company) or a moratorium is declared in relation to any indebtedness of any member of the Greentown China Group, the appointment of any liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of any member of the Greentown China Group or any of its assets, or any analogous procedure or step in respect of any member of the Greentown China Group is taken in any jurisdiction.

(b) Non-acquisition undertaking

Each of Investor A and Wharf undertakes to Greentown China that during the period from the date of the Subscription Agreement and until the expiry of five years from the date of completion of the First Tranche Subscription, each of Investor A and Wharf will not, and will procure its concert parties will not, directly or indirectly, acquire or agree to acquire any additional Greentown China Shares, the economic consequences of ownership of any additional Greentown China Shares, or any additional voting power or control to exercise any additional voting power in Greentown China (or enter into any arrangement or agreement to give such effect including with respect to the voting rights attached the Greentown China Shares), whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise, such that it and parties acting in concert with it (whether alone or together) will come to hold or control more Greentown China Shares or voting power of Greentown China than any other single shareholder of Greentown China from time to time. However, such undertaking shall not apply in the event that Investor A, Wharf and parties acting in concert with them (whether alone or together) have come to hold or control more Greentown China Shares or voting power of Greentown China, than any other single Greentown China Shareholder from time to time solely as a result of:

- (i) the conversion of the Perpetual Subordinated Convertible Securities pursuant to its terms;

LETTER FROM THE BOARD

- (ii) any disposal of Greentown China Shares by any of those Greentown China Shareholders, who immediately following the completion of the First Tranche Subscription, or its concert parties, hold more Greentown China Shares or voting power than Investor A, to someone who is neither Investor A, Wharf nor a party acting in concert with them; or
- (iii) any dilution of shareholding interest in Greentown China held by any of the Greentown China Shareholders described in (ii) above (other than Investor A, Wharf and their concert parties);

provided that once Investor A, Wharf and their respective concert parties (whether alone or together) come to hold or control more Greentown China Shares or voting power of Greentown China than any other single shareholder of Greentown China pursuant to any of the above permitted exceptions, each of Investor A and Wharf further undertakes that it will not, and will procure that their respective concert party will not, during the period from the date of the Subscription Agreement and until the expiry of five years from the date of completion of the First Tranche Subscription, directly or indirectly, acquire or agree to acquire any additional Greentown China Shares, the economic consequences of ownership of any additional Greentown China Shares, or any voting power or the control to exercise any additional voting power in Greentown China (or enter into any arrangement or agreement to give such effect including with respect to the voting rights attached to the Greentown China Shares), whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise.

Pursuant to the Subscription Agreement, Wharf irrevocably guarantees and undertakes that:

- (a) it and Investor A will punctually and duly perform and observe its obligations, commitments, undertakings and covenants under or pursuant to the Subscription Agreement;
- (b) it will at all times ensure that it has the sufficient financial and other resources to satisfy the payment and other obligations, commitments, undertakings and covenants of it and Investor A under the Subscription Agreement; and
- (c) it will, during the term of the non-disposal period (as defined in the Subscription Agreement) and the non-acquisition period (as defined in the Subscription Agreement), maintain Investor A as its wholly-owned subsidiary.

LETTER FROM THE BOARD

The Investment Agreement

Date: 8 June 2012

Parties: Greentown China
The Issuer, a wholly-owned subsidiary of Greentown China
Investor A, a wholly-owned subsidiary of Wharf
Investor B, a wholly-owned subsidiary of Wharf
Wharf

Subscription:

Pursuant to the Investment Agreement,

- (a) Investor A has agreed to subscribe for, and Greentown China has agreed to allot and issue, the Second Tranche Greentown China Shares;
- (b) Investor B has agreed to subscribe for, and the Issuer has agreed to issue, the Perpetual Subordinated Convertible Securities;
- (c) Wharf has agreed to, among other things, guarantee the punctual and due performance and observation of the obligations, commitments, undertakings and covenants of Investor A and Investor B under or pursuant to the Investment Agreement; and
- (d) Greentown China has agreed to provide a Guarantee on a subordinated basis of the payment of all sums payable by the Issuer in relation to the Perpetual Subordinated Convertible Securities.

The Second Tranche Greentown China Shares:

- (a) Total number of Second Tranche Greentown China Shares to be allotted and issued under the Investment Agreement:

162,113,714 Greentown China Shares of HK\$0.10 each, representing (1) approximately 9.88% of the entire issued share capital of Greentown China as at the date of the Announcement; (2) approximately 8.24% of the entire issued share capital of Greentown China as at the Latest Practicable Date as enlarged by the First Tranche Subscription; and (3) approximately 7.61% of the entire issued share capital of Greentown China as further enlarged by the issue of the Second Tranche Greentown China Shares (assuming that there will be no other issue of Greentown China Shares).

- (b) Subscription Price

The Subscription Price for the Second Tranche Greentown China Shares is the same as that for the First Tranche Greentown China Shares. The total subscription price of the Second Tranche Greentown China Shares amounts to approximately HK\$843 million.

LETTER FROM THE BOARD

Ranking

The Second Tranche Greentown China Shares, when issued and fully paid, will rank *pari passu* in all respects with the Greentown China Shares in issue on the date of allotment and issue of the Second Tranche Greentown China Shares.

The Perpetual Subordinated Convertible Securities:

Principal terms of the Perpetual Subordinated Convertible Securities:

Issuer	:	the Issuer, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Greentown China.
Guarantor	:	Greentown China.
Principal amount of the Perpetual Subordinated Convertible Securities	:	HK\$2,550 million.
Form and denomination	:	The Perpetual Subordinated Convertible Securities will be issued in registered form in the denomination of HK\$10,000,000 each.
Guarantee	:	Greentown China has agreed to guarantee on a subordinated basis of the due payment of all sums expressed to be payable by the Issuer under the Perpetual Subordinated Convertible Securities.
Status and subordination of the Guarantee	:	In the event of the Winding-up of Greentown China, the rights and claims of a holder of the Perpetual Subordinated Convertible Securities in respect of the Guarantee shall rank ahead of those persons whose claims are in respect of any class of share capital (including preference shares) of Greentown China, but shall be subordinated in right of payment to the claims of all other present and future senior and subordinated creditors of Greentown China other than the claims of holders of the Parity Securities.

LETTER FROM THE BOARD

- Status and subordination of the Perpetual Subordinated Convertible Securities : The Perpetual Subordinated Convertible Securities constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves. In the event of the Winding-up of the Issuer, the rights and claims of a holder of the Perpetual Subordinated Convertible Securities shall rank ahead of those persons whose claims are in respect of any class of share capital (including preference shares) of the Issuer, but shall be subordinated in right of payment to the claims of all other present and future senior and subordinated creditors of the Issuer other than the claims of holders of the Parity Securities.
- Issue price : 100% of the principal amount of the Perpetual Subordinated Convertible Securities.
- Maturity date : There is no maturity date.
- Distribution : The Perpetual Subordinated Convertible Securities confer the holders a right to receive distribution (each a “**Distribution**”) at the applicable distribution rate from and including the Issue Date to but excluding and payable on the first anniversary from the Issue Date, thereafter semi-annually in arrears.
- Rate of distribution : The distribution rate shall be (a) in respect of the period from, and including the Issue Date to, but excluding the fifth anniversary of the Issue Date, 9% per annum and (b) in respect of the periods from, and including, the fifth anniversary of the Issue Date to, but excluding, the tenth anniversary of the Issue Date, 9% per annum plus 2% per annum and from, and including, each Reset Date falling after the fifth anniversary of the Issue Date to, but excluding, the immediately following Reset Date, the Initial Spread plus the Treasury Rate plus 2% per annum (“**Distribution Rate**”).
- Optional deferral of distribution : The Issuer may at its sole discretion elect to defer any scheduled Distribution (“**Arrears of Distribution**”) to the next scheduled Distribution payment date by giving prior written notice. The Issuer may further defer any Arrears of Distribution following the foregoing notice requirement and is not subject to any limits as to the number of times Distributions and Arrears of Distribution can be deferred.

LETTER FROM THE BOARD

Any Arrears of Distribution and any Additional Distribution Amount (as defined below) shall be extinguished upon any voluntary conversion by the holders of the Perpetual Subordinated Convertible Securities.

Each amount of Arrears of Distribution shall bear interest as if it constituted the principal of the Perpetual Subordinated Convertible Securities at the prevailing Distribution Rate and the amount of such interest (the “**Additional Distribution Amount**”) with respect to Arrears of Distribution shall be due and payable and shall be calculated by applying the Distribution Rate to the amount of the Arrears of Distribution.

Distributions are cumulative subject to limited exceptions set forth under the terms and conditions of the Perpetual Subordinated Convertible Securities, whereby Arrears of Distribution and any Additional Distribution Amount due in respect of the Perpetual Subordinated Convertible Securities shall be extinguished by the Issuer in full through the delivery by the Issuer of the Greentown China Shares issuable upon the exercise of the holder’s conversion right of such Perpetual Subordinated Convertible Security (except any voluntary or deemed exercise of the conversion right by the holder following the delivery of a forced conversion notice by the Issuer). The Additional Distribution Amount accrued up to payment date for any Distribution Payment Date shall be added to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

Dividend and capital
distribution stopper

: Unless and until the Issuer or Greentown China satisfies in full all outstanding Arrears of Distribution and any Additional Distribution Amount, the Issuer and Greentown China shall not declare, or pay any dividends, distributions or make payment on, and will procure that no dividend or other payment is made on or redeem, reduce, cancel, buy-back or acquire for any consideration any share capital thereof (including preference shares) or Parity Securities.

LETTER FROM THE BOARD

- Conversion period : The Perpetual Subordinated Convertible Securities are convertible at any time after the expiry of three years from the Issue Date, except (a) if an offer is made to Greentown China Shareholders for all the outstanding Greentown China Shares of Greentown China; or (b) a Breach Event occurs, in which case, the Perpetual Subordinated Convertible Securities may be converted at any time on or after the offer is formally announced in compliance with applicable rules and regulations or for so long as the Breach Event is continuing.
- Restrictions on conversion : A holder of the Perpetual Subordinated Convertible Securities may only convert such number of Perpetual Subordinated Convertible Securities as would not cause Greentown China not to comply with the minimum public float requirement under the Listing Rules, following the conversion (the “**Public Float Issues**”).
- Initial conversion price : HK\$7.40 per Greentown China Share, which represents (a) a premium of approximately 38.3% to the closing price of HK\$5.35 per Greentown China Share as quoted on the Stock Exchange on the Last Trading Day; (b) a premium of approximately 48.2% to the average of the closing price of the Greentown China Shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK\$4.99 per share; (c) a premium of approximately 49.7% to the average of the closing price of the Greentown China Shares as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$4.95 per Greentown China Share; (d) a discount of approximately 13.3% to the closing price of HK\$8.54 per Greentown China Share as quoted on the Stock Exchange on the Latest Practicable Date; and (e) a discount of approximately 17.3% to the net asset value per Share of RMB7.28 (or HK\$8.95 at the exchange rate of RMB1.00 to HK\$1.23) as at 31 December 2011. The initial Conversion Price was determined by Greentown China, Wharf and Investor B after arm’s length negotiations by reference to, among other things, the trading prices of the Greentown China Shares prior to the signing of the Investment Agreement (which, for the purpose of this sentence, excludes the Supplemental Agreement) on 8 June 2012, the prevailing market price of the Greentown China Shares, the valuation metrics of Greentown China’s listed comparable companies and the strategic value of the investment.

LETTER FROM THE BOARD

Conversion price adjustment : The Conversion Price will be subject to adjustment for, among other things, the following dilutive events:

- Consolidation, subdivision or reclassification
- Capitalisation of profits or reserves
- Capital distributions
- Rights issues of Greentown China Shares or options over Greentown China Shares
- Rights issues of other securities
- Issues at less than 92% of the then prevailing market price
- Modification of rights of conversion, etc.
- Other offers to Greentown China Shareholders
- Certain other events

Conversion price adjustment upon consolidation, subdivision or reclassification : If and whenever there shall be an alteration to the nominal value of the Greentown China Shares as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one Greentown China Share immediately after such alteration; and

B is the nominal amount of one Greentown China Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

LETTER FROM THE BOARD

Conversion price adjustment upon capitalisation of profits or reserves : (a) If and whenever Greentown China shall issue any Greentown China Shares credited as fully paid to the Greentown China Shareholders by way of capitalisation of profits or reserves (including any share premium account) including, Greentown China Shares paid up out of distributable profits or reserves and/or share premium account (except any Scrip Dividend) and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Greentown China Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Greentown China Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Greentown China Shares or if the number of such Greentown China Shares is fixed on announcement and a record date is fixed therefor, immediately after such record date.

(b) In the case of an issue of Greentown China Shares by way of a Scrip Dividend where the aggregate then prevailing market price on the date of announcement of the terms of such issue of such Greentown China Shares multiplied by the number of such Greentown China Shares issued exceeds 105% of the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Greentown China Shares by the following fraction:

$$\frac{A+B}{A+C}$$

LETTER FROM THE BOARD

where:

A is the number of Greentown China Shares in issue immediately before such Scrip Dividend;

B is the number of Greentown China Shares which the Relevant Cash Dividend would purchase at such then prevailing market price; and

C is the number of Greentown China Shares to be issued pursuant to such Scrip Dividend;

or by making such other adjustment as an independent investment bank shall certify to the holders is fair and reasonable.

Such adjustment shall become effective on the date of issue of such Greentown China Shares or if the number of such Greentown China Shares is fixed on announcement and a record date is fixed therefor, immediately after such record date.

Conversion price
adjustment upon
capital distributions

: If and whenever Greentown China shall pay or make any Capital Distribution to the Greentown China Shareholders (except to the extent the Conversion Price falls to be adjusted under other provisions of the terms and conditions of the Perpetual Subordinated Convertible Securities), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Capital Distribution by the following fraction:

$$\frac{A-B}{A}$$

LETTER FROM THE BOARD

where:

A is the then prevailing market price of one Greentown China Share on the date on which the Capital Distribution is first publicly announced; and

B is the fair market value on the date of such announcement of the portion of the Capital Distribution attributable to one Greentown China Share.

Such adjustment shall become effective on the date that such Capital Distribution is actually made or if a record date is fixed therefor, immediately after such record date. For the avoidance of doubt, when the Capital Distribution is by means of a distribution of cash dividend, only such portion of the cash dividend which exceeds the threshold referred to in proviso (a) of the definition of Capital Distribution (the “**excess portion**”) shall be regarded as Capital Distribution and only the excess portion shall be taken into account in determining the fair market value of the portion of the Capital Distribution attributable to one Greentown China Share.

Conversion price
adjustment upon rights
issues of shares or
options over shares

: If and whenever Greentown China shall issue Greentown China Shares to all or substantially all Greentown China Shareholders as a class by way of rights, or issue or grant to all or substantially all Greentown China Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Greentown China Shares, in each case at less than 92% of the then prevailing market price per Greentown China Share on the date of the announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A+B}{A+C}$$

LETTER FROM THE BOARD

where:

A is the number of Greentown China Shares in issue immediately before such announcement;

B is the number of Greentown China Shares which the aggregate amount (if any) payable for the Greentown China Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Greentown China Shares comprised therein would subscribe, purchase or otherwise acquire at the then prevailing market price per Greentown China Share; and

C is the aggregate number of Greentown China Shares issued or, as the case may be, comprised in the grant.

Such adjustment shall become effective on the date of issue of such Greentown China Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Greentown China Shares are traded ex-rights, ex-options or ex-warrants as the case may be.

Conversion price adjustment upon issues at less than current market price : If and whenever Greentown China shall issue any Greentown China Shares (other than Greentown China Shares issued on the exercise of conversion rights or on the exercise of any other rights of conversion into, or exchange or subscription for Greentown China Shares) or issue or grant any options, warrants or other rights to subscribe for, purchase or otherwise acquire any Greentown China Shares, in each case at a price per Greentown China Share which is less than 92% of the then prevailing market price on the date of announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A+B}{A+C}$$

LETTER FROM THE BOARD

where:

A is the number of Greentown China Shares in issue immediately before the issue of such additional Greentown China Shares or the grant of such options, warrants or other rights to subscribe, purchase or otherwise acquire any Greentown China Shares;

B is the number of Greentown China Shares which the aggregate consideration (if any) receivable for the issue of such additional Greentown China Shares or would purchase at the then prevailing market price; and

C is the number of Greentown China Shares to be issued pursuant to such issue of Greentown China Shares or, as the case may be, the maximum number of Greentown China Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue or grant of such options, warrants or rights.

References to additional Greentown China Shares in the above formula shall, in the case of an issue by Greentown China of options, warrants or other rights to subscribe or purchase Greentown China Shares, mean such Greentown China Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Greentown China Shares or, as the case may be, the grant of such options, warrants or other rights.

LETTER FROM THE BOARD

Conversion price adjustment upon other issues at less than the then prevailing market price : Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within the conditions of the Perpetual Subordinated Convertible Securities, if and whenever Greentown China or any of its subsidiaries, or (at the direction or request of or pursuant to any arrangements with Greentown China or any of its subsidiaries), any other company, person or entity shall issue any securities (other than the Perpetual Subordinated Convertible Securities) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Greentown China Shares at a consideration per Greentown China Share which is less than 92% of the then prevailing market price on the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A is the number of Greentown China Shares in issue immediately before such issue;

B is the number of Greentown China Shares which the aggregate consideration receivable by Greentown China for the Greentown China Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at the then prevailing market price; and

C is the maximum number of Greentown China Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

LETTER FROM THE BOARD

Conversion price adjustment upon modification of rights of conversion : If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities which are issued at less than 92% of the then prevailing market price (other than in accordance with the terms of such securities) so that the consideration per Greentown China Share (for the number of Greentown China Shares available on conversion, exchange or subscription following the modification) is less than 92% of the then prevailing market price on the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A is the number of Greentown China Shares in issue immediately before such modification;

B is the number of Greentown China Shares which the aggregate consideration receivable by Greentown China for the Greentown China Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such prevailing market price or, if lower, the existing conversion, exchange or subscription price of such securities; and

C is the maximum number of Greentown China Shares to be issued on conversion or exchange of such securities or on the exercise of the right of subscription attached thereto at the modified conversion, exchange or subscription or purchase price or rate but giving credit in such manner as an independent investment bank, considers appropriate (if at all) for any previous adjustment under this condition or the condition where the Conversion Price is subject to adjustment for issues at less than 92% of the then prevailing market price.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

LETTER FROM THE BOARD

Conversion price adjustment upon other offers to Greentown China Shareholders : If and whenever the Greentown China Group or (at the direction or request of or pursuant to any arrangements with the Greentown China Group) any other company, person or entity issues, sells or distributes any securities in connection with which an offer pursuant to which the Greentown China Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under the adjustment provisions pertaining to (i) rights issues of Greentown China Shares or options over Greentown China Shares at less than 92% of the then prevailing market price; (ii) rights issues of other securities; (iii) issues at less than 92% of the then prevailing market price; or (iv) other issues at less than the then prevailing market price, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A-B}{A}$$

where:

A is the then prevailing market price of one Greentown China Share on the date on which such issue is publicly announced; and

B is the fair market value on the date of such announcement of the portion of the rights attributable to one Greentown China Share.

Such adjustment shall become effective on the date of issue, sale or delivery of the securities.

LETTER FROM THE BOARD

Conversion price adjustment upon other events : If Greentown China determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in any of the conditions as specified in the terms and conditions of the Perpetual Subordinated Convertible Securities, Greentown China shall, at its own expense, consult an independent investment bank to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination by the independent investment bank such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that where the events or circumstances giving rise to any adjustment pursuant to the Conversion Price adjustment conditions as specified in the terms of the Perpetual Subordinated Convertible Securities have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of the Conversion Price adjustment conditions as specified in the terms of the Perpetual Subordinated Convertible Securities as may be advised by the independent investment bank to be in its opinion appropriate to give the intended result.

The Conversion Price may not be reduced so that, on conversion of the Perpetual Subordinated Convertible Securities, Greentown China Shares would fall to be issued at a discount to their par value.

LETTER FROM THE BOARD

- Issuer call : At any time after the Issue Date, the Issuer may redeem all or some of the Perpetual Subordinated Convertible Securities together with all outstanding Arrears of Distributions and Additional Distribution Amount (if any) and the Distribution accrued to the date fixed for redemption at the following prices as a percentage of the principal amount:
- (a) from, and including, the Issue Date to, but excluding, the 1st anniversary of the Issue Date, at 103.5% of the principal amount;
 - (b) from, and including the 1st anniversary of the Issue Date to, but excluding, the 2nd anniversary of the Issue Date, at 107.0% of the principal amount;
 - (c) from, and including the 2nd anniversary of the Issue Date to, but excluding, the 3rd anniversary of the Issue Date, at 110.5% of the principal amount;
 - (d) from, and including the 3rd anniversary of the Issue Date to, but excluding, the 4th anniversary of the Issue Date, at 114.0% of the principal amount; and
 - (e) from, and including the 4th anniversary of the Issue Date at 117.5% of the principal amount.
- Issuer's option to force conversion : On or at any time after three years from the Issue Date, the Issuer may, at its sole discretion and subject to (a) payment of all outstanding Arrears of Distribution and any Additional Distribution Amount and accrued but unpaid Distribution (if any); (b) having given not less than 10 nor more than 15 days' notice; and (c) the VWAP of the Greentown China Shares for each of the 30 consecutive trading days ending on a date which is no more than three business days immediately prior to the date upon which notice of such conversion is given, was at least 130% of the applicable Conversion Price then in effect) under the terms of the Perpetual Subordinated Convertible Securities, elect to convert the Perpetual Subordinated Convertible Securities in whole but not in part into Conversion Shares.

LETTER FROM THE BOARD

- Clean-up call : If at any time the aggregate principal amount of the Perpetual Subordinated Convertible Securities outstanding is 10% or less than the aggregate principal amount originally issued, the Issuer shall have the option to redeem such outstanding Perpetual Subordinated Convertible Securities in whole but not in part at their principal amount together with all outstanding Arrears of Distribution, any Additional Distribution Amount (if any) and the Distribution accrued to the date fixed for redemption.
- Tax call : If there is any change to British Virgin Islands or Cayman Islands tax law which cannot be avoided by the Issuer and would result in the Issuer or the Guarantor becoming liable to pay additional tax amounts, the Issuer shall have the option to redeem such outstanding Perpetual Subordinated Convertible Securities in whole but not in part at their principal amount together with all outstanding Arrears of Distribution, any Additional Distribution Amount (if any) and any Distribution accrued to the date fixed for redemption. Holders have the right to elect for their Perpetual Subordinated Convertible Securities not to be redeemed but with no entitlement to any gross up for the additional tax amounts.
- Accounting call : If there is any change or amendment to International Financial Reporting Standards which would result in the Perpetual Subordinated Convertible Securities ceasing to qualify as equity in the financial statements of the Guarantor, the Issuer shall have the option to redeem such outstanding Perpetual Subordinated Convertible Securities in whole but not in part at their principal amount together with all outstanding Arrears of Distribution, any Additional Distribution Amount (if any) and any Distribution accrued to the date fixed for redemption.

LETTER FROM THE BOARD

Delisting or suspension : When the Greentown China Shares cease to be listed or admitted to trading or the trading of which is suspended for a period of more than 180 consecutive stock exchange business days, holders shall have the option to require the Issuer to redeem all, or some only, of the outstanding Perpetual Subordinated Convertible Securities at their principal amount together with all outstanding Arrears of Distribution and any Additional Distribution Amount (if any) and the Distribution accrued to the date fixed for redemption.

Conversion Shares : Based on the initial Conversion Price, a maximum of 344,594,594 Conversion Shares will be issued by Greentown China upon the full conversion of the Perpetual Subordinated Convertible Securities, representing (a) approximately 21.01% of the entire issued share capital of Greentown China as at the date of the Announcement (prior to the enlargement of the share capital of Greentown China by the issue and allotment of the First Tranche Greentown China Shares pursuant to the First Tranche Subscription); (b) approximately 17.51% of the entire issued share capital of Greentown China as at the Latest Practicable Date (subsequent to the share capital of Greentown China having been enlarged by issue and allotment of the First Tranche Greentown China Shares pursuant to the First Tranche Subscription); (c) approximately 16.18% of the entire issued share capital of Greentown China as enlarged by the issue and allotment of the Second Tranche Greentown China Shares pursuant to the Second Tranche Subscription; and (d) approximately 13.92% of the entire issued share capital of Greentown China as further enlarged by a full conversion of the Perpetual Subordinated Convertible Securities (based on the initial Conversion Price) under the Investment Agreement (in each case assuming no other issue of Greentown China Shares is made).

The Conversion Shares will rank, upon issue, *pari passu* in all respects with the Greentown China Shares in issue on the date of allotment and issue of such Conversion Shares.

Transferability : The Perpetual Subordinated Convertible Securities are freely transferrable.

LETTER FROM THE BOARD

- Voting : Holders of the Perpetual Subordinated Convertible Securities will not be entitled to attend or vote at any meetings of Greentown China or the Issuer by reason only of its being a holder.
- Listing : Save as required in the manner set out below, no application will be made for the listing of the Perpetual Subordinated Convertible Securities on the Stock Exchange or any other stock exchange. An application will be made by Greentown China to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. Pursuant to the Supplemental Agreement, at any time after the third anniversary of the Issue Date, holder(s) of the then outstanding Perpetual Subordinated Convertible Securities may require the Issuer to use its best endeavours to effect the listing of the Perpetual Subordinated Convertible Securities within three months (or such longer period of time as such holder(s) may agree) after the date on which the relevant request is made.

Conditions precedent:

Completion of the Second Tranche Subscription and the allotment and issue of the Perpetual Subordinated Convertible Securities under the Investment Agreement is conditional upon the fulfillment or waiver of the following conditions:

- (a) the passing by the shareholders of Greentown China at an extraordinary general meeting of the necessary resolutions to approve the Investment Agreement and the transactions contemplated thereunder;
- (b) the Listing Committee of the Stock Exchange granting the approval for the listing of and permission to deal in the Second Tranche Greentown China Shares and the Conversion Shares issuable upon the conversion of the Perpetual Subordinated Convertible Securities;
- (c) Wharf and the Company having obtained all necessary approvals, consents and waivers from the Stock Exchange and its shareholders for the transactions contemplated under the Subscription Agreement and the Investment Agreement;
- (d) there shall not have occurred any change, event, circumstance or other matter that has, either individually or in the aggregate, a material adverse effect on the business, operations, financial condition, assets or liabilities of the Greentown China Group taken as a whole which results in a net decrease in the Greentown China Group's consolidated net asset value by more than 30% of its consolidated net asset value as shown in the audited financial statements of the Greentown China Group for the year ended 31 December 2011;

LETTER FROM THE BOARD

- (e) the warranties given by Greentown China and the Issuer to Investor A and Investor B under the Investment Agreement being true, accurate and not misleading in all respects as at the date of the Investment Agreement and as at the date of completion of the Second Tranche Subscription and the issue of the Perpetual Subordinated Convertible Securities, respectively; and
- (f) the warranties given by Investor A, Investor B and Wharf to Greentown China under the Investment Agreement being true, accurate and not misleading in all respects as at the date of the Investment Agreement and as at the date of completion of the Second Tranche Subscription and the issue of the Perpetual Subordinated Convertible Securities, respectively.

Investor A and Investor B may together, waive any of the conditions precedent as set out in item (d) and (e) at any time by notice in writing to Greentown China, while Greentown China, on the other hand, may waive the condition precedent set out in item (f) at any time by notice in writing to Investor A and Investor B.

The date on which all the conditions precedent set out above have been (and continue to be) satisfied (or waived pursuant to the terms set out in the Investment Agreement) shall be the unconditional date (the “**Second Unconditional Date**”). If the Second Unconditional Date has not occurred within 180 days after the date of the Investment Agreement or such later date as may be agreed between Greentown China and the Issuer, on the one hand, and Investor A and Investor B on the other hand in writing, then the Investment Agreement shall automatically terminate save as otherwise provided therein and (without prejudice to the rights and/or obligations of any party thereto in respect of any antecedent breach) the parties to the Investment Agreement shall be released and discharged from their respective obligations under the Investment Agreement. As at the Latest Practicable Date, condition (c) has been satisfied.

Completion of the transactions under the Investment Agreement is not conditional upon completion of the First Tranche Subscription.

Completion:

Completion of the Second Tranche Subscription and the allotment and issue of the Perpetual Subordinated Convertible Securities under the Investment Agreement shall take place simultaneously and shall occur on the second Business Day after the Second Unconditional Date.

Undertakings given by Investor A:

- (a) Non-disposal undertaking

Each of Investor A and Wharf undertakes to Greentown China that during the period from the date of the Investment Agreement and until the expiry of two years from the date of completion of the Second Tranche Subscription (the “**Second Non-disposal Period**”), it will not, without Greentown China’s prior written consent offer, pledge,

LETTER FROM THE BOARD

charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right, interest, encumbrance or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase or enter into any of the economic consequences of ownership of the Second Tranche Greentown China Shares (or any other shares, securities or interest of Greentown China deriving from the Second Tranche Greentown China Shares) or the shares of Investor A or any of its holding companies or enter into any arrangement or agreement in respect of the voting rights attached to the Second Tranche Greentown China Shares (or any such other shares, securities or interest) or the shares of Investor A or any of its holding companies, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise. The aforesaid non-disposal undertaking of Investor A shall cease to have effect upon the occurrence during the Second Non-disposal Period of:

- (i) either Mr Song or Mr Shou terminates his service with Greentown China Group as a member of its senior management or an employee of Greentown China Group;
 - (ii) Mr Song, Mr Shou and Mr Luo together cease to control 30% or more of the voting power of Greentown China, other than as a result of (1) a transfer or sale of any Greentown China Shares to Wharf or its respective associates, or (2) the conversion of the Perpetual Subordinated Convertible Securities pursuant to its terms;
 - (iii) the Greentown China Group carries out any acquisition of land or investment in any property development project in breach of the Greentown China's obligation to seek the prior approval of the Investment Committee as more particularly described in the section headed "Establishment of the Investment Committee" in this circular below; and
 - (iv) any resolution is passed or order made for the winding up, dissolution, administration or reorganisation of any member of the Greentown China Group or a moratorium is declared in relation to any indebtedness of any member of the Greentown China Group, the appointment of any liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of any member of the Greentown China Group or any of its assets, or any analogous procedure or step in respect of any member of the Greentown China Group is taken in any jurisdiction, in each case which would have a material adverse effect on the financial condition, operations, business or properties of the Greentown China Group taken as a whole.
- (b) Non-acquisition undertaking

Each of Investor A, Investor B and Wharf undertakes to Greentown China that during the period from the date of the Investment Agreement and until the expiry of five years from the date of completion of the Second Tranche Subscription, it will not, and will procure the parties acting in concert with it not to, directly or indirectly acquire any additional Greentown China Shares or the economic consequences of ownership of any

LETTER FROM THE BOARD

additional Greentown China Shares (or enter into any arrangement or agreement to give such effect including with respect to the voting rights attached the Greentown China Shares) such that it and parties acting in concert with it (whether alone or together) would become the single largest Greentown China Shareholder from time to time. However, such undertaking shall not apply in the event that Investor A, Investor B, Wharf and parties acting in concert with it (whether alone or together) have become the single largest Greentown China Shareholder solely as a result of:

- (i) the conversion of the Perpetual Subordinated Convertible Securities;
- (ii) any disposal of Greentown China Shares by any of those Greentown China Shareholders, who immediately following the completion of the Second Tranche Subscription, and together with parties acting in concert with it hold more Greentown China Shares than Investor A, Investor B, Wharf and parties acting in concert with it, to someone who is neither Investor A, Investor B, Wharf nor a party acting in concert with it; or
- (iii) any dilution of shareholding interest in Greentown China held by any of the Greentown China Shareholders described in (ii) above (other than the Investors and its concert parties);

provided that once Investor A, Investor B, Wharf and their respective concert parties (whether alone or together) come to hold or control more Greentown China Shares or voting power of Greentown China than any other single shareholder of Greentown China pursuant to any of the above permitted exceptions, each of Investor A, Investor B and Wharf further undertakes that it will not, and will procure that their respective concert party will not, during the period from the date of the Subscription Agreement and until the expiry of five years from the date of completion of the Second Tranche Subscription, directly or indirectly, acquire or agree to acquire any additional Greentown China Shares, the economic consequences of ownership of any additional Greentown China Shares, or any voting power or the control to exercise any additional voting power in the Greentown China (or enter into any arrangement or agreement to give such effect including with respect to the voting rights attached the Greentown China Shares), whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise.

Anti-dilution rights given to Investor A:

For so long as the Investor A holds at least 23.0% of the then issued share capital of Greentown China from time to time and subject to (a) the proviso below; (b) compliance with the then applicable Listing Rules, provisions of the constitutional documents of Greentown China and laws and regulations by Greentown China; and (c) compliance with the undertaking by Investor A, Investor B and Wharf as described under the paragraph headed "Non-acquisition undertaking" above, if Greentown China at any time from the date of completion of the Second Tranche Subscription up to five years therefrom, issues or offers any new Greentown China Shares (including securities convertible into Greentown China Shares), Investor A shall be entitled to subscribe for or purchase, at the

LETTER FROM THE BOARD

same time as and on the same terms (including price) offered to other investors, such as Greentown China Shares (and/or securities, as the case may be) in such number as is necessary for Investor A to maintain its pre-offering percentage shareholding in Greentown China. Investor A shall not be entitled to the aforesaid anti-dilution rights in the issue or offering of new Greentown China Shares (including securities convertible or exchangeable into Greentown China Shares) pursuant to: (i) any rights issue; (ii) the exercise of any options which may be granted or exercise of rights of subscription or conversion of under the terms of any bonds, notes, warrants, debentures or other securities (including the Perpetual Subordinated Convertible Securities) which carry right to subscribe for or are convertible into Greentown China Shares and are existing as at the date of the completion of the Second Tranche Subscription; (iii) any Scrip Dividend, bonus issue or similar arrangement; (iv) the exercise of any options granted or which may be granted under the Share Option Scheme; or (v) any transaction by any members of the Greentown China Group pursuant to which such new Greentown China Shares (including securities convertible into Greentown China Shares) are to be issued by Greentown China as consideration. The aforesaid anti-dilution rights shall terminate and be of no effect immediately upon Investor A ceasing to hold at least 23.0% of the then issued share capital of Greentown China.

Establishment of the Investment Committee:

Upon completion of the First Tranche Subscription, for so long as Investor A holds at least 16.67% of the issued share capital of Greentown China from time to time, Greentown China shall establish and maintain the Investment Committee which shall comprise three members who may or may not be a Greentown China Director for the purpose of providing guidance and supervision to Greentown China with respect to investment and finance matters. Investor A shall be entitled to appoint one representative (the “**Investor A’s Representative**”) to the Investment Committee. For so long as the Gearing Ratio is 100% or above, prior written consent from the majority of the members of the Investment Committee (which shall comprise the written consent from Investor A’s Representative) shall be obtained for any proposed investment in any acquisition of land or investment in any property development project by any member of the Greentown China Group. Greentown China’s obligation to seek the prior approval of the Investment Committee for any new investment shall fall away immediately upon Investor A ceasing to hold at least 16.67% of the then issued share capital of Greentown China.

GREENTOWN CHINA BOARD RESOLUTIONS AND UNDERTAKINGS FROM MR SONG, MR SHOU AND MR LUO

In connection with the Public Float Issues, it is noted that the Greentown China Board has passed certain board resolutions in relation to, among other things, any future share repurchase and share placement, and each of Mr Song, Mr Shou and Mr Luo has given an undertaking to Greentown China in relation to, among other things, any future increment of the Greentown China Shares and/or share options of Greentown China held by him and/or his associates during the period when the Perpetual Subordinated Convertible Securities remain outstanding.

LETTER FROM THE BOARD

Greentown China Board resolutions

- (a) Greentown China shall not conduct any share repurchase, whether by way of purchase or redemption of Greentown China Shares (so long as any such proposed share repurchase, if conducted, would result in any of the Perpetual Subordinated Convertible Securities being prohibited from conversion into Conversion Shares due to any Public Float Issues) without the prior approval duly passed by the majority of a committee of the Greentown China Board comprising all of the non-executive Greentown China Directors and independent non-executive Greentown China Directors (the “**Greentown China Special Committee**”), provided that such restriction shall not affect the approval of any general repurchase mandate by the Greentown China Shareholders at any annual general meeting of Greentown China;
- (b) if the rights of any holder(s) of the Perpetual Subordinated Convertible Securities to convert the Perpetual Subordinated Convertible Securities into Conversion Shares is prohibited due to any Public Float Issues and the relevant holder(s) shall have notified Greentown China in writing of its/their intention to exercise its/their conversion rights attaching to the Perpetual Subordinated Convertible Securities, Greentown China shall as soon as reasonably practicable eliminate the relevant Public Float Issues, including but not limited to conducting placement of new Greentown China Shares to party or parties not being Greentown China’s connected person(s) at a price reasonably acceptable to the Greentown China Board for the purpose of (among other things) maintaining the necessary public float of Greentown China, subject to compliance with the then applicable Listing Rules, then funding needs of Greentown China as well as the Greentown China Directors’ fiduciary duties in making any such placement decisions; and
- (c) the duly passed resolutions of the Greentown China Board referred to in (a) and (b) above shall not be revised or revoked without the prior approval duly passed by the majority of the Greentown China Special Committee, unless the amendments to the terms and conditions of the Perpetual Subordinated Convertible Securities pursuant to the Supplemental Agreement do not become effective.

Undertakings from Mr Song, Mr Shou and Mr Luo

It is also note that each of Mr Song, Mr Shou and Mr Luo has undertaken to Greentown China to the effect that he shall not, and shall procure his associates not to, (i) increase their shareholding in Greentown China including but not limited to subscribing for new Greentown China Shares or acquiring issued Greentown China Shares (so long as (a) Greentown China does not comply with the minimum public float requirement under the Listing Rules at the relevant time; or (b) any such proposed increment, if conducted, would result in any of the Perpetual Subordinated Convertible Securities being prohibited from conversion due to insufficient public float of Greentown China); or (ii) accept any grant of additional share options (which are convertible into Greentown China Shares) to him and/or his associates by the Greentown China Group, without the prior approval

LETTER FROM THE BOARD

duly passed by the majority of the Greentown China Special Committee. For the avoidance of doubt, the aforesaid undertakings shall not restrict any of Mr Song, Mr Shou, Mr Luo and their respective associates from acquiring or subscribing for further Greentown China Shares under the following circumstances: (a) the exercise of any share options granted by Greentown China to any of them on or prior to 8 June 2012 for the allotment and issue of an aggregate of 16,698,000 Greentown China Shares; and (b) the subscription for or acquisition of Greentown China Shares by any of them unless this will result in any of the following: (i) an increase in their aggregate percentage shareholding in Greentown China; (ii) a dilution of the aggregate percentage shareholding of Wharf and its associates in Greentown China; and (iii) a decrease in the then prevailing available buffer for the holder(s) of the Perpetual Subordinated Convertible Securities to exercise its/their conversion rights without being prohibited by the Public Float Issues. The aforesaid undertakings will be terminated and of no effect once none of the Perpetual Subordinated Convertible Securities remains outstanding.

SHAREHOLDING STRUCTURE IN GREENTOWN CHINA

As at 8 June 2012, Wharf held 34,888,500 Greentown China Shares (representing 2.13% of the then issued share capital of Greentown China). Upon completion of the subscription of the First Tranche Greentown China Shares and as at the Latest Practicable Date, Wharf held approximately 18.43% shareholding interest in Greentown China. Upon completion of the subscription of the First Tranche Greentown China Shares and the Second Tranche Greentown China Shares, Wharf will hold approximately 24.64% shareholding interest in Greentown China. Assuming there is no other change in the total issued share capital of Greentown China from the Latest Practicable Date, following the allotment and issue of (i) the First Tranche Greentown China Shares and the Second Tranche Greentown China Shares to Investor A and (ii) the Conversion Shares to Investor B assuming the Perpetual Subordinated Convertible Securities are converted in full into Conversion Shares at the initial Conversion Price of HK\$7.40 per Greentown China Share, the Investors will be interested in an aggregate of 869,446,387 Greentown China Shares, representing approximately 35.13% of the issued share capital of Greentown China as enlarged by the Conversion Shares, thereby triggering a general offer obligation on the Investors and parties acting in concert with them to extend an offer to the other Greentown China Shareholders pursuant to Rule 26 of the Takeovers Code, unless a whitewash waiver is obtained by the Investors and parties acting in concert with them pursuant to Rule 26 of the Takeovers Code. Wharf and the Investors will comply with all relevant requirements under the Takeovers Code and the Listing Rules in this connection.

UNDERTAKINGS BY MR SONG AND MR SHOU

In order to show the long term commitment of Mr Song and Mr Shou in Greentown China, each of Mr Song and Mr Shou has undertaken to Greentown China that, for a term of five years from the completion of the First Tranche Subscription, subject to compliance with the then applicable Listing Rules and constitutional documents of Greentown China, he will make his service available to the Greentown China Group as a director and/or senior management of Greentown China provided that Greentown China offers such role(s) to him on terms comparable to prevailing market terms.

LETTER FROM THE BOARD

APPOINTMENT AND PROPOSED APPOINTMENT OF NON-EXECUTIVE GREENTOWN CHINA DIRECTORS

On 8 June 2012, the Greentown China Board appointed Mr Stephen T H Ng (deputy chairman of the Company, and deputy chairman and managing director of Wharf), a candidate nominated by Investor A, as a non-executive Greentown China Director whose appointment is subject to, and shall take effect immediately upon, completion of the First Tranche Subscription. Under the Subscription Agreement, Greentown China has agreed to propose Mr Ng to the Greentown China Shareholders for re-election by as a non-executive Greentown China Director at the EGM. Furthermore, pursuant to the terms of the Investment Agreement, Greentown China has agreed to propose another candidate nominated by Investor A to the Greentown China Shareholders for election as an additional non-executive Greentown China Director at the EGM, with such appointment to take effect immediately upon completion of the Second Tranche Subscription. Investor A has nominated Mr Paul Y C Tsui (the executive director and the group chief financial officer of both the Company and Wharf) to be the non-executive Greentown China Director. Each of Mr Song and Mr Shou has undertaken to vote in favour of the relevant resolutions to be put forward at the EGM in relation to the aforesaid appointments.

INFORMATION ON GREENTOWN CHINA

Greentown China is one of the most successful, privately-owned developers in the PRC. Headquartered in Hangzhou, Zhejiang Province, it was founded in 1995 and listed in Hong Kong in 2006. It was ranked number one in “Residents’ Overall Satisfaction” in 2011 by the China Index Academy to measure the remarkable recognition of products and services. For the year 2011, Greentown China reported a turnover of RMB22.0 billion (on recognition of 1.04 million s.m. of GFA at an average selling price over RMB20,000 psm of GFA) and an attributable profit of RMB2.6 billion (or RMB1.57 per share). As at 31 December 2011, Greentown China had 105 projects under development or pending development, representing a total planned GFA of nearly 41 million s.m. (of which about 24 million s.m. attributable to Greentown China) at an average land cost per floor area of under RMB2,900 psm. Sales contracted in 2011 amounted to RMB35.3 billion or 1.75 million s.m.

Over the years, Greentown China has built one of the most valuable brands in the property market in the PRC. Wharf has been invited as a strategic partner to help build Greentown China into a valuable brand in the international financial markets as well. In addition to providing new capital to Greentown China through the Transaction, Wharf will be represented on the Greentown China Board as well as its Investment Committee to help to establish and implement prudent financial parameters and governance.

LETTER FROM THE BOARD

In addition, Wharf and Greentown China will explore joint investment in existing and/or new projects to leverage each party's expertise in property development and management.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Transaction represents re-investment of favourable proceeds generated from sales so far in 2012. In the first five months of the year, inclusive of attributable share of joint ventures, Wharf has presold over RMB5 billion of properties in the PRC. That exceeded target by over 50%.

The Directors consider that the Transaction is a viable investment, will broaden the asset and earnings base of and will be beneficial to the Company.

The Directors also believe that the investment by the Wharf Group in Greentown China to become strategic investors of Greentown China will create opportunities for enhanced strategic dialogue and cooperation between the Wharf Group and the Greentown China Group in the PRC property sector.

The Directors consider that the terms of the Transaction are fair and reasonable, and in the interests of the Company and its shareholders as a whole. The Directors would recommend the shareholders of the Company to vote for the Transaction if a physical general meeting were to be convened.

FINANCIAL IMPACT OF THE TRANSACTION

Had the Transaction been completed on 31 December 2011, the Group's interest in associates would increase by approximately HK\$4 billion on a pro forma basis. The Company believes that the Transaction will not have any significant effect on the Group's earnings.

Set out in Appendix I to this circular is the financial information of the Group. Unaudited pro forma financial information which illustrates the financial impact of the Transaction, is set out in Appendix III to this circular. Financial information of the Greentown China Group is set out in Appendix II to this circular.

REGULATORY ASPECTS

To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiry, each of Greentown China and its ultimate beneficial owner(s) are independent third parties and are not connected persons of the Company.

Since one or more of the applicable percentage ratios in respect of the Transaction is/are greater than 25% while all such ratios are below 100% for the purposes of Rule 14.07 of the Listing Rules, the Transaction constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements as set out in the Listing Rules.

LETTER FROM THE BOARD

A written shareholders' approval has already been obtained from a closely allied group of 17 shareholders of the Company together holding 1,204,934,330 shares in the Company (representing approximately 59.3% of the issued share capital of the Company) for the entering into of the Transaction. No shareholder of the Company would be required to abstain from voting if a physical meeting for approval of the Transaction were to be convened.

GENERAL

The principal business activities of the Group are ownership of properties for development and letting, investment holding, container terminals as well as communications, media and entertainment.

The Greentown China Group is primarily engaged in developing quality properties targeting middle to higher income residents in the PRC.

The net profits before and after taxation and extraordinary items attributable to the First Tranche Greentown China Shares were about HK\$609 million and HK\$389 million for the financial year ended 31 December 2010 and the net profits before and after taxation and extraordinary items attributable to the First Tranche Greentown China Shares were about HK\$1,360 million and HK\$836 million for the financial year ended 31 December 2011, respectively.

The net profits before and after taxation and extraordinary items attributable to the First Tranche Greentown China Shares and the Second Tranche Greentown China Shares were about HK\$841 million and HK\$537 million for the financial year ended 31 December 2010 and the net profits before and after taxation and extraordinary items attributable to the First Tranche Greentown China Shares and the Second Tranche Greentown China Shares were about HK\$1,878 million and HK\$1,154 million for the financial year ended 31 December 2011, respectively.

The net profits before and after taxation and extraordinary items attributable to the First Tranche Greentown China Shares, the Second Tranche Greentown China Shares and assuming the Perpetual Subordinated Convertible Securities have been converted to Greentown China Shares were about HK\$1,233 million and HK\$787 million for the financial year ended 31 December 2010 and the net profits before and after taxation and extraordinary items attributable to the First Tranche Greentown China Shares, the Second Tranche Greentown China Shares and assuming the Perpetual Subordinated Convertible Securities have been converted to Greentown China Shares were about HK\$2,754 million and HK\$1,692 million for the financial year ended 31 December 2011, respectively.

LETTER FROM THE BOARD

Based on the net book value of Greentown China Group as extracted from the audited consolidated statement of financial position of Greentown China Group as at 31 December 2011 and as adjusted by the respective total subscription price of the First Tranche Subscription, total subscription price of the Second Tranche Subscription and consideration of the Conversion Shares for the Transaction (as the case may be): (a) the net book value attributable to the Group/the Wharf Group in respect of the First Tranche Greentown China Shares is HK\$2,708 million; (b) the net book value attributable to the Group/the Wharf Group in respect of the First Tranche Greentown China Shares and the Second Tranche Greentown China Shares is HK\$3,933 million; and (c) the net book value attributable to the Group/the Wharf Group in respect of the First Tranche Greentown China Shares, the Second Tranche Greentown China Shares and the Conversion Shares upon the assumed full conversion of Perpetual Subordinated Convertible Securities is HK\$6,626 million.

The net book value attributable to the Group/the Wharf Group in respect of the First Tranche Greentown China Shares and the Second Tranche Greentown China Shares, if taking into account the Wharf Group's existing 2.13% equity interests in Greentown China, would have been HK\$4,213 million. Further taking into account the Conversion Shares upon the assumed full conversion of Perpetual Subordinated Convertible Securities, the net book value attributable to the Group/the Wharf Group would have been HK\$6,903 million.

The Transaction will be funded entirely by the Wharf Group's surplus cash. The Wharf Group's cash surplus stands at about HK\$30 billion currently and is expected to stay at around HK\$18 billion after settlement of the new Ocean Terminal lease as well as the Transaction. Sales proceeds from One Midtown, Delta House and other non-core properties approach HK\$4 billion.

ADDITIONAL INFORMATION

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

Yours faithfully,
Peter K C Woo
Chairman

A. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE YEARS ENDED 31 DECEMBER 2009, 2010 AND 2011

The audited consolidated financial statements of the Group prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the years ended 31 December 2009, 2010 and 2011 together with the relevant notes thereto can be found from pages 41 to 117 of the annual report of the Company for the year ended 31 December 2009, pages 41 to 119 of the annual report of the Company for the year ended 31 December 2010 and pages 49 to 123 of the annual report of the Company for the year ended 31 December 2011, respectively.

Each of the said audited consolidated financial statements of the Group for the years ended 31 December 2009, 2010 and 2011 is incorporated by reference into this circular and forms part of this circular. The said annual reports of the Company are available on the Company’s website at www.wheelockcompany.com and the website of the Stock Exchange at www.hkexnews.hk.

B. INDEBTEDNESS

Borrowings

At the close of business on 31 May 2012, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had total borrowings of HK\$99,400 million. Details of the total borrowings are summarized below:

	The Group <i>HK\$ million</i> 31 May 2012
Secured	
Bank loans	21,185
Unsecured	
Bonds and notes	29,908
Convertible bonds	6,270
Bank loans	39,486
	<hr/>
	96,849
Amounts due to associates and jointly controlled entities	2,551
	<hr/>
Total borrowings	99,400
	<hr/> <hr/>

	The Group <i>HK\$ million</i> 31 May 2012
Analysis of total borrowings	
Repayable within 1 year	9,788
Repayable after 1 year but within 2 years	12,396
Repayable after 2 years but within 5 years	54,285
Repayable after 5 years	<u>20,380</u>
	96,849
Amounts due to associates and jointly controlled entities	<u>2,551</u>
Total borrowings	<u><u>99,400</u></u>

Amounts due to associates and jointly controlled entities are unsecured, interest free and have no fixed terms of repayment.

Included in the Group's total borrowings at 31 May 2012 are bank loans and other borrowings of HK\$78,197 million and HK\$1,691 million borrowed by Wharf Group and Wheelock Properties (Singapore) Limited respectively, which are without recourse to the Company and its other subsidiaries.

Facilities

As at 31 May 2012, the Group had total banking facilities (including issued debt securities) of HK\$117,226 million, of which an amount of HK\$25,180 million was secured. These secured banking facilities of the Group were secured by mortgages over certain properties under development, fixed assets and investments with an aggregate carrying value of HK\$68,813 million.

Contingent Liabilities

As at 31 May 2012, there were contingent liabilities in respect of guarantees given by the Group on behalf of jointly controlled entities and an associate of HK\$9,519 million of which HK\$6,755 million had been drawn.

Wheelock Properties Limited, a wholly-owned subsidiary, and New World Development Company Limited as guarantors (on several basis) have provided a guarantee in favour of MTR Corporation Limited to guarantee the performance and fulfillment of all obligations of Fast New Limited, a 50%-owned jointly controlled entity, under or arising out of or in connection with an agreement dated 23 March 2010 for the development of Site C and D of the Austin Station Property Development project.

Deposits and cash

As at 31 May 2012, the Group had deposits and cash of approximately HK\$37,750 million.

Disclaimers

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorized or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding at the close of business on 31 May 2012.

Save as disclosed above and the event described below, the Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 31 May 2012, up to and including the Latest Practicable Date.

- (i) On 4 June 2012, a subsidiary of the Group accepted an offer from the HKSAR Government for the surrender of KPP83 and re-grant of the Ocean Terminal Lot for a lease term of 21 years from the date of the relevant conditions of exchange. The Group is required to pay a land premium of HK\$7,900 million for the re-grant of the Ocean Terminal Lot.

C. WORKING CAPITAL

The Directors are of the opinion that, after due and careful enquiry, taking into account the financial resources available to the Group, including internally generated funds and the available banking facilities, the Group has sufficient working capital to meet its current known requirements for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances.

D. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Hong Kong and Singapore governments have both forecasted a GDP growth of 1%–3% in 2012, reflecting the uncertain global outlook triggered by the European debt crisis. The growing Chinese economy and the more buoyant intra-Asia trade, however, will benefit companies with business exposure in Asia, in particular China.

The various cooling measures imposed on the Hong Kong and Singapore real estate markets will develop more sustainable market outlook that will benefit Wheelock Properties Limited and Wheelock Properties (Singapore) Limited respectively.

The Mainland's economic development remains vibrant with a 7.5% GDP growth target for 2012. The continued wealth creation and accumulation will generate solid demand for quality real estates, despite the short-term market cautiousness caused by tightening measures. Favourable policy initiatives from China's 12th Five-Year Plan towards Hong Kong offer more and better opportunities for local corporates.

The Group is well positioned to capitalise on the continued growth in the region.

E. MATERIAL ADVERSE CHANGE

The Directors are not aware as at the Latest Practicable Date of any material adverse change in the financial or trading position or prospect of the Group since 31 December 2011, the date to which the latest published audited financial statements of the Group were made up.

A. CONSOLIDATED FINANCIAL INFORMATION OF THE GREENTOWN CHINA GROUP FOR THE YEARS ENDED 31 DECEMBER 2009, 2010 AND 2011

The audited consolidated financial statements of the Greentown China Group prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (which is equivalent to HKFRSs in all material respects) for the years ended 31 December 2009, 2010 and 2011 together with the relevant notes thereto can be found from pages 98 to 189 of the annual report of Greentown China for the year ended 31 December 2009, pages 92 to 195 of the annual report of Greentown China for the year ended 31 December 2010 and pages 92 to 213 of the annual report of Greentown China for the year ended 31 December 2011, respectively.

Each of the said audited consolidated financial statements of the Greentown China Group for the years ended 31 December 2009, 2010 and 2011 is incorporated by reference into this circular and forms part of this circular. The said annual reports of Greentown China are available on Greentown China’s website at www.greentownchina.com and the website of the Stock Exchange at www.hkexnews.hk.

B. MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS OF GREENTOWN CHINA

Set out below is the management discussion and analysis of Greentown China’s results and financial position for the years ended 31 December 2009, 2010 and 2011 extracted from the relevant annual reports of Greentown China with slight modifications (such as substituting the words “the Company”, “the Group” and “we” as appeared in the relevant reports with the words “Greentown China” and “the Greentown China Group” respectively, and elaborating the meaning of those capitalised terms by including the definitions extracted from other sections of the relevant reports) where appropriate.

FOR THE YEAR ENDED 31 DECEMBER 2009**Business Review**

Greentown China Group continued to adhere to its mission of “building platforms for our staff and creating value for our customers: bringing beauty to our cities and wealth to our society” during 2009, as well as its corporate culture based on sincerity, goodwill, gracefulness, and striving for perfection. Greentown China Group achieved promising results by tirelessly devoting itself to improving the quality of its properties. Some of the key highlights of the financial year ended 2009 are described below.

Project Development

Responding to changes in the market during 2009, Greentown China Group formulated a strategy of “earlier, faster and greater sales”. We adjusted our construction targets in accordance with market conditions in order to increase our stock of saleable properties. The Greentown China Group commenced construction of new projects with a

total gross floor area (“GFA”) of 3.88 million sq.m., which was 81% more than we had planned for at the beginning of the year.

Meanwhile, the Greentown China Group completed a total GFA of 1.93 million sq.m. during 2009, of which 1.27 million sq.m. were above-ground saleable area. As of 31 December 2009, 92% of these completed above-ground saleable area had been sold.

As at 31 December 2009, the Greentown China Group had 57 projects with a total GFA of 8.17 million sq.m. under construction.

Property Sales

The Greentown China Group’s annual contracted sales amounted to RMB51.3 billion, with contracted GFA totalled 3.5 million sq.m. during 2009, representing increases of 238% and 184% respectively as compared to 2008. Both the total contracted sales and GFA sold set new records for the Greentown China Group, and they placed the Greentown China Group among one of the top China’s real estate developers. The Greentown China Group accounted for 2.00 million sq.m. of the contracted GFA sold and RMB33.9 billion of the contracted sales, representing increases of 142% and 219% respectively as compared to the 2008 figures.

The Greentown China Group further enlarged its market share in Zhejiang Province. In Hangzhou, the Greentown China Group recorded contracted sales of RMB16.3 billions with total GFA sold amounted to 0.9 million sq.m., representing an increase of 191% over 2008. The total contracted sales generated in Hangzhou, which contributed to 32% of the Greentown China Group’s total contracted sales, accounted for 10.1% of the market share in Hangzhou during 2009. Apart from Hangzhou, the Greentown China Group contracted to sell a total GFA of 1.56 million sq.m. for a total of RMB22.4 billion in other areas of Zhejiang Province, which represented 44% of our total contracted sales and was 243% higher than those of 2008. They accounted for 9.1% of all property transactions in Zhejiang Province. The Greentown China Group’s business in Shanghai, Beijing and Shandong has likewise increased in 2009. The combined sales of the Greentown China Group in the aforesaid three regions amounted to RMB8.2 billion, a 486% increase over 2008. The Greentown China Group’s first project in Jinan – the Jinan National Games Project achieved sales of RMB2.3 billion in 2009, the highest figure for any property project in the city and accounted for 13.2% of all property market transactions there in 2008.

The Greentown China Group’s property projects, ranging from standard apartments to high-end villas, all achieved exceptional sales performances. In fact, our overall pre-sale rate leapt from 52% in 2008 to 89% in 2009, representing an increase of 37 percentage points. The pre-sale rate of apartments even reached 93%.

The average selling price of the Greentown China Group’s above-ground properties increased from RMB11,910 per sq.m. in 2008 to RMB14,684 per sq.m. in 2009, representing an increase of 23%. Our apartments were sold for an average of RMB13,514 per sq.m. and our villas for RMB26,364 per sq.m.

Classified by category of properties, apartments, villas and commercial buildings (offices and shops) accounted for 76%, 17% and 4% respectively of the Greentown China Group's total contracted sales.

Land Bank

The Greentown China Group's land bank strategy continued to focus on the Yangtze River Delta Region and the Bohai Rim Region during 2009. The sizeable bank of quality land we have accumulated has laid strong foundations for Greentown China Group development for the next three years.

In accordance with our development strategy and market conditions, the Greentown China Group acquired 37 new projects with a total site area of 4.21 million sq.m. via land auctions and equity acquisitions during 2009, of which 3.19 million sq.m. was directly attributable to Greentown China Group. The planned above-ground GFA of these newly acquired projects was 7.97 million sq.m., of which 5.67 million sq.m. was attributable to the Greentown China Group. The Greentown China Group paid a total of RMB45.6 billion in land premiums (calculation based on the acquisition cost), while the average cost of saleable area (calculated according to planned above-ground GFA) was RMB5,716 per sq.m. Most of the new additions to the Greentown China Group's land bank during the year were located in downtown areas and regional centres in Zhejiang (including Hangzhou), Jiangsu, Shanghai, Hefei, Beijing, Tianjin, Dalian, Qingdao and Zhengzhou, etc.

As of 31 December 2009, the Greentown China Group had 96 projects in 34 cities of the PRC. Their total GFA amounted to 30.83 million sq.m., of which 20.76 million sq.m. was attributable to the Greentown China Group. The land bank's total above-ground saleable area was 21.27 million sq.m., of which 14.27 million sq.m. was attributable to the Greentown China Group. The average cost of the land bank's above-ground saleable area and properties held was RMB4,260 per sq.m. A total of 3.38 million sq.m. of above-ground saleable area came to the market and 90% of them was sold.

Financial Analysis

Earnings of the Year and Profit Attributable to the Owners of Greentown China

Earnings of the Year was RMB1,092 million, which was increased by RMB525 million or 92.6% from RMB567 million in the same period of 2008. The net profit margin was 12.5%, with an increment of 4 percentage points compared with 8.5% in the same period of 2008.

The basic earnings per share for the Year was RMB0.64 and the diluted earnings per share was RMB0.62, with rate of return on equity of 11.4%. In 2008, the basic and diluted earnings per share were RMB0.35 and RMB0.34 respectively and the rate of return on equity was 6.6%. The profit attributable to the owners of Greentown China was RMB1,012 million, representing an increase of 87.4% from RMB540 million in 2008.

Revenue

Revenue hit a historic record high in the Year. As at 31 December 2009, revenue recognized was RMB8,727 million, representing an increase of 31.5% from RMB6,635 million in 2008. From 2007 to 2009, the growth rate of revenue for these two consecutive years were 15.6% and 31.5% respectively, with a compound annual growth rate of 23.3%. Revenue of the Greentown China Group primarily consists of revenue from sales of properties, construction materials, computer system design and installation and hotel operations, etc. The revenue from property sales represented 98.9% of the total revenue of the Year, a rise of 31.7% to RMB8,632 million for the Year from RMB6,553 million in 2008. The GFA of sales recognized amounted to 943,504 sq.m., representing an increase of 6.6% from 884,918 sq.m. in 2008.

Property sales revenue of 2009 was mainly derived from projects in Hangzhou, Shanghai and Qingdao. Sales derived from projects in Hangzhou amounted to RMB4,133 million with area sold of 368,064 sq.m., representing 47.9% of the total property sales and 39.0% of the total area sold. In terms of proportion to sales and areas sold, sales in Hangzhou ranked the first, followed by Shanghai and Qingdao, which accounted for 14.9% and 12.3% of property sales respectively, and 6.3% and 20.3% of total GFA sold respectively.

The net average price (net of business tax) improved significantly, a rise of 23.6% to RMB9,149 per sq.m. during the Year from RMB7,404 per sq.m. in 2008. The main reasons driving up the net average price were the changes of the regions and the property types. Firstly, in respect of the differences in regions, during the Year, the proportion of sales in first-tier cities was relatively large, mainly focused on projects in Hangzhou region (accounted for 47.9% of the property sales, with a net average price of RMB11,229 per sq.m.) and Shanghai (accounted for 14.9% of the property sales, with a net average price of RMB21,809 per sq.m.). In 2008, the proportion of sales in second-tier cities was relatively large, mainly focused on projects in Ningbo (accounted for 30.6% of the property sales, with a net average price of RMB6,618 per sq.m.) and Zhoushan (accounted for 11.8% of the property sales, with a net average price of RMB6,351 per sq.m.). Secondly, in respect of property type, the GFA sold for apartments as a proportion of total GFA sold improved to 87.2% for the Year from 67.1% in 2008. Especially, as the office building project in Ningbo R&D Park was a project with property prices fixed by the local government, its price was relatively low. GFA sold from Ningbo R&D Park for the Year was only 4,501 sq.m. (accounted for 0.5% of the total GFA sold), significantly reduced from the 179,255 sq.m. in 2008 (accounted for 20.3% of the total GFA sold).

Costs of Sales of Properties

The costs of sales of properties included cost of land, construction cost, cost of renovation and decoration and capitalized interest expenses, etc. The costs of sales of properties for the Year increased by 35.0% from RMB4,734 million in 2008 to RMB6,392 million in 2009, representing 99.6% of the total costs of sales. The costs of sales per sq.m. increased by 26.6%, from RMB5,350 per sq.m. in 2008 to RMB6,775 per sq.m. in 2009. The cost increase is due to firstly, the GFA sold for apartment with higher cost as a proportion of total GFA sold rose from 67.1% in 2008 to 87.2% in the Year, whereas the GFA sold for

office building project with lower cost as a proportion of total GFA sold experienced a sharp decline from 20.3% in 2008 to 0.5% in the Year, which directly drove up the costs of sales per sq.m. Secondly, Greentown China Group always adhered to its strategy of providing exquisite products, by updating its products, implementing its comprehensive community living system and enhancing the additional value for its products, which drove up the cost in a certain extent.

Gross Profit Margin

Gross profit margin of property sales decreased from 27.8% in 2008 to 25.9% in 2009. The consolidated gross profit margin of the Year decreased because, firstly, part of the revenue recognized during the Year was derived from contracted sales of 2008 when the market was depressed while Greentown China Group insisted not to cut price but to provide additional value for its products, causing the increase in cost. Secondly, Qingdao Ideal City, the first project the Greentown China Group performed when entering Qingdao, accounted for 12.3% of property sales revenue in the Year and only had a gross profit margin of 4.8%. Thirdly, the Greentown China Group adhered to its strategy of 'earlier, faster and greater sales', which accelerated its assets turnover ratio but also affected the pricing of Greentown China Group's products to a certain extent.

Other Income

Other income included interest income, government subsidy, foreign exchange gain/(loss) and brand usage fees, etc. Other income of RMB241 million was recorded for the year, representing a decrease of 26.7% from RMB329 million for 2008, mainly due to the drop in foreign exchange gain. During 2008, the Greentown China Group achieved a foreign exchange gain of RMB228 million, which was primarily due to the successive appreciation in RMB amounted to approximately 7%, resulting in substantial exchange gain arising from the US dollar denominated senior notes due in 2013 and convertible bonds issued in 2006. The exchange rate for RMB in the Year was relatively stable. Moreover, the Greentown China Group repurchased part of the senior notes in advance (90.3% of senior notes was repurchased), and the US dollar denominated convertible bonds issued in 2006 were all redeemed. Therefore, exchange gain generated was only a small amount. After the deduction of exchange loss incurred from foreign currency deposits, a net exchange loss of RMB2 million was resulted. Interest income during the Year was RMB103 million, representing an increase of 74.6% from RMB59 million in 2008 due to the increase in interest income from associates and jointly controlled entities over 2008. Brand usage fees for the Year amounted to RMB92 million, a significant increase from the RMB10 million in 2008, which was due to the increase in brand usage fees which are linked to property pre-sales.

Gains from Repurchase of Senior Notes and Redemption of Convertible Bonds

Greentown China repurchased in advance 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 RMB11 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 Year were RMB79 million. A trust agreement was entered into between Greentown Real Estate Group Co., Ltd (綠城房地產集團有限公司) and Zhonghai Trust Company Ltd (中海信託有限公司). The Trust Put Option, the Guarantee and RMB1 Options relating to the above agreement were deemed as derivatives and were measured according to their fair values.

Selling and Administrative Expenses

Selling and administrative expenses in the Year increased by RMB509 million or 69.1% from RMB737 million in the same period of 2008 to RMB1,246 million, with the percentage in turnover growing from 11.1% in 2008 to 14.3%. Specifically, administrative expenses increased by 83.1% to RMB811 million from RMB444 million in 2008. Human resources cost was the single largest item under administrative expenses, increased 183.5% to RMB343 million from RMB121 million in 2008. The sharp increase was mainly due to the grant of four lots of share options during the Year as well as increased property projects and more employees recruited. The human resources cost recognized due to the grant of share options was RMB107 million in the Year. Selling expenses increased 48.0% to RMB435 million during the Year from RMB294 million in 2008. The largest increase in selling expenses was the human resources cost in the sales system, which was increased by 121.2% to RMB115 million from RMB52 million in 2008, owing to the rise in the incentive remuneration and expenditure of the sales persons resulting from robust sales. The second largest increase was expenses in sales and marketing activities as well as advertising expense, which was increased by 42.5% to RMB208 million from RMB146 million in 2008, owing to the increase in the properties launched. The increase in sales expenses was relatively large, but compared with the contracted pre-sales of Greentown China Group, the percentage was 1.3%, substantially lower than 2.8% in 2008.

Reversal of Impairment Provision

The impairment provision in 2008 was RMB275 million, of which Shanghai Xinjiangwan Project, Zhoushan Sheraton Hotel, Hefei Sweet Osmanthus Garden, Nantong Yulan Apartment, Thousand- Island Lake Rose Garden and Zhoushan Sweet Osmanthus Town accounted for RMB148 million, RMB53 million, RMB28 million, RMB21 million, RMB21 million and RMB3 million, respectively. As the market revived, no new impairment existed in the Year. The impairment provision taken for Nantong Yulan Apartment and Thousand- Island Lake Rose Garden were written back.

Finance Costs

Interest expenses during the Year increased by 64.1% to RMB658 million from RMB401 million in 2008. Total interest expenses increased by 33.7% to RMB1,853 million from RMB1,386 million in 2008. The increase was caused by the surge in the number of projects and hence the increase in average debt amounts. RMB1,196 million of such interest expenses was capitalized and the capitalization rate was 64.5%. In 2008, RMB985 million of such interest expenses was capitalized and the capitalization rate was 71.1%. The capitalization rate decreased primarily because most of the projects newly acquired in 2009 have not commenced construction yet.

Share of Profit of Associates and Jointly Controlled Entities

Share of profit of associates and jointly controlled entities was RMB615 million for 2009, increased RMB231 million from RMB384 million in 2008. The GFA sold by associates and jointly controlled entities was 660,877 sq.m., approximately the same as 660,973 sq.m. in 2008. However, the net average selling price per sq.m. increased to RMB10,387 in 2009 from RMB8,886 in 2008, and at the same time gross profit margin increased from 29.0% in 2008 to 32.2% during the Year. The delivery of the Phase 1 of Hangzhou New Green Garden was completed during the Year and it achieved sales of RMB1,423 million, representing 20.7% of the total sales from associates and jointly controlled entities and contributing a total profit of RMB211 million to Greentown China Group in 2009. The net average selling price per sq.m. reached RMB20,874 with gross profit margin of 42.5%, which directly led to large improvement in the gross profit margin of sales of associates and jointly controlled entities during the Year. The delivery of the entire Hangzhou Majestic Mansion achieved sales of RMB1,530 million, representing 22.3% of the total sales from associates and jointly controlled entities and contributing a total profit of RMB130 million to Greentown China Group in 2009. The net average selling price per sq.m. reached RMB28,790, directly resulted in the swift increase in the net average selling price per sq.m. during the Year.

Taxation Charges

Taxation for the Year included LAT of RMB168 million and enterprise income tax of RMB310 million. The LAT accounted for 1.9% of revenue from property sales during the Year, which was lower than 5.3% in 2008. It was mainly due to the relatively low gross profit margin of certain projects and the write-back of the over provisions of LAT for Shanghai Greentown project. The effective tax rate for enterprise income tax for the Year was 22.1%, which was decreased by 11.2% from 33.3% in 2008. The drop in tax rate was due to firstly, the gain incurred from the repurchase of senior notes and the redemption of 2006 convertible bonds during the Year was not subject to any enterprise income tax and secondly, more was gained from Greentown China Group's associates and jointly controlled entities and the enterprise income tax of which was not included in this item.

Pre-sale Deposits

As at 31 December 2009, the balance of pre-sale deposits of the Greentown China Group was RMB23,301 million, representing an increase of 279.7% from RMB6,137 million in 2008, and the balance of pre-sale deposits of associates and jointly controlled entities was RMB14,670 million, a rise of 190% from RMB5,058 million in 2008.

Financial Resources and Liquidity

As at 31 December 2009, the Greentown China Group's cash balance amounted to RMB11,782 million (2008: RMB1,718 million) with total borrowings of RMB24,861 million (2008: RMB16,118 million). Net gearing ratio (i.e. net debt divided by net assets) decreased from 140.1% in 2008 to 105.1% as at 31 December 2009.

Foreign Exchange Fluctuation Risks

The principal place of operation of the Greentown China Group is the PRC. Most of the income and expenditures are denominated in RMB. Since the Greentown China Group had deposits, borrowings and third party loans in foreign currency and both the convertible bonds issued in 2006 and senior notes were denominated in US dollars, the Greentown China Group was exposed to foreign exchange risks. However, the Greentown China Group's operating cash flow or liquidity was not significantly affected by any exchange rate fluctuations. The Greentown China Group did not enter into any foreign exchange hedging arrangement as at 31 December 2009, other than a US dollar swap rate contract with a term of one year entered into with the Bank of China, in order to lock the exchange rate of two loans in foreign currency during the Year.

Financial Guarantees

As at 31 December 2009, the Greentown China Group provided guarantees of RMB10,106 million (2008: RMB3,900 million) to certain banks in favour of its customers in respect of the mortgage loans provided by the banks to these customers for the purchase of the Greentown China Group's properties.

Pledge of Assets

As at 31 December 2009, the Greentown China Group had pledged buildings, hotels buildings, prepaid lease payment, construction in progress, properties for development, properties under development, completed properties for sale, bank deposits, amount due from associates and interests in associates with an aggregate carrying amount of RMB23,207 million (2008: RMB12,216 million) to secure general banking facilities granted to the Greentown China Group.

Capital Commitments

As at 31 December 2009, the Greentown China Group had contracted capital expenditure in respect of properties for development, properties under development and construction in progress but not provided for amounting to RMB21,485 million (31 December 2008: RMB7,904 million).

Employees

As at 31 December 2009, Greentown China had 2,880 employees, compared with 2,637 employees in 2008. Of these, 1,493 employees or approximately 52% of the workforce had a bachelor's degree or higher educational qualification. There were 767 employees with middle or senior professional titles, approximately 27% of the total. There were 258 operations and management officers with the rank of department manager within the Greentown China Group itself, or assistant general manager or above within our project companies, accounting for approximately 9% of the total.

Awards

Despite the challenges in the market, the Greentown China Group continued to grow steadily during 2009 while maintaining a good image and reputation in the industry and among our customers. Greentown China was named as one of the “China’s Top 10 Real Estate Companies in terms of tax contribution in 2009”, and one of the “Top 10 of the Top 100 Real-Estate Companies in China” respectively for the sixth consecutive year, as well as one of the “10 Most Valuable Real Estate Brands in China”.

Remuneration Policies

The remuneration of the Greentown China Group’s employees is determined based on their performance, experience and prevailing industry practices. Greentown China reviews its remuneration policies regularly and appraises individual staff members according to their performance. Bonuses and cash awards may be distributed to employees as an incentive to motivate their enthusiasm and sense of responsibility.

Outlook

The Greentown China Group expects that 2010 will contain a mixture of opportunities and challenges. However, Greentown China Group believe that the real estate industry will develop in a healthy way in the long run and Greentown China Group remain committed to our strategic focus on product sophistication. In our opinion, the real estate market will continue to move forward during 2010: and Greentown China Group will closely monitor market trends and adjust our development strategies accordingly in the coming months. Meanwhile, the Greentown China Group also expects that the promulgation of macroeconomic tightening measures will further consolidate the market. This consolidation and optimisation will create benefits for companies which have solid fundamentals and good reputations, and enable them to increase their competitive edge over their peers.

FOR THE YEAR ENDED 31 DECEMBER 2010

Operational and Management Review

Property Sales

Profound changes took place in the PRC property market during 2010. The PRC government’s macroeconomic tightening measures reinforced continually, while market volatility intensified. A number of negative factors in the external business environment also made it necessary for the Greentown China Group to face various challenges in terms of the preparation, financing, sales and cashflow for its projects. However, thanks to the combined efforts of all its staff members and by leveraging on the constant pursuit of quality and its corporate ideals, the Greentown China Group continued to grow and develop steadily, and it recorded a slight increase from the previous year in terms of its total contract sales during 2010.

During the Year, the Greentown China Group offered properties at 85 projects for sale and it recorded a total sales revenue of approximately RMB54.2 billion, representing an increase of 6% from 2009. Of this amount, RMB34.2 billion was attributable to the Greentown China Group, and the overall sales ratio of the projects was 71%. The premium quality of the Greentown China Group's products continued to support their selling prices, which rose by 32% from an average of RMB14,684 per sq.m. in 2009 to RMB19,403 per sq.m. in 2010. The average selling price of its apartments was RMB17,885 per sq.m., while that of its villas was RMB23,903 per sq.m.

The Greentown China Group continued to consolidate its dominant position during the Year in the Hangzhou real estate market. The new projects or new phases of projects launched included Sapphire Mansion, Hope Town, Sincere Garden and Bright Moon in Jiangnan. These were the city's star properties during the Year. In fact, the Greentown China Group's sales in Hangzhou amounted to RMB18.6 billion, accounted for 34% of the Greentown China Group's entire sales during the Year. Many Greentown projects in other parts of the country were also trendsetters in their respective areas. Sales in excess of RMB1 billion were recorded at a number of projects, including the Jinan National Games Project, Cixi Rose Garden, Cixi Grace Garden, Beijing Sincere Garden, Zhuji Greentown Plaza and Haining Lily New Town, all of which were at the forefront of real estate developments in their respective markets. During the Year, the Greentown China Group's properties achieved market shares of 9.3% and 14.7% in Zhejiang and Hangzhou respectively, outperforming all its competitors in the two areas.

Greentown China ranked in the second position with a brand value of RMB8.0 billion in a China Real Estate Top 10 Research Team survey on the value of the PRC real estate brands during 2010. Its brand value increased by a compound annual growth rate of 42.61%, and it attained premiums ranging from RMB2,500 to RMB4,000 per sq.m.

Project Development

Greentown China commenced construction work for new projects with a total gross floor area ("GFA") of 6.92 million sq.m. during 2010, representing a shortfall of 38% from the target of 11.13 million sq.m. set at the beginning of the Year due to the change of market conditions, Greentown China's own operating conditions and its overall schedule of project launches.

During the Year, Greentown China Group completed a total GFA of 3.02 million sq.m. and a total saleable area of 2.06 million sq.m., 92% of which (i.e. 1.89 million sq.m.) was sold by the end of 2010, in line with the schedule formulated by Greentown China at the beginning of the year.

As at 31 December 2010, the Greentown China Group had 68 projects with a total GFA of 12.06 million sq.m. under construction.

APPENDIX II FINANCIAL INFORMATION OF THE GREENTOWN CHINA GROUP

	Project	Phase	Equity interest	Total GFA (sq.m.)	Saleable area (sq.m.)	Area sold as at the end of 2010 (sq.m.)
Jointly controlled entities/ associates	Hangzhou Hope Town	Phase 5 (partial)	45.0%	51,341	33,306	33,219
	Hangzhou New Green Garden	Phase 2	50.0%	28,871	21,641	21,641
	Hangzhou Xingqiao Purple Osmanthus Apartment	Phase 1	35.0%	44,061	27,736	21,869
	Hangzhou Ziwei Apartment	Entire Project	35.0%	119,220	89,965	89,965
	Hangzhou Tulip Bank	Phase 2	50.0%	173,720	116,810	116,810
	Deqing Lily Apartment	Phase 2	24.5%	139,613	107,957	107,738
	Lin'an Qingshan Lake Rose Garden	Phase 1	50.0%	48,238	40,541	40,541
	Haining Lily New Town	Villa Phase 5	50.0%	24,772	17,535	17,535
		High-rise Phase 2	50.0%	71,377	54,185	50,262
	Nantong Rudong Hupanju	Phase 3 (partial)	50.0%	44,681	32,812	30,694
	Jinan National Games Project	Phase 1	45.0%	564,918	368,129	344,328
		Phase 3	45.0%	115,300	82,625	74,063
	Subtotal				1,426,112	993,242
Total				3,023,674	2,062,937	1,888,897

Land Bank

During 2010, the Greentown China Group acquired 18 additional projects of land sites. They were located in Hangzhou, Zhoushan, Deqing, Lin'an, Ningbo and Wenzhou, all in Zhejiang province, as well as in other areas including Shanghai, Beijing, Jiangsu, Hebei and Shandong. All of these sites were acquired via land auctions and equity acquisitions. They have a total area of approximately 2.43 million sq.m., and a planned GFA of approximately 4.91 million sq.m., of which 3.10 million sq.m. will be attributable to the Greentown China Group. The total amount of land premiums paid was RMB22.3 billion (of which RMB12.8 billion was attributable to and borne by Greentown China Group) while the average floor land price (calculated on the basis of the planned GFA) was RMB4,538 per sq.m. By the end of 2010, the total GFA of the Greentown China Group's land bank exceeded 37.00 million sq.m., of which approximately 24.22 million sq.m. was attributable to the Greentown China Group. The increasingly diversified locations of Greentown China Group's land bank projects that spanned across the country will help ensure the success of its developments in the future.

In fact, the Greentown China Group's land bank plays an important strategic role in its development. In accordance with its policy of maintaining a balance between operational risk and growth potential, Greentown China implements a flexible acquisition strategy for its land bank and a selective joint development model, as a means of strengthening its ability to acquire land at minimal risk.

Land Bank Sites Added During 2010

Project	Region	Equity interest	Total land premium (RMB million)	Land premium attributable to	Site area (sq.m.)	Planned GFA (sq.m.)	Land price per GFA (RMB/sq.m.)
				Greentown (RMB million)			
Hangzhou Tianyuan Project Lot No.24	Hangzhou	33.0%	1,700	561	116,208	185,933	9,143
Hangzhou Jiangcun	Hangzhou	40.0%	1,806	241	50,013	105,027	17,196
Zhoushan Ocean University Project	Zhejiang	100.0%	1,112	1,112	229,281	252,209	4,409
Deqing Yingxi Arcadia	Zhejiang	100.0%	93	93	94,251	94,251	987
	Zhejiang	100.0%	99	99	100,426	100,426	990
Ningbo R&D Park Phase 3	Zhejiang	60.0%	70	42	40,439	80,878	866
Ningbo Eastern New City Project	Zhejiang	45.1%	1,890	1,027	113,810	627,882	3,011
Lin'an Cuihu Premium Premise*	Zhejiang	15.0%	172	15	20,730	20,730	8,288
Wenzhou Longwan Project	Zhejiang	40.0%	3,099	1,240	126,650	189,975	16,313
Shanghai Bund Office Building Reconstruction Project	Shanghai	40.0%	648	259	2,762	20,575	31,495
Shanghai Tianshan Road Project	Shanghai	70.0%	1,536	1,075	25,594	102,376	15,004
Shanghai Bund International Financial Services Centre Lot No. (8-1)*	Shanghai	10.0%	922	922	4,547	27,000	34,148
Qingdao Audit Office Project	Shandong	100.0%	4,040	4,040	34,923	227,004	17,797
Shandong Xintai Yulan Garden	Shandong	70.0%	346	242	256,400	564,080	613
Jinan Shengfuzhuang Project	Shandong	49.0%	1,240	98	256,003	486,590	2,548
Suzhou Yeshan Island Project	Jiangsu	70.0%	280	280	220,693	19,862	14,097
Changzhou Project	Jiangsu	54.5%	2,087	945	413,252	1,115,780	1,870
Nantong Qidong Project	Jiangsu	51.0%	657	33	162,987	325,974	2,015
Tangshan South Lake Project	Hebei	100.0%	473	473	165,829	361,507	1,308
Total			22,270	12,797	2,434,798	4,908,059	4,538

* Note: Projects in which the Greentown China Group has an interest of less than 20% and the details listed above relate only to Greentown China Group's interest in those projects.

Corporate Management

The Greentown China Group named 2010 as “The Year for Developing Human Resources”. We believe that employees are primary assets of Greentown China. Recognising that its continued growth increases its need for talented people with strategic management, marketing control, capital operation and risk prevention skills, the Greentown China Group adhered to its policy of “Building Our Capacity, Consolidating Our Foundations, Enhancing Our Strengths and Optimising Our Governance” whilst targeting its human resources development on fostering the growth of its individual employees and strengthening its team. In this regard, the Greentown China Group’s efforts have focused on the four areas of cultural continuity, the nurturing of employees, individual growth of employees and construction of corporate systems as means of consolidating the foundations for the further development of its human resources.

The Greentown China Group continued to promote corporate reform as a way of strengthening the vertical management structure in all its professional systems during 2010. It established six professional companies that specialise in planning design, landscaping, decoration, pricing consultation, marketing and planning, respectively. This helped optimize the integration of the Greentown China Group’s professional resources and further strengthened its quality control and marketing capabilities, thus making a strong contribution to its overall development.

Expansion of the Construction Management Business

Greentown Property Construction Management Company Ltd. (“Greentown Construction”) was established in September 2010. This professional entity is engaged in real estate brand service management, and it integrates Greentown’s brands and management resources. As a result, Greentown has now entered a new phase by starting to provide consultancy services in its brand and management expertise. By maintaining steady growth in the size of the properties in which it is the sole investor and by expanding its brand and management consultancy services, the Greentown China Group aims to realise the commercial value of its professional management and resource integration abilities in full. Meanwhile, the Greentown China Group’s large-scale cooperation with external institutions allows it to increase revenue by providing services, minimising the risk of entailing liabilities. This creates greater potential for the Greentown China Group to become involved in developing new markets and to boost its profits. Since the establishment of Greentown Construction in September 2010, Greentown Construction has entered into contracts for 27 projects with a total GFA in excess of 4.90 million sq.m. as at the end of February 2011.

Outlook

In 2011, the PRC government focuses on, regarding its economic tasks, managing inflation, causing significant limitations to currency liquidity. The PRC government also puts greater effort in controlling its property industry. The property industry is suffering pressure from the decline in trading volume in the property market and the tighter credit granting for property development caused by the restrictive policy in property purchase and financing. Thus, the capital chain of the industry is encountering severe challenges. However, the Greentown China Group clearly understands the situation and reacts proactively by enhancing its organic growth momentum and strengthening its risk management. While the Greentown China Group always ensures to maintain a safe operation, it also strives for a continuous growth.

A total of 98 existing and new projects of the Greentown China Group is expected to be sold in 2011 with an expected sales revenue of approximately RMB120 billion. The Greentown China Group will continue with its strategy of “earlier, faster and greater sales” for rapid asset turnover. In responding to the market demand for high-quality products and services, the Greentown China Group will accelerate its sales promotion and cash flow turnover in order to achieve a better sales result than 2010.

Greentown China Group expects to commence construction for projects with a total GFA of approximately 9.00 million sq.m. in 2011. Meanwhile, the Greentown China Group will make reasonable adjustments to the progress of its construction works according to the market conditions. On the other hand, Greentown China Group expects that a total of 31 projects or project phases with a total GFA of 2.57 million sq.m. will be completed in 2011, representing 1.86 million sq.m. in saleable areas (of which 1.09 million sq.m. is attributable to the Greentown China Group).

Projects Scheduled for Completion in 2011

	Project	Phase	Equity interest	Total GFA (sq.m.)	Saleable area (sq.m.)	Area sold as at the end of 2010 (sq.m.)
Subsidiaries	Hangzhou Blue Patio	Phase 4 (partial)	85.0%	25,562	16,258	15,661
		Phase 6 (partial)	85.0%	33,728	24,202	23,219
	Hangzhou Sapphire Mansion	Phase 1	100.0%	63,284	50,734	49,537
	Hangzhou Taohuayuan South	Phase 7	64.0%	13,942	8,836	8,094
		Phase 8	64.0%	20,371	13,828	13,828
		Phase 9 (partial)	64.0%	10,638	6,908	6,908
	Hangzhou Taohuayuan Jinnanyuan	Entire Project	32.6%	7,975	5,006	5,006
	Hangzhou Lilac Apartment	Entire Project	50.0%	109,010	78,444	69,842
	Thousand-Island Lake Resort Condo	Phase 4	80.0%	24,640	15,832	11,196
	Thousand-Island Lake Rose Garden	Phase 1	51.0%	139,655	96,889	89,646
	Xinchang Rose Garden	Phase 3	80.0%	20,132	19,966	6,260

APPENDIX II FINANCIAL INFORMATION OF THE GREENTOWN CHINA GROUP

Project	Phase	Equity interest	Total GFA (sq.m.)	Saleable area (sq.m.)	Area sold as at the end of 2010 (sq.m.)	
Zhuji Greentown Plaza	Phase 1	60.0%	30,995	23,583	21,543	
Wenzhou Lucheng Plaza	Phase 1	60.0%	143,297	116,661	114,475	
	Phase 2	60.0%	141,272	105,011	102,105	
Xiangshan Lily Apartment	Phase 2	50.0%	100,942	72,516	48,452	
Huzhou Majestic Mansion	Phase 1	70.0%	102,311	57,429	25,392	
Shanghai Rose Garden	Phase 3	100.0%	47,912	18,650	11,091	
Shanghai Bund House	Phase 1	51.0%	75,815	56,013	37,593	
Nanjing Rose Garden	Phase 3	70.0%	19,466	12,216	11,773	
Nantong Yulan Apartment	Phase 2	77.0%	43,173	32,212	30,271	
Beijing Majestic Mansion	Phase 2 (partial)	100.0%	38,016	27,206	27,206	
Beijing Lily Apartment	Phase 9	80.0%	91,392	71,610	58,104	
Beijing Sincere Garden	Phase 1	50.0%	59,146	35,519	32,952	
Changsha Bamboo Garden North	Phase 5	49.5%	4,156	4,156	To be launched	
Xinjiang Lily Apartment	Phase 1 (partial)	50.0%	118,742	71,495	69,700	
Subtotal			1,485,572	1,041,180	889,854	
Jointly controlled entities/ associates	Hangzhou Begonia Apartment	Entire Project	42.0%	94,461	71,260	68,668
	Hangzhou Hope Town	Phase 5 (partial)	45.0%	166,699	115,784	100,069
	Hangzhou Xingqiao Purple Osmanthus Apartment	Phase 2	35.0%	7,632	5,622	5,531
	Haugzhou Orchid Apartment	Entire Project	50.0%	58,534	44,338	40,825
	Haining Lily New Town	High-rise	50.0%	60,263	45,990	42,432
		Phase 3 (partial)				
	Shaoxing Yulan Garden	Phase 1	35.0%	236,676	198,767	185,764
	Shaoxing Jade Garden	Phase 1	51.0%	23,712	14,528	14,528
	Cixi Rose Garden	Phase 1	49.0%	93,646	62,519	50,433
	Taizhou Yulan Plaza	Phase 1	49.0%	154,434	115,413	91,603
	Wuxi Yulan Garden	Phase 1	85.0%	183,649	148,691	114,194
Subtotal			1,079,706	822,912	714,047	
Total			2,565,278	1,864,092	1,603,901	

As at 31 December 2010, Greentown China Group has not yet recognized its sales revenue of RMB80.5 billion (RMB52.3 billion attributable to the Greentown China Group's equity interest) in its income statement. Most of this revenue will be gradually recognized in the coming two years. The growth momentum of earnings for the forthcoming years is so strong that Greentown China is optimistic about its earning prospect.

In 2011, Greentown China Group's total land premium payables amounts to RMB19.8 billion. Among these land premiums, approximately RMB12.6 billion was to be borne by its joint venture partners and Greentown China only needs to pay RMB7.2 billion. As at 28 March 2011, Greentown China has settled RMB2.6 billion with a remaining amount only approximating RMB4.6 billion to be paid in 2011. For its additional land reserves, the Greentown China Group will, relying on its brand awareness and professional management capacity, seek to expand strategic cooperation and introduce joint venture partners with solid financial capabilities, with a view to achieving a sustainable growth through win-win cooperation. Moreover, it will promote its construction management business to expand the Greentown China Group's scale without bearing increased liabilities so as to improve return on assets and widen its source of income.

In 2011, the Greentown China Group will further emphasize on financial risks control, strengthen fund management and internal control, enhance cost control system and improve economic efficiency of projects. Meanwhile, on the basis of strengthening cooperation with banks, which is its traditional advantage, the Greentown China Group will expand finance innovation and gradually limit its corporate liabilities to a reasonable level in two to three years.

Facing a severe macro-economic environment, Greentown China Group must accordingly adjust its development strategy and plans. However, Greentown China Group firmly believe that the genuine power to overcome all kinds of difficulties lies in a corporate philosophy that is in conformity with our corporate culture and centers on social responsibilities, a team of employees who exhibit dedication, pursuit of knowledge and loyalty, pursuit of perfection, attitude for improvement in products and services, and the growing capabilities in integrating and optimizing all kinds of social resources. As such, in the coming years the Greentown China Group will continue to implement its self-building strategy, quality strategy, service strategy, and cooperation strategy, to relentlessly improve and innovate its internal structure, standardization, and information building. After all, through improving its corporate quality, the Greentown China Group will render better services to our staff, our customers, our cities, our society and our shareholders, with a view to promoting a healthy growth and prosperity of the industry.

Financial Analysis

Performance

The Greentown China Group's audited consolidated revenue in 2010 totalled RMB11,161 million, an increase of 27.9% from the previous year. Meanwhile, its gross profit amounted to RMB3,401 million in 2010, which was 47.1% greater than that in 2009. The earnings attributable to the owners of Greentown China rose by 51.4% to RMB1,532 million in 2010. After deducting the gain/loss on redemption of convertible bonds, the gain on repurchase of senior notes, the loss on redemption of trust loans and fair value changes on trust-related financial derivatives, and the fair value gains on its investment properties, the earnings attributable to the owners would amount to RMB1,327 million, which is 81.3% more than the figure for 2009 of RMB732 million. Basic earnings per share was RMB0.93. The Board has proposed to pay a final dividend of RMB0.36 for the year ended 31 December 2010 (2009: HK26 cents). Together with an interim dividend of RMB0.10 per share paid during 2010 (2009: HK9.6 cents), the aggregate amount distributed in dividends during 2010 would be RMB0.46 per share, which represents a dividend payout ratio of 50%.

Revenue

Revenue of the Greentown China Group (net of business tax) comes mainly from properties sales revenue, apart from revenue from hotel operations, property rental income, project management and sales of construction materials. In 2010, revenue recognized by the Greentown China Group was RMB11,161 million, representing an increase of 27.9% from RMB8,727 million in 2009. The year-on-year revenue growth rates for the three years ended 31 December 2008, 2009 and 2010 were 15.6%, 31.5% and 27.9%, respectively, with a compound annual growth rate of 24.8%.

The revenue from property sales in 2010 arrived at RMB10,816 million which accounted for 96.9% of the total revenue, representing an increase of 25.3% from RMB8,632 million in 2009. Such increase was mainly attributable to the increase in areas carried forward during this year. In 2010, the recognized areas of the Greentown China Group was 1,194,232 sq.m., representing an increase of 26.6% from 943,504 sq.m. in 2009.

The table below shows the properties delivered in 2010:

Project	Type	Area sold (sq.m.)	Sales revenue (RMB million)	Sales proportion	Unit price (RMB/sq.m.)
Ningbo R&D Park	Office	276,206	1,366	12.6%	4,946
Hangzhou Sky Blue Apartment	High-rise apartment	53,052	1,130	10.5%	21,300
Hefei Yulan Apartment	High-rise apartment	136,499	787	7.3%	5,766
Hangzhou Yulan Apartment	High-rise apartment	52,669	684	6.3%	12,987
Xiangshan Lily Apartment	High-rise apartment	60,083	604	5.6%	10,053
Beijing Lily Apartment	Integrated community	105,363	590	5.5%	5,600
Changxing Plaza	High-rise apartment	69,205	586	5.4%	8,468
Beijing Majestic Mansion	Flat mansion	14,891	587	5.4%	39,420
Hangzhou Blue Patio	Integrated community	89,154	543	5.0%	6,091
Others		337,110	3,939	36.4%	11,685
Total		1,194,232	10,816	100.0%	9,057

As disclosed above, revenue from project sales in Hangzhou, Ningbo and Beijing amounted to RMB3,680 million, RMB1,995 million and RMB1,177 million, respectively, accounting for 34.0%, 18.4% and 10.9%, respectively, of the total sales revenue. In 2010, revenue from sales of apartments, offices, villas and flat mansions were RMB6,875 million, RMB1,365 million, RMB1,922 million and RMB654 million, respectively, accounting for 63.6%, 12.6%, 17.8% and 6.0% of the total sales revenue respectively.

The Greentown China Group recorded a revenue of RMB193 million from hotel operations in 2010, representing a significant increase from RMB72 million in 2009. Reasons for such increase were that, on one hand, Xinchang Greentown Radisson Hotel and Greentown Thousand-Island Lake Sheraton Resort Hotel commenced operations in the second half of 2009 and the beginning of 2010, respectively, and, on the other hand, Hangzhou Rose Garden Resort and Sheraton Zhoushan Hotel, which have been operated since previous years, continuously contributed an increasing revenue from hotel operations riding on their matured customer bases.

In 2010, the Greentown China Group realized rental income from investment properties of RMB33 million, which was mainly attributable to rental income arising from commercial shops of Hangzhou Deep Blue Plaza and the Oakwood Residence Chaoyang, Beijing (commencing its operation in this year).

In 2010, the revenue of the Greentown China Group from project management services amounted to RMB36 million, which mainly consisted of revenue contributed by Greentown Construction. It is expected that its revenue will continue to increase as the scale of project management service expands.

Gross Profit Margin

The Greentown China Group recorded a gross profit of RMB3,401 million in 2010 and a gross profit margin of 30.5%, representing a significant increase from 26.5% in 2009. Gross profit from properties sales amounted to RMB3,138 million, with an increased gross profit margin of 29.0% from 25.9% in 2009. Main reason for such increase was that more high-end property projects were recognized during this year than 2009, such as Hangzhou Sky Blue Apartment, Hangzhou Yulan Apartment, and Thousand-Island Lake Resort Condo.

Other Income

Other income mainly included interest income, trust income, government grants, foreign exchange gain/loss and brand usage fees, etc. Other income of RMB649 million was recorded by the Greentown China Group for 2010, representing an increase of 169.3% from RMB241 million in 2009, mainly due to the higher increase of interest income and foreign exchange gain.

Interest income of the Greentown China Group during 2010 was RMB444 million, representing an increase of RMB341 million from RMB103 million in 2009, caused by the substantial growth of average bank deposit balances, which is brought by the pre-sale deposits' increase and the expansion of Greentown China Group's overall assets scale.

Trust income of RMB33 million in 2010 arose from the Greentown China Group's investment in the junior units in the Zhonghai-Greentown No.1 Real Estate Investment Fund (中海•綠城1號房地產投資基金) subscribed in 2009.

Foreign exchange gain of RMB99 million was recorded in 2010, representing a robust growth of the foreign exchange loss of RMB2 million in 2009, which was primarily due to the appreciation of Renminbi by 3% in 2010. Greentown China's bank borrowings denominated in US dollar and Hong Kong dollar were not immaterial. As of 31 December 2010, bank borrowings denominated in US dollar and Hong Kong dollar were US\$329 million and HK\$2,150 million respectively.

Selling and Administrative Expenses

The Greentown China Group's selling and administrative expenses in 2010 amounted to RMB1,658 million, representing an increase of 33.1% (RMB412 million) from RMB1,246 million in 2009, representing a slight increase in the percentage in sales revenue as from 14.3% in 2009 to 14.9%.

The biggest spending in selling and administrative expenses was the human resources cost, which increased by 12.2% to RMB579 million in 2010 (2009: RMB516 million). The increase was mainly due to the increased property projects and recruitment of more employees. Expenses in sales and marketing as well as advertising expense in 2010 amounted to RMB262 million (2009: RMB208 million), representing an increase of 26.0% as compared to 2009, owing to the increase in the properties launched. The selling expenses constituted a relatively low proportion of Greentown China Group's pre-sale proceeds, which was 0.75%. The depreciation costs incurred in 2010 amounted to RMB129 million, representing an increase of 69.7% as compared to 2009 (RMB76 million), mainly attributable to an additional depreciation of assets in Greentown Thousand-Island Lake Sheraton Hotel and the earlier commencement of depreciation of Xinchang Greentown Radisson Hotel in 2010 compared with 2009. Furthermore, basic expenses such as office expenses, business meeting expenses, travel expenses, utilities and property management expenses and rental charges all went up in a certain extent, mainly caused by the expansion of the corporate scale.

Finance Costs

In 2010, interest expenses charged to the consolidated statement of comprehensive income was RMB340 million (2009: RMB658 million). Total interest expenses for the Year was RMB2,662 million (2009: RMB1,853 million). Such increases were caused by the surge in the number of projects and hence the increase in average borrowing amount. The interest capitalized was RMB2,322 million, with the capitalization rate of 87.2% (2009: 64.5%) during 2010. The improvement in capitalization rate was mainly attributable to the timely commencement of development upon the acquisition of lands.

Share of Results of Associates and Jointly Controlled Entities

Share of results of associates and jointly controlled entities slightly decreased from RMB615 million in 2009 to RMB565 million in 2010. Property sales from associates and jointly controlled entities in 2010 amounted to RMB9,432 million, representing a substantial increase as compared to RMB6,865 million in 2009. Such increase was principally due to the areas sold growing by 58.8% from 660,877 sq.m. in 2009 to 1,049,436 sq.m. However, the unit price and gross profit margin of property sales dropped dramatically from RMB10,387 per sq.m. in 2009 to RMB8,988 per sq.m. in 2010, and from 32.2% in 2009 to 24.7% in 2010, respectively. The fall was mainly dragged by the unit price of RMB7,697 per sq.m. and gross profit margin of 16.8% in Jinan National Games Project, which accounted for 44.1% of the associates and jointly controlled entities' total property sales revenue. Jinan National Games Project was firstly carried forward in 2010. With lots of properties launched in the project and a majority of the sales contracts being entered into in 2008 when the economy was suffering from the financial crisis, its gross profit margin was adversely affected by a certain extent.

Main projects delivered by the associates and jointly controlled entities during 2010 were as follows:

Project	Area Sold (sq.m.)	Sales Revenue (RMB million)	Equity Interest	Greentown China Group's Share of Results (RMB million)
Jinan National Games Project	540,396	4,160	45.0%	139
Hangzhou Tulip Bank	119,735	1,462	50.0%	130
Haining Lily New Town	76,631	939	50.0%	120
Deqing Lily Garden	116,407	629	24.5%	22
Hangzhou New Green Garden	29,214	611	50.0%	105
Hangzhou Hope Town	40,465	308	45.0%	44
Total	922,848	8,109		560

Fair Value Gain on Transfer from Completed Properties for Sale to Investment Properties

The Oakwood Residence Chaoyang, Beijing, which was put into operation in 2010, was a property held for rental earning. Hence, it was treated as an investment property and measured at fair value. In 2010, fair value gain on transfer from completed properties for sale to investment properties was RMB528 million and the net fair value gain, after deduction of deferred income tax of RMB132 million, was RMB396 million.

Net Loss on Partial Redemption of Trust Loans and Fair Value Changes on Trust-related Financial Derivatives

In 2009, a trust agreement (the "Trust Agreement") was entered into between the Greentown China Group and Zhonghai Trust Company Ltd. ("Zhonghai Trust"). The Trust Put Option, the Guarantee and RMB1 Option relating to the above agreement were deemed as financial derivatives and were measured according to their fair values. In 2010, the fair value changes caused by value-up of Wuxi Yulan Garden and Hangzhou Sapphire Mansion Project, the redemption of 12.5% equity interest of Hangzhou Sapphire Mansion Project and the repayment of the debt of RMB625 million owed to Zhonghai Trust in August 2010 resulted in a loss of RMB21 million.

Profit/(Loss) on Repurchase of Senior Notes and Redemption of Convertible Bonds

In May 2010, Greentown China recorded a loss on the redemption of most of the 2007 convertible bonds of RMB148 million. During 2009, Greentown China recorded a gain on early repurchase of senior notes due in 2013 of RMB328 million and gain on early redemption of the 2006 convertible bonds of RMB11 million.

Pre-sale Deposits

Pre-sale deposits represented the amounts received from the pre-sale of properties, which will be carried forward as sales revenue upon the delivery of properties. As at 31 December 2010, the balance of pre-sale deposits of the Greentown China Group was RMB47,547 million, representing an increase of RMB24,246 million or 104.1% from RMB23,301 million in 2009; the pre-sale deposits of associates and jointly controlled entities were RMB20,440 million, representing an increase of RMB5,770 million or 39.3% from RMB14,670 million in 2009.

Financial Resources and Liquidity Rate

As at 31 December 2010, the Greentown China Group's cash and bank deposits amounted to RMB14,973 million (2009: RMB11,782 million), with total borrowings of RMB34,047 million (2009: RMB24,861 million). Net gearing ratio (measured by net debt over net assets) was 132.0%, representing an increase from 105.1% in 2009 but a significant decrease from 158.8% as at 30 June 2010. Greentown China was devoted to implementing a stringent fund management system to ensure a sustainable growth.

The total borrowings of the Greentown China Group was RMB34,047 million, in which RMB29,784 million was denominated in RMB (accounted for 87.5%), RMB2,433 million was denominated in US dollar (accounted for 7.1%) and RMB1,830 million was denominated in HK dollar (accounted for 5.4%).

Risks of Foreign Exchange Fluctuation

The principal place of operation for the Greentown China Group is the PRC. Most of the income and expenditure are denominated in RMB. As the Greentown China Group has deposits, borrowings and amounts due from third parties denominated in foreign currencies, and the senior notes issued in 2006 were all denominated in US dollars, the Greentown China Group was exposed to foreign exchange risks. However, the Greentown China Group's operating cash flow or liquidity was not subject to any exchange rate fluctuations. Except for the one-year USD exchange rate forward contract signed in 2010 between the Greentown China Group and the Bank of China in order to lock in the exchange rate for a loan denominated in foreign currencies, Greentown China Group had signed no any other foreign currency hedging arrangement as at 31 December 2010.

Financial Guarantees

Certain banks provided mortgage loans to the customers of the Greentown China Group's properties, which are guaranteed by Greentown China Group. As at 31 December 2010, guarantees for these mortgage loans amounted to RMB18,658 million (2009: RMB10,106 million).

Pledge of Assets

As at 31 December 2010, the Greentown China Group had pledged buildings, hotels, prepaid lease payment, properties for investment, properties for development, properties under development, bank deposits, amounts due from associates and interest in associates with an aggregate carrying amount of RMB36,264 million (2009: RMB23,157 million) to secure general credit facilities granted by the bank.

Capital Commitments

As at 31 December 2010, the Greentown China Group has contracted, but not provided for, a total capital expenditure of RMB17,447 million (2009: RMB21,485 million) in respect of properties for development, properties under development and construction in progress.

Capital Expenditure Plan

In consideration of the uncertainties brought by the global financial tsunami, the Greentown China Group adopts a prudent approach in capital expenditure to secure its cash resources on a safety basis. The Greentown China Group does not have major capital expenditure plan, but will increase its investment in acquisition of land and relevant businesses at appropriate timing with reasonable cost, according to the market changes and the development needs of Greentown China.

Litigation and Arbitration

As at 28 March 2011, the Greentown China Group is not involved in any material litigation and arbitration.

Purchase, Sale or Redemption of the Listed Securities of Greentown China

During the Year, pursuant to the mandate to purchase shares in Greentown China obtained from Greentown China's shareholders at the 2010 annual general meeting held on 3 June 2010, Greentown China repurchased an aggregate of 21,076,500 shares in Greentown China on the Stock Exchange and these shares were subsequently cancelled by Greentown China and accounted for 1.28% of its total issued share capital. The highest repurchase price was HK\$8.63 per share, and the lowest repurchase price was HK\$7.31 per share, with a total payment of approximately RMB155 million.

Except as disclosed above, neither Greentown China nor any of its subsidiaries has purchased, redeemed or sold any of Greentown China's listed securities during the Year.

Human Resources

As at 31 December 2010, the Greentown China Group employed a total of 3,435 employees (2009: 2,880). Employees were remunerated on the basis of their performance, experience and prevailing industry practices. The Greentown China Group's remuneration policies and packages were reviewed by the remuneration committee of

Greentown China and the Board on a regular basis. As an incentive for the employees, bonuses and cash awards may also be given to the employees based on individual performance evaluation.

FOR THE YEAR ENDED 31 DECEMBER 2011

Operational and Management Review

Financial Overview

Greentown China's net profit hit a record high in 2011. Net profit increased by RMB2,202 million from RMB1,916 million in 2010 to RMB4,118 million in 2011, representing an increase of 114.9%. Net profit margin increased from 17.2% in 2010 to 18.7% in 2011.

Profit attributable to the owners of Greentown China increased by RMB1,043 million from RMB1,532 million in 2010 to RMB2,575 million in 2011, representing an increase of 68.1%. Profit attributable to the owners of Greentown China increased at a year-on-year rate of 87.4%, 51.4%, and 68.1% respectively for the three years ended 31 December 2011, representing a compound annual growth rate ("CAGR") of 68.3%.

Excluding the post-tax net effect from certain items (namely the net loss on 2007 convertible bonds, net loss on partial redemption of trust loans in 2010 and fair value changes on trust-related financial derivatives, impairment losses on properties for development, impairment losses on properties under development, reversal of impairment losses on property, plant and equipment, and gain from changes in fair value of investment properties), core profits attributable to the owners of Greentown China surged 99.6% (or RMB1,292 million) from RMB1,297 million in 2010 to RMB2,589 million in 2011.

Basic earnings per share increased from RMB0.93 in 2010 to RMB1.57 in 2011, representing an increase of 68.8%.

Property Sales

The PRC real estate market in 2011 remained volatile under the influence of macro-economic tightening policies. The Greentown China Group proactively responded to the market challenges and adjusted its development strategy and business model accordingly. In 2011, Greentown China Group recorded total sales revenue of RMB35.3 billion (including RMB2.2 billion agreement sales), of which RMB23.3 billion was attributable to the Greentown China Group. The gross floor area ("GFA") sold by Greentown China Group amounted to 1.75 million sq.m., with an average selling price of RMB19,987 per sq.m..

Market Recognition

In 2011, the Greentown China Group ranked among China's top 10 real estate enterprises by sales revenue, and also continued to enjoy a leading position in terms of brand recognition and overall strength. In particular, Greentown China ranked first in "Residents' overall satisfaction" in the "2011 China Urban Resident Satisfaction Survey" published by the China Index Academy and the China Real Estate Index System. Greentown China also came first in the "Brand loyalty", "Product quality", "Property services", and "Sales services" indices. In particular, according to the "Brand loyalty" index, over 40% of the 100,000 Greentown Club members had purchased Greentown China's properties more than once, or recommended their friends and family members to purchase Greentown China's properties. Also, Greentown China ranked first in five out of six sub-indices under the "Product quality" index, namely "Quality of public structures outside buildings", "Quality of construction works of building", "Quality of in-house appliances", "Quality of in-house plumbing" and "Quality of in-house construction works".

In addition, according to the "Survey on the 2011 PRC Real Estate Brandname Value" conducted by China Real Estate Top 10 Research Team, the value of the Greentown China brand surged from RMB8.0 billion in 2010 to RMB12.6 billion in 2012 and Greentown China ranked among the top 10 real estate enterprises in terms of brand value in China for eight consecutive years. At the same time, the Greentown China Group was the only awardee of the "2011 Model of China Real Estate Brand Premium Creator" award, demonstrating recognition of, and confidence in, the Greentown brand from the market, customers and investors.

Development Scale

In 2011, in light of the market situation and Greentown China Group's operational circumstances and having considered the overall plans set down in the beginning of the year, Greentown China Group duly adjusted its development pace and appropriately controlled the development scale. In 2011, the total GFA under the new construction sites amounted to 6.39 million sq.m., which was 29% lower than 9 million sq.m. as originally planned. During the period, Greentown China Group completed total GFA of 2.44 million sq.m., of which 1.82 million sq.m. was saleable area. As at 31 December 2011, Greentown China Group had 80 projects under construction, with a total GFA of 16.0 million sq.m..

Land Bank

In response to the macro-economic environment, Greentown China Group adopted the strategy of "active in sales, cautious in land acquisition" in 2011. Seizing opportunities for land acquisition, the Greentown China Group actively partnered with cooperating entities, and through the processes of land tender, auction and listing, as well as through acquisition of equity interest, acquired a total of nine quality land sites in 2011 for an aggregate area of approximately 3.09 million sq.m.. The sites were located in Taizhou, Xinchang, and Cixi in Zhejiang Province, and also in areas such as Shanghai, Liaoning, Henan, and Shandong. The sites comprise a planned GFA of approximately 6.81 million sq.m., of which 2.05 million sq.m. is attributable to the Greentown China Group. Total land premium was RMB11.1 billion, of which RMB1.6 billion was borne by the Greentown China Group. Average land price of the sites stood at RMB1,626 per sq.m.

Newly Added Land Bank in 2011

Project	Region	Equity interest	Land premium		Site area (sq.m.)	Planned GFA (sq.m.)	Land price per GFA (RMB/sq.m.)
			Total land premium (RMB: million)	attributable to the Group (RMB: million)			
Shandong Dongying Project	Shandong	8%	3,450	16	1,211,582	2,673,150	1,291
Shenyang National Games Project	Liaoning	50%	3,127	630	1,139,253	2,708,908	1,154
Taizhou Xinqian Street Project	Zhejiang	41%	750	150	80,649	144,822	5,179
Shanghai Changfeng Lot 10 North	Shanghai	31.5%	2,430	620	90,270	421,130	5,770
Cixi Chengnan Project	Zhejiang	30%	615	103	54,266	189,348	3,248
Jinan Dongshefang Project	Shandong	39%	466	25	16,830	149,600	3,115
Henan Xinyang Nanwan Project	Henan	20%	105	10	195,984	319,985	328
Xinchang Rose Garden Phase 4	Zhejiang	80%	68	54	126,799	40,880	1,663
Shandong Xueye Lake Project	Shandong	49%	58	25	178,172	157,710	368
Total			<u>11,069</u>	<u>1,633</u>	<u>3,093,805</u>	<u>6,805,533</u>	<u>1,626</u>

As at 31 December 2011, Greentown China Group accumulated land bank with a total GFA of approximately 40.98 million sq.m.. The Greentown China Group's land bank spanned across the whole country, and is expected to be sufficient for the Greentown China Group's development for the coming five to seven years. As the Greentown China Group already has ample land reserve on hand, the Greentown China Group will adopt a relatively cautious approach in 2012 and there is no plan for land acquisition for the time being.

Corporate Management

Greentown China offers an equal platform where all employees could discover, elevate, and realize their own values. The survival, growth, and development of a corporation is the summation of the hard work of all its workers, who shall be humble, fore-sighted, confident, pragmatic and result-oriented. In 2011, being the focus of public attention, Greentown China adhered to its long-standing values and goals, faced up to the challenges and strived to compete. Amidst challenging market conditions, Greentown China actively explored operational and management strategies and enhanced its core competitiveness surrounded by six key elements, namely: "sales", "cost control", "progress", "refinement", "human resources" and "service".

1) *Sales*

In 2011 Greentown China experienced unprecedented challenge in sales. Having said that, we worked hard by paying close attention to market change and adopting a “full- marketing” strategy in enhancing the team’s competitiveness in adverse conditions and promoting turnover. Moreover, in the first quarter of 2012, Greentown China has implemented a transformation of the sales model, adopting an agency model to replace the traditional model with a view of maximising all favorable factors to enhance sales.

2) *Cost Control*

Greentown China has consistently enforced a cost control mechanism that places equal emphasis on quality, cost, and progress. Not being a strong suit among Greentown China’s many strengths, the issue of cost control has attracted much external attention. In 2011, a company-wide transformation has taken place. Paving the way for lasting changes, training programs, both internal and external, were provided to staff of the Greentown China Group to enhance their sense of cost management. At the same time, the Greentown China Group’s cost control mechanisms have been thoroughly overhauled, with a cost control mechanism combining both comprehensive investigative procedures and focused supervision put into practice. In furtherance of the objects, Greentown China has implemented an e-merchandizing platform for procurement and improved access to procurement information with the aid of informational technology so as to enhance procurement efficiency and strictly control procurement costs.

3) *Progress*

In 2011, Greentown China focused on strengthening its project management capability. Much time and efforts have been invested in such areas as refining project schedule management check-points, improving dynamic progress supervision, and optimizing the pacing of project development. Improvements have been made to the yellow card/red card system for project schedule monitoring, further enhancing the early warning and intervention mechanism in project monitoring.

4) *Refinement*

In order to further enhance Greentown China’s “quality strategy”, internally Greentown China have been heavily promoting the need for refinement in management. Greentown China sought to build up and implement a standardized management system for refined management through the publishing and distributing of the “Greentown China Group’s guide for refined project management”. Further support to the promotion of refined project management was provided by the publishing of detailed guidance notes such as “Design guidelines for building facades” and “Categories of French courtyards” etc.

5) *Human Resources*

Employees are essential to a corporation. In order to meet the personnel demand in response to Greentown China's business growth and at the same time to create a better platform for personnel development, the Greentown China Group has further improved its training system and developed different training systems to cater for different needs. Accreditation programs have been established for management level employees in engineering, finance, cost control and procurement, etc. At the same time, the recruitment of outstanding professionals from outside of the Greentown China Group continued to optimize the Greentown China Group's personnel structure and expedite the continuous self-development and improvement of staff members.

6) *Service*

"Winning the smile of customers" is Greentown China's primary target. On the one hand, the motto guides our customer complaint handling mechanism. Using customer care and maintenance of relationship as the starting point, Greentown China Group strive to ensure that each complaint is handled to the satisfaction of the customer with maximum efficiency; on the other hand, the motto guides our development of real estate services. Greentown China Group strive to continuously enrich and improve the services Greentown China Group provide to residents of our housing estates. The various kinds of services provided in Greentown China Group's housing estates are becoming an integral part of the residents' lives.

Expansion of the Construction Management Business

Greentown Construction Management Company Ltd., established in September 2010, marked a new age in Greentown's history. Leveraging on Greentown's construction management expertise and brand recognition, the new business segment extended the reach of the Greentown brand through the provisions of construction management services to external bodies including government agencies, large scale state-owned enterprises, high-net worth individuals and other enterprises. The new business segment created a new source of revenue and expanded Greentown China Group's potential market and room for profit growth without the need of additional capital expenditure. As at 31 December 2011, Greentown Construction Management Company Ltd. had 61 contracted projects on hand, with total planned GFA of approximately 12.5 million sq.m..

Outlook

In 2012, Greentown China Group expect that the tightening policies will continue to exist and Greentown China Group must rationally expedite the transformation of our business model, grasp the market pace and its strategy, adjust its operational strategy accordingly and enhance its foresightedness and flexibility in decision making.

In 2012, transformation will be the main theme of Greentown China. From operational strategy, to products, to sales and marketing, certain changes will occur. On strategies, Greentown China will no longer focus on expansion in scale through high

gearing ratio. Greentown China will place emphasis on high quality and rely on our brandname and management to implement steady growth with a view to lowering the gearing ratio to a more reasonable level. On products, Greentown China will continue to develop a diversified portfolio of housing types to satisfy the needs of customers from all walks of life. On sales and marketing, a major transition will take place whereby a new commission system will replace the traditional model, thereby mobilizing all the agents in the community to sell Greentown China's properties. The healthy competition between personnel inside the Greentown China Group and agents outside the Greentown China Group in promoting sales growth will stimulate the Greentown China Group's overall performance.

In 2012, Greentown China Group expects to commence construction for projects with GFA totaling 5.8 million sq.m.. It is expected that 43 projects, or in project phases, will be completed in 2012 with a total GFA of 4.34 million sq.m., of which 3.09 million sq.m. is saleable area, and 2.21 million sq.m. of such saleable area is attributable to the Greentown China Group.

Projects Scheduled for Completion in 2012

	Project	Phase	Equity interest	Total GFA (sq.m.)	Saleable area (sq.m.)
Subsidiaries	Hefei Jade Lake Rose Garden	Phase 1 partial	100.0%	45,676	45,676
		Phase 5 (School)	100.0%	23,360	0
	Beijing Sincere Garden	Phase 3	50.0%	26,000	24,972
	Xinjiang Lily Apartment	Phase 3	50.0%	52,980	31,083
	Nanjing Rose Garden	Phase 4	70.0%	37,116	24,864
	Thousand-Island Lake Resort	Phase 5	80.0%	94,306	73,154
	Condo				
	Ningbo Crown Garden	Phase 2	60.0%	187,739	128,415
		Phase 3 partial	60.0%	41,169	26,669
	Hangzhou Lijiang Apartment	Phase 2	100.0%	151,760	112,247
	Wuxi Lihu Camphor Garden	Phase 1 partial	100.0%	27,329	22,037
	Nantong Yulan Apartment	Phase 3	77.0%	81,402	61,462
	Hangzhou Sincere Garden	Phase 1	100.0%	142,175	94,715
	Zhijingyuan & Zhengxinyuan				
	Thousand-Island Lake Rose Garden	Phase 2	51.0%	59,839	31,535
	Hangzhou Blue Patio	Phase 4 partial	85.0%	39,155	24,212
	Qingdao Ideal City	Phase 2 partial	80.0%	138,416	74,019
	Qingdao Jiaozhou Lagerstroemia Square	Phase 1	100.0%	185,693	145,743
	Tangshan South Lake Project	Phase 1	100.0%	71,088	53,423
	Zhoushan Lily Apartment	Phase 1	100.0%	82,431	64,870

APPENDIX II FINANCIAL INFORMATION OF THE GREENTOWN CHINA GROUP

Project	Phase	Equity interest	Total GFA (sq.m.)	Saleable area (sq.m.)	
Zhoushan Changzhidao Project	Phase 3	96.875%	149,669	94,430	
	Integrated practice building	96.875%	7,550	0	
Zhoushan Daishan Sky Blue Apartment	Phase 1	60.0%	71,601	56,400	
Zhoushan Yulan Garden	Phase 1	100.0%	195,539	145,003	
Lin'an Qianwang Culture Square	Phase 1	65.0%	73,254	57,694	
Taizhou Rose Garden	Phase 1	55.2%	47,528	30,816	
	Phase 2	55.2%	82,153	54,136	
Hangzhou Sapphire Mansion	Phase 2	100.0%	47,244	34,916	
	Phase 3	100.0%	175,373	122,491	
Zhuji Greentown Plaza	Phase 2	60.0%	66,824	51,414	
	Phase 3	60.0%	22,012	13,890	
	Phase 4	60.0%	92,407	75,860	
	Phase 5	60.0%	103,721	72,767	
Changxing Plaza	Phase 2	51.0%	76,137	56,166	
Shanghai Yulan Garden	Phase 1 partial	100.0%	57,659	42,567	
Shanghai Rose Garden	Phase 4	100.0%	10,422	6,533	
	Phase 5	100.0%	11,585	7,471	
Shanghai Bund House	Phase 1	51.0%	75,815	56,680	
Dalian Deep Blue Centre	Phase 1	80.0%	117,565	91,091	
Hangzhou Taohuayuan	Phase 9	64.0%	52,948	34,281	
	Phase 7	64.0%	13,942	8,836	
Hainan Clear Water Bay	Phase 1	51.0%	93,332	64,711	
Subtotal			<u>3,131,914</u>	<u>2,217,249</u>	
Jointly controlled entities/ Associates	Hangzhou Xingqiao Purple Osmanthus Apartment	Phase 3	35.0%	67,346	45,950
	Shaoxing Jade Garden	Phase 2	51.0%	19,362	12,598
		Phase 4	51.0%	13,352	8,762
	Wuxi Yulan Garden	Phase 2 partial	85.0%	199,709	188,229
	Haining Lily New Town	Phase 14	50.0%	82,188	46,737
		Phase 15	50.0%	71,170	56,699
		Phase 5	50.0%	85,342	52,983
	Jinan National Games Project	Phase 6 partial	45.0%	15,120	13,690
	Hangzhou Aesthetic Garden	Entire Project	9.0%	73,906	50,286
	Cixi Rose Garden	Phase 2	49.0%	134,231	84,540

APPENDIX II FINANCIAL INFORMATION OF THE GREENTOWN CHINA GROUP

Project	Phase	Equity interest	Total GFA (sq.m.)	Saleable area (sq.m.)
Taizhou Yulan Plaza Qionghuayuan	Entire Project	40.0%	121,517	68,797
Hangzhou Hope Town	Phase 6	45.0%	49,551	29,622
	Phase 7 partial	45.0%	31,958	18,072
Greentown Bund No. 8	Phase 1	40.0%	23,821	20,821
Hangzhou Orchid Mansion	Phase 1	8.0%	72,861	52,147
Lin'an Qingshan Lake Rose Garden	Phase 2	50.0%	49,239	41,452
Nantong Rudong Hupanju	Phase 5	50.0%	101,047	76,766
Subtotal			<u>1,211,720</u>	<u>868,151</u>
Total			<u><u>4,343,634</u></u>	<u><u>3,085,400</u></u>

As at 31 December 2011, the sales revenue of Greentown China Group which has not yet been recognised at the income statement amounted to RMB79.7 billion, of which RMB53.6 billion was attributable to the Greentown China Group. The majority of these revenues will be eventually recognized in the coming two years. Hence, Greentown China is optimistic about its earning prospect.

Financial Analysis

Revenue

Revenue of the Greentown China Group comes mainly from the sale of property, as well as from hotel operations, property rental, project management, sales of construction materials, and design and decoration. In 2011, the Greentown China Group recognized revenue stood at RMB21,964 million, representing an increase of 96.8%, or RMB10,803 million, from RMB11,161 million in 2010.

The revenue from property sales in 2011 amounted to RMB21,071 million, accounting for 95.9% of the total revenue, and representing an increase of 94.8% from RMB10,816 million in 2010. The increase was due to the increased delivery of high-end properties, bringing up the average selling price. The total recognized average selling price of properties delivered in 2011 was RMB20,305 per sq.m., surging 124.2% from RMB9,057 per sq.m. in 2010.

Properties Delivered During 2011

Project	Type	Area sold (sq.m.)	Sales revenue (RMB million)	Sales proportion	Average selling price (RMB/sq.m.)
Wenzhou Lucheng Plaza	High-rise apartment	217,957	8,699	41.3%	39,912
Hangzhou Sapphire Mansion	High-rise apartment	52,912	1,316	6.2%	24,871
Hangzhou Lilac Apartment	High-rise apartment	88,196	1,248	5.9%	14,150
Beijing Sincere Garden	High-rise apartment	33,818	1,211	5.7%	35,809
Beijing Majestic Mansion	Flat mansion	30,205	1,068	5.1%	35,358
Xinjiang Lily Apartment	Flat mansion	74,295	837	4.0%	11,266
Thousand-Island Lake Rose Garden	Villa, High-rise apartment	97,279	815	3.9%	8,378
Xiangshan Lily Apartment	High-rise apartment	54,258	752	3.6%	13,860
Shanghai Rose Garden	Villa	21,166	750	3.6%	35,434
Beijing Lily Apartment	High-rise apartment	77,027	722	3.4%	9,373
Huzhou Majestic Mansion	Villa	30,664	538	2.6%	17,545
Hangzhou Taohuayuan South	Villa	14,257	501	2.4%	35,141
Others		245,686	2,614	12.3%	10,640
Total		1,037,720	21,071	100%	20,305

As listed above, Wenzhou area came first in recorded sales revenue in 2011, generating sales revenue of RMB8,699 million and accounting for 41.3% of the Greentown China Group's total sales revenue in 2011. Hangzhou area came second, generating sales revenue of RMB4,911 million and accounting for 23.3% of the Greentown China Group's total sales revenue in 2011. Beijing area came third, generating RMB3,001 million sales revenue and accounting for 14.2% of the Greentown China Group's total sales revenue in 2011.

Revenue recorded from the sale of apartments stood at RMB16,242 million, accounting for 77.1% of the Greentown China Group's total sales revenue in 2011. Sales of villa recorded revenue of RMB2,898 million, accounting for 13.8% of the Greentown China Group's total sales revenue in 2011. Sales of flat mansion recorded revenue of RMB1,905 million, accounting for 9.0% of the Greentown China Group's total sales revenue in 2011. Sales of offices recorded revenue of RMB26 million, accounting for 0.1% of the Greentown China Group's total sales revenue in 2011.

In 2011, the Greentown China Group recorded revenue of RMB303 million from design and decoration, increasing substantially compared to RMB30 million in 2010. With the growth in the scale of business in design and decoration, it is expected that income from this segment will continue to grow.

The Greentown China Group recorded revenue of RMB251 million from hotel operations in 2011, up by 30.1% from RMB193 million in 2010. Greentown Thousand-Island Lake Sheraton Resort Hotel, which commenced operation in 2010, and Hangzhou Rose Garden Resort, Sheraton Zhoushan Hotel and Xinchang Greentown Radisson Hotel, which have been in operation for a number of years, have accumulated a solid customer base and built up a well-developed market presence, and are expected to continue to bring in increasing revenue.

The Greentown China Group recorded rental income totaling RMB90 million from investment properties in 2011, increasing significantly as compared to RMB33 million in 2010. The increase was mainly attributable to the contribution from Oakwood Residence Beijing which commenced operation in 2010 with an average occupancy rate of 77.3% in 2011.

Revenue from project management amounted to RMB199 million in 2011, representing a marked 452.8% increase from RMB36 million in 2010. This was mainly attributable to the increase in project management income from the Greentown China's subsidiary, namely Greentown Property Construction Management Company Ltd. As the Greentown China Group has been developing towards an "asset-light" model of operation, it is expected that the income from project management will continue to grow.

Gross Profit Margin

The Greentown China Group recorded a gross profit of RMB7,408 million in 2011 and a gross profit margin of 33.7%, representing a significant increase from 30.5% in 2010. Gross profit amounted to RMB6,879 million from the sale of property in 2011, and the gross profit margin on property sales stood at 32.6%, increasing significantly as compared to 29.0% in 2010. Among the projects handed over, Wenzhou Lucheng Plaza, which accounted for 41.3% of the Greentown China Group's total property sales revenue, is situated in the prosperous city of Wenzhou in Zhejiang Province. It is a high-end and high-rise apartment project with top-quality decoration. The project recorded gross profits of RMB3,363 million, with gross profit margin of 38.7%. Also, Hangzhou Lilac Apartment, which accounted for 5.9% of the Greentown China Group's total property sales revenue, recorded gross profits of RMB586 million, with gross profit margin of 47.0%. Delivery of these high margin projects increased Greentown China's gross margin on property sales significantly.

Other Income

Other income mainly included interest income, trust income, net foreign exchange gains, government grants and brand usage fees, etc. Other income of RMB683 million was recorded by Greentown China Group in 2011, posting a slight increase of 5.2% from RMB649 million in 2010, mainly due to the increase in net foreign exchange gains.

Net foreign exchange gains of RMB196 million was recorded by the Greentown China Group in 2011, increasing significantly as compared to RMB99 million in 2010. The increase was mainly attributable to the appreciation in Renminbi, as well as to the fact that a relatively larger portion of borrowings were denominated in foreign currencies. In 2011, Renminbi as compared to US dollar and HK dollar has appreciated by approximately 5% in value (2010: approximately 3%). As at 31 December 2011, the Greentown China Group had an outstanding bank borrowings of USD367 million (31 December 2010: USD329 million), HKD2,532 million (31 December 2010: HKD2,150 million), and senior notes totaling USD39 million (31 December 2010: USD39 million).

Selling and Administrative Expenses

The Greentown China Group incurred selling expenses of approximately RMB600 million, and administrative expenses of approximately RMB1,320 million during the year. Selling and administrative expenses amounted to RMB1,920 million in total, representing an increase of RMB262 million, or 15.8%, when compared with RMB1,658 million last year.

The largest spending in selling and administrative expenses was human resources cost, which increased by 15.9% to RMB671 million in 2011 (2010: RMB579 million). The increase was mainly due to the expansion of the Greentown China Group's talent pool in 2011. Expenses in advertising, sales and marketing amounted to RMB273 million (2010: RMB262 million), accounting for approximately 1.2% of the Greentown China Group's pre-sale turnover (2010: 0.8%), increasing slightly compared with 2010. Daily operational expenses incurred in 2011 totaled RMB584 million (2010: RMB479 million), representing a year on year increase of 21.9%. As the Greentown China Group continues to develop in its scale of operation, basic expenses such as office rental, business meeting and travel expenses, utilities and property management expenses, rental charges and depreciation costs, etc., all went up by a certain extent.

Finance Costs

In 2011, interest expenses charged to the consolidated statement of comprehensive income was RMB416 million (2010: RMB340 million). Total interest expenses for the year was RMB3,553 million (2010: RMB2,662 million), increasing 33.5% year on year. The increase was mainly attributable to the increase in both the average loan amount and the cost of borrowings. In particular, the average cost of borrowings increased from 7.3% in 2010 to 8.1% in 2011. The capitalized interest was RMB3,137 million with the capitalization rate of 88.3%, which was largely stable as compared with 87.2% in 2010.

Share of Results of Jointly Controlled Entities and Associates

Share of results of jointly controlled entities and associates increased by 47.4% from RMB565 million in 2010 to RMB833 million in 2011. Property sales from jointly controlled entities and associates in 2011 amounted to RMB11,333 million, representing an increase of 20.2% from RMB9,432 million in 2010. The increase was mainly attributable to the increase in delivery of high-end property with higher average selling price in 2011. The average selling price increased from RMB8,988 per sq.m. in 2010 to RMB13,625 per sq.m. in 2011. Gross profit margin for property sales increased from 24.7% in 2010 to 30.5% in 2011.

Properties Delivered by the Jointly Controlled Entities and Associates During 2011

Project	Type	Area sold (sq.m.)	Sales revenue (RMB million)	Sales proportion	Average selling price (RMB/sq.m.)
Shaoxing Yulan Garden	High-rise apartment	218,129	2,450	21.6%	11,232
Taizhou Yulan Plaza	High-rise apartment	95,043	1,803	15.9%	18,970
Hangzhou Hope Town	High-rise apartment	107,214	1,558	13.7%	14,532
Wuxi Yulan Garden	High-rise apartment	118,262	1,258	11.1%	10,637
Hangzhou Begonia Apartment	High-rise apartment	73,609	1,120	9.9%	15,216
Hangzhou Orchid Apartment	High-rise apartment	43,023	996	8.8%	23,150
Cixi Rose Garden	High-rise apartment, Low-rise apartment	59,699	955	8.4%	15,997
Shaoxing Jade Garden	Villa	23,571	586	5.2%	24,861
Others		93,229	607	5.4%	6,511
Total		831,779	11,333	100%	13,625

Tax Expenses

In 2011, the Greentown China Group recorded land appreciation tax expenses of RMB1,020 million (2010: RMB392 million) and enterprise income tax of RMB1,563 million (2010: RMB693 million). Effective enterprise income tax rate for 2011 amounted to 32.2% (excluding share of results of jointly controlled entities and associates), which was higher than the statutory tax rate 25.0%. This was mainly attributable to the unrecognized deferred tax assets of the loss of certain subsidiaries which have not yet commenced pre-sale and certain overseas subsidiaries, and withholding tax and the tax effect of non-deductible expense.

Net Loss on Partial Redemption of Trust Loans in 2010 and Changes in Fair Value of Trust-related Financial Derivatives

In 2009, the Greentown China Group and Zhonghai Trust Company Ltd. (“Zhonghai Trust”) entered into a trust agreement. The trust unit put option, guarantee, and RMB1 option, relating to the above agreement were deemed as financial derivatives, with changes in their fair value recognized as gains or losses in the income statement. Zhonghai Trust matured in January 2012. The Greentown China Group recorded a gain of RMB169 million in 2011 from the changes in fair value of trust-related financial derivatives. The Greentown China Group recorded a net loss of RMB21 million in 2010 from the partial redemption of trust loans and changes in fair value of trust-related financial derivatives.

Provisions for Impairment Losses

The restriction on property purchases and credit tightening policies imposed by the PRC Government increased the level of risk and uncertainties of China's real estate market. In light of this, the Greentown China Group commissioned DTZ Debenham Tie Leung Ltd. to provide assessments on properties held for development and properties under development of the Greentown China Group. According to the results of the assessment, subsidiaries of Greentown China recognized impairment losses of RMB193 million in 2011, of which RMB144 million was recognized for the Zhoushan Zhujiajian Dongsha South Resort project and RMB62 million for the Suzhou Rose Garden project. A reversal of impairment provision made in 2008 amounting to RMB13 million was also recorded this year for Sheraton Zhoushan Hotel. Furthermore, the Taizhou Huangyan Xinqian Street project under an associate of the Greentown China Group recorded impairment loss of RMB99 million.

Pre-sale Deposits

Pre-sale deposits represent the amounts received from the pre-sale of properties. The amounts will be recognized as sales revenue upon delivery of properties. As at 31 December 2011, the balance of pre-sale deposits of the Greentown China Group was RMB45,759 million, representing a decrease of RMB1,788 million from RMB47,547 million as at 31 December 2010, mainly due to the large amount of revenue recognized in 2011. The pre-sale deposits of jointly controlled entities and associates were RMB22,020 million in 2011, representing an increase of RMB1,580 million or 7.7% from RMB20,440 million in 2010.

Financial Resources and Liquidity

As at 31 December 2011, the Greentown China Group had bank balances and cash, and pledged bank deposits of RMB5,884 million (as at 31 December 2010: RMB14,973 million), and total borrowings amounted to RMB32,112 million (as at 31 December 2010: RMB34,047 million). Net gearing ratio (measured by net debt over net assets) was 148.7%, representing an increase from 132.0% as at 31 December 2010, but it was significantly lower than the level on 30 June 2011, namely 163.2%. In order to ensure its sustainable development, the Greentown China Group has been implementing a stringent fund management system. It is also working towards an "asset-light" development model. The Greentown China Group is actively diversifying its business model through the development of the construction management service segment, upgrading of services and diversifying product mix. As at 31 December 2011, the Greentown China Group had unutilized banking facilities of approximately RMB26.0 billion.

As at 31 December 2011, the Greentown China Group had pledged bank deposits of RMB2,269 million, mainly comprises RMB2,075 deposits to secure general credit facilities for Greentown China Group, and RMB83 million deposits pledged to the banks to secure purchasers' mortgages.

The total borrowings of the Greentown China Group stood at RMB32,112 million on 31 December 2011, of which RMB27,506 million (85.6%) was denominated in RMB and, RMB2,553 million (8.0%) was denominated in US dollar and, RMB2,053 million (6.4%) was denominated in HK dollar.

Project Disposal

On 29 December 2011, the Greentown China Group entered into an equity transfer agreement in respect of the disposal of a wholly-owned subsidiary, namely Hangzhou Greentown Hesheng Investment Company (“Greentown Hesheng”) to Shanghai Changye Investment Management Co., Ltd, a wholly-owned subsidiary of SOHO China Limited (a company listed on the Hong Kong Stock Exchange with stock code: 00410), pursuant to which the Greentown China Group agreed to dispose of 100% equity interest and shareholders’ loans in Greentown Hesheng at a consideration of RMB1,040 million. Greentown Hesheng mainly holds 10% equity interest in the Shanghai Haizhimen project. The transaction was not yet completed as at 31 December 2011.

On 5 January 2012, the Greentown China Group entered into an equity transfer agreement in respect of the disposal of a wholly-owned subsidiary, namely Wuxi Greentown Hubin Real Estate Co., Ltd. (“Wuxi Hubin”) to a wholly-owned subsidiary of Sunac China Holdings Limited (a company listed on the Hong Kong Stock Exchange with stock code: 01918), namely Tianjin Sunac Zhidi Co., Ltd, pursuant to which the Greentown China Group agreed to dispose of 51% equity interest in Wuxi Hubin at a consideration of RMB51 million, which was priced at the cost of registered capital of Wuxi Hubin. Wuxi Hubin mainly holds and develops the Wuxi Lihu Camphor Garden project. The aforesaid disposal is an event conducted subsequent to 31 December 2011.

In addition, the Greentown China Group has fully or partially disposed of its equity interest in three associates, namely Hangzhou Greentown Shuyuan Real Estate Co., Ltd, Hangzhou Greentown Jinyu Real Estate Co., Ltd and Shanghai Jingyu Real Estate Co., Ltd to non-affiliated parties in 2011.

The transfer of equity interest and recovery of shareholders’ loans from the five projects listed above contributed a total of RMB3,237 million of cash inflow to the Greentown China Group. As at 31 December 2011, RMB1,465 million relevant funds have been received.

Risks of Foreign Exchange Fluctuation

The principal place of operation of the Greentown China Group is the PRC, and the majority of the income and expenses were transacted in Renminbi. As the Greentown China Group has bank deposits, borrowings, and amounts due from third parties denominated in foreign currencies, and the senior notes issued in 2006 is denominated in US dollars, the Greentown China Group faces exchange rate risk. However, the Greentown China Group’s operating cash flow and liquidity are not subject to significant influence from fluctuations in exchange rates. No currency hedging arrangements were made as at 31 December 2011.

Financial Guarantees

The Greentown China Group provided financial guarantees to banks for mortgage facilities granted to buyers of the Greentown China Group’s properties. As at 31 December 2011, such financial guarantees amounted to RMB18,886 million (as at 31 December 2010: RMB18,658 million).

Pledge of Assets

As at 31 December 2011, certain of the Greentown China Group's buildings, hotels, prepaid lease rights, investment properties, properties for development, completed properties for sale, bank deposits, amount due from related parties, and interests in associates, with an aggregate carrying value of RMB35,773 million (as at 31 December 2010: RMB36,264 million) were pledged to banks and other financial institutions to secure special general credit facilities granted to the Greentown China Group.

Capital Commitments

As at 31 December 2011, the Greentown China Group has contracted, but not provided for, total capital expenditure of RMB19,327 million (as at 31 December 2010: RMB17,447 million) in respect of properties for development, properties under development, and construction in progress.

Capital Expenditure Plan

In consideration of the complex and highly uncertain economic environment, the Greentown China Group takes a prudent approach towards the use of funds to ensure the safety of the capital chain. Currently, no material capital expenditure plan has been proposed for 2012.

Litigation and Arbitration

The Greentown China Group has not been involved in any material litigation and arbitration during the year ended 31 December 2011.

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

Neither Greentown China nor any of its subsidiaries has purchased, redeemed or sold any of Greentown China's listed securities during the year ended 31 December 2011.

Human Resources

As at 31 December 2011, the Greentown China Group employed a total of 4,383 employees (2010: 3,435). Employees were remunerated on the basis of their performance, experience and prevailing industry practices. The Greentown China Group's remuneration policies and packages were reviewed by the remuneration committee of Greentown China and the Board on a regular basis. As an incentive for the employees, bonuses and cash awards may also be given to the employees based on individual performance evaluation.

The following is the text of a report, prepared for the sole purpose of incorporation in this circular, received from the independent reporting accountants of the Company, KPMG, Certified Public Accountants, Hong Kong. As described under “Documents available for inspection” in Appendix IV, a copy of the following report is available for inspection.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

24 July 2012

The Board of Directors

Wheelock and Company Limited

Dear Sirs,

Wheelock and Company Limited (the “Company”) and its subsidiaries (the “Group”)

We report on the unaudited pro forma financial information (“the Pro Forma Financial Information”) of the Group set out on pages 89 to 92 in Appendix III of the circular dated 24 July 2012 (“the Circular”), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the major transaction relating to the Wharf Group’s subscriptions of (i) 327,849,579 shares in Greentown China Holdings Limited (“Greentown China”); and (ii) a further 162,113,714 shares in Greentown China and HK\$2,550 million Perpetual Subordinated Convertible Securities to be issued by a subsidiary of Greentown China might have affected the financial information presented. The basis of preparation of the unaudited Pro Forma Financial Information is set out on page 89 of the Circular.

RESPONSIBILITIES

It is the responsibility solely of the directors of the Company to prepare the unaudited Pro Forma Financial Information in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by Paragraph 4.29(7) of the Listing Rules, on the unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (“HKSIR”) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA.

Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review performed in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Company and that the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

The unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2011 or any future date.

OPINION

In our opinion:

- (a) the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company; and
- (c) the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

Yours faithfully

KPMG
Certified Public Accountants
Hong Kong

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Set out below is the unaudited pro forma consolidated statement of assets and liabilities of the Group as at 31 December 2011 (the “Unaudited Pro Forma Financial Information”) which have been prepared on the basis of the notes set out below and assume the Transaction had been completed as at 31 December 2011 for the purpose of illustrating how the Transaction might have affected the financial position of the Group at that date.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Transaction been completed on 31 December 2011 or any future date.

(B) UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

	Consolidated statement of assets and liabilities of the Group as at 31 December 2011 <i>HK\$ Million</i> <i>Note(a)</i>	Pro forma adjustments <i>HK\$ Million</i>	<i>Note</i>	Unaudited pro forma consolidated statement of assets and liabilities <i>HK\$ Million</i>
Non-current assets				
Investment properties	200,497			200,497
Other property, plant and equipment	15,251			15,251
Leasehold land	3,751	-		3,751
Total fixed assets	219,499	-		219,499
Goodwill and other intangible assets	297			297
Interest in associates	9,331	3,933	<i>(b)</i>	13,264
Interest in jointly controlled entities	18,297			18,297
Available-for-sale investments	6,675	2,550	<i>(b)</i>	9,225
Held-to-maturity investments	390			390
Programming library	107			107
Deferred tax assets	694			694
Derivative financial assets	182			182
Other non-current assets	28	-		28
	<u>255,500</u>	<u>6,483</u>		<u>261,983</u>

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

	Consolidated statement of assets and liabilities of the Group as at 31 December 2011 <i>HK\$ Million</i> <i>Note(a)</i>	Pro forma adjustments <i>HK\$ Million</i>	<i>Note</i>	Unaudited pro forma consolidated statement of assets and liabilities <i>HK\$ Million</i>
Current assets				
Properties for sale	60,909			60,909
Inventories	130			130
Trade and other receivables	4,680			4,680
Derivative financial assets	225			225
Bank deposits and cash	42,668	(5,098)	(c)	37,570
	<u>108,612</u>	<u>(5,098)</u>		<u>103,514</u>
Current liabilities				
Trade and other payables	11,368			11,368
Deposits from sale of properties	9,704			9,704
Derivative financial liabilities	233			233
Taxation payable	2,458			2,458
Bank loans and other borrowings	8,903	–		8,903
	<u>32,666</u>	<u>–</u>		<u>32,666</u>
Net current assets	<u>75,946</u>	<u>(5,098)</u>		<u>70,848</u>
Total assets less current liabilities	<u>331,446</u>	<u>1,385</u>		<u>332,831</u>
Non-current liabilities				
Derivative financial liabilities	2,470			2,470
Deferred tax liabilities	6,728			6,728
Other deferred liabilities	275			275
Bank loans and other borrowings	86,779	–		86,779
	<u>96,252</u>	<u>–</u>		<u>96,252</u>
NET ASSETS	<u>235,194</u>	<u>1,385</u>		<u>236,579</u>

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Notes:

- (a) The assets and liabilities of the Group are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2011 as set out in the Group's 2011 Annual Report.
- (b) Included in the unaudited pro forma financial information is an estimated negative goodwill of HK\$1,385 million. The estimated negative goodwill is computed based on the financial information of Greentown China Group, as follows:

	<i>HK\$'Million</i>
Net assets attributable to equity holders of Greentown China Group as at 31 December 2011 (<i>Notes (i) and (vi)</i>)	14,552
Issuance of Greentown China's shares upon completion of the Transaction	2,548
	17,100
Share of pro forma net assets attributable to the Wharf Group (23%) (<i>Notes (ii) and (iii)</i>)	3,933
Excess of the Wharf Group's interest in the net assets of Greentown China Group over cost (<i>Note (vi)</i>)	(1,385)
Cash consideration (<i>Note (iv)</i>)	2,548
Payment for the subscription of the perpetual subordinated convertible securities issued by a wholly-owned subsidiary of Greentown China Group (<i>Note (v)</i>)	2,550
Total consideration (<i>Note (c)</i>)	5,098

- (i) Net assets attributable to equity holders of Greentown China Group as at 31 December 2011 are extracted from the audited consolidated statement of financial position of Greentown China Group as at 31 December 2011 as set out in the published annual report of Greentown China Group for the year ended 31 December 2011. The presentation currency of Greentown China Group is RMB. For illustration purpose, the net assets attributable to equity holders of Greentown China Group are translated to HK\$ at the exchange rate of HK\$1.00 to RMB0.82048.
- (ii) For the purpose of computing pro forma negative goodwill, the pro forma net assets exclude the effect of the subscription of the perpetual subordinated convertible securities (*Note (v)*).
- (iii) Upon completion of the Transaction, the Wharf Group's equity interests in Greentown China arising in respect of the First and Second Tranche Greentown China Shares (excluding the 34,888,500 Shares in Greentown China already held by the Wharf Group) is 23%. The estimated negative goodwill is computed based on the Wharf Group's 23% equity interests in Greentown China arising from the Transaction as if the Transaction had taken place on 31 December 2011.

- (iv) This represents the aggregate cash consideration of HK\$2,548 million payable in respect of the subscriptions of an aggregate of 489,963,293 shares of Greentown China.
- (v) This represents the payment for the subscription of perpetual subordinated convertible securities issued by a wholly-owned subsidiary of Greentown China of HK\$2,550 million. The terms and conditions of the perpetual subordinated convertible securities are set out in the Investment Agreement dated 8 June 2012. The Wharf Group would account for the investment in perpetual subordinated convertible securities as available-for-sale investments in accordance with the Hong Kong Accounting Standard 39, "Financial Instruments: Recognition and Measurement".
- (vi) In accordance with Hong Kong Accounting Standard 28, "Investments in Associates", at the date of obtaining significant influence, any difference between the cost of the investment and the Wharf Group's share of the net fair value of the Greentown China Group's identifiable assets and liabilities is accounted for either as goodwill being included in the carrying amount of the investment, or any excess of the Wharf Group's share of net fair value of the Greentown China Group's identifiable assets and liabilities over the cost of investment being included as income in the determination of the Wharf Group's share of the Greentown China Group's profit or loss in the period in which the investment is acquired.

Since the fair values of the net identifiable assets of Greentown China Group and the fair value of the perpetual subordinated convertible securities at the respective dates of completion of the Transaction may be substantially different from the financial information used in the preparation of this Unaudited Pro Forma Financial Information, the final amount of intangible assets (including goodwill) or excess of the Wharf Group's interest in the net fair value of Greentown China Group's identifiable assets and liabilities over cost to be recognised in connection with the Transaction may be different from the estimated excess of the Wharf Group's interest in the net assets of Greentown China Group over cost and the fair value of perpetual subordinated convertible securities stated herein.

As at the date of the Circular, the Group has commenced the assessment of fair value of the identifiable tangible and intangible assets of the Greentown China Group. The Group considers that any adjustments to the estimated negative goodwill would not be material to the Group's financial position.

- (c) The Unaudited Pro Forma Financial Information has been prepared based on the assumption that the consideration will be satisfied by the Wharf Group's bank deposits and cash.
- (d) No adjustments have been made to reflect any trading results or other transactions of the Group and of the Greentown China Group entered into subsequent to 31 December 2011.
- (e) The Unaudited Pro Forma Financial Information has not taken into account (i) the payment of land premium of HK\$7,900 million for the re-grant of the Ocean Terminal Lot held by the Wharf Group, details of which are set out in the joint announcement of the Company and Wharf dated 4 June 2012; (ii) the connected transaction for the acquisition of 34,888,500 Shares or 2.13% equity interests in Greentown China, details of which are set out in the joint announcement of the Company and Wharf dated 7 June 2012; and (iii) the conversion of the perpetual subordinated convertible securities subject to the terms and conditions as set out in the Investment Agreement dated 8 June 2012, details of which are disclosed in the Announcement.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DIRECTORS' INTERESTS IN SHARES

As at the Latest Practicable Date, the interests (all being long positions) of the Directors and chief executive (if any) of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO), namely, Wharf, i-CABLE and Wharf Finance (2014) Limited, which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or (c) pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, together with the percentages which the relevant shares represented to the issued share capitals of the Company, Wharf and i-CABLE, were as follows:

	Nature of Interest	Number of Ordinary Shares	Percentage of Holdings
The Company			
Peter K C Woo	Personal Interest in 8,847,510 shares, Corporate Interest in 212,000,142 shares and Other Interest in 995,221,678 shares	1,216,069,330	59.8504%
Stephen T H Ng	Personal Interest	300,000	0.0148%
Wharf			
Stephen T H Ng	Personal Interest	804,445	0.0266%
Kenneth W S Ting	Personal Interest	9,600	0.0003%

	Nature of Interest	Number of Ordinary Shares	Percentage of Holdings
i-CABLE			
Stephen T H Ng	Personal Interest	1,265,005	0.0629%
Wharf Finance (2014) Limited – Convertible Bonds due 2014			
Alexander S K Au (Note c)	Personal Interest	HK\$2,000,000	N/A

Notes:

- The 995,221,678 shares of the Company stated above as “Other Interest” against the name of Mr Peter K C Woo represented an interest comprised in certain trust properties in which Mr Woo was taken, under certain provisions in Part XV of the SFO which are applicable to a director or chief executive of a listed company, to be interested.
- The shareholdings classified as “Corporate Interest” in which the Director concerned was taken to be interested as stated above were interests of corporations at respective general meetings of which the Director was either entitled to exercise (or taken under Part XV of the SFO to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporations.
- Regarding the HK\$2,000,000 worth of convertible bonds held by Mr Alexander S K Au (as set out above), in the event of the conversion rights attached thereto being fully exercised, 22,222 shares (representing 0.0007% of the issued share capital) of Wharf would be issued.

Set out below are particulars of interests (all being personal interests) in all the options to subscribe for ordinary shares of Wharf granted/exercisable under the Wharf’s share option scheme and were held by Directors of the Company as at the Latest Practicable Date:

Name of Director	Date granted (Day/Month/Year)	No. of Wharf’s shares under option		Subscription Price per share (HK\$)	Period during which rights exercisable (Day/Month/Year)
		At 1 January 2012	At the Latest Practicable Date		
Peter K C Woo	04/07/2011	1,500,000	1,500,000	55.15	05/07/2011 – 04/07/2016
Stephen T H Ng	04/07/2011	1,500,000	1,500,000	55.15	05/07/2011 – 04/07/2016
Paul Y C Tsui	04/07/2011	1,500,000	1,500,000	55.15	05/07/2011 – 04/07/2016
Ricky K Y Wong	04/07/2011	800,000	800,000	55.15	05/07/2011 – 04/07/2016

Notes:

- The share options were/will be vested in 5 tranches within a period of 5 years, with each tranche covering one-fifth of the relevant options (i.e. exercisable to the extent of one-fifth of the relevant total number of Wharf’s shares) and with the 1st, 2nd, 3rd, 4th and 5th tranche becoming exercisable from 5th of July in the years 2011, 2012, 2013, 2014 and 2015 respectively.
- No share option of Wharf held by Directors of the Company lapsed, or was granted, exercised, cancelled during the period from 1 January 2012 to the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive (if any) of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have since 31 December 2011 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any members of the Group, or was proposed to be acquired or disposed of by or leased to any members of the Group.

DIRECTORS' INTERESTS IN CONTRACT OF SIGNIFICANCE

None of the Directors is materially interested, directly or indirectly, in any contracts or arrangements entered into by any members of the Group subsisting at the date of this circular and which is significant in relation to the business of the Group.

MATERIAL CONTRACTS

Neither the Company nor any of its subsidiaries has entered into any contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular which are or may be material.

LITIGATION

As far as the Directors are aware, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries as at the Latest Practicable Date.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their respective associates (as defined under the Listing Rules) is considered as having a competing interest pursuant to Rule 8.10 of the Listing Rules.

EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given its opinion or advice on the information contained in this circular:

Name	Qualification
KPMG	Certified Public Accountants

KPMG has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter/report and/or references to its name in the form and context in which they are included.

EXPERTS' INTEREST

As at the Latest Practicable Date, KPMG:

- (a) was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2011, being the date to which the latest published audited accounts of the Company were made up; and
- (b) did not have any shareholding interest in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

MISCELLANEOUS

- (a) The secretary of the Company is Mr Wilson W S Chan, who is a fellow member of The Institute of Chartered Secretaries and Administrators.
- (b) The transfer office of the Company is that of the Company's share registrars, namely, Tricor Tengis Limited, and is situate at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 23rd Floor, Wheelock House, 20 Pedder Street, Hong Kong during normal business hours from the date of this circular up to and including 7 August 2012:

- (a) memorandum of association and articles of association of the Company;
- (b) the accountants' report from KPMG on unaudited pro forma financial information of the Group, the text of which is set out in Appendix III;
- (c) the written consent as referred to in the section headed "Experts' Qualifications and Consents" in this appendix;
- (d) the annual reports of the Company for the three years ended 31 December 2009, 2010 and 2011; and
- (e) the circular of the Company dated 24 July 2012.