绿城房产
GREENTOWN

GREENTOWN CHINA HOLDINGS LIMITED
綠城中國控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 3900)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

Operational Highlights

- "Product Quality Refining Strategy" and "Premium Community Service System" were implemented. With the successful migration of innovative high quality products to new regions, nationwide recognition of our brand was further achieved across the real estate market
- Revenue for the year was Rmb5,739 million, and net profit attributable to the equity holders was Rmb923 million
- Approximately HK$4,600 million was raised during the year through successful placing of shares and issuance of convertible bonds
- Property pre-sale increased by 113% in 2007 to Rmb15,100 million (including associates and jointly controlled entities)
- Rapid growth was achieved through the commencement of new projects. The newly commenced total gross floor area ("total GFA") amounted to 3.86 million sq.m., which increased by 130%. The total GFA completed amounted to 1.61 million sq.m., which increased by 52%
- Expansion strategies continued with a distinct focus on strategic co-operation with leading reputable enterprises
- Strategic expansion in land bank increased the total GFA to 22.22 million sq.m. by the end of 2007
- The Board proposes to declare a final dividend of HK32 cents per share for the year ended 31 December 2007

The board of directors (the "Board") of Greentown China Holdings Limited (the "Company") and its subsidiaries (the "Group") are pleased to present the audited consolidated results of the Group for the year ended 31 December 2007 ("FY Results 2007"), together with comparative figures. The annual results have been reviewed by the audit committee of the Company (the "Audit Committee").

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Notes	**2007** **Rmb'000**	2006 *Rmb'000*
Revenue	*3*	**5,738,791**	6,400,467
Cost of sales		**(3,675,198)**	(3,579,946)
Gross profit		**2,063,593**	2,820,521
Other income	*4*	**271,237**	138,191
Selling expenses		**(196,197)**	(129,095)
Administrative expenses		**(293,654)**	(253,857)
Finance costs	*5*	**(217,269)**	(64,202)
Fair value gain on transfer from completed properties for sale to investment property		**16,658**	–
Fair value changes on embedded financial derivatives		**(29,090)**	(233,925)
Net loss on redemption of convertible bonds		**–**	(70,396)
Net gain on disposal of associates		**–**	1,360
Net gain on partial acquisition of a subsidiary		**14**	–
Share of results of associates		**66,650**	(38,784)
Share of results of jointly controlled entities		**53,531**	2,054
Profit before taxation	*6*	**1,735,473**	2,171,867
Taxation	*7*	**(729,884)**	(883,373)
Profit for the year		**1,005,589**	1,288,494
Attributable to:			
Equity holders of the Company		**923,376**	1,269,066
Minority interests		**82,213**	19,428
		1,005,589	1,288,494
Dividends	*8*	**490,170**	396,975
Earnings per share	*9*		
Basic		**Rmb0.63**	Rmb1.09
Diluted		**Rmb0.61**	Rmb1.09

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	Note	2007 Rmb'000	2006 Rmb'000
Non-current assets			
Property, plant and equipment		**1,154,844**	429,606
Investment property		**26,052**	–
Interests in associates		**955,621**	538,595
Interests in jointly controlled entities		**193,644**	90,371
Available-for-sale investments		**1,000**	1,000
Prepaid lease payment		**34,413**	–
Rental paid in advance		**13,312**	13,949
Deferred tax assets		**163,491**	66,402
		2,542,377	1,139,923
Current assets			
Properties for development		**10,293,210**	4,498,091
Properties under development		**11,094,981**	5,680,019
Completed properties for sale		**1,127,401**	1,119,052
Inventories		**5,139**	2,234
Embedded financial derivatives		**17,378**	70,911
Trade and other receivables, deposits and prepayments	*10*	**2,260,651**	905,670
Amounts due from related parties		**1,772,763**	390,008
Income taxes recoverable		**166,996**	81,892
Other taxes recoverable		**201,742**	71,339
Pledged bank deposits		**506,282**	630,380
Bank balances and cash		**2,876,925**	3,249,014
		30,323,468	16,698,610
Current liabilities			
Trade and other payables		**1,913,882**	1,404,449
Pre-sale deposits		**3,583,055**	1,671,590
Amounts due to related parties		**4,865,677**	1,077,793
Dividend payable		**1,367**	1,367
Income taxes payable		**912,301**	895,065
Other taxes payable		**197,794**	92,783
Embedded financial derivatives		**61,622**	450,538
Bank and other borrowings – due within one year		**2,436,272**	1,939,347
		13,971,970	7,532,932

	2007	2006
	Rmb'000	*Rmb'000*
Net current assets	**16,351,498**	9,165,678
Total assets less current liabilities	**18,893,875**	10,305,601
Non-current liabilities		
Bank and other borrowings		
– due after one year	**4,368,130**	1,968,855
Convertible bonds	**2,069,821**	392,849
Senior notes	**2,879,761**	3,070,822
Deferred tax liabilities	**89,661**	134,441
	9,407,373	5,566,967
	9,486,502	4,738,634
Capital and reserves		
Share capital	**157,395**	138,690
Reserves	**7,950,073**	4,235,083
Equity attributable to equity holders of the Company	**8,107,468**	4,373,773
Minority interests	**1,379,034**	364,861
	9,486,502	4,738,634

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

1. General

The Company was incorporated in the Cayman Islands on 31 August 2005 as an exempted company with limited liability under the Companies Law (2004 Revision) and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 13 July 2006.

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

The Company is an investment holding company. The principal activity of its subsidiaries (together with the Company referred to as the "Group") is the development of residential properties in the PRC.

2. Application of new and revised International Financial Reporting Standards ("IFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new IFRSs") issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB, which are effective for the Group's financial year beginning 1 January 2007.

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

The adoption of the new IFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under IAS 1 (Amendment) and IFRS 7 retrospectively. Certain information presented in prior year under the requirements of IAS 32 has been removed and the relevant comparative information based on the requirements of IAS 1 (Amendment) and IFRS 7 has been presented for the first time in the current year.

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

IAS 1 (Revised)	Presentation of Financial Statements[1]
IAS 23 (Revised)	Borrowing costs[1]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
IFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
IFRS 3 (Revised)	Business Combinations[2]
IFRS 8	Operating Segments[1]
IFRIC 11	IFRS 2: Group and Treasury Share Transactions[3]
IFRIC 12	Service Concession Arrangements[4]
IFRIC 13	Customer Loyalty Programmes[5]
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

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

The adoption of IFRS 3 (revised) may affect the accounting for business combination for which the effective date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (revised) will affect the accounting treatment for changes in parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Revenue

	2007	2006
	Rmb'000	*Rmb'000*
Property sales	**5,690,089**	6,341,316
Computer system design and installation services	**4,629**	3,139
Sales of construction materials	**32,202**	50,031
Hotel operations	**7,390**	–
Other business	**4,481**	5,981
	5,738,791	6,400,467

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

4. Other income

	2007	2006
	Rmb'000	*Rmb'000*
Interest income	**134,423**	103,892
Government grants *(Note)*	**34,094**	28,436
Net foreign exchange gains	**69,224**	–
Others	**33,496**	5,863
	271,237	138,191

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

5. Finance costs

	2007 *Rmb'000*	2006 *Rmb'000*
Interest on:		
– bank borrowings wholly repayable within five years	**350,756**	227,232
– bank borrowings not wholly repayable within five years	**21,750**	2,085
– other borrowings	**3,875**	7,624
Effective interest expense on 2006 Convertible Bonds	**25,065**	87,605
Effective interest expense on 2007 Convertible Bonds	**56,139**	–
Interest on senior notes	**274,534**	40,781
Less: Capitalised in properties under development	**(477,175)**	(278,757)
Capitalised in construction in progress	**(37,675)**	(22,368)
	217,269	64,202

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.31% (2006: 7.56%) per annum to expenditure on the development of properties.

6. Profit before taxation

	2007 *Rmb'000*	2006 *Rmb'000*
Profit before taxation has been arrived at after charging (crediting):		
Salaries and other benefits	**208,086**	141,982
Retirement benefits scheme contributions	**11,257**	7,234
Less: Capitalised in properties under development	**(60,068)**	(47,287)
	159,275	101,929
Depreciation of property, plant and equipment	**27,213**	21,415
Less: Capitalised in properties under development	**(3,099)**	(2,953)
	24,114	18,462
Auditors' remuneration	**8,714**	5,584
Amortisation of intangible assets (included in selling and administrative expenses)	**–**	288
Cost of inventories recognised as an expense	**3,675,198**	3,579,946
Net foreign exchange (gains) losses	**(69,224)**	19,257
Share of tax of associates (included in share of results of associates)	**96,069**	(4,110)
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	**36,460**	2,719

7. Taxation

	2007	2006
	Rmb'000	*Rmb'000*
Current tax:		
PRC enterprise income tax	**454,870**	873,173
Land Appreciation Tax ("LAT")	**416,883**	131,670
Write-back of LAT provision	**–**	(99,633)
	871,753	905,210
Deferred tax:		
Current year	**(108,410)**	(21,837)
Attributable to a change in tax rate	**(33,459)**	–
	(141,869)	(21,837)
	729,884	883,373

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

All PRC group entities are subject to enterprise income tax levied at a rate of 33%, except for the following entities:

		Enterprise income tax rate	
	Notes	**2007**	2006
Shanghai Lvyu Real Estate Development Co., Ltd. ("Shanghai Lvyu")	*(i)*	**15%**	15%
Hangzhou Jiuxi	*(ii)*	**–**	27%
Hangzhou Rose Garden Property Services Co., Ltd. ("Hangzhou Rose Garden")	*(ii)*	**27%**	27%
Xinjiang Sunshine Greentown Real Estate Development Co., Ltd. ("Xinjiang Sunshine")	*(iii)*	**Exempted**	Exempted

Notes:

(i) Shanghai Lvyu is established in Shanghai Pudong New Area and is therefore subject to a reduced enterprise income tax rate of 15%.

(ii) Hangzhou Jiuxi and Hangzhou Rose Garden are established in Hangzhou Zhijiang National Tourism and Resort Zone in Zhejiang province and are therefore subject to a reduced enterprise income tax rate of 27%. Hangzhou Jiuxi was closed during the year.

(iii) Xinjiang Sunshine is exempted from enterprise income tax for three years starting from its first profit-making year in 2005, followed by a 50% reduction for the next three years.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 15%, 27% or 33% to 25% for certain subsidiaries from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

PRC LAT

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

For the year ended 31 December 2007, the Group has estimated and made a provision for LAT in the amount of Rmb416,883,000 (2006: Rmb131,670,000), according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

8. Dividends

On 19 March 2006, the Group declared a special dividend of USD50 million (equivalent to approximately Rmb396,975,000) to the Company's shareholders whose names appeared on the register of members on the record date of 1 January 2006. The special dividend was paid in March and April 2006.

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

The final dividend of HK32 cents (2006: HK36 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

9. Earnings per share

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

Earnings

	2007	2006
	Rmb'000	*Rmb'000*
Earnings for the purposes of basic earnings per share (profit for the year attributable to equity holders of the Company)	**923,376**	1,269,066
Effect of dilutive potential share:		
Interest on 2007 Convertible Bonds	**21,852**	–
Earnings for the purposes of diluted earnings per share	**945,228**	1,269,066

Number of shares

	2007	2006
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,474,969,957**	1,162,773,488
Effect of dilutive potential ordinary shares:		
2007 Convertible Bonds	**66,213,853**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,541,183,810**	1,162,773,488

The weighted average number of ordinary shares for the purposes of basic earnings per share in 2006 has been adjusted for the capitalisation issue in June 2006.

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding 2006 Convertible Bonds since their exercise would result in an increase in earnings per share.

10. Other current assets

Trade and other receivables, deposits and prepayments

	2007	2006
	Rmb'000	*Rmb'000*
Trade receivables	**246,965**	125,939
Other receivables	**244,236**	272,647
Less: Allowance for doubtful debts	**–**	(8,087)
	244,236	264,560
Prepayments and deposits	**1,769,450**	515,171
	2,260,651	905,670

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

	2007	2006
	Rmb'000	*Rmb'000*
0 – 30 days	**196,988**	113,231
31 – 90 days	**27,935**	8,291
91 – 180 days	**14,798**	2,062
181 – 365 days	**3,756**	743
Over 365 days	**3,488**	1,612
Trade receivables	**246,965**	125,939

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During 2007, the PRC government further tightened its macro-economic control policies over the real estate market to ensure its sound, steady and sustainable development. The Company believes that the long-term prospects for the development of the PRC real estate market are promising, and that the market will keep reasonable growth in the future.

During the year, the Company fully implemented its "Product Quality Refining Strategy" in every aspect. Progresses on the development of projects were accelerated, while new projects were explored proactively. The Company maintained sustainable and steady growth in its results. The following is a review of its performances in several key aspects:

Project Development

During the year, the Company fully leveraged on its existing mature product series and its experienced management team accelerated the extent of development on its existing land bank and shortened project development cycle. A total of 55 projects or phases of projects had commenced construction. The total GFA of newly commenced projects amounted to 3.86 million sq.m., an increase of 130% over last year (2006: 1.68 million sq.m.).

During the year, the Company had 70 projects or phases of projects under development. The total GFA amounted to 5.38 million sq.m., an increase of 72% over last year (2006: 3.12 million sq.m.).

During the year, the Company had completed a total of 23 projects or phases of projects for delivery. The total GFA delivered amounted to 1.61 million sq.m., an increase of 52% over last year (2006: 1.06 million sq.m.). Of which, saleable GFA amounted to 1.13 million sq.m.

Property Sales

During the year, a total of 1.59 million sq.m. of properties had been sold/pre-sold by the Group for the year, an increase of 115% over last year (2006: 740,000 sq.m.). The sold/pre-sold amount was approximately Rmb 15,100 million, an increase of 113% over last year (2006: Rmb 7,100 million). The area sold/pre-sold attributable to the Company was approximately 990,000 sq.m., an increase of 94% over last year (2006: 510,000 sq.m.). The sold/pre-sold amount was approximately Rmb 10,000 million, an increase of 104% over the same period of last year (2006: Rmb 4,900 million).

The Company fully implemented every aspect of "Product Quality Refining Strategy". The quality of the projects and the impact of the Company's brand were further enhanced. Through sales tactics such as live view demonstration and on-site sales preview, the Company ensured the outstanding competitiveness of its products in the market. As of 31 December 2007, the sold/pre-sold ratio of projects completed in 2007 and 2008 was approximately 91% and 49% respectively.

Land Bank

The Company's strategy for its land bank is to leverage fully on the advantages of its corporate management and brand name, so as to implement a regional expansion strategy that focuses on cooperation. It has consistently emphasized the market of Zhejiang Province, which has always enjoyed very high brand name advantages, and has been extending its presence to economically developed cities within Yangtze Delta region. Major cities around Bohai Rim were another focus for expansion, and the Company made efforts during the past year to increase its market share in cities where it had already had a presence. The Company selected to participate in projects that capture abundant city resources, and increase its land bank strategically.

During the year under review, the Company established strategic cooperation relationship with numerous leading reputable enterprises such as Haier Group, Zhejiang Energy Group, the Wharf Group in Hong Kong, Beijing Chengjian Corporation and Zhejiang Baoye Construction Corporation. The Company acquired 21 projects including Qianjiang New City project in Hangzhou, Xinjiangwan City project in Shanghai, Yulan Garden and Yangming Road projects in Shaoxing, National Games project in Jinan, Changzhi Island project in Zhoushan, and Ningbo Crown Garden through auction and tender by the government in open market, and acquisition of equity interests from third parties.

During the year under review, the Company expanded into six new cities, namely Shaoxing, Taizhou, Huzhou, Changxing, Jinan and Wuxi. Site area of land bank added amounted to approximately 4.68 million sq.m., and total GFA of land bank added amounted to approximately 10.22 million sq.m.

As of the end of 2007, the Company had the total GFA of 22.22 million sq.m. in its land bank. Of which, the total GFA attributable to the Group amounted to 13.62 million sq.m. According to professional property valuation by DTZ Debenham Tie Leung Limited, the value of our land bank was substantially appreciated. The Company had covered 25 cities throughout the PRC and the Company's nationwide presence was stronger than before.

Financial Analysis

Revenue

The revenue from property sales represented 99.2% of revenue in 2007. Property sales decreased from Rmb 6,341 million in 2006 by 10.3% to Rmb 5,690 million. The GFA of sales recognised in the accounts amounted to 652,158 sq.m., a decrease of 16.9% from 785,117 sq.m. recorded in 2006. However, the average selling price of its units achieved an increase from Rmb 8,077 per sq.m. in 2006 by 8.0% to Rmb 8,725 per sq.m. in 2007.

Four projects by the Group's subsidiaries with a total GFA of 141,035 sq.m. were not completed as scheduled in the plan announced at the beginning of 2007. These were Taohuayuan West (partial), Zhoushan Rose Garden, Taohuayuan South Phase 1 (partial) and Shanghai Rose Garden Phase 1 (partial). The construction of Taohuanyuan West was affected by failure to resolve resettlement for local peasants. The progress for Zhoushan Rose Garden, Taohuayuan South Phase 1 (partial) and Shanghai Rose Garden Phase 1 (partial) was delayed due to revisions of their design plans.

Property sales in 2007 were mainly derived from projects in Shanghai, Hangzhou and Beijing. Sales derived from projects in Shanghai reached Rmb1,872 million, representing 32.9% of the total property sales and ranked top in proportion of sales. The property sales derived from projects in Beijing and Hangzhou ranked second and third, which were 21.2% and 21.0% respectively. In Shanghai, the property sales came from two projects of the Group. Of which, the total sales from Shanghai Greentown Phase 3 amounted to Rmb1,624 million, which was the highest amongst all projects. The average selling price per sq.m. for this Shanghai Greentown Project Phase 1 increased from Rmb6,526 per sq.m. by 94.3% to Rmb12,677 per sq.m. for Phase 3. Set out below is a table that illustrates the saleable area, revenue, and interest attributable to the Group by property projects:

Property Projects	**Saleable Area**	**Revenue**	**Interest attributable to the Group**
	sq.m.	*Rmb million*	
Hangzhou			
Chunjiang Huayue	17,170	237	100%
Deep Blue Plaza	7,185	129	100%
Jiuxi Rose Garden Holiday Village	2,454	117	100%
Taohuayuan South	37,589	632	51%
Others	5,964	79	100%
	70,362	1,194	

Property Projects	**Saleable Area**	**Revenue**	**Interest attributable to the Group**
	sq.m.	*Rmb million*	
Zhejiang Province Region (excluding Hangzhou)			
Zhoushan Osmanthus Town	24,987	165	100%
Shangyu Osmanthus Garden	24,393	107	51%
	49,380	272	
Shanghai			
Shanghai Greentown	128,086	1,624	100%
Shanghai Rose Garden	10,214	248	100%
	138,300	1,872	
Beijing			
Beijing Majestic Mansion	21,025	725	100%
Beijing Lily Apartment	128,930	482	80%
	149,955	1,207	
Anhui			
Hefei Sweet Osmanthus	43,526	145	90%
Hefei Lily Apartment	78,949	326	54%
	122,475	471	
Hunan			
Changsha Sweet Osmanthus Town	88,765	342	51%
Changsha Green Bamboo Garden	22,367	228	52%
	111,132	570	
Xinjiang			
Xinjiang Rose Garden	10,554	104	61%
Total	**652,158**	**5,690**	

Gross profit margin

Land appreciation tax was previously classified under costs of sales, and is reclassified in the income statement as income tax for the year. After reclassification of land appreciation tax from the costs of sales of properties, the adjusted gross profit margin decreased from 44.3% retrospectively in 2006 to 36.1% in 2007. The "Product Quality Refining Strategy" introduced by the Group in 2007 was in fact an endeavour to improve product quality. Higher construction cost will have been applying for ongoing enhancement of product tier ranking, and affected gross profit margin to a certain extent. On the other hand, pursuant to the brand strategies of the Group, gross profit margin for new projects in new cities the Group recently expanded into, such as Changsha Green Bamboo Garden, Changsha Sweet Osmanthus Town and Hefei Lily Apartment, were generally lower in order to develop our branding in these cities. These projects had certain impact on the overall gross profit margin for the year, whilst Chunjiang Huayue, Taohuayuan West, Deep Blue Plaza, Jingui Plaza and Dingxiang Apartment that were accounted for 74.4% of total property sales in 2006 were located in Hangzhou, which were economically developed and rich, and were also the products developed by the Group on the same piece of land. As the branding premium of Greentown projects were fully recognized, selling price was increased substantially and thus gross profit margin was relatively higher.

Other income

Other income mainly includes interests income, government subsidy and exchange gain. Other income of Rmb271 million was recorded during the year, representing an increase of 96.4% from Rmb138 million in 2006. In 2007, the successive appreciation in Renminbi amounted to approximately 7%. The high yield bond denominated in US dollar had generated substantial exchange. At the same time, notwithstanding the Group had rapidly converted the funds in Hong Kong dollar and US dollar raised from placing of shares and the issue of 2007 Convertible Bonds into the PRC, the tightening of foreign exchange administration policy resulted in the postponement of the conversion process. As a result, it incurred an exchange loss for the year. After setting off with exchange gain from Renminbi appreciation, a net exchange gain of Rmb69 million was resulted, whilst the net exchange loss in 2006 was about Rmb19 million. Interest income increased by Rmb31 million, which was attributable to the temporary depositing of funds overseas from placing of shares and the issue of 2007 Convertible Bonds.

Selling and administrative expenses

Selling and administrative expenses increased by Rmb107 million or 27.9% in total to Rmb490 million, and its percentage in revenue increased from 6.0% in 2006 to 8.5%. If calculated separately, administrative expense increased from Rmb254 million last year by 15.7% to Rmb294 million. Human resource cost was the single largest item under administrative expense, which increased by 52.0% from that in 2006 to Rmb97 million. The reason was primarily attributable to the increase in the number of property projects and strengthening of human resource bank. The increase in selling expense was relatively faster than administrative expenses, which increased from Rmb129 million in 2006 by 52.0%to Rmb196 million. It represented 2.3% of the property presale amount of our subsidiaries in 2007, resulting in greater economic benefit from selling and marketing cost as compared to 2006. The biggest increase was in sales and marketing activities as well as advertising expense, which was increased by 41.6% to Rmb97 million.

Finance costs

Interest expenses charged to the consolidated income statement for the year increased from Rmb64 million in 2006 to Rmb217 million, an increase of 239.1%. Total interest costs increased from Rmb365 million to Rmb732 million, an increase of 100.5%. The reason for the increase was the increase in average debt amounts raised during the year and average interest rate of bank loans from 6.3% in 2006 to 6.7% this year. However, Rmb515 million of such interest cost was capitalized and the proportion of capitalization was 70.4%. In 2006, Rmb301 million of such interest expense were capitalized, and the proportion of capitalization was 82.5%. The decrease in the proportion of capitalization was due to increase of new projects yet to commence construction in 2007.

Share of profit (loss) of associates and jointly controlled entities

The share of profit of associates and jointly controlled entities was Rmb120 million during the year, which was increased by Rmb157 million from a loss of Rmb37 million in 2006. This was mainly derived from the profits delivered from the following projects: Rmb65 million as to Jade City, Rmb37 million as to Haining Lily Apartment, Rmb29 million as to Ningbo Osmanthus Garden, Rmb20 million as to Zhengzhou Lily Apartment. There was no project in our associates and jointly controlled entities delivered in 2006. However, during the year, Shanghai East Sea Plaza Phase 1 was not delivered as scheduled, which directly affected the profit for the year.

Taxation charges

Taxation for the year included land appreciation tax of Rmb417 million and enterprise income tax of Rmb313 million. Land appreciation tax accounted for 7.3% of revenue from property sales during the year, representing an increase from 2.1% in 2006, as there were more villa projects delivered in. Effective tax rate for enterprise income tax in 2007 decreased from 39.8% last year to 23.7% this year. This was mainly attributable to the preferential tax rate of 15% entitled to Shanghai Greentown project, and the effect arising from the change of enterprise income tax rate from 33% to 25% with effective 1 January 2008 on deferred tax.

Profit attributable to the equity holders

The profit attributable to the equity holders of the Group was Rmb 923 million, a decrease of 27.3% from Rmb 1,269 million in 2006. Net profit margin decreased from 20.1% in 2006 to 17.5% in 2007, which was attributable to the accumulated effects of the above factors.

Pre-sale deposits

As of 31 December 2007, the balance of pre-sale deposits of the subsidiaries was Rmb 3,583 million, an increase of 114.3% from Rmb 1,672 million in 2006. The amount for associates and jointly controlled entities was Rmb6,603 million, an increase of 120.2% from Rmb 2,998 million in 2006.

Financial Resources and Liquidity

As of 31 December 2007, the Group's cash on hand amounted to Rmb2,877 million (2006: Rmb3,249 million) with total borrowings of Rmb11,754 million (2006: Rmb7,372 million). Gearing ratio, measured by net debt over equity, increased from 73.7% as at 31 December 2006 to 88.2% as at 31 December 2007.

Foreign Exchange Fluctuation Risks

The principal place of operation for the Group is the People's Republic of China. Most of the income and expenditure are denominated in Renminbi. As the proceeds from the issue of convertible bonds and senior notes were received in US dollars, the Group is exposed to foreign exchange risks. However, the Group's operating cash flow or liquidity had not been subject to any exchange rate fluctuations. The Group did not enter into any foreign exchange hedging arrangements as at 31 December 2007.

Financial Guarantees

Certain banks provided secured lending to the buyers of the Group's properties. The Group had provided guarantees for such secured lending. As at 31 December 2007, the guarantees for secured lending amounted to Rmb1,989 million (2006: Rmb2,394 million).

Pledge of assets

As at 31 December 2007, the Group pledged its buildings, hotel buildings, prepaid lease payment, construction in progress, properties for development, properties under development, completed properties for sale and bank deposits of approximately Rmb7,004 million (2006: Rmb4,314 million) to banks to secure general banking facilities granted to the Group.

Employees

As of 31 December 2007, the Company had a total of 1,755 employees (as of 31 December 2006: 1,306 employees). Of which, there were 800 employees with bachelor's degree or a higher qualification, representing approximately 46%. There were 524 employees with middle and senior professional titles, representing approximately 30%. There were 171 operation and management officers (referring to those ranking as department managers at the Group and assistant general manager or above within project companies), representing approximately 10%.

Remuneration policies

Employees were remunerated on the basis of their performance, experience and prevailing industry practices. The Company reviews its remuneration policies on a regular basis, and appraises individual staff according to their performances. Bonuses and cash awards may be distributed to employees as an incentive, so as to adequately motivate the enthusiasm and responsibilities of employees towards their work. During 2007, the Company specifically engaged an international well-known surveying firm to conduct an employee satisfaction survey, which facilitated to better formulate more effective remuneration policies and employees motivation measures.

Customer Services

During the year under review, with "Hangzhou Blue Patio" as the pilot project, the Company established the "Premium Community Service System", the first of its type in the PRC. The service qualities were continuously enhanced, and were widely recognized by the market, customers, peers and government. The system was also awarded "Improvement Award for Urban Management in the PRC" for 2007.

During the year under review, the major activities of Greentown club were as follows:

January	"Love at Greentown", a major celebration event for property owners
March	Preview of new property projects for Greentown
April	"Greentown Hall", a series of seminars
June	Charity donation activities
July	Summer evening fun fair for Greentown Club
August	"Happy Summer, Healthy Growth", a swimming gala for Greentown Club
November	A health seminar for members of Greentown Club

Future prospects

In 2008, the PRC government will further tighten its monetary and financial policies. More concern will be placed over the adjustment in the composition of supply and demand in the real estate market, and to secure the supply of residential units for buffer. The Company considers that with the rapid development of the economy in the PRC, the acceleration in progresses on urbanization and the continuous growth in demand of residential units for improvement purpose, there is no change in the fundamental aspects for the long-term development of the real estate industry in the PRC. The prospects of development remain broad.

Project Development

In 2008, the Company will continue to pursue its "Product Quality Refining Strategy", so as to enhance product quality. More emphasis will be placed on planning and the implementation of process management and the speed of development of land bank will be accelerated. It is expected that a total of 76 projects or phases of projects will commence construction. The total GFA of newly commenced projects will amount to approximately 7.33 million sq.m., an increase of 90% over the same period in 2007 (2007: 3.86 million sq.m.).

In 2008, the Company estimates that a total of 34 projects or phases of projects will be completed and delivered. The total GFA will amount to approximately 2.22 million sq.m., an increase of 38% over the same period in 2007 (2007: 1.61 million sq.m.), of which 1.66 million sq.m. will be saleable GFA. The total GFA attributable to the projects completed by the Company is estimated to be approximately 1.37 million sq.m., of which the saleable GFA will be approximately 1.02 million sq.m.

Property Sales

In 2008, the Company will fully execute the "Premium Community Service System" as well as significantly enhance the qualities for its products and services. Brand name advantage of the Company will be strengthened. Effective sales and marketing measures and strategies will be broadly adopted so as to speed up property sales.

In 2008, the Company estimates that a total of 60 projects or phases of projects will commence sales. Additional saleable area will amount to approximately 2.74 million sq.m (including carparks and storage area). It is estimated that the amount from sales/pre-sales for the year will exceed Rmb20,000 million.

In addition, as to the projects completed and delivered by end of 2007, 490,000 sq.m. (including carparks and storage area) will be available for sales in the market during 2008.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2007.

CORPORATE GOVERNANCE REPORT

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance and accountability. The Board will strive to the principles of corporate governance and adopt sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders.

The Company has been complying with the code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2007.

Nomination Committee

The Nomination Committee is primarily responsible for considering and recommending qualified personnels to the Board in becoming members of the Board and is also responsible for reviewing the structure, size and composition of the Board on a regular basis and as required. Members of the Nomination Committee comprise SZE Tsai Ping, Michael (Chairman), TSUI Yiu Wa, Alec, SHOU Bainian and TANG Shiding.

Audit Committee

The Audit Committee is responsible for the review and supervision of the Group's financial reporting process, internal controls and review of the Company's financial statements. The Audit Committee meets regularly with the Company's external auditors to discuss the audit process and accounting issues. Their written terms of reference are in line with the Code provisions. Members of the Audit Committee comprise five members namely, TSUI Yiu Wa, Alec, JIA Shenghua, JIANG Wei, SZE Tsai Ping, Michael and TANG Shiding, all of whom are Independent Non-Executive Directors. The chairman of the Audit Committee is TSUI Yiu Wa, Alec.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Directors' remuneration and other benefits. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that level of their remuneration and compensation are reasonable. Their written terms of reference are in line with the Code provision. Members of the Remuneration Committee comprise JIA Shenghua (Chairman), SZE Tsai Ping, Michael and CHEN Shunhua.

ANNUAL GENERAL MEETING

The 2008 annual general meeting (the "AGM") of the Company will be held on 23 May 2008 (Friday). A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The proposed final dividend of HK32 cents per share, the payment of which is subject to approval of the shareholders at the forthcoming AGM, is to be payable on 30 May 2008 (Friday), to shareholders whose names appear on the Register of Members of the Company on 23 May 2008 (Friday).

The Register of Members of the Company will be closed from 21 May 2008 (Wednesday), to 23 May 2008 (Friday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and to determine who are entitled to attend the AGM of the Company, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m., 20 May 2008 (Tuesday).

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE WEBSITE

The Company's 2007 annual report as of 31 December 2007 will be submitted to the Stock Exchange for uploading onto the Stock Exchange's website (www.hkex.com.hk) in due course.

APPRECIATION

Lastly, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our management and all our fellow staff for their contributions to our development. Also, I would like to extend my deepest appreciation to our shareholders, business partners, customers and professional advisors for their support and confidence in making the Company a more prosperous and fruitful future.

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

Hangzhou, the PRC, 21 April 2008

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