

Report of the Directors

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			Percentage of issued share capital
	Family interest	Corporate interest	Total interest	
SONG Weiping	68,859,000 <i>(note 1)</i>	501,524,000 <i>(note 2)</i>	570,383,000	42.3%
SHOU Bainian	—	383,643,000 <i>(note 3)</i>	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

Particulars 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:

	<i>RMB'000</i>
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