



## CHAIRMAN'S STATEMENT



**Mr. WANG Jun**  
*Chairman*



**Mr. HE Ping**  
*Vice-Chairman*

I hereby announce that revenue of the Group for the financial year ended 2006 amounted to HK\$946,736,000, representing an increase of 33.4% compared to 2005. Profit attributable to shareholders amounted to HK\$189,387,000, representing an increase of 15.1% compared to the year 2005.

### PAYMENT OF DIVIDEND

A final dividend of HK\$0.02 cent per share has been proposed by the board of directors.

### BUSINESS REVIEW

Having confirmed to transform from an integrated investment enterprise to one with development of real estates in mainland China as its major business, in 2006, the Group further accelerated the transformation, acquired the Poly Shanghai Group, reserved some good quality land, set up the strategy of development and implemented a range of combination for non real estates operations, to accomplish the comprehensive transformation of business into real estates operations.

The acquisition of the Poly Shanghai Group is significant to the development of the Group, and is a milestone for its development. By way of acquisition, the Group quickly obtained an operational platform for the development of real estates in mainland China, a strengthened professional team of management for the development of real estates, reduced time and cost to cultivate the Group's business of real estates, and therefore, transformed its business from the passive one of joint development to a controlling dealer for project development. The Group has immediately obtained the Shanghai Poly Square, Wuhan Poly Bay View, Chongqing Poly Spring Villas, Chongqing Emerald Valley and Suzhou Poly Elegance Garden, and acquired good quality land reserves such as Poly Cultural Plaza in Wuhan and Wuhan Yangyun, etc., and further attained the land for the Jinli Apartments residential project in Shanghai, and accelerated the basic preparation for the acquisition of several lots of land, and in turn consolidated the foundation for the development of the Group in coming two to three years.



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During the period, the Group has concurrently provided the comprehensive integration for the non real estates operations, including the disposal of the Winterthur Insurance and the Oils & Grains & port, etc., and realized with satisfying return for the shareholders, while the consideration received has been used for the development of real estates as a major operation.

Currently, the Group has a core business structure comprised of the development of real estates, property investment and the interaction of property management.

### The development of real estates

This is the first year for the comprehensive transformation of the Group into an enterprise for the development of real estates. Eight projects, most of which are still under the stage of development, with an aggregate gross floor area of 1.25 million square meters are under construction within the year. The Group has tried its best to accelerate the development of the real estate projects, and the sales of several projects begin consecutively. It is estimated that profits could be shown successively in one to two years. Besides, the Group has a land reserve of 510,000 square meters and a gross floor area of approximately 150,000 square meters, which could satisfy the target of development for the coming 2 to 3 years.

### Property investment

The Group has totally approximately 170,000 square meters of properties such as Grade A offices and Four-Star hotels in hand. The annual aggregate leasing rate of offices continues to remain at 90% or above, while the occupancy rate of hotels approaches 80%. For the year 2006, the benefits from the operation in property investment continue to increase steadily, with the net profit of about HK\$60 million.

### Property management

The Group manages over thirty properties with a gross floor area of 3.12 million square meters, with its operating income during the year reaching \$41.6 million.

During the same period, the non real estate projects under the Group, which are the co-generations and the operations of disc production, also continue to perform steadily, and achieve reasonable return.

### The Strategy of Development

In 2006, the PRC government implemented a series of austerity measures such as "the Six Regulations" and "the Fifteen Regulations". The launch of these measures increases the difficulty in operations in all aspects for the developers, but is good for the healthy and long term development of the industry. For the Group, which is potent with capital, in a scale of an enterprise and with famous brands, this is a challenge, and more appropriately, a chance.



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Looking forward, the Group will actively increase the land reserve to realize the rolling development of the projects, according to the established strategy of development with the integration of real estate development and property investment and with the property management as a supplement, and will step by step expand to other cities to realise the growth in both the scale and effect of development, on the consolidated and enlarged basis of developing Shanghai and Wuhan as the key cities. After integrating the conditions of its own and the market, the short run strategies of the Group are as follows:

- For the region of property development, with Shanghai and Wuhan, which have a sound foundation for development, as the places for key development, we continue to expand the scale of development and acquire more land reserves, and concurrently seek suitable opportunities in other regions.
- For the range of products, our focuses on development in short term are the ordinary residential projects for rolling development, and concurrently the development of commercial property items such as high grade offices, hotels and shopping centres in the city centres and business districts in appropriate cities.
- For aspect of management, we strengthen our management as a controlling dealer, and apply professional management on real estates for the sections of development including the acquisition of land, design and sales, etc., to reduce risk and at the same time to obtain better return from development.
- For the aspects of fund raising and financing, under the strategy of steady, recurring and rolling development, according to the conditions of both the market and our own, we have adopted a suitable way to enlarge the capital and increase our access on capital, in order to cope with the need for the growth of development scale.

## CORPORATE GOVERNANCE

The Group has strictly complied with all the requirements on the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Listing rules in the accounting year ended 31 December 2006.

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 are subject to retirement and re-election.

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 requirements of the Code on Corporate Governance Practices.



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### COMPANY PROSPECTS

I feel truly confident of the Group's prospects as it embarks on a new stage of development. The continuous, robust economic development and the rapid urbanization in China have created great investment opportunities and business environment. In the coming year, the Group will focus on its property development main platform by fully leveraging its geographical advantages and extensive networks in two major cities, Shanghai and Wuhan. Our goal is to establish ourselves as a distinguished property conglomerate and strive for higher returns for our Shareholders.

### APPRECIATION

In the past year, with our employees' devoted efforts, the Group was successful in its work on integrating its various businesses. On behalf of the Board and the Shareholders, I would like to express my deepest gratitude to all of our dedicated employees.