

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:

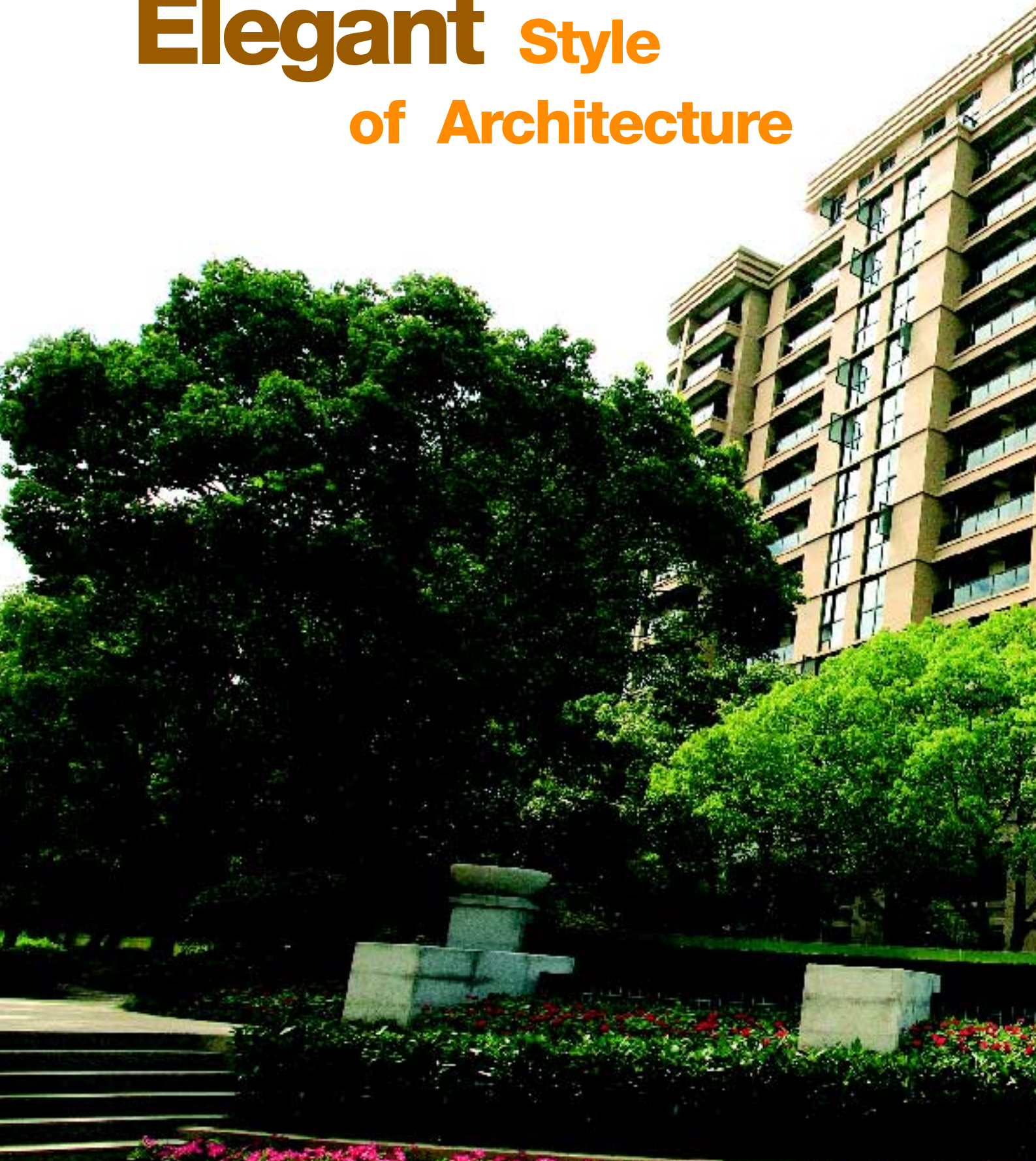
Events	Date
2006 Interim Results Announcement – Press Conference and Analyst Briefing	August
International Roadshow (HK, Singapore, United States and England)	November

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”.

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