



**“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