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)

Annual Report 2006

* For identification purpose only

Contents

Corporate Information

Directors

Executive Directors

Mr. SONG Weiping *(Chairman)*
Mr. SHOU Bainian *(Executive Vice-Chairman)*
Mr. CHEN Shunhua
Mr. GUO Jiafeng

Independent Non-Executive Directors

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

Company Secretary

Mr. LAM Kam Tong

Qualified Accountant

Mr. LAM Kam Tong

Authorized Representatives

Mr. SHOU Bainian
Mr. LAM Kam Tong

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Cayman Islands Principal Share Registrar

Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705, George Town
Grand Cayman, Cayman Islands
British West Indies

Hong Kong Branch Registrar

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

Auditors

Deloitte Touche Tohmatsu

Legal Advisors to Our Company

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

as to PRC law:
Zhejiang T&C Law Firm

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

Compliance Advisor

Platinum Securities Company Limited

Principal Bankers

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

Corporate Profile

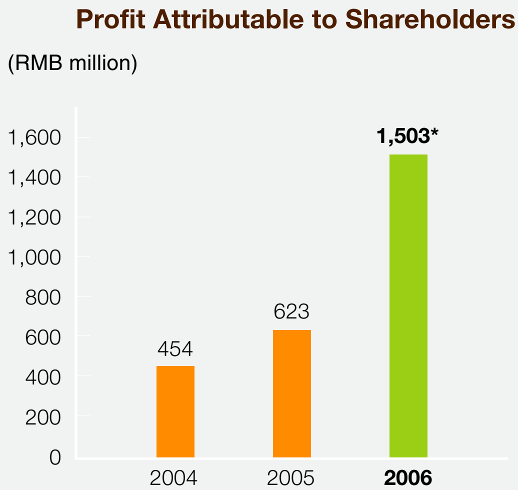
Greentown China Holdings Limited ("Greentown" or "the Company", together with its subsidiaries ("the Group")), is one of the leading property developers in China, it primarily develops quality residential properties mainly targeting middle to high income residents in Mainland China. While the Group has historically focused its property development operations in Hangzhou and other cities within Zhejiang Province, it has over twelve years' development and becoming a national player in the residential property market with significant operations in Shanghai, Beijing and other strategically selected cities across the country, including Qingdao in Shandong Province, Nanjing in Jiangsu Province, Hefei in Anhui Province, Changsha in Hunan Province and Urumqi in Xinjiang Uygur Autonomous Region. The Company totally owns over 12 million sq.m. GFA of premium land bank.

From 2004 to 2006, our "Greentown" brand was ranked for three consecutive years one of the 10 most valuable property brands in China jointly by three institutions, they are Enterprise Research Institute of the Department Research Center of the State Council, Qinghua University Real Estate Research Center and China Index Institute.

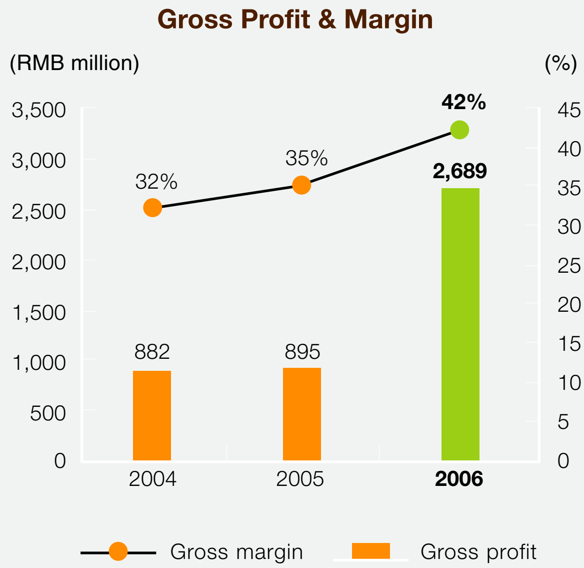
Financial Highlights

(RMB million)	Change	2006	2005
Operation results			
Turnover	+152%	**6,400**	2,535
Gross profit	+200%	**2,689**	895
Gross profit margin	+7%	**42%**	35%
Operating profit	+260%	**2,544**	706
Operating profit margin	+12%	**40%**	28%
Taxation	+581%	**851**	125
Profit attributable to shareholders	+104%	**1,269**	623
Net profit margin*	-3%	**20%**	23%
Financial position			
Total assets	+42%	**17,839**	12,582
Total debt	+51%	**7,372**	4,879
Cash and cash equivalents	+278%	**3,249**	859
Information per share (RMB)			
Earnings per share – basic and diluted	+76%	**1.09**	0.62
Dividend per share (HKD)	—%	**0.36**	—

* Including minority interest

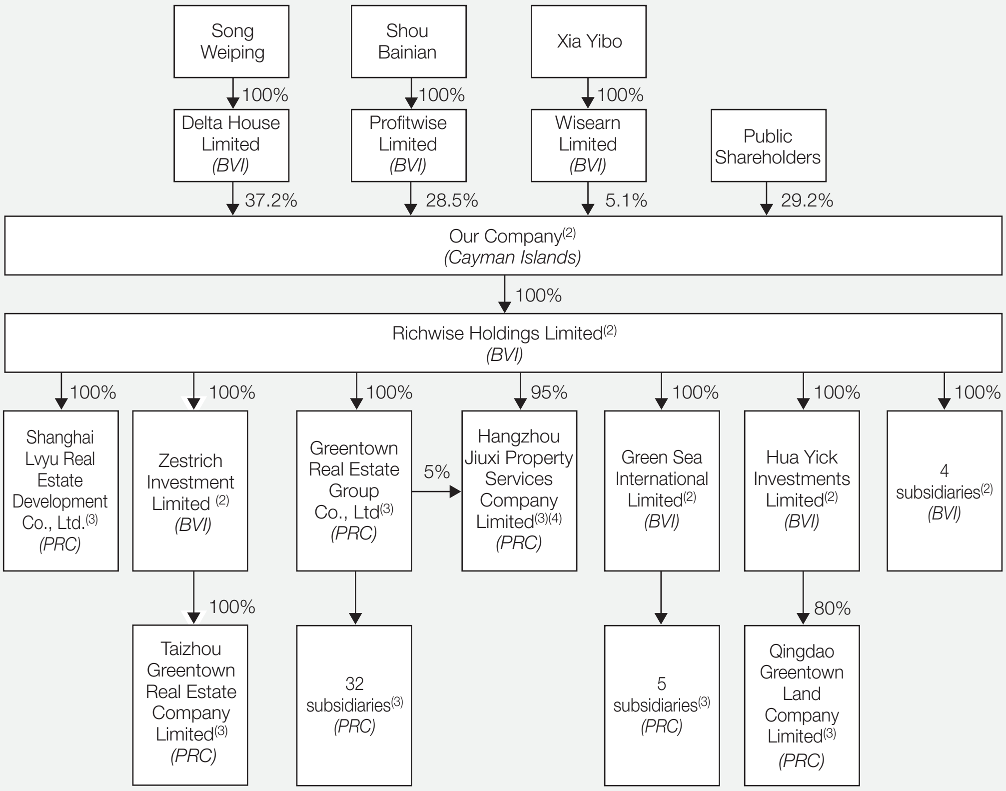


* Prior to the accounting adjustment relating to the convertible bonds issued by the Company



Corporate Structure

The following chart shows our simplified corporate structure as of 31 December 2006[1].



Notes:

(1) After 31 December 2006, certain amounts of the Convertible Bonds issued by the Company were converted into Shares. For further details please refer to note 26 of the consolidated financial statments.

(2) Engaged in investment holding business.

(3) Principally engaged in real estate development business.

(4) We reorganized Hangzhou Jiuxi in August 2006. As a result of such reorganization, Hangzhou Jiuxi transferred its remaining property developments to a newly-established company, Hangzhou Rose Garden Property Services Company Limited. As the property developments undertaken by Hangzhou Jiuxi have either been completed or transferred, we have commenced the voluntary liquidation of Hangzhou Jiuxi, which is expected to be completed by the end of April 2007.

Milestones of our corporate development in 2006

Month	Events
January	The Company successfully issued five-year convertible bonds in the sum of USD130,000,000 and placed shares in the sum of USD20,000,000 to JPMorgan and Stark Investment
July	Shares of the Company were successfully listed on the main board of The Stock Exchange of Hong Kong Limited ("The Stock Exchange") and the Company raised USD367,000,000
August	We entered into a strategic cooperation agreement with China Gezhouba Group, to jointly develop the real estate market of China
September	We concluded the strategic cooperation framework agreement with Xizi Elevator Group Limited, about 1.52 million sq.m. of site areas under Xizi Elevator Group are developed and managed by the jointly established company
November	The Company issued seven-year high yield notes in the sum of USD400,000,000
December	We jointly announced the strategic cooperation framework agreement with Warburg Pincus to establish long-term cooperation and focus on the development of, and investment in, the real estate market of China

Major Awards

2004-2006

One of the top 10 most valuable property brands in China

Beijing Yuyuan

National Harmonized Community Awards in 2006

Beijing Baihe Apartment

Regional Landmark Property of 2006

Hefei Guihua Garden

2006 Landmark residential project in China

Changsha Guihua City

Best Property in Changsha in 2006

Tao Hua Yuan

Best Property in Hangzhou in 2006

Qingzhu Garden

Best Quality Villa in Changsha in 2006

"We will deliver more exquisite property projects with wider variety for customer selection, and aspire to deliver superior service and product quality as testimony to our leadership and investment values."

Dear Shareholders,

Greentown was officially incorporated in January 1995. In the past twelve years, we have acquired the competencies to run an enterprise efficiently and effectively, and have developed our own set of values in property development. We uphold "sincerity, goodwill, exquisiteness and perfection" as our core values and regard them as an indispensable and integral part of our corporate culture. Building upon our in-depth understanding of this culture, we have set Greentown on the road of success to pursue sustainable growth.

The Company was listed on The Stock Exchange on 13 July 2006. Prior to listing, we had established extensive contact and communication with international investors. We realized during the process of interaction with investors that the corporate culture we advocated or the core values that we adhered to have much in common with that of many well established and successful enterprises. These observations have strengthened our faith and determination to pursue growth on this path to success.

Upon successful listing, Greentown emerged from a privately run company to an international public enterprise. This has opened up an advantageous operating environment and a broader platform for us to perform even better and deliver products of higher qualities. Not only do we consider our shareholders as investors, but we also see them as our partners, and we are take prides to see that such partnership is highly recognized by every employee. Greentown's primary objectives are to offer a platform for employees to excel, create value appreciation for customers, develop a better living environment for our city, and generate wealth for society. We believe corporations should shoulder the social responsibility and fulfill its commitment to bringing returns to business partners and investors. Going forward, as a listed company, we are given an additional mission – to reward shareholders with greater returns through hard work and diligence.

The continued robust growth of China's economy, the accelerating pace of urbanization and the increasing income per capita of domestic residents will surely bolster a strong desire to improve their living conditions. The outlook for China's real estate market is promising. Looking into the future, we will leverage on our advantages in operational management beliefs to unleash our strengths in product and service qualities. Under the combined effort of all Greentown staff, we will seize every opportunity to grow with first-class domestic and international enterprises through our management quality and scale, product and service levels, as well as employee development and social reputation.

We will deliver more exquisite property projects with wider variety for customer selection, and aspire to deliver superior service and product quality as testimony to our leadership and investment values.

SONG Weiping
Chairman
1 April 2007

CEO's Review

"2006 is the twelfth year in the development of the Company. It is also a very memorable year in the development of Greentown. During the year, the Company had changed from a regional private company into an international public company in no time. As a result, our capital structure has improved, and the capital we need for development had been replenished accordingly. The change has afforded the Company better opportunities for its growth and development and brought tremendous implications to the Company."

Dear Shareholders,

Greentown are pleased to announce the first annual results of the Company since the listing on the Main Board of The Stock Exchange on 13 July 2006, and to share with you our successes including the surge in our profit during 2006, the continued expansion of our scale of development, the intensifying of our brand name marginal effect and the rapid increase in our land bank. I also share with you our analysis and strategy under the current austerity measures of the State and the transformation of industry policies.

2006 is the twelfth year in the development of the Company. It is also a very memorable year in the development of Greentown. During the year, by the issue of convertible bonds in January, the Company introduced JPMorgan and Stark Investment as strategic investors. By July, our shares were listed on The Stock Exchange, and by November, we issued the seven-year senior notes, thereby the Company had changed from a regional private company into an international public company in no time. As a result, our capital structure has improved, and the capital we need for development had been replenished accordingly. The change has afforded the Company better opportunities for its growth and development and brought tremendous implications to the Company.

1. Huge improvements in operating results

In 2006, the Company achieved an operating revenue of approximately RMB6,400 million, of which revenue from property sales accounted for 99%, which represented a significant increase of 152% over last year. Excluding the fair value accounting adjustment relating to un-redeemed convertible bonds, we realized a profit attributable to equity holders of RMB1,503 million, a huge increase of 141% over last year. After the accounting adjustment for the potential fair value of option and net changes in conversion price of the convertible bonds, our profit attributable to the shareholders of the Company was RMB1,269 million, an increase of 104% over last year, and basic earnings per share was RMB1.09.

In 2006, our (including associates) construction-in-progress carried forward from the previous year amounted to approximately 2.34 million sq.m., newly commenced projects amounted to 1.68 million sq.m., and the total area of construction-in-progress by the end of the year amounted to 2.96 million sq.m. There were 14 projects/phases completed and delivered during the year with an aggregate GFA of 1.06 million sq.m., in which saleable GFA amounted to 0.79 million sq.m., whereas the GFA sold amounted to 0.70 million sq.m.

Thanks to the continued growth in our financial results and our overall strength, in 2006, the Company was once again ranked Number 1 among real estate companies in Zhejiang province in terms of overall strength, and was named for the fourth consecutive year as a company among the top 10 of real estate companies in China, and ranked third among the Top 10 in profit making by top Hundred China Real Estate Enterprises.

In view of our strong operational and financial performance, the Board of Directors ("the Board") recommends the payment of a final dividend of HKD0.36 per share for the year ended 31 December 2006.

2. Intensifying brand name marginal effect

In 2006, adhering to the central idea of "creating value for customers", we proceeded with magnificent customer service and service value-added activities, which were well-received and led to a wider recognition and consolidation of the brand name of the Company.

Since 2006, the Company's projects outside Zhejiang province had continued to be well-rated by the local markets and governments and the Changsha Qingzhu Garden Villa project was awarded the title of "Best Quality Villa in Changsha in 2006" (the only project selected) by Changsha Planning Bureau and Changsha Real Estate Bureau; our Beijing Baihe Apartments project was awarded the title of "Regional Landmark Property (Fangshan District) in 2006"; our Beijing Yuyuan (namely the Qinglongqiao project) was awarded the title of "National Harmonized Community Awards" by the Ministry of Construction and Ministry of Culture at the Architectural Art Biennial Exhibition; our Hefei Guihua Garden project was awarded the title of "Landmark Residential Project in China". With our brand name well-established in markets outside Zhejiang province and with our subsequent projects to be developed, our products are sold at a premium above the average market prices.

In 2006, our brand name has been ranked by three authoritative institutions, including the Enterprise Research Institute of the Development Research Center of the State Council, as one of the Top Ten Most Valuable Property Brands in China for the third consecutive year. Hence, our nationwide brand name recognition and advantage have been well-established.

In 2006, by leveraging on our advantages in brand name and management, the Company carried out our strategic development with entities both within and beyond Zhejiang province, and signed strategic cooperation agreements with China Gezhouba Group and Warburg Pincus, whereby both parties undertook to jointly develop real estate projects by leveraging on each other's advantages. The Company also signed a strategic cooperation agreement with Xizi Elevator Group such that a land bank of approximately 1.52 million sq.m. in site area and approximately 0.77 million sq.m. in GFA under the name of Xizi Elevator Group will be developed and managed by a company jointly established by both parties.

We believe that by leveraging on and strengthening our advantage in brand name and consolidating and enhancing our brand name status, tapping and leveraging on the intrinsic value and marginal effect of our respective brand names, thereby combining a strong one with another and leading to more and lasting vitality and room of development for the Company.

3. Rapid increase in land bank, further structural optimization

Over the year, through taking part in tendering, auction, acquisition of equity interests and other means of cooperation with other companies, the Company had increased its land bank by approximately 3.74 million sq.m., and the GFA of newly added land bank was approximately 4.48 million sq.m., with approximately 3.32 million sq.m. attributable to the Company. As at the end of 2006, our land bank was approximately 12.27 million sq.m. in GFA, an increase of 39% over last year, area attributable to the Company was 7.92 million sq.m., an increase of 45% over last year. Our quality and sizeable land bank has laid a very solid foundation for our development in the next five years.

In line with the implementation of our "fine-product strategy", in 2006 after our listing, the Company strategically increased the land bank for landmark residential composite projects in the centre of cities. In September, we jointly obtained a landmark residential project in the centre of Hangzhou with an GFA area of approximately 0.31 million sq.m. — Hangzhou Hushu project with a renowned developer; in December, the Company joined efforts in a tendering process with a renowned developer and successfully obtained Tiansheng project for residential, commercial and hotel use in the centre of Wenzhou, Zhejiang, one of the most active hub of economic activities of the private sector in China, which has an GFA area of approximately 0.41 million sq.m. The obtaining of these projects will bring about considerable financial returns for the Company.

The Company invested in a number of hotel properties, including the five-star Zhoushan Sheraton — Greentown Hotel managed by Sheraton Hotel Management Company which the Company has engaged, the five-star Hangzhou Qiandaohu Bishui Qingfeng Hotel project and Hangzhou Rose Garden Resort Hotel project, all of which are smoothly underway. The completion of these projects will effectively improve our revenue and income structure and bring forth even more steady cashflow for the Company.

The brilliant success for 2006 was the result of the concept of management which we have been adhering to, which is "The Assets of the Company of the Utmost Importance are People" and the continued hard work of our staff and the quality of our product as well as our continuous improving efficiency in management.

4. Market review

In 2006, the Ministry of Construction, the National Development and Reform Commission, the Ministry of State Land Resources, the State Administration of Taxation and the People's Bank of China either individually or jointly introduced austerity measures including strengthening the procedures for the transfer of State land use rights and for regulating the entry into the real estate market and transfer of real estate and its marketability, the policy to increase the deposit/lending ratio, all of which are aimed at guiding the continued and healthy development of the real estate industry.

Introduction of the austerity measures brought about profound changes to the real estate market, where people are becoming more rational to think of spending only for their residential purpose, so that industry consolidation has become more and more extensive. Eventually, only enterprises with the advantage of the necessary capital, brand name and management can seize a vantage point in the market.

Premier WEN Jiabao pointed out in the work report of the government that "real estate is of vital importance to economic development and improvement to the living conditions of the people, and therefore its continued and healthy development should be promoted". In 2006, the GDP of China was RMB20,940.3 billion, and the per capita income of people of cities and towns amounted to RMB11,759, an increase of 10.4% over last year. In particular in Beijing, Shanghai and Hangzhou, the per capita GDP in 2006 was RMB64,465, RMB75,265 and RMB51,871 respectively, and the per capita income of people of cities and towns amounted to RMB19,978, RMB20,068 and RMB19,027 respectively, which represented an increase of 13.2%, 10.8% and 14.6% over last year respectively.

The Company is convinced that with the continued development of China's economy, the increasing income level of city and town people, the acceleration of urbanization and the increasing desire of people to improve their living conditions have formed a solid basis for the sustainable development of the real estate industry.

5. Business outlook and strategy

After 12 years' of development, the Company has established its advantages in high quality products and national famous brand, and formed an experienced management team with strong project operations ability. Quality and sizable land bank has established a sound foundation for the development of the Company, in particular the capital structure has been improved after the listing of the Company in 2006 on the Stock Exchange.

Qiandaohu Bishui Qingfeng Rendering Drawing

Qingdao Project Rendering Drawing

In 2007, the Company's (including associates) scale of development will hit an all-time high, and it is anticipated that the area on which construction will be commenced will amount to 3.97 million sq.m., area planned to be completed and delivered will amount to 1.73 million sq.m. of which saleable area amounted to 1.26 million sq.m., and by the end of the year the area for construction-in-progress will amount to 5.20 million sq.m.

In 2007, amid the opportunities and challenges as a result of the austerity measures and the consolidation of the real estate industry, the Company will move along firmly in the direction of "providing quality products and services" and fully implement its "fine-product strategy", particularly in the following five areas:

1. "Behind the excellence of every product is the excellence of the staff producing it". The Company is convinced that quality staff represents the top-drawer product of the Company, which also represents the essential guarantee of our development. We must continue to train and temper our staff by different means and at different levels to enhance their operating standards and professional attainments; we have to equip our staff at senior level who are responsible for the frontline project management and the overall operation management of the Group to cope with any new requirement in the management of the Company. We must adhere to our mechanism of "survival of the fittest" in order to promote the keen-wittedness, high efficiency and vitality of our team of human resources.

2. We have to enhance both product and service quality. By the full-scale implementation of our "fine-product strategy", we continue to increase the added value of our products and increase our competitiveness in the market and further consolidate our leading position in the industry. We have to condense, summarize, crystallize and enhance the quality features and key points of quality control of our four major product series; we also have to step up our efforts in product research and innovations to improve our product quality continuously. We also have to put more effort in our market research and sales and marketing, thereby improving our service standard and creating value by our service, which not only provides services of even higher standard, but also improves our operating results.

3. We have to complete our business plans successfully. We have to quicken our pace to increase our land bank and push forward expediently with our construction plans, our plans of sales and marketing, our plans of completion and delivery and we have to implement our costing and budgeting and control. In particular, we leverage on our advantage in brand name in Zhejiang and regions outside Zhejiang in project development and sales in future, continue to enhance add-value of high quality product brands and to enhance the brand name premium for bringing better returns to the shareholders.

4. We have to leverage on our advantage in management human resources and brand name, and continue to increase and maintain our advantage in capital and land bank and efforts with our strategic partners, with Hangzhou, Wenzhou, Taizhou and Ningbo in Zhejiang, Shanghai and Beijing as the focused regions of our development, and expand into Shandong and Jiangsu to develop our presence in order to strategically increase our land bank in quality land, hence our market shares, and improve the cash flow of the Company.

5. We have to bring on the quality of our management. We have to streamline our management structure, define our management process and ascertain our work standards; by means of promoting construction with the use of IT, we advance the upgrading of systems, processes and standards to improve the quality of management continuously. We also have to establish a management that is transparent and highly efficient to strictly comply with the Code on Corporate Governance Practices (the "Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and improve and strengthen investor relations to heighten our overall standard of operation as a listed company.

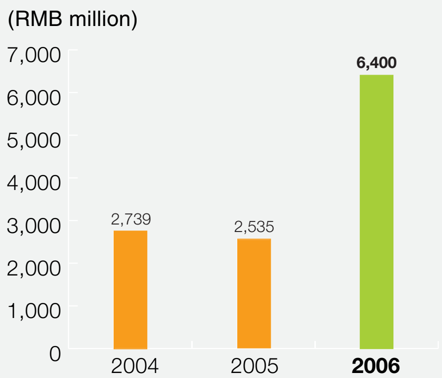
Finally, let me express my warmest gratitude for our hard-working staff, our shareholders, working partners and our dear customers who care and support the Company, and let me also give tribute to the high efficiency and dedication of all the Executive Directors and Independent Non-Executive Directors.

SHOU Bainian
CEO
1 April 2007

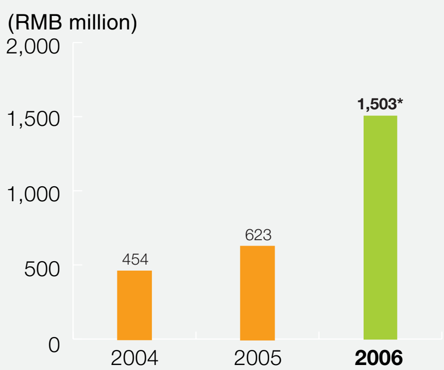
Financial Performance

In 2006, the Group's revenue, gross profit and profit margin had seen staggering increases over 2005. For the year ended 31 December 2006, the Group's operating revenue amounted to RMB6,400 million, an increase of 152% over 2005. Increase in operating revenue was mainly due to a significant increase in the GFA delivered during the year over 2005, and the average selling price had also experienced significant increase. Gross profit margin increased from 35% in 2005 to 42% in 2006, which was mainly due to the significant increase in market prices, the favorable market performance as a result of our quality products and leading brand name, and moreover, the gross profit margins of certain projects such as Chunjiang Huayue, Deep Blue Plaza, Jingui Plaza and Dingxiang Apartment were high. Our profit attributable to shareholders was RMB1,269 million (prior to the adjustment of the convertible notes, the profit attributable to shareholders for 2006 was RMB1,503 million), and our operating targets in 2006 had been successfully accomplished.

Revenue



Profit Attributable to Shareholders



* Pre-adjustment for the fair value of CBs

Business Review

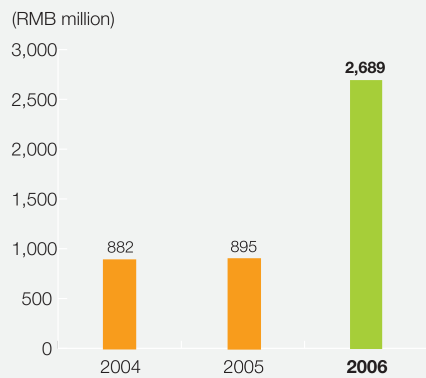
Project Development

In 2006, the Group achieved brilliant results in project development; the number of newly commenced projects and their GFA, and the number of completed projects and their GFA saw considerable increase over 2005; Deep Blue Plaza and Dingxiang Apartments represent the first group of finely decorated projects in the history of Greentown which have been successfully completed and delivered; our project construction continued to maintain its high quality with a number of our project having been awarded prizes.

Newly Commenced Projects and GFA Steadily Increase

In 2006, the Group fully leveraged on its existing mature product series to transfer such quality to new projects, and its proven successful product design and mature project management had shortened the development cycle and speeded up the development of its existing land bank. During the year, the Group (including associates) had a total of 19 projects or phases of projects which had commenced construction, and the GFA of newly commenced projects amounted to 1.68 million sq.m., of which the GFA attributable to the Company amounted to 1.09 million sq.m..

Gross Profit



Lin Zhuang Rendering Drawing

Greentown Lanting Rendering Drawing

Newly Commenced Projects for the year ended 31 December 2006

Project	Site area *(sq.m.)*	Total GFA *(sq.m.)*	Saleable GFA *(sq.m.)*
Greentown Lanting Phase I	74,866	131,285	82,721
Ningbo Guihua Garden Phase II	24,181	66,173	54,889
Bishui Qingfeng Phase I	90,274	187,209	112,531
Zhoushan Dangxiao	19,065	5,180	4,930
Zhoushan Guihua City Phase II	82,882	202,154	167,496
Shanghai Rose Garden Phase II	138,250	41,059	41,059
Beijing Baihe Apartment Phase V	39,315	42,294	35,379
Hefei Baihe Apartment Phase III	41,221	106,735	80,710
Changsha Guihua City Phase II	28,289	68,349	68,349
Hunan Qingzhu Garden North Phase I (Part)	94,421	23,665	23,665
Ningbo Yanfayuan Project Phase I	73,331	195,987	148,980
Haining Baihe New City High-rise Phase I	28,500	77,632	60,227
Haining Baihe New City Villa Phase II	73,500	30,313	30,087
Haining Baihe New City Villa Phase III	63,618	18,978	18,788
Rose Creek Valley Phase I	566,100	114,050	109,050
Ningbo Green Garden	37,680	140,454	100,947
Hupanju Phase I	26,363	34,272	37,288
New Green Garden	27,666	117,758	80,246
Liu Zhuang	51,062	77,567	57,307
Total	1,580,584	1,681,113	1,314,649

Projects Delivered as Scheduled

In 2006, the Group (including associates) had a total of 14 projects completed and delivered for occupation by buyers. The total completed and delivered GFA amounted to 1.06 million sq.m., in which saleable areas reached 0.79 million sq.m., GFA sold reached 0.7 million sq.m..

Projects Completed for the year ended 31 December 2006

Project	Total GFA (sq.m.)	Saleable GFA (sq.m.)	Pre-sold/ sold GFA (sq.m.)
Chunjiang Huayue Phase III	59,595	39,465	37,501
Chunjiang Huayue Phase IV	77,185	60,513	56,690
Chunjiang Huayue Phase V	66,884	53,743	44,528
Taohuayuan West (Part)	59,443	59,443	59,443
Deep Blue Plaza	132,695	97,834	94,842
Dingxiang Apartment	31,468	23,745	23,453
Jingui Plaza	33,776	24,164	20,616
Zhoushan Guihua City Phase I	155,151	110,007	88,661
Hefei Guihua Garden Phase III	61,568	43,324	35,040
Xinjiang Rose Garden Phase I	11,073	11,074	9,851
Shangyu Guihua Garden	184,490	143,025	124,009
Changsha Guihua City Phase I (Part)	89,392	66,616	56,690
Haining Baihe New City Low-rise Phase II	64,590	36,808	35,680
Haining Baihe New City Low-rise Phase III (Part)	34,002	24,708	16,816
Total	1,061,302	794,459	703,810

Annual GFA Completion

Property Sales

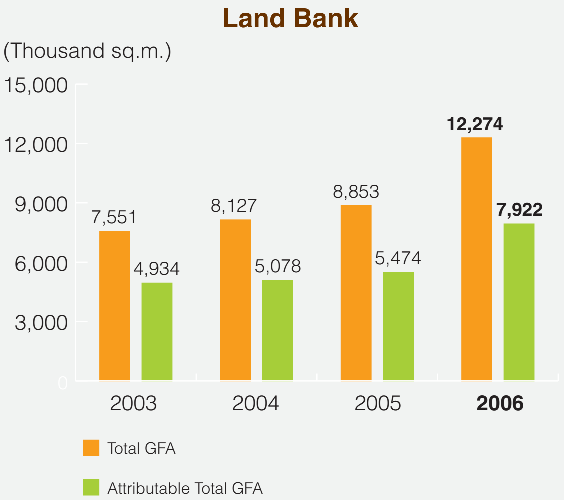
In spite of the increasing rigorous austerity measures to control the real estate market being implemented by the government, the property sales of the Group in 2006 enjoyed a marked increase all the same, and a total of 0.77 million sq.m. had been sold/pre-sold for the year. The sold/pre-sold amount was approximately RMB7,100 million, an increase of 82% over 2005. Since the Group has been strictly adhering to its development for high quality products, the brand name of Greentown for high quality has been well-recognized by customers. In addition, the Group has been seeking improvement of its products, which has afforded the Group strong competitiveness in the market. As at 31 December 2006, the sold/pre-sold ratio are approximately 89% of projects completed in 2006, and 52% of projects that will be completed in 2007.

Deep Blue Plaza

Dingxiang Apartment

Land Bank

The Group has been obtaining quality land for its land bank at the right time and by various means to strengthen its capability of sustainable development. In 2006, the Group seized upon the opportunity afforded by the austerity measures to fully leverage on our brand name advantage, product advantage and capital advantage and obtain new land bank by tender, acquiring equity interests, cooperation or re-negotiation, resulting in the considerable increase in land bank. In 2006, our newly added land bank GFA amounted to 4.48 million sq.m., thus increasing our land bank to 12.27 million sq.m., of which the GFA attributable to the Group amounted to 7.92 million sq.m..



Acquisition/increasing Our Equity Interests In Projects

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

- in January 2006, we acquired the Jiahe Jiubao project in Hangzhou, Zhejiang;
- in September 2006, we acquired the Nanjing Rose Garden project in Nanjing, Jiangsu;
- in September 2006, we increased our equity interest in the Bishui Qingfeng project in Chunan, Zhejiang;
- in November 2006, we acquired the Tonglu Jiuzhou project in Tonglu, Zhejiang.

Strategic Cooperation

Our outstanding project implementation and supervision together with our strong brand name effect attracted a number of business partners, which enabled the Group to form strategic alliances with these business partners and to develop new projects at lower costs. Upon having concluded the strategic cooperation framework agreement with Xizi Elevator Holdings Limited ("Xizi Elevator Group") to explore the business opportunities of the real property of China on 18 September 2006; in October of the same year, Zhejiang Greentown Xizi Real Estate Group Company Limited ("Greentown Xizi"), a company held 50% each by the Group and Zhejiang Xizi Real Estate Group Company Limited ("Xizi Real Estate Group", an associate of "Xizi Elevator"), acquired 100% of the equity interests in 4 real estate development companies of Xizi Elevator Group for the sake of increasing our land bank, strengthening our cooperation and further consolidating our leading position in the real estate market of Zhejiang. These 4 projects include:

- the Rose Creek Valley Villa project in Linan, Zhejiang;
- the Tulip Bank comprehensive residential project in Wenyan county, Xiaoshan District, Hangzhou, Zhejiang;
- the Kunshan Greentown Villa project located at the side of Dianshan Lake in Kunshan, Jiangsu; and
- the Hupanju low-rise apartment project in Rudong County, Nantong, Jiangsu.

Re-negotiation

- in November, upon negotiations with the government, the Company's GFA held in respect of the Ningbo Yanfayuan project increased from 246,784 sq.m. to 511,043 sq.m..

Tender and Auction

Moreover, the Group leveraged on the favourable opportunity afforded by the austerity measures which undermined the competitiveness of other developers, to take active moves and obtain many pieces of quality land by the tendering process, which include:

- in August 2006, we obtained the Tonglu Greentown project in Tonglu county, Zhejiang;
- in September 2006, we obtained the Hangzhou Hushu Project in Hangzhou, Zhejiang;
- in October 2006, we obtained the Hangzhou Fengqi project in Hangzhou, Zhejiang;

- in November 2006, we obtained the Tiancheng Project in Hangzhou, Zhejiang;
- in December 2006, we obtained the Hefei Tongcheng project in Hefei, Anhui province;
- in December 2006, we obtained the Panlong Lake project in Xinchang, Zhejiang;
- in December 2006, we obtained the Tiansheng project in Wenzhou, Zhejiang.

Land Acquisition and contract Arrangement

We signed a project framework agreement in January with the government for the Qingdao project and became the developer of the project.

List of newly acquired land

Project	Interest Attributable	City	Increase in Site Area *(sq.m.)*	Increase in Total GFA *(sq.m.)*	Attributable Increase in Total GFA *(sq.m.)*
Jiahe Jiubao Project	100%	Hangzhou	100,809	314,715	314,715
Qingdao Project	80%	Qingdao	1,185,247	1,743,970	1,395,176
Tonglu Jiuzhou	51%	Tonglu	33,087	15,580	7,946
Tonglu Greentown	100%	Tonglu	107,671	145,906	145,906
Hangzhou Hushu Project	50%	Hangzhou	104,070	309,000	154,500
Hangzhou Fengqi Project	94%	Hangzhou	17,501	56,873	53,461
Tiancheng Project	94%	Hangzhou	15,486	52,600	49,444
Panlong Lake Project	100%	Xinchang	144,862	102,885	102,885
Hefei Tongcheng Project	54%	Hefei	67,334	202,220	109,199
Tiansheng Project	60%	Wenzhou	132,325	410,000	246,000
Nanjing Rose Garden	70%	Nanjing	306,541	91,962	64,373
Rose Creek Valley	50%	Linan	1,069,842	179,734	89,867
Tulip Bank	50%	Hangzhou	151,333	309,467	154,733
Kunshan Greentown	50%	Kunshan	146,252	81,000	40,500
Hupanju	50%	Nantong	155,333	201,380	100,690
Ningbo Yanfayuan Project	60%	Ningbo	–	264,259	158,555
Bishui Qingfeng[1]	80%	Qiandaohu	–	–	127,134
Total			3,737,693	4,481,551	3,315,084

[1] Increase in interest of projects from 29% to 80%. The site area of Bishui Qingfeng project is approximately 138,140 sq.m. and total GFA is approximately 249,282 sq.m..

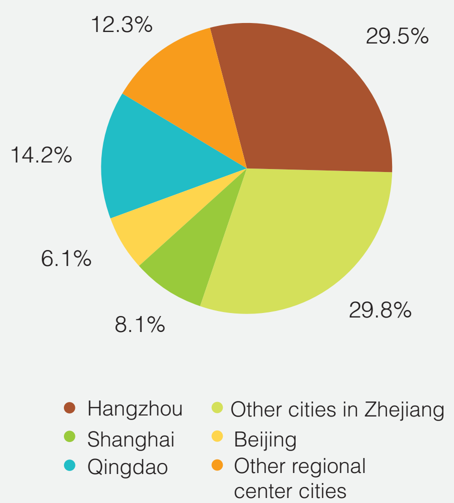
In short, as at 31 December 2006, the number of projects we had developed or planned to develop amounted to a total of 44 with a total site area of approximately 11.31 million sq.m. and a total GFA of approximately 12.27 million sq.m., of which the site area and GFA attributable to the Group amounted to approximately 7.14 million sq.m. and 7.92 million sq.m. respectively. These projects which are in progress or have been planned to proceed are as follows:

- 13 are located in Hangzhou with a total GFA of approximately 3.62 million sq.m.;
- 14 are located in other cities in Zhejiang with a total GFA of approximately 3.65 million sq.m.;
- 5 are located in Shanghai with a GFA of approximately 1 million sq.m.;
- 2 are located in Beijing with a total GFA of approximately 0.74 million sq.m.;
- 10 are located in Hefei of Anhui, Nanjing of Jiangsu, Qingdao of Shandong, Changsha of Hunan and Urumqi of Xinjiang with a total GFA of approximately 3.26 million sq.m.

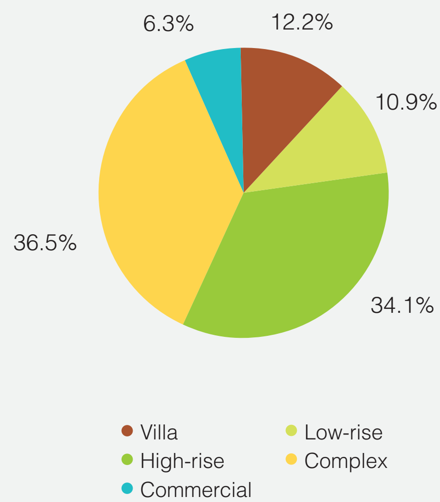
There were 128 projects or phases of projects which were in progress or planned to proceed, and we have not yet to obtain the land use right certificates for 34 sites of approximately 2,613,314 sq.m. in area for projects or phases of projects. We are in the process of going through the formalities for these projects, including the payment of land premium and the cost of relocation so as to ensure our eventual obtaining of all the land use right certificates.

Diversified Land Bank Portfolio

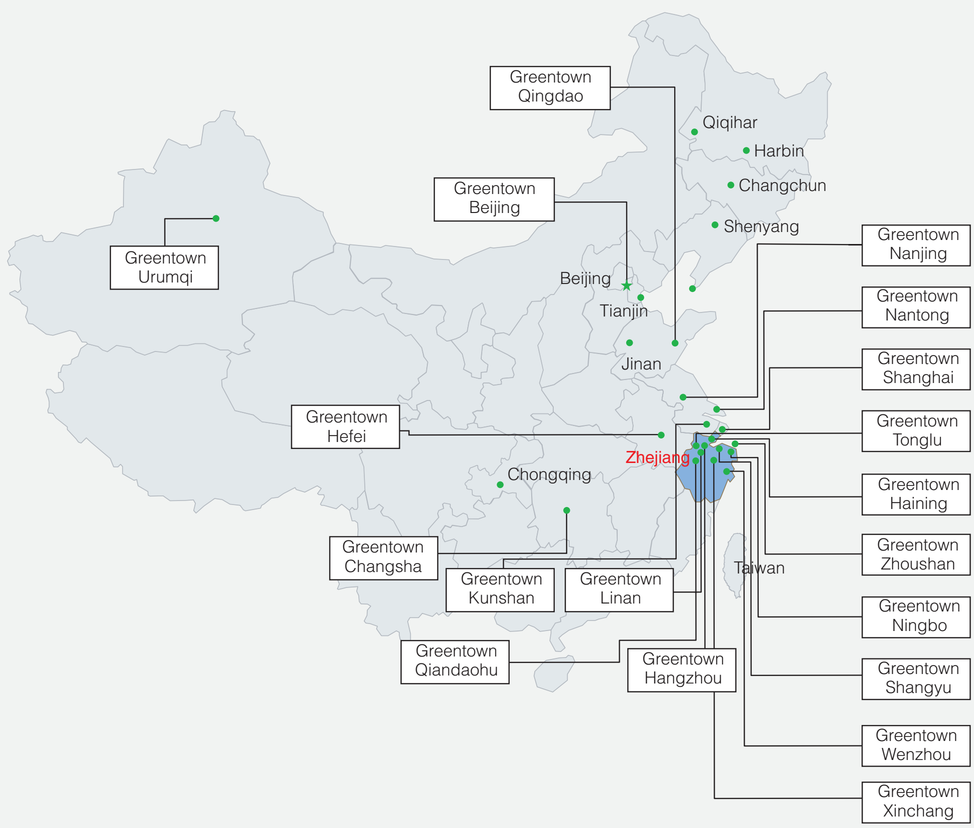
GFA by Geographical Region



GFA by Project Type



The chart below shows the geographical locations of our 128 property projects or project phases under development or held for future development across 19 cities in China.



Business Outlook

In terms of operation, the Group will strengthen its control in project construction, project sales and marketing, implement and complete our project on scheduled. According to our development plan, it is estimated that the total area that will be completed in 2007 will amount to 1.73 million sq.m., of which the area attributable to the Group will amount to 1.04 million sq.m.. At present, construction of all the projects is under way smoothly and satisfactorily.

Estimated number of projects to be completed in 2007

Project	**Total GFA** *(sq.m.)*	**Saleable GFA** *(sq.m.)*	**Pre-sold/sold GFA** *(sq.m.)*
Jiuxi Rose Garden Holiday Village	26,200	2,836	–
Taohuayuan South Phase I (Part)	78,501	65,741	31,149
Taohuayuan West (Part)	4,102	4,102	1,102
Ningbo Guihua Garden Phase I	164,090	122,035	66,965
Zhoushan Dangxiao	5,180	4,930	–
Zhoushan Grand Hotel Phase I	87,484	–	not for sale
Shanghai Greentown Phase III	150,833	110,607	53,140
Shanghai Rose Garden Phase I	47,177	46,997	–
Beijing Baihe Apartment Phase III	64,392	52,273	47,004
Beijing Baihe Apartment Phase IV	65,444	50,342	35,973
Beijing Yuyuan Phase I (Part)	19,143	12,940	–
Hefei Baihe Apartment Phase I	80,166	62,567	55,261
Hefei Baihe Apartment Phase II	24,315	20,547	–
Changsha Guihua City Phase I (Part)	78,231	59,125	15,193
Changsha Guihua City Phase II (Part)	45,618	32,840	–
Hunan Qingzhu Garden North Phase I (Part)	23,665	23,665	–
Xinjiang Rose Garden Phase II	9,947	9,947	–
Haining Baihe New City Low-rise Phase III (Part)	78,082	56,816	41,222
Haining Baihe New City Villa Phase I	30,173	29,926	22,781
Jade City Phase I (Part)	119,821	89,490	79,888
East Sea Plaza Phase I	81,457	71,667	71,667
Deqing Baihe Apartment Phase I	70,920	52,203	9,688
Deqing Guihua City Phase I	181,325	139,800	42,121
Zhengzhou Baihe Apartment Phase I	93,767	65,740	45,259
Zhengzhou Baihe Apartment Phase II	96,320	69,179	30,180
Total	1,726,353	1,256,315	648,593

Moreover, the Group also places strong emphasis on risk management and has moved forward systematically the establishment and control of various operation risk management systems. It puts more effort in policy study to increase its grasp of the market. As people are the momentum for the development of enterprises, the Group will commit resources to strengthen its team and to enhance the quality of its human resources. By internal training and introduction from outside, we put much effort in improving the quality of our human resources. We are confident that with these strategies, our future results will scale new heights and ensure better return to our shareholders.


Taohuayuan West (Chinese Style Villa)


Zhengzhou Baihe Apartment Rendering Drawing

Major Projects in Pipeline

Qingdao Project – One of the largest master plan projects in the future residential hub of Qingdao

Timing And Method	Jan 2006, by tender
Total site area (sq.m.)	1,185,000
GFA (sq.m.)	1,743,000
Greentown's interest	80%
Attributable GFA to Greentown (sq.m.)	1,395,000
Overview	• Relocation by the government • Land payments in installments • Preliminary master plan has been finalized



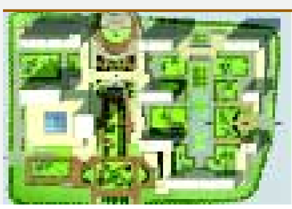
Hangzhou Hushu Project – One of the largest prime projects in Hangzhou city center

Timing And Method	Sep 2006, by tender
Total site area (sq.m.)	104,000
Plot ratio	3.0
GFA (sq.m.)	309,000
Residential	251,000
Office	38,000
Commercial	20,000
Greentown's interest	50%
Attributable GFA to Greentown (sq.m.)	155,000
Overview	• Land payments in installments • Construction commence in Q3 2008 • Master planning in progress



Tiansheng Project – One of the landmark projects in Wenzhou city center

Timing And Method	Dec 2006, by tender
Total site area (sq.m.)	132,325
Plot ratio	3.10
GFA (sq.m.)	410,000
Residential	220,000
Commercial and hotel/office	190,000
Greentown's interest	60%
Attributable GFA to Greentown (sq.m.)	246,000
Overview	• Land payments in installments • Construction commences in the end of 2007 • Master planning in progress



Financial Analysis

Financial performance:

Net Profit: Before the accounting adjustment for the fair value changes on embedded derivatives in respect of convertible bonds, our profit attributable to the shareholders of the Company was RMB1,503 million, an increase of 141% over last year. After the accounting adjustment for the potential fair value of option and net changes in conversion price of the convertible bonds, our profit attributable to the shareholders of the Company was RMB1,269 million, an increase of 104% over last year.

Revenue: The revenue from principal operations was RMB6,400 million in 2006, an increase of RMB3,865 million over RMB2,535 million of 2005, or approximately 152%; the significant increase in revenue from operation was mainly due to the GFA delivered amounted to 785,117 sq.m., and increase of 75% over 448,877 sq.m. of 2005. The average selling price was RMB8,077 per sq.m., an increase of RMB2,637 per sq.m. over RMB5,440 per sq.m. in 2005 or 48%.

Gross Profit: Gross profit margin increased from 35% in 2005 to 42% in 2006. The increase in gross profit margin was mainly due to the significant increase in market price in recent years, and the Chunjiang Huayue, Deep Blue Plaza, Jingui Plaza and Dingxiang Apartment delivered in the year which are located in Hangzhou and are subsequent phases of the same land lot which resulted in a significant increase in selling price as the previous phases have been delivered thereby achieving the advantage of Greentown brand name.

Land appreciation tax provision: Land appreciation tax provision amounted to RMB132 million and RMB5 million charged in the income statement in 2006 and 2005 respectively.

Selling and administrative expenses: Selling and administrative expenses increased from RMB274 million of the same period of last year of RMB383 million in the year, an increase of 40%. The increase was mainly due to the non-capitalization of IPO fees in 2006, increase in wages, benefits of staff and expansion of the Company's scale results in an increase of staff costs.

Share of results of associates: Share of profits of associates in investment was RMB36 million in 2005 and was mainly the profit recognized of the delivery of Qilixiangxi project. Loss on associates investment was RMB39 million for the year and was mainly due to the development expenses of associates such as Development Greentown, Ningbo Zhebao, Jade City and Shanghai Jinyu for the year.

Income tax: Income tax increased from RMB125 million of last year to RMB851 million of the year and the effective tax rate increased from 18% of the same period of last year to 36% (before adjustment to the fair value of convertible bonds). The reason was no provision of deferred tax for the loss arising from the subsidiaries which had not yet commenced pre-sales and interest loss arising from the Company as well as non-capitalisation of professional fee in respect of the Company's IPO. As a result, the effective tax rate becomes higher. On the other hand, since no provision for income tax were made for the share of gain on associates and the main profit contribution project Shanghai Lvyu entitled to a preferential tax rate of 15% last year, hence the effective rate was lower than normal tax rate. Both impacts significantly increased the actual tax for the year.

Minority interest: The delivery of Shangyu Guihua Garden and Hunan Greentown Changsha Guihua City contributed to minority interest of RMB19 million.

Pre-sale deposit: Pre-sale deposit was RMB4,824 million in the end of 2005, pre-sale deposit was RMB1,672 million in the end of 2006. The significant decrease in prepayment received was due to the fact that revenue contribution in 2006 was mainly from subsidiaries and amount shown in pre-sale deposits statements in 2005 was higher accordingly. The income of 2007 will mainly form associates which its pre-sale deposits amount cannot be reflected in our balance sheet such as RMB1,900 million from Shanghai Jinyu.

In the profit forecast as set out in our prospectus ("Prospectus") dated 30 June 2006, it was disclosed that for the year ended 31 December 2006, before adjustment to the changes in net fair value of the embedded option of our convertible bonds ("adjustment to the fair value of convertible bonds"), the net profit attributable to the equity holders of the Company ("profit before adjustment") was unlikely to be less than RMB1,480 million, and the profit after adjustment to the fair value of convertible bonds was unlikely to be less than RMB1,471 million.

For the year ended 31 December 2006, the profit before adjustment was RMB1,503 million, which is higher than the profit forecast of RMB1,480 million in the Prospectus. The net profit is also higher than the net profit attributable to shareholders for the year ended 31 December 2005 by 104%.

In view of the profit after adjustment as disclosed in the Prospectus, the adjustment to fair value of convertible bonds for profit before adjustment is calculated based on the hypothetical closing price ("hypothetical closing price") as at 31 December 2006 for our shares was HKD9.86 per share (i.e., the maximum price range for Global Offering).

Performance of our shares was excellent by the end of 2006. On 29 December 2006 (the last trading day for the year ended 31 December 2006), the closing price of which was HKD14.48 per share, approximately 47% higher than the hypothetical closing price. Therefore, the adjustment to fair value of convertible bonds was RMB234 million, represented a significant increase as compared to RMB9 million based on the hypothetical closing price. The adjustment to fair value of convertible bonds has no effect on our cash flow.

Financial Resources and Liquidity

As 31 December 2006, the Group's cash on hand amounted to RMB3,249 million (31 December 2005: RMB859 million) with total borrowings of RMB7,372 million (31 December 2005 RMB4,879 million). Gearing ratio, measured by net debt over equity, decreased significantly from 434% as at 31 December 2005 to 74% as at 31 December 2006.

All borrowings, except for convertible bonds and senior notes, were denominated in RMB, while the convertible bonds and senior notes were denominated in USD.

Foreign Exchange Risks

Most of the Group's revenues and operating costs were denominated in RMB. As the proceeds from the Global Offering were received in HKD and the issue of convertible bonds and senior notes is USD, therefore, the Group is exposed to foreign exchange risks. For 2006, the Group has recorded an exchange loss of approximately RMB19 million. The Group's operating cash flow or liquidity is not subject to any exchange rate fluctuations. The Group did not enter into any foreign exchange hedging arrangements as at 31 December 2006.

Financial Guarantees

As at 31 December 2006, the Group provided guarantees of approximately RMB2,394 million (2005: RMB2,876 million) to banks in favour of its customers in respect of the mortgage loans provided by the banks to customers for the purchase of the Group's developed properties.

Pledge of assets

As at 31 December 2006, the Group pledged its buildings, properties for development, properties under development, completed properties for sale and bank deposits of approximately RMB4,314 million (2005: RMB4,568 million) to banks to secure general banking facilities granted to the Group.

Use of Proceeds from the Initial Public Offering

The Company's shares were listed on the Main Board of The Stock Exchange on 13 July 2006, and the Group has raised the net proceeds of approximately HKD2,765 million from the Initial Public Offerings. The Company has applied approximately HKD606 million for the redemption of convertible bonds, approximately HKD812 million for property development, approximately HKD868 million for land acquisition and approximately HKD479 million for repayment of bank borrowings, which is in compliance with the intended use of proceeds as detailed on pages 201 and 202 of the Prospectus.

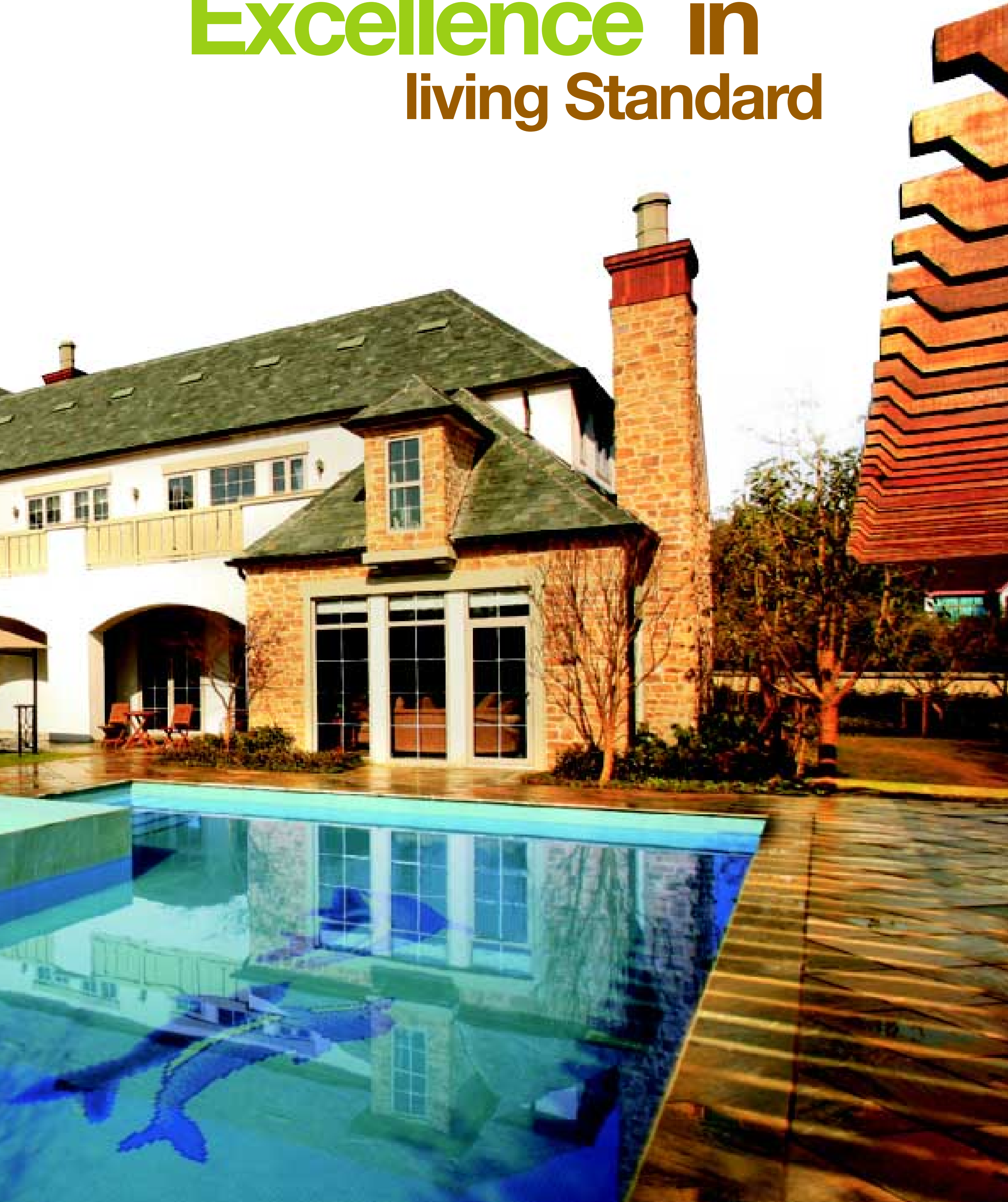
Employees

As at 31 December 2006, the Group employed a total of 1,306 employees. Employees were remunerated on the basis of their performance, experience and prevailing industry practices. The Group's remuneration policies and packages were reviewed on a regular basis. As an incentive for the employees, bonuses and cash awards may also be given to employees based on individual performance evaluation.

The Company adopted a share option scheme on 22 June 2006, details of which have been disclosed in the Prospectus. As at 31 December 2006, no option had been granted under the share option scheme.



Excellence in living Standard



Directors and Senior Management

The following table sets forth certain current information with respect to our directors and senior management.

Name	Age	Title
Mr. SONG Weiping	48	Chairman
Mr. SHOU Bainian[3]	53	Executive Vice Chairman and Chief Executive Officer
Mr. CHEN Shunhua[2]	44	Executive Director and Chief Operating Officer
Mr. GUO Jiafeng	42	Executive Director and Executive General Manager
Mr. JIA Shenghua[1][2]	44	Independent Non-Executive Director
Mr. JIANG Wei[1]	43	Independent Non-Executive Director
Mr. SZE Tsai Ping, Michael[1][2][3]	61	Independent Non-Executive Director
Mr. TSUI Yiu Wa, Alec[1][3]	57	Independent Non-Executive Director
Mr. TANG Shiding[1][3]	64	Independent Non-Executive Director
Mr. ZHAO Jinbiao	59	Executive General Manager
Mr. MA Li	49	Executive General Manager
Mr. YING Guoyong	45	Executive General Manager
Mr. QIAN Xiaohua	43	Executive General Manager
Mr. YANG Zuoyong	44	Executive General Manager
Mr. LAM Kam Tong	38	Company Secretary

Notes:

(1) Member of the Board Audit Committee

(2) Member of the Board Remuneration Committee

(3) Member of the Board Nomination Committee

Board of Directors

Our Board consists of nine directors, five of whom are Independent Non-Executive Directors. The powers and duties of our Board include: convening shareholders' meetings and reporting the Board's work at the shareholders' meetings, implementing the resolutions passed on the shareholders' meetings, determining our business plans and investment plans, formulating our annual budget and final accounts, formulating our proposals for profit distributions and for the increase or reduction of registered capital as well as exercising other powers, functions and duties as conferred by our Articles of Association. We have entered into service contracts with each of our Executive Directors and Independent Non-Executive Directors.

Executive Directors

SONG Weiping, aged 48, is the chairman of our Board. He is primarily responsible for the formulation of our development strategies, as well as supervising our project planning, design and marketing. Mr. Song graduated from Hangzhou University with a bachelor's degree in history in 1982. Between 1982 and 1994, he worked at various entities including CPC School of Zhoushan City and Hangzhou Qiantang Real Estate Company. He founded our Company in January 1995. In 2004 and 2005, Mr. Song was honored with the Ten Leaders of the Residential Property Sector in Zhejiang Award jointly by the Zhejiang Daily, the China Housing Industry Association and Special Committee of the China Construction Industry Association. In 2004, Mr. Song received the China Construction Architecture Award (Individual Contribution Award). He is a vice-chairman of Zhejiang Provincial Real Estate Association.

SHOU Bainian, aged 53, is the executive vice chairman of our Board and our Chief Executive Officer. He is primarily responsible for our overall business operations and financial management, and responsible for strategy coordination and supervision of project development in Shanghai region. He graduated from Hangzhou University with a bachelor's degree in history in 1982. Between 1982 and 1998, he worked at the government office of Yin County of Zhejiang Province, the general office of Ningbo Municipal Government and China Huaneng Group's Zhejiang subsidiary. He joined us in April 1998. He is a vice-chairman of Hangzhou Real Estate Association.

CHEN Shunhua, aged 44, is an Executive Director of our Board and our Chief Operating Officer. He is primarily responsible for the management of our daily operations including human resources, sales and customer relations as well as the management of our property developments in east China and Beijing city. He received a diploma in management science and engineering from Zhejiang University in 1999 and a master's degree in business administration from the Open University of Hong Kong in 2002. Between 1991 and 1992, he worked at Zhejiang Radio & Television Engineering Company as a chief officer and a financial general manager. Between 1992 and 2002, he worked at Zhejiang Radio & Television Real Estate Limited as a chief accountant and general manager. He joined us in December 2002.

GUO Jiafeng, aged 42, is an Executive Director of our Board and one of our Executive General Managers. He is primarily responsible for our property developments in central China. He is also the Chairman of Hunan Greentown Investment & Property Co., Ltd. and the Vice-Chairman of Hangzhou Taohuayuan Real Estate Development Co., Ltd., two of our subsidiaries. He graduated from Zhejiang School of Construction with a diploma in industrial and civil architecture in 1981. Between 1988 and 1994, he worked at various entities including Zhoushan Dinghai Construction Company and Zhoushan Zhongnongxin Real Estate Company. He joined us in May 1999.

Independent Non-Executive Directors

JIA Shenghua, aged 44, is an Independent Non-Executive Director of our Board. He is currently an associate dean of the School of Management of Zhejiang University, as well as a Director of Zhejiang University Property Research Center. Mr. Jia is an Independent Non-Executive Director of Cosmos Group Co., Ltd., Zhejiang Jiali Technology Holding Ltd. and Zhejiang Huating Holding Ltd., as well as a consultant to Ningbo Fangtai Kitchenware Ltd. Between 1989 and 1995, Mr. Jia taught and conducted research in property economics, property development, and enterprise management in China and Germany. Mr. Jia graduated from the Northwest Agricultural University with a doctorate degree in agricultural economics and management. He is currently a member of Zhejiang Enterprises Management Research Society, Hangzhou Land Academy and Zhejiang Land Academy. He was appointed as our Independent Non-Executive Director on June 22, 2006.

JIANG Wei, aged 43, is an Independent Non-Executive Director of our Board. He is currently the Director and Chief Financial Officer of China Resources (Holdings) Company Limited ("CRC"), an integrated and diversified conglomerate with major business operations involving the manufacture and distribution of consumer products, property development, infrastructure, utilities and related industries. Mr. Jiang has a bachelor's degree in international trade and a master's degree in international business and finance, both from the University of International Business and Economics in Beijing, China. Mr. Jiang is a Director of China Vanke Company Limited, a PRC listed company primarily engaging in property development business in China. He is also a Non-Executive Director of the following Hong Kong listed companies: China Resources Enterprise Limited, China Resources Land Limited, China Resources Logic Limited, China Resources Power Holdings Company Limited and China Assets (Holdings) Limited. Mr. Jiang has extensive experience in business planning and financial control. He was appointed as our Independent Non-Executive Director on June 22, 2006.

SZE Tsai Ping, Michael, aged 61, is an Independent Non-Executive Director of our Board. He has over 30 years of experience in the financial and securities field. He graduated with a Master of Laws (LLM) Degree at the University of Hong Kong. He is a member of the Disciplinary Appeals Committee of The Stock Exchange and a committee member of the Hong Kong Stockbrokers Association Limited. He was a former council member of The Stock Exchange, a former member of the Main Board Listing Committee of The Stock Exchange and a former member of the Cash Market Consultative Panel of Hong Kong Exchanges and Clearing Limited. Mr. Sze is a Non-Executive Director of Burwill Holdings Limited and an Independent Non-Executive director of T S Telecom Technologies Limited, GOME Electrical Appliances Holding Limited, all of which are listed on The Stock Exchange. He is a fellow of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is also a fellow of the Hong Kong Institute of Directors Limited. He was appointed as our Independent Non-Executive Director on June 22, 2006.

TSUI Yiu Wa, Alec, aged 57, is an Independent Non-Executive Director of our Board. He is currently the Chairman of WAG Worldsec Corporate Finance Limited and Vice-Chairman of China Mergers and Acquisitions Association. He was formerly the Chairman of the Hong Kong Securities Institute, the Chief Operating Officer of The Hong Kong Exchanges and Clearing Limited, the Chief Executive of The Stock Exchange and the adviser and council member of the Shenzhen Stock Exchange. In the last three years, Mr. Tsui held past directorships in the following listed companies as an Independent Non-Executive Director: CITIC 21CN Company Limited, Value Convergence Holdings Limited, Techpacific Capital Limited and Stockmartnet Holdings Ltd. Currently he holds directorships in the following listed companies as an Independent Non-Executive Director: Industrial & Commercial Bank of China (Asia) Limited, Vertex Communications & Technology Group Limited, China Chengtong Development Group Ltd., COSCO International Holdings Limited, China Power International Development Limited, Synergis Holdings Limited, China Bluechemical Limited, China Huiyuan Juice Group Limited and Meleo PBL Entertainment (Macau) Limited. He graduated from the University of Tennessee, United States, with a bachelor's degree in science and a master's degree in industrial engineering. He completed the Program for Senior Managers in Government at the John F. Kennedy School of Government of Harvard University. He has numerous years of experience in finance and administration, corporate and strategic planning, information technology as well as human resources management. He was appointed as our Independent Non-Executive Director on June 22, 2006.

TANG Shiding, aged 64, is an Independent Non-Executive Director of our Board. Between 1992 and 2002, Mr. Tang served as the Deputy Director of Zhejiang Province Construction Department. He is currently the Chairman of Zhejiang Provincial Real Estate Association, a consultant of the Real Estate Association of China and a specialist on the Comprehensive Real Estate Development Committee under the China Real Estate and Residence Research Society. Mr. Tang has also been a member of the Residential Guidance Working Committee of the China Civil Engineering Institute since December 2003. His publications include "Growth Pattern and Development Trend of the Real Estate Industry in Zhejiang". Currently he holds directorships in the following A-Share listed companies in China as an Independent Non-Executive Director: Lander Real Estate Co., Ltd, Zhejiang Zhongda Group Co., Ltd, and Qianjiang Water Resources Development Co., Ltd.. Mr. Tang was appointed as our Independent Non-Executive Director on June 22, 2006.

Senior Management

ZHAO Jinbiao, aged 59, is an Executive General Manager of our Company. He is primarily responsible for the management of our property developments in Zhejiang Province. He is also the general manager of Hangzhou Greentown Real Estate Development Co., Ltd.. He graduated from Zhejiang University with a bachelor's degree in industrial and civil construction engineering in 1982. From 1982 to 1999, he worked at Zhejiang Provincial Planning and Economic Commission and became the manager of its fixed assets investment department in 1996. He joined us in January 1999.

MA Li, aged 49, is an Executive General Manager of our Company. He is primarily responsible for supervising project construction, procurement of raw materials and development budgets. He is also the general manager of Hangzhou Jade City Real Estate Development Co., Ltd. and Chairman in Hangzhou Greentown Qiandaohu Property Company Limited. He graduated from Zhejiang University with a bachelor's degree in industrial and civil construction engineering in 1982. From 1982 to 1993, he worked at P&T Plan-design Institute of Zhejiang Province and acted as a Deputy Chief Engineer from 1989 to 1992. From 1993 to 2000, he worked at Zhejiang Huaneng Real Estate Development Company and acted as its general manager from 1996 to 2000. He joined us in June 2000.

YING Guoyong, aged 45, is the Executive General Manager of the Company, and is the General Manager of Zhejiang Greentown Xizi Real Estate Group Co., Ltd. and Zhejiang Zhongqinglv Greentown Real Estate Investment Company Limited. He is primarily responsible for the project management, supervision and strategy coordination in our projects with Xizi Elevator Group and Zhongqinglv. He graduated from Hangzhou University with a bachelor's degree in law in 1985. Between 1985-2001, he worked at various entities including Zhejiang Province CPC. School, CPC Youth of Zhejiang Province Committee, Zhejiang Youth Travel Service Co. Ltd.. He joined us in June 2001.

QIAN Xiaohua, aged 43, is an Executive General Manager of our Company. He is primarily responsible for the management of our commercial property development. He is also the General Manager of Shanghai Jingyu Real Estate Co., Ltd.. He graduated from Beijing Institute of Aeronautics with a bachelor's degree in solid mechanics in 1984 and from China – Europe International Business School with a master degree in business administration in 2002. From 1995 to 2005, he worked at Shanghai Midway Infrastructure (Holdings) Limited as a director and a chief executive officer. He joined us in February 2005.

YANG Zuoyong, aged 44, is the Executive General Manager of the Company, and mainly responsible for the management of Wenzhou Tiansheng Project's development. He is also the Chairman and General Manager of Wenzhou Greentown Real Estate Development Company Limited. He graduated from China Communist Party School with major in economics in 1999. Between 1984-2006, Mr. Yang worked at various government departments including the secretary of government office of Xihu, town vice headman of Gudang, Xihu, administration committeed of Xihu Jiang Village, officer of Wenxinjiedao and party committee secretary of Wenxinjiedao, Xihu. He joined us in January 2007.

LAM Kam Tong, aged 38, is our Company Secretary. Prior to joining the Group in May 2006, Mr. Lam was a senior manager of Deloitte Touche Tohmatsu and has over 14 years experience in professional audit firms. Mr. Lam graduated from the Chinese University of Hong Kong with a bachelor's degree in business administration. He is also a member of the Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants.

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 2006.

(A) The Board of Directors

The overall management of the Company's operation is vested in the Board.

The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitoring the performance of the senior management. The Directors have to take decisions objectively in the interests of the Company. Currently, the Board comprises nine Directors, including four Executive Directors and five Independent Non-Executive Directors. Their names and biographical details are set in the section entitled "Directors and Senior Management" in this annual report.

Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the standard for securities transactions by directors. The Company has made enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards throughout the year ended 31 December 2006.

Chairman and Chief Executive Officer

In order to reinforce their respective independence, accountability and responsibility, the role of the Chairman is separate from that of the Chief Executive Officer. The Chairman plays a leadership role and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. He is also responsible for instilling corporate culture and developing strategic plans. The Chief Executive Officer focuses on developing and implementing objectives and policies approved and delegated by the Board. The Chief Executive Officer is also primarily responsible for the Group's day-to-day management and operations and the formulation of the organization structure, control systems and internal procedures and processes for the Board's approval.

The Chairman of the Board is Mr. Song Weiping, and the Chief Executive Officer of the Company is Mr. Shou Bainian.

Independent Non-Executive Directors

Independent Non-Executive Directors have played a significant role in the Board by virtue of their independent judgment and their views carry significant weight in the Board's decision. In particular, they bring an impartial view to bear on issues of the Company's strategy, performance and control. All Independent Non-Executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advices to the Board. According to the Articles of Association, a majority of the Board at all times must consist of Independent Non-Executive Directors. The Board also considers that Independent Non-Executive Directors can provide independent advice on the Company's business strategy, results and management so that all interests of shareholders can be taken into account, and the interests of the Company and its shareholders can be protected. For the year ended 31 December 2006, all Independent Non-Executive Directors of the Company had confirmed their independence to the Company in accordance with the Listing Rules.

All our Independent Non-Executive Directors will retire at the forthcoming annual general meeting ("AGM") of the Company and will be subject to re-election.

Meetings

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through electronic means of communications. 4 full Board meetings were convened in the year under review. The attendance of individual directors at these Board meetings is set out below:

Executive Directors	**Number of meetings attended/held**
SONG Weiping	3/4
SHOU Bainian	4/4
CHEN Shunhua	4/4
GUO Jiafeng	4/4
Independent Non-Executive Directors	
JIA Shenghua	3/4
JIANG Wei	2/4
SZE Tsai Ping, Michael	4/4
TSUI Yiu Wa, Alec	4/4
TANG Shiding	4/4

All Directors are provided with relevant materials relating to the matters brought before the meetings. They have separated access to the senior management and the Company Secretary at all time and may seek independent professional advice at the Company's expense. All Directors have the opportunity to include matters in the agenda for Board meetings. Reasonable notices of Board meetings are given to the Directors and Board procedures complied with the articles of association of the Company, as well as relevant rules and regulations.

Appointments, Re-election and Removal of directors

Each of the Executive Directors and Independent Non-Executive Directors of the Company has entered into a service contract with the Company for a specific term. Such term is subject to his re-appointment by the Company at an annual general meeting upon retirement. The Articles of the Company provide that any Director appointed by the Board, either to fill a casual vacancy in the Board or as an addition to the existing Board, shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Board Committees

The Board has established Nomination Committee, Audit Committee and Remuneration Committee with defined terms of reference. The terms of reference of the Board Committees are available upon request. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Nomination Committee

The Nomination Committee is primarily responsible to consider and recommend to the Board suitably qualified persons to become the member 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.

During the year ended 31 December 2006, there is no meeting held by the Nomination Committee because the Company just listed in July 2006 and most of the present directors were appointed in June 2006. The Committee considers that it is not necessary to review the size and composition of the Board and identify any new Board member in the first year after listing.

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 of five members, all of whom are Independent Non-Executive Directors. The chairman of the Audit Committee is TSUI Yiu Wa, Alec.

The Audit Committee met once since the listing of the Company in July 2006 and during the year ended 31 December 2006. During the meeting, the Audit Committee has considered the interim results of the Group for the six months ended 30 June 2006 as well as the report prepared by the external auditors relating to accounting issues and major findings in course of review. All members of the Audit Committee attended the meeting.

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.

The Remuneration Committee met once during the year. During the meeting, the Committee reviewed the remuneration policy and recommended the remuneration amount of executive directors for the year of 2007 to the Board. All members of the Committee attended the meeting.

(B) Financial Reporting and Internal Control

Financial Reporting

The Board, supported by the finance department, is responsible for the preparation of the financial statements of the Company and the Group. In the preparation of financial statements, the international financial reporting standards have been adopted and the appropriate accounting policies have been consistently used and applied.

The Board aims to present a clear and balanced assessment of the Group's performance in the annual and interim reports to the shareholders, and make appropriate disclosure and announcements in a timely manner.

The working scope and responsibilities of Deloitte Touche Tohmatsu, the Company's external auditors, are stated in the section entitled "Report of the Auditors" in this annual report.

External Auditors' Remuneration

Deloitte Touche Tohmatsu has been appointed as the Company's external auditors since 2004.

During the year under review, the fee payable to Deloitte Touche Tohmatsu in respect of its statutory audit services provided to the Company was HKD3,300,000. Fees for non-audit services amounted to an aggregate amount of HKD9,000,000, comprising services charge for the followings:

	HKD
Issue of convertible bonds	1,600,000
Initial public offerings	5,000,000
Review of 2006 interim result	800,000
Issue of senior notes	1,200,000
Internal Control System	400,000

Internal Control

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, ensure compliance of applicable laws, rules and regulations. The Company conducted general review and monitor of the Company's internal management and operation during the year. An internal audit department has been established to conduct audits of the Company, its subsidiaries, associates and jointly-controlled entities. The work carried out by the internal audit department will ensure the internal controls are in place and functioning as intended.

During the course of audit performed by the external auditors, they will report on the weakness in the Group's internal control and accounting procedures which have come to their attention.

(C) Communications with Shareholders and Investor Relations

The Company has established and maintained various channels of communication with the Company's shareholders and the public to ensure that they are kept abreast of the Company's latest news and development. Information relating to the Company's financial results, corporate details, property projects and major events are disseminated through publication of interim and annual reports, announcements, circulars, press release and newsletters.

The Board believes effective investor relations can contribute towards lowering cost of capital, improving market liquidity for the Company's stock and building a more stable shareholder base. Therefore, the Company is committed to maintain a high level of corporate transparency and follow a policy of disclosing relevant information to shareholders, investors, analysts and bankers in a timely manner. Keeping them aware of our corporate strategies and business operations is one of the key missions of our investor relations team.

In line with this endeavor, all published information is promptly uploaded onto the Company's website at www.chinagreentown.com. The Company's dedicated investor relations team held regular meetings with investors to keep them abreast of the Company's latest business development and its corporate strategies. A series of public events have been hosted right after certain significant events such as result announcements, important business development or financial activities. Directors and senior management will present themselves to answer investors' questions and concern. The post-results analyst briefings and press conferences are also webcasted for more timely dissemination of information and broader reach of investors.

As at 31 December 2006, the Company has a diversified shareholding structure with a 29.2% public float. Details are shown in the section entitled "Corporate Structure" in this annual report.

Key investor relations events in 2006, after our listing on The Stock Exchange:

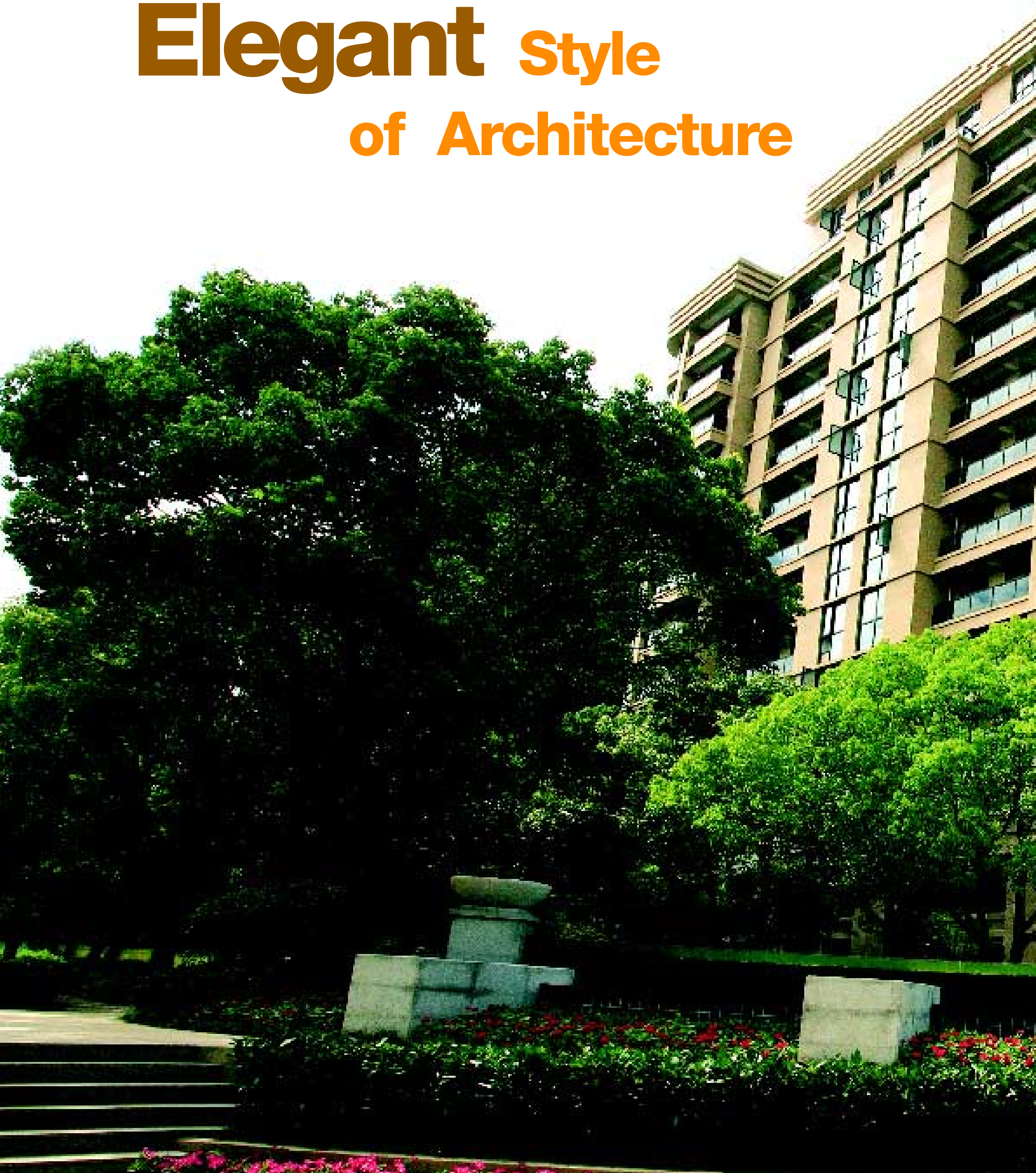
Events	Date
2006 Interim Results Announcement — Press Conference and Analyst Briefing	August
International Roadshow (HK, Singapore, United States and England)	November

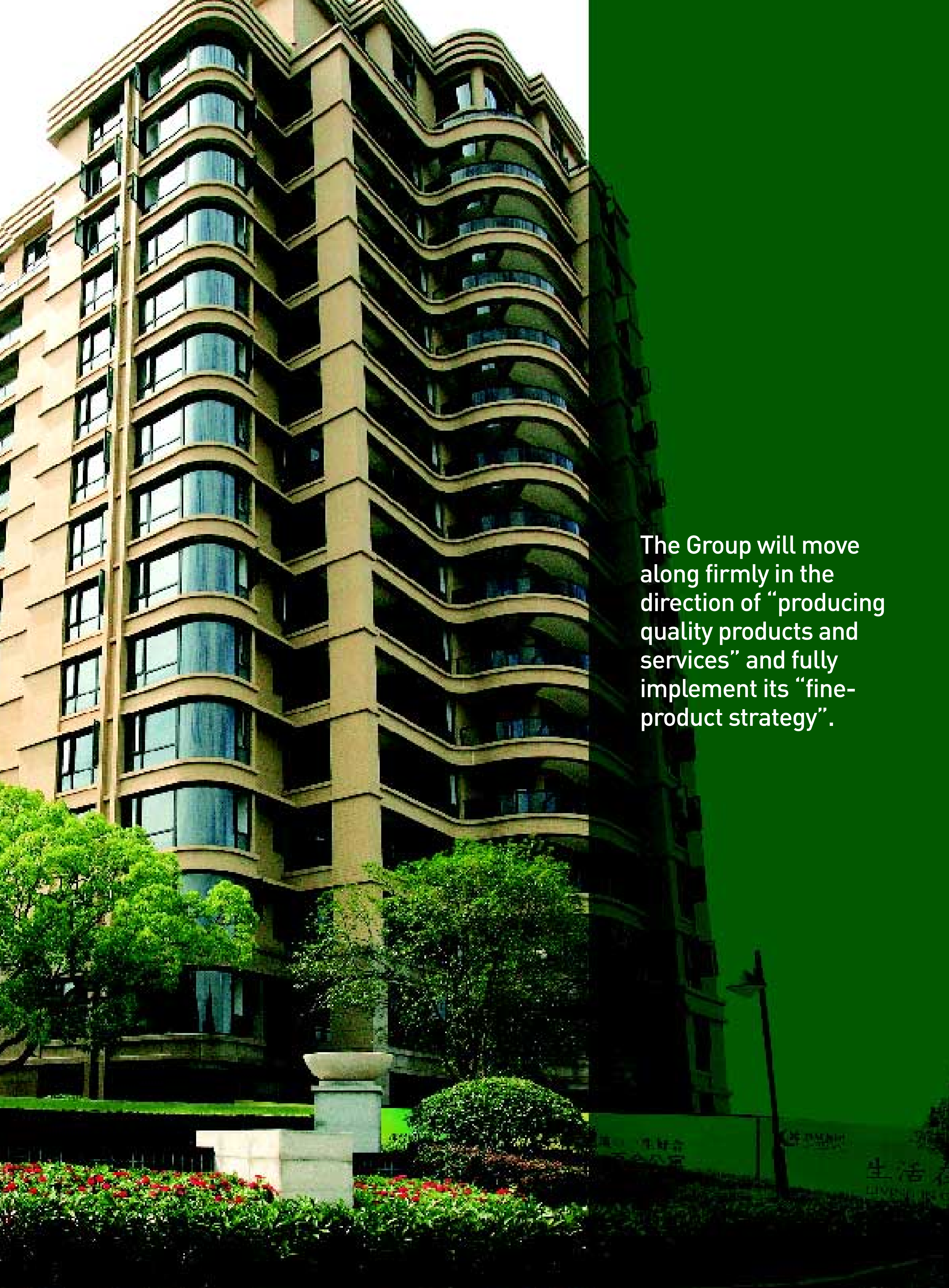
Looking forward, our investor relations team will work continuously to enhance the quality of communication and maintain corporate transparency. To ensure easy access to the Company's updated information, all of our published information including statutory announcements, press releases and newsletters, is promptly posted on our website www.chinagreentown.com. Viewers can also put enquiries to the Board or senior management by contacting the investor relations department at (852) 2523 3137 or by email to ir@chinagreentown.com or directly through question at an AGM or EGM.

Proposed key investor relations events in 2007:

Events	Tentative Date
2006 Annual Results Announcement — Press Conference and Analyst Briefing	April
International Roadshow (HK, Singapore, US and Europe)	April
2006 AGM	May
2007 Interim Results Announcement — Press Conference and Analyst Briefing	August
Regional Roadshow (HK and Singapore)	September

Elegant Style of Architecture





The Group will move along firmly in the direction of "producing quality products and services" and fully implement its "fine-product strategy".

The directors present their annual report and the audited financial statements of the Group for the year ended 31 December, 2006.

Corporate Reorganisation

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

Pursuant to a reorganisation to rationalize the structure of the Group in preparation for the public listing of the Company's shares on The Stock Exchange, the Company became the holding company of the companies now comprising the Group.

Details of reorganisation are set out in the Company's Prospectus dated 30 June, 2006.

The shares of the Company were listed on the main board of the Stock Exchange on 13 July, 2006.

Principal Activities

The Company is an investment holding company. The activities of its subsidiaries, jointly controlled entities and associates are set out in notes 39, 18 and 17 respectively to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December, 2006 are set out in the consolidated income statement on page 48.

The Directors now recommend the payment of a final dividend of HKD0.36 per share to the shareholders on the register of members on 7 May, 2007, amounting to approximately RMB491,000,000 and the retention of the remaining profit for the year of approximately RMB778,000,000.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

Share Capital

Details of movements during the year in the share capital of the Company are set out in note 28 to the consolidated financial statements.

Convertible Bonds

On 10 January 2006, the Company issued convertible bonds of aggregate principal amounts of USD130,000,000 and on 13 July 2006, the Company redeemed convertible bonds of principal amount of USD65,000,000. Details of movements during the year in the convertible bonds of the Company are set out in note 26 to the consolidated financial statements.

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

Since the listing date and up to 31 December, 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Distributable Reserves

As at 31 December, 2006, the Group's reserves are set out in the section "Consolidated Statement of Changes in Equity" of the annual report.

Directors

The directors of the Company during the year and up to the date of this report, were as follows:

	Date of Appointment	Date of Resignation
Executive directors		
SONG Weiping	31 August 2005	—
SHOU Bainian	31 August 2005	—
XIA Yibo	31 August 2005	22 June 2006
CHEN Shunhua	22 June 2006	—
GUO Jiafeng	22 June 2006	—
Independent non-executive directors		
JIA Shenghua	22 June 2006	—
JIANG Wei	22 June 2006	—
SZE Tsai Ping, Michael	22 June 2006	—
TANG Shiding	22 June 2006	—
TSUI Yiu Wa, Alec	22 June 2006	—

In accordance with Articles 114, 115 and 130 of the Company's Article of Associations, all Directors will retire, and being eligible, offer themselves for re-election as directors at the forthcoming AGM.

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-Executive Directors are independent.

Directors' Service Contracts

Each of the Executive Directors of the Company has entered into service contract with the Company for a term of three years commencing from 22 June, 2006, and which will continue thereafter until terminated by either party thereto giving to the other party not less than three months' prior notice in writing.

Each of the Independent Non-Executive Directors of the Company has entered into letter of appointment with the Company and is appointed for a period of one year commencing from 22 June, 2006.

Apart from the foregoing, no Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' and Chief Executive's Interests in Securities

As at 31 December, 2006, the interests and short positions of Directors, Chief Executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions

Name of Directors	Number of ordinary shares held Family interest	 Corporate interest	 Total interest	Percentage of issued share capital
SONG Weiping	68,859,000 *(note 1)*	501,524,000 *(note 2)*	570,383,000	42.3%
SHOU Bainian	—	383,643,000 *(note 3)*	383,643,000	28.5%

Notes:

(1) SONG Weiping is interested in such ordinary shares held by Wisearn Limited, a company wholly-owned by his spouse XIA Yibo.

(2) SONG Weiping is interested in such ordinary shares as the sole shareholder of Delta House Limited.

(3) SHOU Bainian is interested in such ordinary shares as the sole shareholder of Profitwise Limited.

Other than as disclosed above, none of the Directors, Chief Executives, and their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December, 2006.

Substantial Shareholders

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as at 31 December, 2006, the following shareholders, other than those disclosed in the section headed "Directors' and Chief Executive's interests in securities", had notified the Company of relevant interests in the issued share capital of the Company:

Long positions

Name	Number of Ordinary Shares Held	Nature of Interest	Percentage of Shareholding in the Company
XIA Yibo	570,383,000[1]	Deemed interest, interest of a controlled corporation	42.3%
Delta House Limited	501,524,000[2]	Beneficial owner	37.2%
Profitwise Limited	383,643,000[3]	Beneficial owner	28.5%
Wisearn Limited	68,859,000[4]	Beneficial owner	5.1%
Warburg Pincus & Co.	70,000,000[5]	Interest of a controlled corporation	5.2%
Warburg Pincus IX, LLC	70,000,000[5]	Interest of a controlled corporation	5.2%
Warburg Pincus Partners LLC	70,000,000[5]	Interest of a controlled corporation	5.2%
Warburg Pincus Private Equity IX, L.P.	70,000,000[5]	Beneficial owner	5.2%

Notes:

(1) Includes deemed interest in 68,859,000 shares held via controlled corporation, and deemed interest in 501,524,000 shares held by Delta House, a controlled corporation of her spouse, SONG Weiping, as disclosed in the section "Directors' and Chief Executive's Interests in Securities" above.

(2) Interests held by SONG Weiping through a controlled corporation, as disclosed in the section "Directors' and Chief Executive's Interests in Securities" above.

(3) Interests held by SHOU Bainian through a controlled corporation, as disclosed in the section "Directors' and Chief Executive's Interests in Securities" above.

(4) Interests held by XIA Yibo through a controlled corporation.

(5) Warburg Pincus Private Equity IX, L.P. was wholly owned by Warburg Pincus Partners LLC, which was wholly owned by Warburg Pincus IX, LLC, which was wholly owned by Warburg Pincus & Co.

Other than as disclosed above, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no other person as having a notifiable interest or short position in the issued share capital of the Company as at 31 December, 2006.

Share Options

Particular of the Company's share option scheme are set out in note 33 to the consolidated financial statements.

No option has been granted under the Company's share option scheme from 22 June 2006 (date of adoption) to 31 December, 2006.

Arrangements to Purchase Shares or Debentures

Other than those as disclosed under the paragraph headed "Share Options" above, at no time during the year was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

Directors' Interests in Contracts of Significance

Other than as disclosed in note 37 to the consolidated financial statements, no contract of significance to which the Company, its holding company or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Connected Transactions

During the year, the Company have entered into the following transactions with Greentown Holdings Group Limited in which SONG Weiping together with his spouse and SHOU Bainian (collectively as "Original Shareholders") holds a 61% and 39% interest, respectively. Pursuant to the Listing Rules, Greentown Holdings Group Limited and other associates of the Original Shareholders constitute the connected persons to the Company and therefore these transactions constitute connected transactions of the Company.

On 22 June, 2006, the Company entered into a trademarks licence agreement with Greentown Holdings Group Limited which is the registered owner of the trademarks of "綠城" (Greentown) and "綠城房產" (Greentown Real Estate). Pursuant to the Trademark License Agreement, Greentown Holdings Group Limited has granted the Group an irrevocable and exclusive right to use these trademarks in the Group's property development business, on a free-of-charge basis.

On the same date, the Company also entered into a comprehensive services agreement (the "Comprehensive Services Agreement") with Greentown Holdings Group Limited relating to the following services rendered by Greentown Holdings Group Limited to the Group for a term of three years commencing from 1 January, 2006, subject to further renewal upon mutual agreement among the parties involved. The amounts for each of these transactions for the year ended 31 December, 2006 were as follows:

	RMB'000
Interior decoration service fees	27,936
Property management service fees	8,769
Purchase of raw materials	691

On the same date, the Group entered into properties leasing agreements with Greentown Holdings Group Limited and Zhejiang Century Square Investment Company, which is 40% owned by Greentown Holdings Group Limited. It is therefore an associate of Greentown Holdings Group Limited and the connected person to the Company pursuant to the Listing Rules. The leases are for a period of three years commencing from 1 January, 2006 at an annual rental payable of RMB6.35 million.

On the same date, the Group entered into an advertising services agreement with Zhejiang Greentown Football Club Company Limited, which is wholly owned by Greentown Holdings Group Limited. It is therefore an associate of Greentown Holdings Group Limited and the connected person to the Company pursuant to the Listing Rules. The advertising services are for a period of three years commencing from 1 January, 2006. The annual advertising fees for the year ended 31 December, 2006 were amounted to RMB31,500,000.

As announced on 26 September 2006, the Group entered into a sale and purchase agreement with Zhejiang Zhongqinglv Greentown Real Estate Investment Company Limited (“ZZG”), pursuant to which the Group agreed to acquire 51% equity interest in Hangzhou Qiandaohu Greentown Investment & Property Co., Ltd from ZZG of a consideration of RMB18,360,000. The Original Shareholders indirectly hold an aggregate of 70.8% in the Company’s share capital and an aggregate of 100% in the share capital of Greentown Holdings Group, which in turn holds 49% in the share capital of ZZG. Therefore, ZZG is a connected person of the Company and the Acquisition constitutes a connected transaction for the Company under the Listing Rules.

In the opinion of the Directors, all the above transactions are in the ordinary course of the Group’s business and are conducted on normal commercial terms and are fair and reasonable and in the interest of the Company’s shareholders as a whole.

Directors’ Interests in Competing Business

Greentown Holdings Group Limited, which is wholly owned by the Original Shareholders, is engaged in various lines of businesses, including certain property development and sale.

On 22 June 2006, each of the Original Shareholders entered into a Deed of Non-Competition with the Company to undertake that they will not, and shall procure their controlled affiliates (other than subsidiaries and associates of the Company) not to engage in any property development business (except for hotel development and property management) in the Peoples’ Republic of China, provided that Greentown Holdings Group Limited may continue with the development and sale of the eight property projects (the “Non-inclusion Projects”). Pursuant to the Deed of Non-Competition, Greentown Holdings Group Limited granted an option to the Company to acquire the Non-inclusion Projects. Details of the terms of the Deed of Non-Competition are described in the “Business Section” in the Company’s prospectus dated 30 June 2006.

The Company has undertaken that any decision relating to the exercise of the options under the Deed of Non-competition will be made by the Independent Non-Executive Directors. In December 2006, the Company engaged an independent financial advisor, to advise the Independent Non-Executive Directors as to whether it was in the interest of the Company and its shareholders to exercise the options under the Deed of Non-Competition. On 22 December, 2006, the independent financial advisor issued a letter on the feasibility of the Non-inclusion Projects to the Independent Board Committee of the Company, which consists of all the five Independent Non-Executive Directors, advising that it was in the interest of the Company and its shareholders to acquire three Non-inclusion projects.

Emolument Policy

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their performance, qualifications and experiences.

The emoluments of the Directors of the Company, details are set out in note 10 to the consolidated financial statements, are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in note 33 to the consolidated financial statements.

Major Customers and Suppliers

The aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales and the sales attributable to the Group's largest customer were less than 10% of the Group's total sales for the year.

The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases and the purchases attributable to the Group's largest supplier were less than 10% of the Group's total purchases for the year.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's memorandum and articles of association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Sufficiency of Public Float

The Company has maintained the public float as required by the Listing Rules since its listing on The Stock Exchange and up to 31 December, 2006.

Donations

During the year, the Group made charitable donations amounting to RMB2,310,000.

Post Balance Sheet Events

Subsequent to the balance sheet event, the Group had the following significant post balance sheet events :

(1) On 5 January, 2007, the Group entered into an agreement to acquire a 35% equity interest held by Xinshidai Properties Company Limited ("Xinshidai Properties") in Beijing Xingye Wanfa Real Estate Development Company Limited ("Xingye Wanfa"), a subsidiary of the Company, at a consideration of RMB17,500,000. As Xinshidai Properties is a substantial shareholder of Xingye Wanfa, this acquisition constitutes a connected transaction of the Company.

(2) On 13 February 2007, the Group entered into an acquisition agreement with Greentown Holdings Group Limited to acquire 49% equity interest held in ZZG, at a consideration of RMB122,000,000. The Original Shareholders which are the substantial shareholders of the Company hold an aggregate of 100% in the share capital of Greentown Holdings Group Limited. Since Greentown Holdings Group

Limited holds 49% equity interest in ZZG, Greentown Holdings Group Limited and ZZG are connected persons of the Company. Therefore, this acquisition constitutes a connected transaction of the Company. The Company's circular in respect of this acquisition was issued on 9 March, 2007. Pursuant to the special general meeting held on 26 March, 2007, the acquisition was approved by the shareholder.

(3) On 15 February, 2007, Wenzhou Greentown Real Estate Development Company Limited ("Wenzhou Greentown") was established in the Wenzhou city of Zhejiang province, PRC as a limited liability company with a registered capital of RMB388 million. The Group, through two wholly-owned subsidiaries of the Company, holds an aggregate 60% interest in Wenzhou Greentown and another independent third party hold the remaining 40% interest. Wenzhou Greentown will carry out the development for a real estate project in Wenzhou, the Peoples' Republic of China.

Auditors

Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company since 2004 and will retire at the forthcoming annual general meeting. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Deloitte Touche Tohmatsu as the auditors of the Company.

On behalf of the Board
SONG Weiping
Chairman
1 April, 2007

Deloitte.
德勤

TO THE MEMBERS OF GREENTOWN CHINA HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Greentown China Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 48 to 112, which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibilities for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2006 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

1 April 2007

Consolidated Income Statement

For the year ended 31 December 2006

	Notes	**2006** **Rmb'000**	2005 Rmb'000
Continuing operations			
Revenue	6	**6,400,467**	2,535,075
Cost of sales		**(3,711,616)**	(1,639,634)
Gross profit		**2,688,851**	895,441
Other income	7	**237,824**	84,072
Selling and administrative expenses		**(382,952)**	(273,958)
Finance costs	8	**(64,202)**	(70,790)
Fair value changes on embedded financial derivatives	26	**(233,925)**	—
Net loss on redemption of convertible bonds	26	**(70,396)**	—
Net gain on disposal of associates		**1,360**	573
Net gain on disposal of subsidiaries		**—**	44,993
Share of results of associates		**(38,784)**	35,735
Share of results of jointly controlled entities		**2,054**	(4,507)
Profit before taxation	9	**2,139,830**	711,559
Taxation	11	**(851,336)**	(125,112)
Profit for the year from continuing operations		**1,288,494**	586,447
Discontinued operations			
Profit for the year from discontinued operations	12	**—**	322
Profit for the year		**1,288,494**	586,769
Attributable to:			
Equity holders of the Company		**1,269,066**	622,688
Minority interests		**19,428**	(35,919)
		1,288,494	586,769
Dividends	13	**396,975**	198,420
Basic and diluted earnings per share	14	**Rmb1.09**	Rmb0.62

Consolidated Balance Sheet

As at 31 December 2006

	Notes	2006 Rmb'000	2005 Rmb'000
Non-current assets			
Property, plant and equipment	15	**429,606**	244,074
Intangible asset	16	**—**	288
Interests in associates	17	**538,595**	443,983
Interests in jointly controlled entities	18	**90,371**	35,344
Available-for-sale investments	19	**1,000**	1,000
Rental paid in advance		**13,949**	14,161
Deferred tax assets	20	**66,402**	74,135
		1,139,923	812,985
Current assets			
Properties for development	21	**4,498,091**	2,506,091
Properties under development	22	**5,680,019**	5,654,287
Completed properties for sale		**1,119,052**	699,233
Inventories		**2,234**	12,419
Embedded financial derivatives	26	**70,911**	—
Trade and other receivables, deposits and prepayments	23	**905,670**	383,880
Amounts due from related parties	37	**390,008**	1,081,009
Income taxes recoverable		**67,186**	60,039
Other taxes recoverable		**86,045**	235,647
Pledged bank deposits	23, 34	**630,380**	276,699
Bank balances and cash	23	**3,249,014**	859,393
		16,698,610	11,768,697
Current liabilities			
Trade and other payables	24	**1,404,449**	1,000,291
Pre-sale deposits		**1,671,590**	4,823,954
Amounts due to related parties	37	**1,077,793**	652,086
Dividend payable		**1,367**	1,367
Income taxes payable		**785,869**	57,908
Other taxes payable		**201,979**	175,509
Embedded financial derivatives	26	**450,538**	—
Bank and other borrowings			
— due within one year	25	**1,939,347**	2,510,841
		7,532,932	9,221,956

	Notes	2006 Rmb'000	2005 Rmb'000
Net current assets		**9,165,678**	2,546,741
Total assets less current liabilities		**10,305,601**	3,359,726
Non-current liabilities			
Bank and other borrowings			
— due after one year	25	**1,968,855**	2,368,512
Convertible bonds	26	**392,849**	—
Senior notes	27	**3,070,822**	—
Deferred tax liabilities	20	**134,441**	128,081
		5,566,967	2,496,593
		4,738,634	863,133
Capital and reserves			
Share capital	28	**138,690**	—
Reserves		**4,235,083**	665,938
Equity attributable to equity holders of the Company		**4,373,773**	665,938
Minority interests		**364,861**	197,195
		4,738,634	863,133

The consolidated financial statements on page 48 to 112 were approved and authorised for issue by the board of directors on 1 April 2007 and are signed on its behalf by:

SHOU Bainian
DIRECTOR

CHEN Shunhua
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

	Attributable to equity holders of the Company							
	Share capital *Rmb'000*	**Share premium** *Rmb'000*	**Special reserve** *Rmb'000* *(Note i)*	**Statutory reserve** *Rmb'000* *(Note ii)*	**Retained earnings** *Rmb'000*	**Subtotal** *Rmb'000*	**Minority interests** *Rmb'000*	**Total** *Rmb'000*
At 1 January 2005	210,501	—	94,467	116,493	125,728	547,189	134,039	681,228
Gain on disposal of subsidiaries to companies with common controlling shareholders of the Group	—	—	2,774	—	—	2,774	—	2,774
Net income recognised directly in equity	—	—	2,774	—	—	2,774	—	2,774
Profit (loss) for the year	—	—	—	—	622,688	622,688	(35,919)	586,769
Total recognised income and expense for the year	—	—	2,774	—	622,688	625,462	(35,919)	589,543
Dividends (Note 13)	—	—	—	—	(198,420)	(198,420)	—	(198,420)
Distribution of paid-in capital and special reserve	(210,501)	—	(97,792)	—	—	(308,293)	—	(308,293)
Purchase of additional interest in subsidiaries	—	—	—	—	—	—	(12,132)	(12,132)
Capital contribution from minority shareholders of subsidiaries	—	—	—	—	—	—	24,045	24,045
Disposal of subsidiaries	—	—	—	—	—	—	(58,124)	(58,124)
Acquisition of subsidiaries	—	—	—	—	—	—	145,286	145,286
Transfer (Note ii)	—	—	—	250	(250)	—	—	—
At 31 December 2005	—	—	(551)	116,743	549,746	665,938	197,195	863,133
Profit for the year	—	—	—	—	1,269,066	1,269,066	19,428	1,288,494
Total recognised income for the year	—	—	—	—	1,269,066	1,269,066	19,428	1,288,494
Capitalisation issue	102,976	—	—	—	(102,976)	—	—	—
Dividends (Note 13)	—	—	—	—	(396,975)	(396,975)	—	(396,975)
Shares issued	35,714	2,800,030	—	—	—	2,835,744	—	2,835,744
Purchase of additional interest in subsidiaries	—	—	—	—	—	—	(1,115)	(1,115)
Capital contribution from minority shareholders of subsidiaries	—	—	—	—	—	—	127,552	127,552
Disposal of subsidiaries	—	—	—	—	—	—	(6,524)	(6,524)
Acquisition of subsidiaries	—	—	—	—	—	—	28,325	28,325
Transfer (Note ii)	—	—	—	31,198	(31,198)	—	—	—
At 31 December 2006	138,690	2,800,030	(551)	147,941	1,287,663	4,373,773	364,861	4,738,634

Notes:

(i) The amount represents the net of the gain on disposal of subsidiaries and associates to related companies with common controlling shareholders of the Group, which is considered capital contribution and recognised as a special reserve, and the distribution to shareholders in excess of paid-in capital upon the Group Reorganisation. Further details of these transactions are set out in Note 30.

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

Consolidated Cash Flow Statement

For the year ended 31 December 2006

	2006 *Rmb'000*	2005 *Rmb'000*
Operating activities		
Profit for the year	**1,288,494**	586,769
Adjustments for:		
Share of results of associates	**38,784**	(35,735)
Share of results of jointly controlled entities	**(2,054)**	4,507
Depreciation and amortisation	**18,750**	26,484
Interest income	**(103,892)**	(50,821)
Finance costs	**64,202**	70,790
Fair value changes on embedded financial derivatives	**233,925**	—
Net loss on redemption of convertible bonds	**70,396**	—
Income tax expense	**851,336**	125,112
Release of negative goodwill to income	**—**	(3,010)
Net gain on disposal of associates	**(1,360)**	(573)
Net gain on disposal of subsidiaries	**—**	(44,993)
Gain on disposal of discontinued operations	**—**	(551)
Impairment loss on completed properties for sale	**—**	11,000
Operating cash flows before movements in working capital	**2,458,581**	688,979
(Increase) decrease in properties for development	**(1,355,774)**	355,317
Decrease (increase) in properties under development	**88,772**	(1,013,004)
Increase in completed properties for sale	**(428,781)**	(470,937)
Decrease (increase) in inventories	**10,185**	(10,376)
Increase in trade and other receivables, deposits and prepayments	**(563,264)**	(28,672)
Decrease (increase) in other taxes recoverable	**140,050**	(39,997)
Decrease in rental paid in advance	**212**	796
(Decrease) increase in pre-sale deposits	**(2,920,403)**	838,455
Increase (decrease) in trade and other payables	**279,307**	(50,501)
Increase in other taxes payable	**26,547**	29,885
Cash from operations	**(2,264,568)**	299,945
Income taxes paid	**(163,278)**	(293,918)
Net cash (used in) from operating activities	**(2,427,846)**	6,027

For the year ended 31 December 2006

	Notes	**2006** **Rmb'000**	2005 Rmb'000
Investing activities			
Purchase of property, plant and equipment		**(213,779)**	(77,244)
Proceeds from disposal of property, plant and equipment		**6,184**	10,003
Purchase of available-for-sale investments		**—**	(1,000)
Proceeds from disposal of available-for-sale investments		**—**	25,000
Investments in associates		**(169,050)**	(410,088)
Investments in jointly controlled entities		**(50,000)**	(40,000)
Proceeds from disposal of interests in associates		**—**	18,000
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	29	**(57,156)**	28,852
Purchase of additional interests in subsidiaries		**(2,040)**	(17,220)
Proceeds from disposal of subsidiaries (net of cash and cash equivalents disposed of)	30	**(13,839)**	101,937
Repayment from third parties		**87,681**	59,581
Repayment from related parties		**653,792**	123,339
Increase in pledged bank deposits		**(353,681)**	(80,284)
Interest received		**109,837**	50,821
Net cash used in investing activities		**(2,051)**	(208,303)
Financing activities			
Bank and other borrowings raised		**2,756,120**	3,800,912
Repayment of bank and other borrowings		**(3,635,112)**	(2,990,107)
Repayment to related parties		**(94,717)**	(106,347)
Contribution by minority shareholders of subsidiaries		**127,552**	23,000
Interest paid		**(312,071)**	(250,778)
Dividends paid		**(396,975)**	(226,153)
Proceeds on issue of convertible bonds	26	**1,037,073**	—
Distribution of paid-in capital and special reserve		**—**	(308,293)
Proceeds on issue of shares		**2,835,744**	—
Redemption of convertible bonds		**(557,702)**	—
Proceeds on issue of senior notes	27	**3,069,738**	—
Net cash from (used in) financing activities		**4,829,650**	(57,766)
Net increase (decrease) in cash and cash equivalents		**2,399,753**	(260,042)
Cash and cash equivalents at beginning of year		**859,393**	1,119,435
Effects of foreign exchange rate changes		**(10,132)**	—
Cash and cash equivalents at end of year		**3,249,014**	859,393
Represented by			
Bank balances and cash			
— presented on face of balance sheet		**3,249,014**	859,393

1. General and Group Reorganisation

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 address of the registered office of the Company are disclosed in the section headed "Corporate Information" of the annual report.

To rationalise its corporate structure in anticipation of the listing of its shares on the Stock Exchange, the Company underwent a group reorganisation (the "Group Reorganisation") to take up all subsidiaries and associates carrying on the real estate development and property investment and management businesses (the "Property Related Entities") from the shareholders, namely SONG Weiping, SHOU Bainian and XIA Yibo (the "Shareholders") of the Property Related Entities and to dispose of all subsidiaries and associates carrying on other non-property development and investment holding businesses (the "Non-property Related Entities") to the companies owned by the Shareholders (the "Shareholders' Companies"). The Group Reorganisation was completed on 14 November 2005 and the Company became the holding company of the Property Related Entities.

The Group comprising the Company and its subsidiaries resulting from the Group Reorganisation is regarded as a continuing entity. Richwise Holdings Limited ("Richwise"), Greentown Real Estate Group Co., Ltd. ("Greentown Real Estate"), Shanghai Lvyu Real Estate Development Co., Ltd. ("Shanghai Lvyu"), Hangzhou Jiuxi Property Services Company Limited ("Hangzhou Jiuxi") and Hangzhou Greentown Real Estate Development Co., Ltd. ("Hangzhou Greentown") are considered to be companies under common control as the Shareholders have, as a result of contractual arrangements, ultimate collective power to govern the financial and operating policies of the Group prior to and after the Group Reorganisation. Accordingly, the consolidated financial statements of the Group have been prepared using the principles of merger accounting as if the group structure under the Group Reorganisation had been in existence throughout the year ended 31 December 2005 or since their respective dates of incorporation/establishment or date of acquisition, whichever is the shorter period.

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

The principal activity of the Group is the development of residential properties in the People's Republic of China (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, a number of new standards, 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 either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new IFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

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

IAS1 (Amendment)	Capital Disclosures[1]
IFRS 7	Financial Instruments: Disclosures[1]
IFRS 8	Operating Segments[2]
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies[3]
IFRIC 8	Scope of IFRS 2[4]
IFRIC 9	Reassessment of Embedded Derivatives[5]
IFRIC 10	Interim Financial Reporting and Inpairment[6]
IFRIC 11	IFRS 2: Group and Treasury Share Transactions[7]
IFRIC 12	Service Concession Arrangements[8]

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 March 2006
[4] Effective for annual periods beginning on or after 1 May 2006
[5] Effective for annual periods beginning on or after 1 June 2006
[6] Effective for annual periods beginning on or after 1 November 2006
[7] Effective for annual periods beginning on or after 1 March 2007
[8] Effective for annual periods beginning on or after 1 January 2008

3. Principal accounting policies

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting polices set out below.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year, other than those of the Group Reorganisation, are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

3. Principal accounting policies (Continued)

Basis of consolidation (Continued)

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations under common control

The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Business combinations

The acquisition of subsidiaries, other than those of the Group Reorganisation, is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, and liabilities incurred or assumed by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3. Principal accounting policies (Continued)

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profit or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales-related taxes.

Income from properties developed for sale is recognised when the respective properties have been completed and delivered to the buyers. Deposits received from forward sales of properties are carried as pre-sale deposits.

Sale of other goods are recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see below).

3. Principal accounting policies (Continued)

Revenue recognition (Continued)

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income, including rental invoiced in advance from properties let under operating leases, are recognised on a straight line basis over the period of the relevant leases.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

3. Principal accounting policies (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Land appreciation tax ("LAT") is recognised as an expense in cost of sales to the extent that it is probable that the Group has the obligation to pay the tax to the tax authority in the PRC.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants are recognised as other income in the consolidated income statement when there is reasonable assurance that the grants will be recovered unconditionally.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

3. Principal accounting policies (Continued)

Leasing (Continued)

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Retirement benefits costs

The Group participates in state-managed retirement benefits schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of its qualifying staff's wages as contributions to the plans. Payments to such retirement benefits schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives, and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Trademarks

Trademarks are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3. Principal accounting policies (Continued)

Impairment of tangible and intangible assets excluding goodwill (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Properties for development

Properties for development represent leasehold land located in the PRC for development for future sale in the ordinary course of business. Cost comprises the costs of land use rights and other directly attributable costs. Properties for development are stated at cost less any identified impairment loss.

Properties under development

Properties under development, representing leasehold land located in the PRC under development for future sale in the ordinary course of business, are stated at the lower of cost and net realisable value. Cost comprises the costs of land use rights, construction costs, borrowing costs capitalised and other direct development expenditure. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost comprises the costs of land use rights, construction costs, borrowing costs capitalised and other direct development expenditure. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

3. Principal accounting policies (Continued)

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables, deposits, amounts due from related parties, pledged bank deposits and bank balances

Trade and other receivables, deposits, amounts due from related parties, pledged bank deposits and bank balances are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Available-for-sale investment in equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less impairment. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank and other borrowings

Interest-bearing bank and other loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

3. Principal accounting policies (Continued)

Financial instruments (Continued)

Convertible bonds
Convertible bonds issued by the Company that contain liability, conversion option and redemption option components are classified separately into respective items on initial recognition. Conversion option that will not be settled by the Group delivering a fixed number of its own equity instrument is regarded as conversion option derivatives. At the date of issue, the liability, conversion option and redemption option components are recognised at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion option and redemption option are measured at fair value with changes recognised in profit or loss.

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

Senior notes
Senior notes issued by the Company that contain both liability and early redemption option are classified separately into respective items on initial recognition. The early redemption option is regarded as an embedded derivative not closely related to the host contract. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the liability component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes recognised in profit and loss.

Issue costs are apportioned between the liability component and early redemption option of the senior notes based on their relative fair values at the date of issue. The portion relating to the early redemption option is charged directly to profit or loss.

Trade and other payables, amounts due to related parties and dividend payable
Trade and other payables, amounts due to related parties and dividend payable are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Embedded derivatives
Derivatives embedded in other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Financial guarantee contracts
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 "Revenue".

3. Principal accounting policies (Continued)

Financial instruments (Continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. Key sources of estimation uncertainty

The key sources of estimation uncertainty and the critical judgements that can significantly affect the amounts recognised in the consolidated financial statements are disclosed below.

Net realisable value for properties under development and completed properties held for sale

Properties under development and completed properties remaining unsold at the end of each financial period are stated at the lower of cost and net realisable value.

Net realisable value for properties under development is determined by reference to management estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion. Net realisable value for completed properties held for sale is determined by reference to management estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Management are required to revise these estimates if there is a change in market condition or demand. If actual market conditions are less favourable than those projected by management, additional adjustments to the value of properties under development may be required.

Estimated impairment of trade receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows to determine impairment loss. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective increase rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows as less than expected, a material impairment loss may arise.

LAT

The provision for LAT amounting to Rmb111,808,000 (2005: Rmb117,213,000) (included in other taxes payable) is estimated and made 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 land appreciation tax is calculated.

4. Key sources of estimation uncertainty (Continued)

Convertible bonds

As described in Note 26, the Company's convertible bonds contain a number of embedded derivatives that are remeasured to fair value through profit or loss at subsequent reporting dates. The Company engaged an independent appraiser to assist it in determining the fair value of these embedded derivatives. The determination of fair value was made after consideration of a number of factors, including: the Group's financial and operating results; the global economic outlook in general and the specific economic and competitive factors affecting the Group's business; the nature and prospects of the PRC property market; the Group's business plan and prospects; business risks the Group faces; and market yields and return volatility of comparable corporate bonds. This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

5. Financial instruments

(a). Financial risk management objectives and polices

The Group's major financial instruments include equity investments, trade and other receivables, amounts due from related parties, pledged bank deposits, bank balances, trade and other payables, amounts due to related parties, dividend payable, bank and other borrowings, convertible bonds and senior notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group's certain bank balances and pledged bank deposits are denominated in Hong Kong dollars ("HKD") and United States dollars ("USD") and the Company's convertible bonds and senior notes in USD, which expose the Group to foreign currency risk. The Group does not use any derivative contracts to hedge against its exposure to currency risk.

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate borrowings (see Notes 25 to 27 for details of these borrowings). The Group does not use any derivative contracts to hedge against its exposure to fair value interest rate risk.

Price risk

The Group is expected to security price risk in respect of the conversion option and redemption options embedded in the convertible bonds which allow the convertible bonds to be converted into the Company's shares or redeemed.

5. Financial instruments (Continued)

(a). Financial risk management objectives and polices

Credit risk

As at 31 December 2006, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and

- the amount of contingent liabilities disclosed in Note 36.

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue trade debts and amounts due from related parties. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in the PRC. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank and other borrowings, convertible bonds and senior notes as a significant source of liquidity. The Group has no line of credit arrangements.

(b) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions; and

- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, the fair value of a non-option derivative is estimated using discounted cash flow analysis and the applicable yield curve. For an option-based derivative, the fair value is estimated using option pricing model (for example, the binomial model).

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. Revenue

	2006 *Rmb'000*	2005 *Rmb'000*
Property sales	**6,341,316**	2,441,886
Construction contracts	**—**	66,655
Computer system design and installation	**3,139**	4,615
Sales of construction materials	**50,031**	18,571
Other business	**5,981**	3,348
	6,400,467	2,535,075

Over 90% of the Group's activities are engaged in properties development and sales and over 90% of the Group's sales are to customers in the PRC. The directors consider that these activities constitute one business segment since these activities are related and subject to common 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.

7. Other income

	2006 *Rmb'000*	2005 *Rmb'000*
Interest income	**103,892**	50,747
Government grants *(Note)*	**28,436**	24,000
Release of negative goodwill to income *(Note 29)*	**—**	3,010
Write-back of LAT provision *(Note 11)*	**99,633**	—
Others	**5,863**	6,315
	237,824	84,072

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

8. Finance costs

	2006 **Rmb'000**	2005 *Rmb'000*
Interest on:		
— bank borrowings wholly repayable within five years	**227,232**	217,519
— bank borrowings wholly repayable after five years	**2,085**	206
— other borrowings	**7,624**	33,054
Effective interest expense on convertible bonds *(Note 26)*	**87,605**	—
Interest on senior notes *(Note 27)*	**40,781**	—
Less: Capitalised in properties under development	**(278,757)**	(174,085)
Capitalised in construction in progress	**(22,368)**	(5,904)
	64,202	70,790

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.56% (2005: 7.12%) per annum to expenditure on the development of properties.

9. Profit before taxation

	2006 **Rmb'000**	2005 *Rmb'000*
Profit before taxation has been arrived at after charging (crediting):		
Staff costs	**141,982**	82,575
Retirement benefits scheme contributions	**7,234**	7,389
Less: Capitalised in properties under development	**(47,287)**	(31,429)
Total staff costs	**101,929**	58,535
Depreciation of property, plant and equipment	**21,415**	27,514
Less: Capitalised in properties under development	**(2,953)**	(3,160)
	18,462	24,354
Auditors' remuneration	**5,584**	936
Amortisation of intangible assets (included in selling and administrative expenses)	**288**	288
Cost of inventories recognised as an expense	**3,579,946**	1,582,644
Allowance for doubtful debts	**—**	3,357
Impairment loss on completed properties for sale	**—**	11,000
Exchange loss (gain)	**19,257**	(91)
Share of tax of associates (included in share of results of associates)	**(4,110)**	23,314
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	**2,719**	—

10. Directors' and employees' emoluments

The emoluments paid or payable to each of the 9 (2005: 3) directors of the Company were as follows:

	Song Weiping *Rmb'000*	Shou Bainian *Rmb'000*	Chen Shunhua *Rmb'000*	Guo Jiafeng *Rmb'000*	Jia Shenghua *Rmb'000*	Sze Tsai Ping, Michael *Rmb'000*	Tsui Yiu Wa, Alec *Rmb'000*	Tang Shiding *Rmb'000*	Jiang Wei *Rmb'000*	**2006 Total** ***Rmb'000***
Fee	—	—	—	—	63	108	108	63	108	**450**
Other emoluments										
Salaries and other benefits	516	516	248	248	—	—	—	—	—	**1,528**
Contributions to retirement benefits/pension schemes	61	61	27	20	—	—	—	—	—	**169**
Performance related incentive payments *(Note)*	155	155	75	74	—	—	—	—	—	**459**
Incentive paid on joining	—	—	—	—	—	—	—	—	—	**—**
Total emoluments	732	732	350	342	63	108	108	63	108	**2,606**

	Song Weiping *Rmb'000*	Shou Bainian *Rmb'000*	Xia Yibo *Rmb'000*	2005 Total *Rmb'000*
Fees	—	—	—	—
Other emoluments				
Salaries and other benefits	478	472	—	950
Contributions to retirement benefits/pension schemes	48	48	—	96
Performance related incentive payments *(Note)*	116	116	—	232
Total emoluments	642	636	—	1,278

Note: The performance related incentive payments is determined as a percentage of the turnover of the Group for both years.

No directors waived any emoluments in both years.

Of the five individuals with the highest emoluments in the Group, three (2005: two) were directors of the Company whose emoluments are included in the disclosure above. One of them had been executive general manager of the Company and was appointed as director of the Company on 22 June 2006. The emoluments of this director prior to his appointment and the remaining two (2005: three) individuals were as follows:

	2006 ***Rmb'000***	2005 *Rmb'000*
Salaries and benefits	**1,540**	1,258
Contributions to retirement benefits/pension schemes	**81**	102
Performance related incentive payments	**205**	231
Incentive paid on joining	**—**	—
Compensations for loss of office paid:		
Contractual	**—**	—
Other	**—**	—
	1,826	1,591

10. Directors' and employees' emoluments (Continued)

The emoluments of each of the five highest paid individuals in the Group during the year were below Rmb1,004,700 (equivalent to HKD1,000,000) (2005: Rmb1,060,000 (equivalent to HKD1,000,000)).

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the year.

11. Taxation

	2006 ***Rmb'000***	2005 *Rmb'000*
Current PRC income tax	**873,173**	150,246
Deferred tax *(Note 20)*	**(21,837)**	(25,134)
	851,336	125,112

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	
	Note	**2006**	2005
Shanghai Lvyu	(i)	**15%**	15%
Hangzhou Jiuxi	(ii)	**27%**	27%
Hangzhou Rose Garden Property Services Co., Ltd. ("Hangzhou Rose Garden")	(ii)	**27%**	N/A
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 Rose Garden was established in 2006.

(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.

11. Taxation (Continued)

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	2006 **Rmb'000**	2005 Rmb'000
Profit before taxation	**2,139,830**	711,559
Tax at the applicable PRC income tax rate of 33%	**706,144**	234,814
Effect of different tax rates	**102,287**	(79,851)
Tax effect of share of results of associates	**12,799**	(11,792)
Tax effect of share of results of jointly controlled entities	**(678)**	1,487
Tax effect of income not taxable for tax purposes	**(5,652)**	(59,094)
Tax effect of expenses not deductible for tax purposes	**23,328**	12,125
Tax effect of tax losses not recognised	**36,757**	24,207
Tax effect of deductible temporary differences not recognised	**(150)**	1,564
Utilisation of tax losses previously net recognised	**(23,499)**	—
Others	**—**	1,652
Taxation charge for the year	**851,336**	125,112

Details of deferred taxation for the year ended 31 December 2006 are set out in Note 20.

PRC land appreciation tax

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax ("LAT") (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the 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.

Effective from 1 September 2002 in Hunan, 1 January 2003 in Zhoushan and Xinjiang, 1 January 2004 in Shangyu, 1 July 2004 in Anhui, 1 October 2004 in Hangzhou and 1 October 2006 in Shanghai Pudong New Area, the local tax bureau requires pre-payment of LAT on the pre-sale and sale proceeds of property developments. According to the Notices for the Strengthening of Administration on LAT (關於加强土地增值稅管理工作的通知), the Group is required to pre-pay LAT on pre-sale proceeds at 0.5 – 2% for ordinary residential properties and 1 – 6% for other properties.

At the date of this report, the relevant local tax bureaus responsible for the enforcement of LAT regulations have not required the Group to pay any LAT other than the aforesaid LAT pre-payment.

11. Taxation (Continued)

PRC land appreciation tax (Continued)

For the year ended 31 December 2006, the Group has estimated, made and included in cost of sales a provision for LAT in the amount of Rmb131,670,000 (2005: Rmb5,052,000), 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.

In 2006 and early 2007, the Group decided to dissolve five of its PRC property development subsidiaries and commenced liquidation procedures on them. At the date of this report, they have completed their tax registration revocation and have received the tax registration revocation notices from the relevant tax bureaus. The directors are of the opinion that the tax obligations of these five subsidiaries are considered duly terminated by law, and have therefore written back during the year ended 31 December 2006 the provision for LAT made by one of these subsidiaries in previous years. The LAT recorded by the other four subsidiaries during the year represented the amount of LAT levied by the relevant tax bureaus upon the completion of their registration revocation.

12. Discontinued operations

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

The profit of the Discontinued Operations for the year is as follows:

	2006 *Rmb'000*	2005 *Rmb'000*
Loss of the Discontinued Operations for the year	—	(229)
Gain on disposal of the Discontinued Operations for the year	—	551
	—	322

The results of the Discontinued Operations for the year were as follows:

	2006 *Rmb'000*	2005 *Rmb'000*
Revenue	—	729
Cost of sales	—	(462)
Interest income	—	74
Selling and administrative expenses	—	(570)
Loss before taxation and loss for the year	—	(229)

12. Discontinued operations (Continued)

During the year ended 31 December 2005, the Discontinued Operations did not contribute to the Group's net operating cash flows, investing activities and financing activities.

The carrying amounts of the assets and liabilities of the Discontinue Operations at the date of disposal are disclosed in Note 30.

13. 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.

During the year ended 31 December 2005, the following companies paid dividends to their then existing shareholders prior to the Group Reorganisation who were the equity holders of the Company.

	2005 *Rmb'000*
Richwise	11,173
Greentown Real Estate	187,247
	198,420

The final dividend of HKD0.36 per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. 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

	2006 ***Rmb'000***	2005 *Rmb'000*
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to equity holders of the Company)	**1,269,066**	622,688

Number of shares

	2006	2005
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,162,773,488**	1,000,000,000

14. Earnings per share (Continued)

Number of shares (Continued)
The weighted average number of ordinary shares for the purposes of basic earnings per share 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 convertible bonds since their exercise would result in an increase in profit per share from continuing operations.

15. Property, plant and equipment

	Buildings	Leasehold improvements	Machinery	Furniture, fixtures and equipment	Transportation equipment	Construction in progress	Total
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*
COST							
At 1 January 2005	65,504	17,627	122	11,336	74,796	54,481	223,866
Additions	—	3,955	2,479	2,645	13,186	54,636	76,901
Acquired on acquisition of subsidiaries	13,816	6,284	165	2,324	6,006	—	28,595
Disposals	(9,854)	(685)	(9)	(418)	(210)	—	(11,176)
Disposal of subsidiaries	—	—	(237)	(132)	(837)	—	(1,206)
Reclassification	(2,304)	(4,333)	252	6,123	262	—	—
At 31 December 2005	67,162	22,848	2,772	21,878	93,203	109,117	316,980
Additions	8	1,321	232	2,989	34,788	174,441	213,779
Acquired on acquisition of subsidiaries	—	201	—	669	1,015	—	1,885
Disposals	—	—	—	(205)	(15,998)	—	(16,203)
Disposal of subsidiaries	—	(1,679)	—	(795)	(2,674)	—	(5,148)
Reclassification	—	—	(1,650)	1,650	—	—	—
At 31 December 2006	67,170	22,691	1,354	26,186	110,334	283,558	511,293
DEPRECIATION AND AMORTISATION							
At 1 January 2005	(6,340)	(6,240)	(58)	(3,712)	(30,311)	—	(46,661)
Provided for the year	(3,304)	(2,873)	(437)	(3,548)	(17,352)	—	(27,514)
Eliminated on disposals	584	(3)	9	375	208	—	1,173
Eliminated on disposal of subsidiaries	—	—	14	5	77	—	96
Reclassification	871	3,549	(983)	(4,468)	1,031	—	—
At 31 December 2005	(8,189)	(5,567)	(1,455)	(11,348)	(46,347)	—	(72,906)
Provided for the year	(3,282)	(3,787)	(222)	(3,519)	(10,605)	—	(21,415)
Eliminated on disposals	—	—	—	129	9,890	—	10,019
Eliminated on disposal of subsidiaries	—	983	—	294	1,338	—	2,615
Reclassification	—	—	1,247	(396)	(851)	—	—
At 31 December 2006	(11,471)	(8,371)	(430)	(14,840)	(46,575)	—	(81,687)
NET BOOK VALUES							
At 31 December 2006	55,699	14,320	924	11,346	63,759	283,558	429,606
At 31 December 2005	58,973	17,281	1,317	10,530	46,856	109,117	244,074

15. Property, plant and equipment (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the term of the land use rights or 20 years
Leasehold improvements	Over the shorter of the lease term or expected useful life
Machinery	10% to $33\frac{1}{3}$ %
Furniture, fixtures and equipment	10% to $33\frac{1}{3}$ %
Transportation equipment	20%

The carrying value of buildings shown above comprises:

	2006 *Rmb'000*	2005 *Rmb'000*
Land in the PRC:		
Medium-term lease	**55,699**	58,973

Details of the buildings and construction in progress pledged to secure banking facilities granted to the Group are disclosed in Note 34.

16. Intangible asset

	Trademark *Rmb'000*
COST	
At 1 January 2005, 31 December 2005 and 31 December 2006	2,880
AMORTISATION	
At 1 January 2005	(2,304)
Charge for the year	(288)
At 31 December 2005	(2,592)
Charge for the year	(288)
At 31 December 2006	(2,880)
NET BOOK VALUES	
At 31 December 2006	—
At 31 December 2005	288

17. Interests in associates

	2006	2005
	Rmb'000	*Rmb'000*
Cost of unlisted investments in associates	**556,650**	430,300
Share of post-acquisition (losses) profits	**(18,055)**	13,683
	538,595	443,983

As at 31 December 2006, the Group had interests in the following associates established and operating in the PRC:

Name of associate	**Registered capital**	**Attributable equity interest held by the Group**	**Principal activities**
杭州集美房地產開發有限公司 Hangzhou Jimei Real Estate Development Co., Ltd.	Rmb32,000,000	30%	Real estate development
杭州餘杭綠城九洲房地產開發有限公司 Hangzhou Yuhang Greentown Jiuzhou Real Estate Development Co., Ltd.	Rmb10,000,000	35%	Real estate development
杭州翡翠城房地產開發有限公司 Hangzhou Jade City Real Estate Development Co., Ltd. ("Hangzhou Jade City")	Rmb50,000,000	45%	Real estate development
上海靜宇置業有限公司 Shanghai Jingyu Real Estate Co., Ltd.	Rmb100,000,000	49%	Property investment
深圳東方泰格投資有限公司 Shenzhen Orient Taige Investment Co., Ltd.	Rmb60,000,000	20%	Investment and consulting
杭州錢新綠城房地產開發有限公司 Hangzhou Qianxin Greentown Real Estate Development Co. Ltd. ("Hangzhou Qianxin Greentown")	Rmb30,000,000	50% *(Note)*	Real estate development
浙江發展綠城房地產開發有限公司 Zhejiang Fazhan Greentown Real Estate Development Co., Ltd.	Rmb50,000,000	45%	Real estate development
杭州濱綠房地產開發有限公司 Hangzhou Binlv Real Estate Development Co., Ltd.	USD49,800,000	40%	Real estate development

Note: Only two out of five directors of Hangzhou Qianxin Greentown are appointed by the Group, while a valid board resolution requires two-thirds of the total votes. The Group does not have the power to direct the financial and operating policies of Hangzhou Qianxin Greentown. Therefore, Hangzhou Qianxin Greentown is accounted for as an associate of the Group.

17. Interests in associates (Continued)

The summarised financial information in respect of the Group's associates is set out below:

	2006 *Rmb'000*	2005 *Rmb'000*
Total assets	**5,596,325**	3,800,236
Total liabilities	**(4,625,390)**	(2,799,738)
Net assets	**970,935**	1,000,498
Group's share of net assets of associates	**531,708**	443,983
Revenue	**23,006**	677,881
(Loss) profit for the year	**(76,857)**	92,035
Group's share of results of associates for the year	**(38,784)**	35,735

The Group has discontinued recognition of its share of losses of certain associates as its share of losses of those associates equals or exceeds its interest in those associates. The amounts of unrecognised share of losses of those associates, extracted from the relevant management accounts of those associates, both for the year and cumulatively, are as follows:

	2006 *Rmb'000*	2005 *Rmb'000*
Unrecognised share of losses of associates for the year	**650**	6,237
Accumulated unrecognised share of losses of associates	**6,887**	6,237

18. Interests in jointly controlled entities

	2006 **Rmb'000**	2005 *Rmb'000*
Cost of unlisted investments in jointly controlled entities	**102,037**	45,512
Share of post-acquisition loss	**(11,666)**	(10,168)
	90,371	35,344

As at 31 December 2006, the Group had interest in the following jointly controlled entities established in the PRC:

Name of jointly controlled entity	**Registered capital**	**Attributable equity interest held by the Group**	**Principal activities**
浙江報業綠城投資有限公司 Zhejiang Newspapering Greentown Investment Co., Ltd. ("Zhejiang Newspapering Greentown")	Rmb80,000,000	50%	Investment holding
寧波浙報綠城房地產開發有限公司 Ningbo Zhebao Greentown Real Estate Development Co., Ltd.	Rmb60,000,000	50%	Real estate development
寧波綠城桂花園房地產開發有限公司 Ningbo Greentown Osmanthus Garden Real Estate Development Co., Ltd. ("Ningbo Greentown Osmanthus Garden")	Rmb20,000,000	60% (i)	Real estate development
海寧綠城新湖房地產開發有限公司 Haining Greentown Sinhoo Real Estate Development Co., Ltd. ("Haining Greentown")	Rmb20,000,000	50% (ii)	Real estate development
浙江綠城西子房地產集團有限公司 Zhejiang Greentown Xizi Real Estate Group Co., Ltd. ("Zhejiang Greentown Xizi")	Rmb100,000,000	50%	Investment holding
臨安西子房地產開發有限公司 Linan Xizi Real Estate Development Co., Ltd. ("Linan Xizi")	Rmb20,000,000	50% (iii)	Real estate development

Notes:

(i) Zhejiang Newspapering Greentown and Richwise respectively hold 70% and 25% of the equity interest in Ningbo Greentown Osmanthus Garden. Only one out of five directors of Ningbo Greentown Osmanthus Garden is appointed by the Group, while a valid board resolution requires two-thirds of the total votes. The Group does not have the power to direct the financial and operational policies of Ningbo Greentown Osmanthus Garden. Therefore, Ningbo Greentown Osmanthus Garden is accounted for as a jointly controlled entity of the Group.

(ii) Pursuant to an agreement entered into between Zhejiang Sinhoo Real Estate Group Co., Ltd. ("Sinhoo"), the holder of the other 50% equity interest in Haining Greentown, and the Group on 1 January 2006, the declaration made by Sinhoo granting control over Haining Greentown to the Group lapsed after phase I of the project had been delivered and the Group no longer has the power to govern the financial and operating policies of Haining Greentown. Therefore, Haining Greentown ceased to be accounted for as a subsidiary of the Company commencing 1 January 2006.

(iii) Linan Xizi is a wholly-owned subsidiary of Zhejiang Greentown Xizi.

18. Interests in jointly controlled entities (Continued)

The summarised financial information in respect of the Group's jointly controlled entities which are accounted for using the equity method is set out below:

	2006 **Rmb'000**	2005 Rmb'000
Current assets	**1,143,697**	391,258
Non-current assets	**12,130**	1,939
Current liabilities	**(688,896)**	(338,302)
Non-current liabilities	**(367,347)**	(22,500)
Income	**122,506**	183
Expenses	**(120,452)**	(13,783)

19. Available-for-sale investments

Available-for-sale investments represent unlisted equity securities. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably.

20. Deferred taxation

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Temporary differences on revenue recognition and related cost of sales *Rmb'000*	**Tax losses** *Rmb'000*	**Fair value adjustments** *(Note 29)* *Rmb'000*	**Others** *Rmb'000*	**Total** *Rmb'000*
At 1 January 2005	23,537	4,898	—	(5,775)	22,660
Credit (charge) to the consolidated income statement for the year	(7,156)	33,506	—	(1,216)	25,134
Acquisition of subsidiaries	—	—	(101,740)	—	(101,740)
At 31 December 2005	16,381	38,404	(101,740)	(6,991)	(53,946)
Credit (charge) to the consolidated income statement for the year	23,292	(10,057)	3,553	5,049	21,837
Utilisation of tax losses	—	(4,156)	—	—	(4,156)
Acquisition of subsidiaries	—	—	(31,774)	—	(31,774)
At 31 December 2006	39,673	24,191	(129,961)	(1,942)	(68,039)

For the purpose of balance sheet presentation, deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same legal entity and fiscal authority. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2006 *Rmb'000*	2005 *Rmb'000*
Deferred tax assets	**66,402**	74,135
Deferred tax liabilities	**(134,441)**	(128,081)
	(68,039)	(53,946)

20. Deferred taxation (Continued)

At the balance sheet date, the Group had unutilised tax losses of Rmb433,618,000 (2005: Rmb322,634,000) available for offset against future profits. A deferred tax asset has been recognised in respect of Rmb85,818,000 (2005: Rmb104,476,000) of such losses. No deferred tax asset has been recognised in respect of the remaining Rmb347,800,000 (2005: Rmb218,158,000) due to the unpredictability of future profit streams. Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the balance sheet date will expire in the following years:

	2006 ***Rmb'000***	2005 *Rmb'000*
2006	**—**	3,563
2007	**3,642**	4,977
2008	**31,364**	29,458
2009	**95,492**	92,849
2010	**74,489**	87,311
2011	**142,813**	—
	347,800	218,158

21. Properties for development

The Group was in the process of obtaining the land use rights certificates for Rmb1,018,851,000 (2005: Rmb302,395,000) of the long-term leasehold land included in the balance of properties for development as at 31 December 2006.

22. Properties under development

	2006 ***Rmb'000***	2005 *Rmb'000*
Long-term leasehold land — at cost	**2,376,360**	2,399,053
Development costs	**2,736,824**	2,843,092
Finance costs capitalised	**566,835**	412,142
	5,680,019	5,654,287

23. Other current assets

Trade and other receivables, deposits and prepayments

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

	2006 **Rmb'000**	2005 Rmb'000
0–30 days	**113,231**	5,619
31–90 days	**8,291**	1,968
91–180 days	**2,062**	4,486
181–365 days	**743**	3,188
Over 365 days	**1,612**	4,669
Trade receivables	**125,939**	19,930
Other receivables	**264,560**	187,342
Prepayments and deposits	**515,171**	176,608
	905,670	383,880

Included in other receivables were advances to third parties of Rmb41,305,000 (2005: Rmb128,986,000) as at 31 December 2006. The advances are interest free, unsecured and repayable on demand.

Other receivables are repayable on demand.

No allowance was made for trade receivables. An allowance was made for estimated irrecoverable amounts of Rmb8,087,000 (2005: Rmb27,823,000) of other receivables as at 31 December 2006.

Bank balances and cash/pledged bank deposits

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. Bank balances carry interest at market rates which range from 0.72% to 5.375%.

Pledged bank deposits represent deposits pledged to banks to secure short-term banking facilities granted to the Group. The pledged bank deposits carry interest at market rate which range from 2.25% to 5.64%.

As at 31 December 2006, the Group had bank balances and cash (including pledged bank deposits) denominated in Renminbi amounting to Rmb1,395,935,000 (2005: Rmb1,121,279,000). Renminbi is not freely convertible into other currencies.

23. Other current assets (Continued)

Bank balances and cash/pledged bank deposits that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	HKD *Rmb'000*	USD *Rmb'000*
As at 31 December 2006	300,955	2,182,504
As at 31 December 2005	842	13,971

24. Trade and other payables

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

	2006 ***Rmb'000***	2005 *Rmb'000*
0–30 days	**766,376**	513,892
31–90 days	**88,457**	6,660
91–180 days	**3,088**	5,381
181–365 days	**33,431**	16,312
Over 365 days	**33,372**	30,916
Trade payables	**924,724**	573,161
Other payables and accrued expenses	**479,725**	427,130
	1,404,449	1,000,291

Trade payables and other payables principally comprise amounts outstanding for trade purposes and ongoing costs.

25. Bank and other borrowings

	2006 **Rmb'000**	2005 Rmb'000
Secured bank loans *(See Note 34)*	**3,137,376**	3,441,174
Unsecured bank loans	**424,000**	472,000
	3,561,376	3,913,174
Secured other loans	**300,000**	335,170
Unsecured other loans	**46,826**	631,009
	346,826	966,179
	3,908,202	4,879,353
Carrying amount repayable:		
Within one year or on demand	**1,939,347**	2,510,841
More than one year, but not exceeding two years	**1,452,328**	1,357,187
More than two years, but not exceeding three years	**360,648**	1,004,798
More than three years, but not exceeding four years	**647**	647
More than four years, but not exceeding five years	**647**	647
More than five years	**154,585**	5,233
	3,908,202	4,879,353
Less: Amounts due within one year shown under current liabilities	**(1,939,347)**	(2,510,841)
Amounts due after one year	**1,968,855**	2,368,512

All bank and other borrowings were denominated in Renminbi, except for a USD-denominated, secured bank loans amounting to Rmb193,685,000 as at 31 December 2005.

The average interest rates paid were as follows:

	2006	2005
Bank loans	**6.33%**	6.68%
Other loans	**10.62%**	12.00%

All bank loans and other borrowings were arranged at fixed interest rates and exposed the Group to fair value interest rate risk.

25. Bank and other borrowings (Continued)

The directors estimate the fair value of the bank and other borrowings by discounting their future cash flows at the market rate. The directors consider that the carrying amounts of the bank and other borrowings approximate their fair values at the balance sheet date.

At the balance sheet date, certain bank loans are supported by guarantees from the following companies:

	2006 **Rmb'000**	2005 *Rmb'000*
Secured bank loans:		
Shareholders	**—**	293,685
Independent third parties	**82,822**	314,117
	82,822	607,802
Unsecured bank loans:		
Shareholders' Companies	**—**	100,000
Independent third parties together with Group companies	**—**	88,000
Independent third parties	**—**	30,000
	—	218,000

At the balance sheet date, certain other loans were supported by guarantees from the following companies:

	2006 **Rmb'000**	2005 *Rmb'000*
Unsecured other loans:		
Shareholders' Companies	**—**	100,000
Minority shareholders together with Group companies	**—**	60,000
	—	160,000

26. Convertible bonds

On 10 January 2006, the Company issued convertible bonds in an aggregate principal amount of USD130,000,000, comprising USD65,000,000 secured mandatory convertible bonds due 2011 and USD65,000,000 secured non-mandatory convertible bonds due 2011. There were two tranches within the mandatory convertible bonds, USD40,000,000 in principal amount of tranche A mandatory convertible bonds and USD25,000,000 in principal amount of tranche B mandatory convertible bonds. The convertible bonds are listed on the Singapore Exchange Securities Trading Limited. In connection with the issuance of the convertible bonds, 51% of the shares of each shareholder of the Company held by the relevant Shareholders, and 51% of the shares of Richwise held by the Company, are charged with the security trustee for the benefit of all the holders of the convertible bonds. Such share charges were released upon consummation of the Company's initial public offering (the "Global Offering").

The principal terms of the mandatory convertible bonds are as follows:

(i) Mandatory conversion

Immediately before consummation of the Global Offering, unless previously redeemed or purchased and cancelled, the mandatory convertible bonds shall mandatorily be converted, in certain circumstances, into fully paid shares at the mandatory conversion price, which will initially be 90.25% of the offer price of the shares of the Company in the Global Offering, if the Global Offering is effected on or before the maturity date.

(ii) Optional conversion

The tranche B mandatory convertible bonds may be converted at the option of the holders at any time on or after 180 days subsequent to the listing date up to the seventh business day prior to the maturity date of the convertible bonds, which is 10 January 2011. Subject to adjustments upon the occurrence of various events described in the trust deed relating to the convertible bonds, the initial conversion price for the non-mandatory convertible bonds will be 104% of the offer price of the shares of the Company in the Global Offering.

(iii) Redemption

— ***Redemption at the option of the Company***

The Company may, having given not less than 30 nor more than 60 days' notice to the trustee, the principal agent and the bondholders, redeem all or some of the tranche B mandatory convertible bonds then outstanding at their principal amount together with any accrued interest together with accrued and unpaid interest, if any, on or after the day which is seven calendar months after the listing date.

— ***Final redemption***

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem the mandatory convertible bonds at a redemption amount that would provide bondholders with an annualised rate of return of 20% per annum on the maturity date together with any accrued interest.

The principal terms of the non-mandatory convertible bonds are as follows:

(i) Optional conversion

The non-mandatory convertible bonds may be converted at the option of the holders at any time on or after 180 days subsequent to the listing date up to the seventh business day prior to the maturity date of the convertible bonds, which is 10 January 2011. Subject to adjustments upon the occurrence of various events described in the trust deed relating to the convertible bonds, the initial conversion price for the non-mandatory convertible bonds will be 104% of the offer price of the shares of the Company in the Global Offering.

26. Convertible bonds (Continued)

(ii) Redemption

— ***Redemption at the option of the Company***

Subsequent to the Global Offering, the Company will have the right to require holders of the non-mandatory convertible bonds to redeem their non-mandatory convertible bonds (having given not less than 30 nor more than 60 days' prior written notice) as follows:

- The Company may, at its option, redeem the non-mandatory convertible bonds in whole, but not in part, at any time after 10 July 2008 but not less than seven business days prior to 10 January 2011 if the closing price of the Company's shares for each of any 20 trading days falling within a period of 30 consecutive trading days, with the last day of such period occurring no more than five trading days prior to the date upon which the early redemption notice is given, was for each such 20 trading day at least 140% of the principal amount of the non-mandatory convertible bonds divided by the conversion ratio, which is equal to the principal amount of the convertible bonds divided by the then applicable conversion price translated into USD at USD1.00 = HKD7.75, subject to specific adjustments relating to the non-mandatory convertible bonds; and

- The Company may, at its option, redeem the non-mandatory convertible bonds in whole, but not in part, if less than 10% of the aggregate principal amount of non-mandatory convertible bonds originally issued remains outstanding.

— ***Redemption at the option of the bondholders***

Holders of the non-mandatory convertible bonds have the right to require the Company to redeem the convertible bonds at their outstanding principal amount plus accrued interest (including any default interest) with respect to such non-mandatory convertible bonds as follows:

- to redeem, at the option of such holders, all or a part of the non-mandatory convertible bonds on 10 January 2009, being the third anniversary of their issue date;

- to redeem in whole, but not in part, the non-mandatory convertible bonds upon the occurrence of a change of control when (a) any person or persons, acting together, other than any Shareholders, acquires more than 50% of the voting rights of the Company's issued share capital or the right to appoint and/or remove all or the majority of the Company's directors or (b) the Company consolidate with or merge into or sell or transfer all or substantially all of its assets to any other person resulting in any person or persons, acting together, other than any Shareholders, acquiring control over more than 50% of the voting rights of the Company's issued share capital or the right to appoint and/or remove all or the majority of the Company's directors; and

- to redeem in whole, but not in part, the non-mandatory convertible bonds upon the Company's shares ceasing to be listed or admitted to trading on the Stock Exchange subsequent to the Global Offering.

Prior to consummation of the Global Offering, the convertible bonds carried an initial annual interest rate of 10%. The annual interest rate applicable to the non-mandatory convertible bonds would be adjusted to 6% upon completion of the Global Offering, while the Company on 21 June 2006 provided an undertaking to one bond-holder under which the Company agreed to pay this bond-holder an additional 1% per annum of the principal amount outstanding on the non-mandatory convertible bonds it held with effect from 13 July 2006, the date on which the shares of the Company were listed on the Stock Exchange.

26. Convertible bonds (Continued)

(ii) Redemption (Continued)

— ***Redemption at the option of the bondholders (Continued)***

Pursuant to an agreement entered into between the holders of the convertible bonds and the Company on 23 June 2006, the holders of the mandatory convertible bonds elected to require the Company to redeem their mandatory convertible bonds at a redemption amount that would provide bondholders with an annualised rate of return of 20% per annum, in USD, on the principal amount of the mandatory convertible bonds, together with any accrued interest upon consummation of the Global Offering.

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

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

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

(ii) Embedded derivatives, comprising:

(a) The fair value of the option of the bondholders to convert the convertible bonds into equity of the Company at a conversion price linked to the offer price of the Company's shares in the Global Offering;

(b) The fair value of the option of the Company to require the bondholders to redeem the convertible bonds; and

(c) The fair value of the option of the bondholders to require the Company to redeem the convertible bonds.

The binomial model is used in the valuation of these embedded derivatives. Inputs into the model are as follows:

	10 January 2006	12 July 2006	31 December 2006
Exercise price	100%	100%	100%
Risk-free rate of interest	4.96%	5.68%	5.19%
Dividend yield	4.00%	4.00%	3.50%
Time to expiration	4.5 years	4.5 years	4 years
Volatility	45.00%	49.00%	46.00%

Notes:

(a) The risk-free rate of interest adopted was the market yield of China International Bond maturing in 2011.

(b) The dividend yield adopted was based on the dividend yield of comparable companies in the past four to five years.

(c) The volatility adopted was based on the median share price volatility of comparable companies in the past two years.

(d) The fair value of the redemption options was developed by the "with and without approach", i.e. the fair value of the conversion option/liability component with or without the redemption option.

26. Convertible bonds (Continued)

(ii) Redemption (Continued)

— ***Redemption at the option of the bondholders (Continued)***

The variables and assumptions used in computing the fair value of the embedded derivatives are based on the directors' best estimates. The value of embedded derivatives varies with different variables of certain subjective assumptions.

The movement of the liability component and embedded derivatives of the convertible bonds for the year is set out below:

	Liability component	**Conversion option**	**Bondholder redemption option**	**Issuer redemption option**	**Fair value adjustment**	**Total**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*
Convertible bonds issued on 10 January 2006	871,134	207,470	45,950	(87,777)	296	1,037,073
Exchange realignment	(21,918)	(4,389)	(972)	1,858	(7)	(25,428)
Interest charged during the year	87,605	—	—	—	—	87,605
Interest payable during the year	(73,393)	—	—	—	—	(73,393)
Redemption	(470,579)	(63,079)	—	46,352	—	(487,306)
Changes in fair value	—	272,516	(6,958)	(31,344)	(289)	233,925
At 31 December 2006	392,849	412,518	38,020	(70,911)	—	772,476

27. Senior notes

On 10 November 2006, the Company issued senior notes in an aggregate principal amount of USD400,000,000. The senior notes are designated for trading in the National Association of Securities Dealer Inc.'s PORTAL market and are listed on the Singapore Exchange Securities Trading Limited. The senior notes carry interest at the rate of 9% per annum, payable semi-annually in arrears, and will mature on 8 November 2013, unless redeemed earlier.

The principal terms of the senior notes are as follows:

The senior notes are:

(i) general obligations of the Company;

(ii) guaranteed by the Subsidiary Guarantors, subsidiaries other than those organised under the laws of the PRC, on a senior basis, subject to certain limitations (the "Subsidiary Guarantees");

(iii) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the senior notes;

(iv) at least *pari passu* in right of payment with all other unsecured, unsubordinated indebtedness of the Company (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law); and

(v) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries, subsidiaries organised under the laws of the PRC.

27. Senior notes (Continued)

After the charge of the Collateral (as defined below) by the Company and the Subsidiary Guarantor Chargor (as defined below) and subject to certain limitations, the senior notes will:

(i) be entitled to a first priority lien on the Collateral charged by the Company and the Subsidiary Guarantor Chargor (subject to any permitted liens);

(ii) rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral charged by the Company securing the senior notes; and

(iii) rank effectively senior in right of payment to unsecured obligations of the Subsidiary Guarantor Chargors with respect to the value of the Collateral charged by each Subsidiary Guarantor Chargor securing the senior notes (subject to priority rights of such unsecured obligations pursuant to applicable law).

The Company has agreed, for the benefit of the holders of the senior notes, to charge, or cause the initial Subsidiary Guarantor Chargor to charge, as the case maybe, the capital stock of each initial Subsidiary Guarantor (collectively, the "Collateral") in order to secure the obligations of the Company under the senior notes and the indenture and of the Subsidiary Guarantor Chargor under its Subsidiary Guarantee. The initial Subsidiary Guarantor Chargor will be Richwise. The Collateral securing the senior notes and the Subsidiary Guarantees may be released or reduced in the event of certain asset sales and certain other circumstances.

At any time and from time to time on or after 8 November 2010, the Company may redeem the senior notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to the redemption date if redeemed during the twelve-month period beginning on 8 November of each of the years indicated below.

Period	**Redemption price**
2010	104.50%
2011	102.25%
2012 and thereafter	100.00%

At any time prior to 8 November 2010, the Company may at its option redeem the senior notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the senior notes plus the Applicable Premium (as defined below) as of, and accrued and unpaid interest, if any, to the redemption date.

"Applicable Premium" means with respect to the senior notes at any redemption date, the greater of (1) 1.00% of the principal amount of such senior notes and (2) the excess of (A) the present value at such redemption date of (i) the redemption price of such senior notes on 8 November 2010 plus (ii) all required remaining scheduled interest payments due on such senior notes through 8 November 2010 (but excluding accrued and unpaid interest to such redemption date), computed using a discount rate equal to the Adjusted Treasury Rate, the rate per annum equal to the semi-annual equivalent yield in maturity of the comparable US Treasury security, plus 100 basis points, over (B) the principal amount of such senior notes on such redemption date.

27. Senior notes (Continued)

At any time and from time to time prior to 8 November 2009, the Company may redeem up to 35% of the aggregate principal amount of the senior notes at a redemption price of 109% of the principal amount of the senior notes, plus accrued and unpaid interest, if any, with the proceeds from sales of certain kinds of its capital stock, subject to certain conditions.

The senior notes contain a liability component and an early redemption option:

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

The interest charged for the year is calculated by applying an effective interest rate of approximately 9% per annum to the liability component since the senior notes were issued.

(ii) Early redemption option is regarded as an embedded derivative not closely related to the host contract. The directors consider that the fair value of the early redemption option is insignificant on initial recognition and at balance sheet date.

The movement of the senior notes during the year is set out below:

	Rmb'000
Senior notes issued on 10 November 2006	3,069,738
Exchange realignment	(653)
Interest charged during the year	40,781
Interest payable during the year	(39,044)
At 31 December 2006	3,070,822

28. Share capital

	Number of shares	Share capital *HKD'000*
Authorised		
Ordinary shares of HKD1.00 each		
At date of incorporation	**350,000**	350
Increase on sub-division of shares on 30 November 2005	**3,150,000**	—
At 31 December 2005	**3,500,000**	350
Increase on 21 June 2006	**9,996,500,000**	999,650
Ordinary shares of HKD0.10 each		
At 31 December 2006	**10,000,000,000**	1,000,000
Issued and fully paid		
Ordinary shares of HKD1.00 each		
At date of incorporation	**100**	—
Increase on sub-division of shares on 30 November 2005	**900**	—
At 31 December 2005	**1,000**	—
Issued by capitalisation of the retained earnings account	**999,999,000**	100,000
Issued on public flotation	**347,402,500**	34,740
Ordinary shares of HKD0.10 each		
At 31 December 2006	**1,347,402,500**	134,740
		Rmb'000
Shown on the consolidated balance sheet as at 31 December 2006		138,690

The Company was incorporated in the Cayman Islands on 31 August 2005 as an exempted company with limited liability under the Companies Law (2004 Revision). The authorised share capital of the Company on incorporation was HKD350,000 divided into 350,000 shares of HKD1.00 each, 100 of which were issued and fully paid.

Pursuant to the written resolutions of the shareholders of the Company on 30 November 2005, each of the existing Company's shares of a par value of HKD1.00 was sub-divided into 10 shares of HKD0.10 each. The authorised share capital of the Company after such sub-division of shares was HKD350,000 divided into 3,500,000 shares of a par value of HKD0.10 each.

Pursuant to the written resolutions of the shareholders of the Company on 21 June 2006, the authorised share capital of the Company was increased from HKD350,000 to HKD1,000,000,000 by the creation of 9,996,500,000 new shares and the directors were authorised to allot and issue 999,999,000 shares to the shareholders, all credited as fully paid, by way of capitalisation of a sum of HKD99,999,900 which was then standing to the credit of the retained earnings account of the Company.

Pursuant to the written resolutions of the shareholders of the Company on 22 June 2006, the Global Offering was approved and the directors were authorised to allot and issue 298,701,500 new shares of HKD0.10 each at a price of HKD8.22 per share. The above resolutions became unconditional on 13 July 2006, when the Company's shares were listed on the Stock Exchange. The proceeds from the share issue were used for redeeming the Company's mandatory convertible bonds, financing property development, acquiring new land for development and repaying loans.

28. Share capital (Continued)

On 20 July 2006, the over-allotment option under the Global Offering was exercised and 48,701,000 new shares of HKD0.10 each were issued and allotted by the Company also at HKD8.22 per share.

Subsequent to the balance sheet date, convertible bonds in an aggregate principal amount of USD32,000,000 were converted into the Company's shares at a conversion price of HKD8.55. As a result of the conversion of convertible bonds, 29,009,916 new shares were issued.

All shares issued during both years rank *pari passu* with other shares in issue in all respects.

For the purpose of the preparation of the consolidated balance sheet, the balance of the paid-in capital at 1 January 2005 represented the aggregate of the share/registered capital of Richwise, Greentown Real Estate, Shanghai Lvyu, Hangzhou Jiuxi and Hangzhou Greentown prior to the Group Reorganisation. The payments of the consideration for the transfers of the equity interests in these entities under the Group Reorganisation were treated as deemed distributions to the Shareholders.

29. Acquisition of subsidiaries

Particulars of the subsidiaries acquired during 2006 were as follows:

Acquired company	**Principal activities**	**Acquisition date**	**Equity interest acquired**	**Consideration**
				Rmb'000
浙江嘉和實業有限公司 Zhejiang Jiahe Industrial Co., Ltd. ("Zhejiang Jiahe")	Real estate development	19 January 2006	100%	30,000
南京天浦置業有限公司 Nanjing Tianpu Real Estate Co., Ltd. ("Nanjing Tianpu")	Real estate development	30 September 2006	70%	35,000
杭州千島湖綠城投資置業有限公司 Hangzhou Qiandaohu Greentown Real Estate Co., Ltd. ("Hangzhou Qiandaohu") *(Note)*	Real estate development	25 September 2006	51%	18,360
桐盧九洲房地產有限公司 Tonglu Jiuzhou Real Estate Co., Ltd. ("Tonglu Jiuzhou")	Real estate development	27 November 2006	51%	6,375
				89,735

Note: Hangzhou Qiandaohu was previously a 29%-owned associate of the Group.

29. Acquisition of subsidiaries (Continued)

Particulars of the subsidiaries acquired during 2005 were as follows:

Acquired company	**Principal activities**	**Acquisition date**	**Equity interest acquired**	**Consideration**
				Rmb'000
Hunan Greentown Real Estate Development Co., Ltd. ("Hunan Greentown") *(Notes i, ii and iii)*	Real estate development	30 June 2005	3%	2,400
Hunan Green Bamboo Lake International Business Community Development Co., Ltd. ("Hunan Green Bamboo Lake") *(Note ii)*	Real estate development	30 June 2005	3%	—
Xinjiang Sunshine *(Note i)*	Real estate development	10 February 2005	16%	3,200
Shanghai Huazhe Bund Real Estate Co., Ltd. ("Shanghai Huazhe") *(Note i)*	Real estate development	23 May 2005	6%	3,000
Hangzhou Yuhang Greentown Real Estate Development Co., Ltd. ("Hangzhou Yuhang Greentown") *(Note iv)*	Real estate development	30 June 2005	51%	15,300
Ningbo Zheda Science Park Construction Co., Ltd. *(Notes i and iii)*	Real estate development	29 August 2005	25%	12,500
Hangzhou Yuhang Jinteng Real Estate Development Co., Ltd. ("Hangzhou Yuhang Jinteng") *(Notes i and iii)*	Real estate development	10 October 2005	27%	13,500
				49,900

Notes:

(i) These companies were associates of the Group before the acquisition of additional equity interests in them.

(ii) Hunan Greentown holds 97% equity interest in Hunan Green Bamboo Lake.

(iii) The equity interests in these companies were acquired from minority shareholders.

(iv) 50% and 1% of the equity interest in Hangzhou Yuhang Greentown was acquired from a Shareholder and a minority shareholder respectively.

29. Acquisition of subsidiaries (Continued)

Particulars of the subsidiaries acquired during the year were as follows:

	Carrying amount before combination *Rmb'000*	Fair value adjustments *Rmb'000*	**2006** ***Rmb'000***	2005 *Rmb'000*
Net assets acquired:				
Property, plant and equipment	1,885	—	**1,885**	28,595
Properties for development	842,770	77,888	**920,658**	1,987,102
Properties under development	123,347	18,397	**141,744**	650,972
Trade and other receivables	22,253	—	**22,253**	7,039
Amounts due from related parties	—	—	**—**	359,492
Other taxes recoverable	—	—	**—**	10,059
Bank balances and cash	2,579	—	**2,579**	78,752
Trade and other payables	(113,756)	—	**(113,756)**	(460,103)
Amounts due to related parties	(502,997)	—	**(502,997)**	(1,690,015)
Other taxes payable	(51)	—	**(51)**	(29,664)
Bank borrowings	(312,041)	—	**(312,041)**	(508,793)
Deferred tax liabilities	—	(31,774)	**(31,774)**	(101,740)
	63,989	64,511	**128,500**	331,696
Minority interests	(16,187)	(12,138)	**(28,325)**	(145,286)
	47,802	52,373	**100,175**	186,410
Less:				
Interest previously acquired and classified as associates			**(10,440)**	(133,500)
Negative goodwill released to income			**—**	(3,010)
			89,735	49,900
Total consideration, satisfied by:				
Amount due from a third party			**30,000**	—
Cash			**59,735**	49,900
			89,735	49,900
Net cash inflow (outflow) arising on acquisition				
Cash paid			**(59,735)**	(49,900)
Bank balances and cash acquired			**2,579**	78,752
			(57,156)	28,852

29. Acquisition of subsidiaries (Continued)

These acquisitions have been accounted for using the purchase method of accounting.

The subsidiaries acquired in both years did not contribute any revenue to the Group for the period between the dates of acquisition and the balance sheet date.

The losses attributable to the subsidiaries acquired in 2005 amounted to Rmb28,588,000 to the Group's profit for the period between the dates of acquisition and 31 December 2005. If the acquisitions had been completed on 1 January 2005, the Group's revenue would have remained unchanged and the Group's profit for the year ended 31 December 2005 would have been Rmb569,820,000.

The losses attributable to the subsidiaries acquired in 2006 amounted to Rmb17,426,000 to the Group's profit for the period between the dates of acquisition and 31 December 2006. If the acquisitions had been completed on 1 January 2006, the Group's revenue would have remained unchanged and the Group's profit for the year ended 31 December 2006 would have been Rmb1,268,397,000.

The pro forma information is for illustrative purposes only and is not necessarily the indicative results of the Group that actually would have been achieved had the acquisitions been completed on 1 January 2005 and 2006 respectively, nor is it intended to be a projection of future results.

30. Disposal of subsidiaries

Pursuant to an agreement entered into between Sinhoo, the holder of the other 50% equity interest in Haining Greentown, and the Group on 1 January 2006, the declaration made by Sinhoo granting control over Haining Greentown to the Group lapsed after phase I of the project had been delivered and the Group no longer has the power to govern the financial and operating policies of Haining Greentown. Therefore, Haining Greentown ceased to be accounted for as a subsidiary of the Company commencing 1 January 2006.

The net assets of the subsidiaries disposed of at the respective dates of disposal were as follows:

	2006	2005
	Rmb'000	*Rmb'000*
Net assets disposed of		
Property, plant and equipment	**2,533**	5,877
Properties for development	**275,537**	663,690
Properties under development	**331,318**	—
Completed properties held for sale	**8,962**	—
Inventories	**—**	62
Trade and other receivables, deposits and prepayments	**2,046**	25,514
Amounts due from related parties	**15,209**	97,041
Income taxes recoverable	**15,075**	—
Other taxes recoverable	**9,552**	—
Bank balances and cash	**13,839**	74,013
Trade and other payables	**(42,161)**	(303,291)
Pre-sale deposits	**(231,961)**	—
Amounts due to related parties	**(36,773)**	(229,218)
Other taxes payable	**(128)**	(82)
Bank borrowings	**(350,000)**	(148,000)
	13,048	185,606
Minority interests	**(6,524)**	(58,124)
	6,524	127,482
Transfer to interests in jointly controlled entities	**(6,524)**	(5,512)
Less: Gain on disposal recognised as special reserve *(note)*	**—**	2,774
Gain on disposal recognised as income	**—**	45,545
Unrealised gain on disposal to a jointly controlled entity	**—**	5,661
Total consideration, satisfied by cash	**—**	175,950
Net cash inflow (outflow) arising on disposal		
Cash consideration received	**—**	175,950
Bank balances and cash disposed of	**(13,839)**	(74,013)
	(13,839)	101,937

Note: As part of the Group Reorganisation as referred to in Note 12, the Group disposed of certain Non-Property Related Entities engaged in catering, hotel and other non-property related businesses to the Shareholders' Companies during the year ended 31 December 2005 at a total consideration of Rmb72,000,000. The gain on disposal was considered to be capital contributions and was recognised as a special reserve.

31. Operating leases

The Group as lessee

	2006	2005
	Rmb'000	*Rmb'000*
Minimum lease payments made under operating leases in respect of buildings during the year	**9,987**	2,168

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2006	2005
	Rmb'000	*Rmb'000*
Within one year	**8,789**	7,603
In the second to fifth year inclusive	**7,496**	12,520
	16,285	20,123

Operating lease payments represent rentals payable by the Group for certain office premises. Leases are negotiated for a term ranging from two to four years with fixed rentals.

The Group as lessor

	2006	2005
	Rmb'000	*Rmb'000*
Property rental income, net of negligible outgoings	**654**	907

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2006	2005
	Rmb'000	*Rmb'000*
Within one year	**1,681**	900
In the second to fifth year inclusive	**5,193**	2,198
After five years	**11,438**	168
	18,312	3,266

Property rental income represents rentals receivable by the Group. Leases are negotiated for a term ranging from two to fifteen years with fixed rentals.

32. Commitments

	2006 **Rmb'000**	2005 *Rmb'000*
Commitments contracted for but not provided in the consolidated financial statements in respect of properties for development, properties under development and construction in progress	**3,534,689**	2,241,205

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

	2006 **Rmb'000**	2005 *Rmb'000*
Contracted for but not provided	**264,743**	74,675

33. Share option

The Company's share option scheme (the "Scheme") was adopted pursuant to the shareholders' resolution passed on 22 June 2006 for the primary purpose of providing incentives and/or reward to directors and employees of the Group and will expire on 21 June 2016. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to independent non-executive directors and substantial shareholders of the Company in excess of 0.1% of the Company's share capital or with a value in excess of HKD5 million must be approved in advance by the Company's shareholders.

No consideration is payable on the grant of an option. Options may be exercised at any time from the date of grant of the share option to the expiry of the Scheme, unless otherwise specified in the Scheme. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the share for the five business dates immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Since the adoption of the Scheme and up to 31 December 2006, no options have been granted, exercised or cancelled.

34. Pledge of assets

At the balance sheet date, the following assets were pledged to banks to secure general banking facilities granted to the Group:

	2006 ***Rmb'000***	2005 *Rmb'000*
Buildings	**12,253**	40,014
Construction in progress	**184,044**	—
Properties for development	**1,165,543**	284,239
Properties under development	**2,297,421**	3,743,165
Completed properties for sale	**24,792**	243,569
Bank deposits	**630,380**	256,699
	4,314,433	4,567,686

At the balance sheet date, the following assets were pledged to banks to secure general banking facilities granted to related parties:

	2006 ***Rmb'000***	2005 *Rmb'000*
Properties under development	**—**	105,463
Bank deposits	**—**	20,000
	—	125,463

35. Retirement benefits plans

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

36. Contingent liabilities

(i) Guarantees

The Group provided guarantees of Rmb2,394,302,000 (2005: Rmb2,875,699,000) at 31 December 2006 to banks in favour of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

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

	2006	2005
	Rmb'000	*Rmb'000*
Shareholders' Companies	**—**	273,000
Associates	**148,500**	148,500
Jointly controlled entities	**282,700**	304,000
Independent third parties	**—**	765,800
	431,200	1,491,300

Contingent liabilities arising from interests in associates at the balance sheet date:

	2006	2005
	Rmb'000	*Rmb'000*
Mortgage loan guarantees provided by an associate to banks in favour of its customers	**105,876**	318,030

Contingent liabilities arising from interests in jointly controlled entities at the balance sheet date:

	2006	2005
	Rmb'000	*Rmb'000*
Mortgage loan guarantees provided by jointly controlled entities to banks in favour of its customers	**77,746**	—

36. Contingent liabilities (Continued)

(ii) Land idle fees

In October 2005, the Hangzhou National Land and Resources Bureau Yuhang Branch required the Group to commence construction of Greentown Lanting and Xingqiao projects and pay land idle fees in an aggregate amount of Rmb6.1 million on the ground that parts of the land had been idle for more than one year. In the opinion of the directors, the delay in construction in these two projects was due to the failure of the government to relocate original residents and to complete demolishment and site preparation. The Group has pleaded to the relevant authorities against the imposition of such land idle fees. On 18 December 2006, the Group received a notice from the People's Government of Hangzhou Yuhang Branch confirming that the land of Greentown Lanting project should not be considered idle. At the date of this report, the relevant authorities have not responded to the Group's petition in respect of Xingqiao project. The Group's PRC counsel has confirmed that the Group should not be subject to such land idle fees because the delay in commencing construction in these projects were caused by the failure of the government to relocate original residents and to complete demolishment and site preparation under the relevant rules. The Group has not made any provision for such land idle fees in the financial statements as in the opinion of the directors such appeals have a good chance of being successful.

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

(a) the delay in commencing construction was caused by the failure of the government to relocate original residents and to complete demolishment and site preparation;

(b) the project plan could not be finalised on time due to the failure of the government to relocate certain public equipment situated in the project site; and

(c) this project was approved by Hangzhou Development and Planning Bureau Yuhang Branch as a single development project and the Group had commenced the construction of the overall project in October 2004 under the relevant rules.

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

37. Related party disclosures

(i) During the year, in addition to those disclosed in Notes 25, 34 and 36, the Group entered into the following transactions with related parties:

	2006	2005
	Rmb'000	*Rmb'000*
Sale of properties to Shareholders, net of return	**14,398**	45,661
Sale of properties to officers	**134**	38,193
Sale of materials to Shareholders' Companies*	**5,517**	8,107
Sales of materials to associates	**36,388**	7,735
Sale of available-for-sale investments to a Shareholders' Company*	**—**	25,000
Sale of property, plant and equipment to a Shareholders' Company*	**5,249**	9,265
Rental income from Shareholders' Companies*	**—**	60
Rental fees paid to Shareholders' Companies	**5,069**	—
Purchases from Shareholders' Companies *(Note)*	**6,627**	85,679
Interior decoration service fees paid to Shareholders' Companies	**27,936**	20,859
Property management fees paid to Shareholders' Companies	**9,679**	5,874
Interest income arising from trade balances due from associates	**21,934**	7,762
Interest income from other related parties*	**5,624**	1,389
Interest expense arising from trade balances due to associates	**610**	—
Advertising expenses paid to Shareholders' Companies	**31,500**	14,329
Landscaping service fees paid to Shareholders' Companies*	**—**	41,621
Sales commission paid to a company invested by an officer*	**—**	17,598

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

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

The transactions above denoted with an asterisk "*" discontinued after the listing of the Company's shares on the Stock Exchange.

37. Related party disclosures (Continued)

(ii) As at the balance sheet date, the Group had balances with related parties as follows:

	2006 Trade *Rmb'000*	**2006** Non-trade *Rmb'000*	**2006** Total *Rmb'000*	2005 Trade *Rmb'000*	2005 Non-trade *Rmb'000*	2005 Total *Rmb'000*
Due from						
Shareholders	**18,198**	**—**	**18,198**	5,765	3,661	9,426
Shareholders' Companies	**4,687**	**1,023**	**5,710**	16,041	560,329	576,370
Minority shareholders	**15,660**	**500**	**16,160**	—	178,209	178,209
Associates	**240,799**	**48**	**240,847**	178,435	33	178,468
Jointly controlled entities	**108,613**	**—**	**108,613**	46,697	—	46,697
Officers	**20**	**460**	**480**	11,534	80,305	91,839
	387,977	**2,031**	**390,008**	258,472	822,537	1,081,009
Due to						
Shareholders	**—**	**—**	**—**	16,600	—	16,600
Shareholders' Companies	**513**	**264**	**777**	33,887	150,147	184,034
Minority shareholders	**704,865**	**2,040**	**706,905**	340,663	—	340,663
Associates	**69,219**	**241,610**	**310,829**	63,885	32,642	96,527
Jointly controlled entities	**—**	**45,682**	**45,682**	—	—	—
Officers	**13,600**	**—**	**13,600**	11,744	2,518	14,262
	788,197	**289,596**	**1,077,793**	466,779	185,307	652,086

In respect of trade balances with related parties:

(a) The trade balances due from Shareholders and officers arise mainly from property sales and are with a normal credit term of two months.

(b) The trade balances due from Shareholders' Companies are mainly construction prepayments and trade receivables.

Construction prepayments are billed according to the construction contracts and are settled within one to two months after the construction cost incurred are verified and agreed.

Trade receivables arise mainly from materials sales and are with a normal credit terms of two months.

37. Related party disclosures (Continued)

(ii) As at the balance sheet date, the Group had balances with related parties as follows: (Continued)

(c) The trade balances due from associates/jointly controlled entities are mainly project advances to these associates and are tied to the project development cycle. In the opinion of the directors, these balances are expected to be settled when the projects concerned commence pre-sales.

(d) The trade balances due to Shareholders and officers are mainly pre-sale deposits.

(e) The trade balances due to Shareholders' Companies arise mainly from construction purchases and are with a normal credit term of one to two months after the construction costs incurred are verified and agreed. Typically as much as 85% of the construction costs incurred will be settled by the time the construction of a project is completed and up to 95% by the time the amount of the aggregate construction costs are finally agreed. A warranty fee of up to 5% of the aggregate construction cost will be withheld and settled within two to five years.

(f) The trade balances due to minority shareholders are mainly project advances from these minority shareholders, and are tied to the project development cycle. In the opinion of the directors, these balances are expected to be settled when the projects concerned commence pre-sales.

(g) The trade balances due to associates are mainly prepaid distributions.

Except for the amounts as set out in (a) to (f) below, the balances due from (to) related parties are unsecured, interest free and repayable on demand.

(a) Included in the non-trade amounts due from officers was an amount of nil at 31 December 2006, and an amount of approximately Rmb38,525,000 at December 31 2005, which carried interest at 5.58% per annum.

(b) Included in the trade amounts due from associates was an amount of Rmb240,445,000 at 31 December 2006, which carried interest at 10.98% per annum, and an amount of Rmb177,435,000 at 31 December 2005 which carried interest at 6.88% per annum.

(c) Included in the trade amounts due from jointly controlled entities was an amount of Rmb103,700,000 at 31 December 2006, which carried interest at 5.82% per annum, and an amount of Rmb46,697,000 at 31 December 2005 which carried interest at 13.23% per annum.

(d) Included in the trade amounts due to minority shareholders was an amount of Rmb54,000,000 at 31 December 2006, which carried interest at 9% per annum (2005: Nil).

(e) Included in the non-trade amounts due to associates was an amount of Rmb241,610,000 at 31 December 2006, which carried interest at 6.12% per annum (2005: Nil).

(f) The non-trade amounts due to jointly controlled entities of Rmb45,682,000 at 31 December 2006 carried interest at 11% per annum (2005: Nil).

(iii) Office rentals incurred by the Group amounting to nil (2005: Rmb5,180,000) for the years ended 31 December 2006 were borne by a Shareholders' Company.

37. Related party disclosures (Continued)

(iv) (a) During the year, in addition to those disclosed in note 29, the Group made acquisitions from related parties as follows:

	2006 **Rmb'000**	2005 *Rmb'000*
Partial acquisition of interests in subsidiaries from minority shareholders	**2,040**	16,240
Partial acquisition of interests in subsidiaries from officers	**—**	980

(b) During the year, in addition to those disclosed in Note 30, the Group made disposals to related parties as follows:

	2006 **Rmb'000**	2005 *Rmb'000*
Disposal of other investments to Shareholders' Companies	**—**	25,500
Disposal of interests in subsidiaries to a jointly controlled entity *(note)*	**—**	47,000

Note: In 2005, the Group disposed of two of its subsidiaries to a jointly controlled entity at a gain and accordingly part of the resulting gain amounting to Rmb5,661,000 was unrealised.

(v) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2006 **Rmb'000**	2005 *Rmb'000*
Short-term benefits	**14,721**	3,867
Post-employment benefits	**242**	65
Other long-term benefits	**—**	259
	14,963	4,191

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

38. Post balance sheet events

The following significant events took place subsequent to 31 December 2006:

(i) On 5 January 2007, the Group entered into an agreement to acquire a 35% equity interest held by Xinshidai Properties Company Limited ("Xinshidai Properties") in Beijing Xingye Wanfa Real Estate Development Company Limited ("Beijing Xingye Wanfa"), a subsidiary of the Company, for a consideration of Rmb17,500,000. As Xinshidai Properties is a substantial shareholder of Beijing Xingye Wanfa, this acquisition constitutes a connected transaction of the Company.

(ii) On 13 February 2007, the Group entered into an acquisition agreement with Greentown Group Holdings Limited to acquire 49% equity interest held in Zhejiang Zhongqinglv Greentown Real Estate Investment Company Limited ("ZZG") for a consideration of Rmb122,000,000. The Original Shareholders which are the substantial shareholders of the Company hold an aggregate of 100% in the share capital of Greentown Holdings Group Limited. Since Greentown Holdings Group Limited holds 49% equity interest in ZZG, Greentown Holdings Group Limited and ZZG are connected persons of the Company. Therefore, this acquisition constitutes a connected transaction of the Company. The Company's circular in respect of this acquisition was issued on 9 March 2007. Pursuant to the special general meeting held on 26 March 2007, the acquisition was approved by the shareholders.

(iii) On 15 February 2007, Wenzhou Greentown Real Estate Development Company Limited ("Wenzhou Greentown") was established in the PRC as a limited liability company with a registered capital of Rmb388 million. The Group, through two wholly-owned subsidiaries of the Company, holds an aggregate 60% interest in Wenzhou Greentown and another independent third party holds the remaining 40% interest. Wenzhou Greentown will carry out the development of a real estate project in Wenzhou, the PRC.

39. Particulars of subsidiaries

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share/ registered capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities	Legal form
才智控股有限公司 Richwise	The British Virgin Islands ("The BVI") 16 November 2004	USD100	100%	—	Investment holding	Private limited liability company
Green Sea International Limited ("Green Sea")	The BVI 8 February 2005	USD100	—	100%	Investment holding	Private limited liability company
佳卓企業有限公司 Best Smart Enterprises Limited ("Best Smart")	The BVI 25 November 2005	USD100	—	100%	Investment holding	Private limited liability company
華益投資有限公司 Hua Yick Investments Limited ("Hua Yick")	The BVI 25 November 2005	USD100	—	100%	Investment holding	Private limited liability company
綠城房地產集團有限公司 Greentown Real Estate	The PRC 6 January 1995	Rmb895,000,000	—	100%	Real estate development	Wholly foreign-owned enterprise
上海綠宇房地產開發有限公司 Shanghai Lvyu	The PRC 19 July 2000	Rmb100,000,000	—	100%	Real estate development	Wholly foreign-owned enterprise
杭州九溪度假村有限公司 Hangzhou Jiuxi *(Note ii)*	The PRC 19 July 1996	USD6,600,000	—	100%	Real estate development	Sino-foreign equity joint venture
安徽綠城房地產開發有限公司 Anhui Greentown Real Estate Development Co., Ltd. ("Anhui Greentown")	The PRC 9 August 2001	Rmb30,000,000	—	90%	Real estate development	Limited liability company
安徽綠城聯華房地產開發有限公司 Anhui Greentown Lianhua Real Estate Development Co., Ltd. ("Anhui Greentown Lianhua")	The PRC 9 July 2002	Rmb20,000,000	—	54%	Real estate development	Limited liability company
北京綠城投資有限公司 Beijing Greentown Investment Co., Ltd. ("Beijing Greentown Investment")	The PRC 3 June 2002	Rmb50,000,000	—	100%	Investment management	Limited liability company
杭州桂花城房地產開發經營有限公司 Hangzhou Osmanthus City Real Estate Development & Operation Co., Ltd. ("Hangzhou Osmanthus City") *(Note ii)*	The PRC 24 April 1998	Rmb30,000,000	—	100%	Real estate development	Limited liability company
杭州桃花源房地產開發有限公司 Hangzhou Taohuayuan Real Estate Development Co., Ltd. ("Hangzhou Taohuayuan")	The PRC 29 April 1998	Rmb10,000,000	—	100%	Real estate development	Limited liability company
杭州中山房地產開發有限公司 Hangzhou Zhongshan Real Estate Development Co., Ltd. ("Hangzhou Zhongshan") *(Note ii)*	The PRC 16 March 1993	Rmb50,000,000	—	100%	Real estate development	Limited liability company

39. Particulars of subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share/ registered capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities	Legal form
上虞市綠城房地產開發有限公司 Shangyu Greentown Real Estate Development Co., Ltd. ("Shangyu Greentown")	The PRC 2 August 2002	Rmb30,000,000	—	51%	Real estate development	Limited liability company
上海綠城森林高爾夫別墅開發有限公司 Shanghai Greentown Woods Golf Villas Development Co., Ltd. ("Shanghai Greentown Woods Golf")	The PRC 19 June 2002	Rmb100,000,000	—	100%	Real estate development	Limited liability company
浙江省綠園房地產有限公司 Zhejiang Green Garden Real Estate Development Co., Ltd. ("Zhejiang Green Garden") *(Note ii)*	The PRC 16 December 1998	Rmb20,000,000	—	100%	Real estate development	Limited liability company
浙江綠城電子技術設備有限公司 Zhejiang Greentown Electronical Technology Equipment Co., Ltd. ("Zhejiang Greentown Electronical Technology Equipment")	The PRC 16 November 2000	Rmb5,000,000	—	90%	Design, development, installation and sales of building auto-controlling systems, network systems and office automotive devices	Limited liability company
浙江綠城電子工程有限公司 Zhejiang Greentown Electronical Engineering Co., Ltd. ("Zhejiang Greentown Electronical Engineering")	The PRC 20 December 2001	Rmb2,500,000	—	81%	Design, development, installation and sales of computer software network systems and electronic equipment	Limited liability company
舟山綠城房地產開發有限公司 Zhoushan Greentown Real Estate Development Co., Ltd. ("Zhoushan Greentown") *(Note i)*	The PRC 16 December 1999	Rmb34,000,000	—	100%	Real estate development	Limited liability company
北京陽光綠城房地產開發有限公司 Beijing Sunshine Greentown Real Estate Development Co., Ltd. ("Beijing Sunshine Greentown")	The PRC 15 January 2001	Rmb50,000,000	—	80%	Real estate development	Limited liability company
北京綠城房地產經紀有限公司 Beijing Greentown Property Brokers Trading Co., Ltd. ("Beijing Greentown Property Brokers Trading")	The PRC 15 October 2003	Rmb2,000,000	—	100%	Real estate broking and consulting	Limited liability company
上海綠景置業有限公司 Shanghai Green View Real Estate Co., Ltd. ("Shanghai Green View")	The PRC 2 January 2003	Rmb46,660,000	—	60%	Real estate development	Limited liability company
浙江綠城房地產營銷有限公司 Zhejiang Greentown Property Sales Co., Ltd. ("Zhejiang Greentown")	The PRC 31 March 2003	Rmb5,000,000	—	100%	Real estate sales and consulting	Limited liability company

39. Particulars of subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share/ registered capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities	Legal form
北京格林順達貿易有限公司 Beijing Green Shunda Trading Co., Ltd. ("Beijing Green Shunda")	The PRC 15 April 2004	Rmb10,000,000	—	100%	Trading of construction materials	Limited liability company
北京興業萬發房地產開發有限公司 Beijing Xingye Wanfa	The PRC 26 October 2000	Rmb50,000,000	—	65%	Real estate development	Limited liability company
杭州綠城置業投資有限公司 Hangzhou Greentown Real Estate Investment Co., Ltd. ("Hangzhou Greentown Real Estate Investment")	The PRC 30 September 2004	Rmb15,000,000	—	75%	Real estate development and investment	Limited liability company
杭州綠城房地產開發有限公司 Hangzhou Greentown *(Note ii)*	The PRC 23 October 2000	Rmb20,000,000	—	100%	Real estate development	Limited liability company
湖南綠城投資置業有限公司 Hunan Greentown	The PRC 14 November 2003	Rmb80,000,000	—	51%	Real estate investment and development	Limited liability company
湖南青竹湖國際商務社區開發有限公司 Hunan Green Bamboo Lake	The PRC 26 September 2003	Rmb50,600,000	—	52%	Real estate development	Limited liability company
上海華浙外灘置業有限公司 Shanghai Huazhe	The PRC 26 September 2002	Rmb50,000,000	—	51%	Real estate development	Limited liability company
新疆陽光綠城房地產開發有限公司 Xinjiang Sunshine	The PRC 17 January 2004	Rmb20,000,000	—	61%	Real estate development	Limited liability company
杭州余杭綠城房地產開發有限公司 Hangzhou Yuhang Greentown	The PRC 12 November 1999	Rmb30,000,000	—	51%	Real estate development	Limited liability company
寧波高新區研發園綠城建設有限公司(前稱「寧波浙大科技園建設有限公司」) Ningbo Gaoxinqu Yanfayuan Greentown Construction Co., Ltd. (Formerly known as "Ningbo Zheda Science Park Construction Co., Ltd.") ("Ningbo Yanfayuan")	The PRC 21 August 2003	Rmb50,000,000	—	60%	Real estate development	Sino-foreign equity joint venture
杭州余杭金騰房地產開發有限公司 Hangzhou Yuhang Jinteng	The PRC 25 December 2001	Rmb50,000,000	—	75%	Real estate development	Limited liability company
浙江綠城材料設備有限公司 Zhejiang Greentown Material & Equipment Co., Ltd. ("Zhejiang Greentown Material & Equipment")	The PRC 20 July 2005	Rmb50,000,000	—	100%	Trading of construction materials	Limited liability company
上海爾海投資諮詢有限公司 Shanghai Erhai Investment Consulting Co., Ltd. ("Shanghai Erhai")	The PRC 18 July 2005	Rmb1,000,000	—	100%	Real estate consulting	Limited liability company
浙江嘉和實業有限公司 Zhejiang Jiahe	The PRC 25 April 1995	Rmb50,000,000	—	100%	Real estate development	Limited liability company

39. Particulars of subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share/ registered capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities	Legal form
青島綠城置業有限公司 (前稱「青島綠城百通置業有限公司」) Qingdao Greentown Land Co., Ltd. (Formerly known as "Qingdao Greentown Baitong Land Co., Ltd.") ("Qingdao Greentown")	The PRC 23 January 2006	USD40,000,000	—	80%	Real estate development	Sino-foreign equity joint venture
杭州綠城東部建设有限公司 Hangzhou Greentown Orient Construction Co., Ltd. ("Hangzhou Greentown Orient")	The PRC 14 February 2006	Rmb250,000,000 (iii)	—	94%	Real estate development	Sino-foreign equity joint venture
杭州玫瑰園度假村有限公司 Hangzhou Rose Garden	The PRC 15 August 2006	USD10,000,000	—	100%	Real estate development	Sino-foreign equity joint venture
杭州千島湖綠城投資置業有限公司 Hangzhou Qiandaohu	The PRC 15 June 2005	Rmb30,000,000	—	80%	Real estate development	Limited liability company
杭州千島湖綠城游艇有限公司 Hangzhou Qiandaohu Greentown Cruise Co., Ltd. ("Hangzhou Qiandaohu Cruise")	The PRC 19 June 2006	Rmb5,000,000	—	80%	Real estate development	Limited liability company
杭州桐廬綠城置業有限公司 Hangzhou Tonglu Greentown Real Estate Co., Ltd. ("Hangzhou Tonglu Greentown")	The PRC 1 September 2006	Rmb80,000,000	—	100%	Real estate development	Sino-foreign equity joint venture
南京天浦置業有限公司 Nanjing Tianpu	The PRC 12 November 2002	Rmb50,000,000	—	70%	Real estate development	Limited liability company
嘉慧國際有限公司 Gainwise International Limited ("Gainwise")	The BVI 18 October 2006	USD100	—	100%	Investment holding	Private limited liability company
奮發投資有限公司 Zest Rich Investments Limited ("Zest Rich")	The BVI 2 August 2006	USD100	—	100%	Investment holding	Private limited liability company
Active Way Development Limited ("Active Way")	The BVI 8 November 2006	USD100	—	100%	Investment holding	Private limited liability company
添智企業有限公司 Addgenius Enterprises Limited ("Addgenius")	The BVI 13 July 2006	USD100	—	100%	Investment holding	Private limited liability company
新昌綠城置業有限公司 Xinchang Greentown Real Estate Co., Ltd. ("Xinchang Greentown")	The PRC 12 December 2006	Rmb69,600,000	—	100%	Real estate development	Sino-foreign equity joint venture
杭州綠濱房地產開發有限公司 Hangzhou Lvbin Real Estate Development Co., Ltd. ("Hangzhou Lvbin")	The PRC 25 December 2006	USD49,800,000	—	60%	Real estate development	Sino-foreign equity joint venture
浙江台州綠城置業有限公司 Zhejiang Taizhou Greentown Real Estate Co., Ltd. ("Taizhou Greentown")	The PRC 26 December 2006	USD30,000,000	—	100%	Real estate development	Wholly foreign-owned enterprise

39. Particulars of subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ registration	Issued and fully paid share/ registered capital	Attributable equity interest Direct	Indirect	Principal activities	Legal form
浙江益豐投資諮詢有限公司 Zhejiang Yifeng Investment & Consulting Co., Ltd. ("Zhejiang Yifeng")	The PRC 21 December 2006	Rmb100,000,000	—	51%	Consulting services	Sino-foreign equity joint venture
桐廬九州房地產有限公司 Tonglu Jiuzhou	The PRC 16 October 2002	Rmb12,500,000	—	51%	Real estate development	Limited liability company

Notes:

(i) Pursuant to an absorption and merger agreement entered into by Zhoushan Greentown and Zhoushan Greentown Hotel Investment Co., Ltd. dated 11 October 2005, the owners of both parties resolved that Zhoushan Greentown should absorb and merge with Zhoushan Greentown Hotel Investment Co., Ltd. The absorption and merger was completed on 14 January 2006.

(ii) Hangzhou Juixi, Hangzhou Osmanthus City, Hangzhou Zhongshan, Zhejiang Green Garden and Hangzhou Greentown are in the process of liquidation. At the date of this report, they have completed their tax registration revocation.

(iii) On 17 November 2006, Hangzhou Greentown Orient received governmental approval for the increase in its registered capital from Rmb50,000,000 to Rmb250,000,000. The additional capital in the amount of Rmb62,956,000 and Rmb137,044,000 was paid up on 21 November 2006 and 31 January 2007 respectively.