

Chairman's Statement



Chairman **Chen Zhuo Lin**

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Dear Shareholders,

I am pleased to present the annual report of Agile Property Holdings Limited for the year ended 31 December 2006. The Group maintained rapid business development and achieved a satisfactory growth in its results during the year. This underpins our leading position in the property industry of China.

Results

During the year under review, the Group posted satisfactory results and recorded significant increase in both revenue and profit over the last financial year. The rapid expansion of the land bank and the satisfactory financial results were achieved in line with the Group's expansion strategy. During the year, the Group recorded total sales revenue and

gross profit of approximately RMB6,675.2 million and RMB2,299.9 million, representing increases of 24.3% and 32.3% over last year respectively. Profit attributable to the Company's shareholders was RMB1,242.5 million, representing an increase of 27.0% over last year. Total shareholders' equity increased to RMB7,369.5 million, representing an increase of 63.6% over the last year. Net assets per share was RMB1.97, increased 51.5% as compared to last year, and return on equity was 21.7%.

Dividends

The board of directors recommends a final dividend of HK7.0 cents per share for the year 2006 to the shareholders whose names appear on the register of the Company on 7 June 2007. The final dividend together with the interim dividend of HK5.0 cents per share amounts to a total dividend of HK12.0 cents per share for 2006, representing an increase of 329% as compared to that of HK2.8 cents in 2005.

Business Environment

During the year, China maintained its strong economic growth. This, coupled with the increasing disposable income of its citizens, the high confidence of domestic and overseas investors and the ongoing capital inflow, led to the flourishing development of all industries in China.

According to the preliminary statistics from the National Bureau of Statistics of the PRC, GDP in 2006 was RMB20.94 trillion, representing an increase of 10.7% as compared to 2005. In 2006, the disposable income per capita of urban residents recorded an actual increase of 12.1% over the last year. GDP growth was higher than that of 2005. The total investment in the fixed assets of society for the year also increased by 24% as compared to last year.

With these major economic indexes maintaining at a double-digit growth, the significant increase in financial income of the country and the improving living standards of the citizens, the economy of China demonstrated a rapid and healthy growth trend. Although there were signs of overheating in investment and credit growth as well as the equilibrium issue in international trade, given the overall development for the year, 2006 laid a solid foundation for maintaining stable and rapid growth for the economy of China in future.

In 2006, the PRC government continued to promulgate a series of macroeconomic measures in order to accelerate the integration of the PRC property industry, curb speculative investment in residential properties, stabilize housing price and regulate the transaction of residential properties. These policies included increasing the down payment of mortgages for luxury properties or secondary purchases, adjusting business tax on housing transfers, regulating the proportions of various housing area in downtown so as to reduce the supply of luxury properties, stipulating requirements to restrict housing purchases by foreigners and further regulating land supply. I believe that the macroeconomic control policies aim to control the overheating of the property market in some cities, and cater to the public's housing demand under normal and reasonable market conditions. The macroeconomic control policies have already achieved remarkable results in some cities, where speculative activities in the property market have gradually under control and the growth in housing prices has stabilized.

Recently, the PRC government has introduced new macro economic measures to further regulate the domestic property market. At the beginning of the year, the PRC government reiterate the full implementation of Land Appreciation Tax ("LAT") regulations on 1 February 2007. Agile Property has always been a law-abiding corporate citizen. Full provisions for LAT have been made in previous financial reports, as required by relevant regulations. Therefore, such measures will not have a material impact on the Group.

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Although there was significant appreciation in Renminbi during 2006, the market believes that the appreciation of Renminbi has not ended yet. This psychological factor has made Renminbi denominated assets becoming more attractive. This also makes overseas investors confident about investing in properties in the PRC.

Land Bank

Proactively expanding our land bank provides the basis for our long-term growth. This also serves as a major development strategy implemented consistently by Agile Property since its listing on the main board of the Hong Kong Stock Exchange on 15 December 2005. In addition to the listing proceeds, the Group issued 7-year US\$400 million fixed interest notes in September 2006 and raised a proceeds of approximately HK\$1.907 billion by way of placement in November 2006. Total proceeds of approximately HK\$5 billion were raised by the Group during the year for capital expenditure.

During the year, the Group successfully made land acquisitions with an aggregate GFA of approximately 9.3 million sq.m. at auction or by transfer agreements in certain high-potential cities such as Guangzhou, Foshan, Heyuan, Huizhou, Nanjing, Chengdu, Xi'an and, in the birthplace of Agile Property, Zhongshan. As at 31 December 2006, the Group had a land bank with a GFA of over 16.16 million sq.m.

From 1 January 2007 through the date of this report, the Group continued to successfully acquire lands with a GFA of approximately 6.36 million sq.m. in Guangzhou, Zhongshan, Foshan, Shunde, Shanghai, Chongqing and Hainan, at auction or by transfer agreements. To date, the Group has a land bank with a total GFA expanded to 22.52 million sq.m. The land bank is sufficient for the Group's medium to long term development in the next six to eight years.

The Group will launch development plans successively for its various quality land sites acquired in different cities in China. Leveraging on sufficient financial resources, extensive experience in property development, practical management team and high brand awareness, Agile Property will speed up its local development and solidify its market position.

Property Development

During the year, the Group saw a successful development of real estate business, with a completed residential area of 1.12 million sq.m. and area sold amounted to 1.07 million sq.m. As at 31 December 2006, the area under construction was 1.2 million sq.m. while the completed residential area amounted to 719,000 sq.m. In 2007, the Group will further expand scale of development that the completed residential area is expected to reach 2.57 million sq.m. In 2006, we strengthened the management on construction works. In the year, 3 construction project enterprises of National Housing Construction and Outsourcing Supreme Qualification and 5 construction work enterprises of Housing Construction Work First Grade Qualification were introduced. Field examination and inspection were strengthened which ensured the Group's unchanged pursuit of quality construction. For our design, we expanded our national partner team, including Skidmore, Owings & Merrill, Wimberley Allison Tong & Goo and RTKL International Ltd., which enhanced our competitiveness in product design. Besides, in respect of cost control, we upgraded the tender management, optimized the participation of design and implemented Enterprise Resources Planning system, substantially improving the control over the development cost by the Company.

Financials of the Group

Agile Property will continue to persevere with its prudent financial management strategies. As stated above, Agile Property raised funds in capital markets twice in 2006, capitalizing on the favorable market environment. It proved that Agile Property was able to use different financial instruments to raise funds from the capital market for the Group's development, and that such a financing strategy was effective to optimize the debt structure and decrease financing risks.

As at 31 December 2006, the Group's total funds available amounted to approximately RMB5.9 billion, which consisted of a cash deposit of RMB5.2 billion and an unutilized bank facility of RMB700 million. The Group's bank loans and the 9% 7-year senior notes denominated in US\$ amounted to approximately RMB2.3 billion and RMB3.05 billion (equivalent) respectively, with a net debt to equity ratio of only 2.3%.

Corporate Governance and Investor Relations

Implementing quality corporate governance is one of the Group's keys to success. Apart from the existing audit committee and the remuneration committee, the Group also further increased the manpower for the internal audit department during the year. The Group follows an effective internal control system. In order to strengthen the internal control, the Group has formed an Internal Audit Steering Committee during the review year to further enhance the protection of shareholders' interests and the Group's assets. In addition, the Group places great importance on corporate transparency and always aims to disclose the Group's information to shareholders and investors on a timely basis.

The Group's achievement in management and corporate governance received wide recognition in the investment community. During the year, our shares were included as constituent stocks in Morgan Stanley China Index, the Hang Seng Composite Index and Hang Seng Freefloat Composite Index. Furthermore, the Group was named the Outstanding Real Estate Enterprise in China by Capital Magazine, and the Best High-yield Note by The Asset Magazine. Our 2005 annual report also won the Outstanding Award in the "Overall Annual Report" category from International Annual Report Committee.

Corporate Citizen

Throughout the process of creating value, Agile Property never forgot about our social responsibilities. As a socially responsible enterprise, Agile Property contributed resources, efforts and donations on medical, education and environmental protection aspect, and proactively established a harmonious relationship with contribution not only through sponsorships but also committing man power.

In the coming year, we will once again review our social responsibility plans and apart from charitable donation and sponsorships, we plan to further contribute to the society. These include cooperation with different universities, government authorities and charitable organizations, as well as contributing to the social in return by utilizing our expertise and know-how in order to fulfill our responsibilities as a corporate citizen.

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Human Resources

Agile Property has a corporate culture of caring about our employees, so that we can build up an environment of mutual respect. In recent years, we put more emphasis on a management direction of performance-based salary scheme, and focused on the training and development of quality staff. Therefore, we have carried out an internship management scheme to train talents and introduce them into our management team. At the same time, we arrange internal training courses and provide education subsidies to employees, in order to support their enhancement of skills at work.

Through the "Excellent and Exemplary Employee Award", we showed our appreciation of the contributions and achievements of our employees. We also encouraged the devotions of our employees to motivate them to excel and achieve outstanding and professional performance.

As the business scope of the Group expands in future, the backgrounds and skills of our staff will become more diversified. It is more important that staff of all ranks of the Group endeavour in achieving the common goal, which is also our primary objective for the coming year. We will assist the senior management in further applying the corporate core values, aiming to conduct business with a responsible attitude, and stress the importance of accountability, professionalism, and high standard of business ethics. We will strengthen our corporate culture based on principles and system, which is essential to the Group's future business development.

Customer Services

The Group has always committed itself to providing first-class customer service, and proactively developed innovative services to meet customers' needs. Our property management companies endeavor to provide a quality living environment, comprehensive services and the best amenities to residents, and therefore have won various awards of merits. In the year under review, Metro Agile Zhongshan was named "National Community Business Enterprise", and Grand Garden Zhangshan was awarded the First Prize in Green Property Management in Zhongshan City in 2006.

The Group encouraged two way communication with the market and residents by establishing the "Agile Property Club" during the year. The club currently has over 10,000 members and provides various shopping privileges and other services to members.

Outlook

Agile Property was listed on the Main Board of the Stock Exchange in 2005. Consequently, the Group made good use of its listing status to raise approximately HK\$5 billion in 2006 by means of different financial instruments in the capital markets for expansion purposes. We have also invested in cities in certain provinces with great potential outside Guangdong province and thus expanded our land bank. Now Agile Property has well equipped to participated into the national property development industry.

Land acquisition was our major task last year. This involved site inspections of over 10 major cities and making the best choice. The decision depended not only on our analysis and evaluation of the market and economy of relevant cities, but also on whether Agile Property was able to find quality land sites which are in line with our property development strategies. The process encountered many operational difficulties, ranging from identifying locations to successfully acquiring land sites, which is full of challenges. In a word, I consider that year 2006 is a trial of our patience and a test of our skills.

Many of our new projects started construction last year. In the 2007 financial year, the scale of projects will be enlarged according to the operation plans of the Group. Since many projects are of large scale and will be developed in phases, management will devote efforts to relevant works over the next five years or longer. The first phase properties of some projects are expected to be ready for delivery at the end of this year, and more property projects will be available for sale each year going forward. We expect that the GFA completed in 2007 will amount to 2.57 million sq.m., which is equivalent to 2.3 times of that in 2006.

We have outlined a clear strategic direction for its medium to long term development. The Group's management will focus on effective and cautious execution of implementing development plans which the Group has set for these newly acquired lands in the years to come. The Group's operational activities have already been extended to provinces outside Guangdong province, where the geographical differences often create certain operational difficulties for property developers as a result of the differences in culture, lifestyle and economy. The Group will take into consideration differences in each district and the marketing positioning requirements for the projects, to form project management team at the right time, make full use of the Group's resources, and pursue project development work in a progressive and cautious manner.

We conducted careful and detailed research and analysis on issues arising from geographical differences before we invested in regions outside Guangdong province, and we will never underestimate the obstacles that may lie ahead. In this regard, the Group convened certain meetings of senior management at the end of last year. During the meetings, the Group's overall strategies on investment, operational activities and financial operation were evaluated and analyzed. The meetings have significant implications for the direction of each project and for the operational and financial activities of the Group.

As resolved by the Board of Directors, the Group will again review and analyze its operation workflow from 2007 onward. The Group will also allocate certain resources for improving the formulation and implementation of all financial and operational systems in the coming two to three years with a view to achieving higher efficiency and greater effectiveness of the Group's operations. The management of the Group believes that this workflow fine-tuning exercise program will add value for our shareholders.

Acknowledgement

As a result of the concerted efforts of all staff members, Agile Property has been growing steadily and achieving new heights. I would like to express my thanks to the Board of Directors and senior management for their outstanding leadership, and to our staff for their strenuous efforts, dedicated service and important role in our success. On behalf of the Board, I express our particular thanks as well to our shareholders and customers for their enormous support and great contribution to the future development of Agile Property.

CHEN Zhuo Lin

Chairman

Hong Kong, 18 April 2007