



CHAIRMAN'S STATEMENT



Mr. WANG Jun
Chairman

The consolidated turnover and profit attributable to shareholders of the Group for the financial year 2005 was HK\$739,000,000 and HK\$165,000,000 respectively, representing an increase of 30% and 7.7% respectively from 2004. Earnings per share was HK\$18.39 cents, representing an increase of 6.7% from 2004. The Board recommended to declare a final dividend of HK\$3 cents per share. Annual dividend was HK\$5 cents per share.

It has been 12 years since the China Poly Group became our controlling shareholder, the Group has experienced market ups and downs, which saw the Group transformed from an integrated investment enterprise with investments covering co-generations, shipping, property, disc duplication production, TV stations and insurance to an property development enterprise with a clear business focus and with businesses primarily located in first tier cities of Beijing, Shanghai and Guangzhou. In the past year, the Group acquired numerous high quality property development projects, the returns and appreciation of which will be shown in the next 2-3 years. Accordingly, we have confidence in the development prospects of the Group; we also realize that we will encounter great challenges in the process of restructuring, but with the trust and support from the Poly Group and all Shareholders, we are confident that we will accomplish our mission and achieve great results for the Company's development and give reasonable returns to investors.

MATERIAL ACQUISITIONS AND REORGANIZATION

The Group has grasped the opportunities presented by the present development of the mainland property market and acquired the Poly Shanghai Group, the Tianhebei Hotel and high class apartment projects and Zhoutouzui project, etc. The Acquisitions added 750,000 sq. m. to the Group's land development reserve and 1,300,000 sq. m. gross floor area available for construction.



Mr. HE Ping
Vice-Chairman



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We believe that the acquisition of the Poly Shanghai Group will have an irreplaceable positive effect on the Group's future development which will be in the interest of the Shareholders. The Poly Group is managed by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. It has been positioned as one of the centralized enterprises with a focus on property development. After years of nurture by the Poly Group, the Poly Shanghai Group has laid down a firm foundation in the areas of property development professionals, management experience, and market relationship, etc. After the acquisition, the Group instantly gained all development capability of the Poly Shanghai Group, saving a lot of costs and time. The Group is the only overseas listed company with controlling shares held by the Poly Group, with its foot set on the international capital market; and the Poly Group holds huge amounts of land reserve. To facilitate the Group's development, the Poly Group may invest its land reserve and resources in the Group in the future. While maintaining a certain number of properties for rental and operation purposes, the Group will also put greater effort in the development of residential properties. When allocating its capital, in order to effectively utilize its capital, the Group can make a balance between investment properties with a large investment amount and long recovery period and properties for development with a relatively short recovery period, and the two types of properties can complement each other. The acquisition of the Poly Shanghai Group provided the Group with an opportunity to expand its business from the boundaries of first-tier cities such as Shanghai, Beijing and Guangzhou to second-tier cities along the Yangtze River in the PRC, thereby expanding its room for development.

STRATEGIC POSITIONING

The Group acquired the Poly Shanghai Group after the management considered the Group's strategic positioning for its long-term development, transforming from an integrated investment enterprise to an enterprise with a focus on property development. The Poly brand name is already well recognized in China. Poly Real Estate was among the top 5 property brand names in China in the assessment of the top 100 property brand names by the Development Research Centre of the State Council. The target market of the Group is the mid-range to luxury property market of China, its goal is to provide the market with high quality building products and services in order to satisfy consumers' demand for the increasing housing standard.

The Group will maintain its portfolio of landmark commercial buildings and international-grade hotels, and is committed to becoming a leading property development group in the China property industry.

In order to achieve the above, in addition to developing its operations in first-tier cities, the Group will also actively expand its business to second-tier cities along the Yangtze River including Suzhou, Chongqing, Wuhan, etc., with a primary focus on property development and secondary focus on investment properties. The Group will focus on development luxury residential properties, and investment properties will focus on landmark construction projects.

We believe that the Group's success will rely on a management that is clearly positioned for development, experienced and with an objective viewpoint, and a professional team that is professional and efficient. Their pragmatic decision-making, scrupulous actions and common goal, together with favourable state policies and social and economic development, will bring success to the Group and plentiful returns to investors.



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CORPORATE GOVERNANCE

The Group has strictly complied with all the code provisions and regulations of the Code on Corporate Governance Practices set out in Appendix 14 of the Listing rules in the accounting year ended 31 December 2005.

None of the Directors (excluding Executive and Non-executive Directors) have a specific term of appointment. The articles of association of the Group require that one-third of the Directors each year have to be re-elected.

Accordingly, the Group considers that it has adopted sufficient measures to ensure that the corporate governance level of the Group is no less exacting than the Code on Corporate Governance Practices.

COMPANY PROSPECTS

The acquisition of the Poly Shanghai Group has strengthened the Group's manpower in property development, shortened the time for accumulating experience, expanded its reserve of land available for development, and has also increased the importance place and support given to the Group by the Poly Group. The Group has become an important overseas property development platform for the Poly Group.

As the main development platform of the Poly Group, the Group will, in the premise of being in the investors' interest and conforming to the Group's development strategy, when appropriate, consider to continue acquiring high quality property assets, in order to increase the Group's development capability; the Group will also appropriately relocate resources placed on non-core businesses to the property development business.

The year 2005 was a turning point and also a new start for the group. The Board believes that the Group had entered into a brand new phase of development after acquiring the Poly Shanghai Group, thus gradually realizing its prospect of fast track development.

APPRECIATION

Employees are the important assets of the Group and the Group's success relies on the untiring effort of its employees. On behalf of the Board and the Shareholders, I would like to express my sincere gratitude to our employees who had worked hard in the past year.