



雅居樂

# AGILE PROPERTY HOLDINGS LIMITED

雅居樂地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3383)

## ANNOUNCEMENT OF 2006 ANNUAL RESULTS

### FINANCIAL HIGHLIGHT

- The Group's land bank amounted to 16.16 million sq.m. in terms of GFA as at 31 December 2006 and further expanded to 22.52 million sq.m. as at 18 April 2007
- Issued US\$400 million worth Senior Notes on 15 September 2006
- Placed to the investors 280.4 million shares with proceeds of HK\$1,907 million on 10 November 2006
- Sales amounted to RMB 6,675 million, representing an increase of 24 % over 2005
- Profit attributable to shareholders' net profit reached RMB 1,242 million, representing an increase of 27% over 2005
- Earnings per share amounted to RMB0.355
- Net debt to equity ratio maintained at a healthy level of 2.3%
- Recommend a final dividend of HK7.0 cents per share

### CHAIRMAN'S STATEMENT

#### 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%.

#### 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 reiterated 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.

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 at an annual interest rate of 9% 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, Huizhou, Heyuan, Shanghai, Nanjing, Chengdu, Chongqing, Xi'an, Hainan Island 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 announcement, the Group continued to successfully acquire lands with a GFA of approximately 6.3 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 middle 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 (國家房屋建築工程總承包特級資質) and 5 construction work enterprises of Housing Construction Work First Grade Qualification (房屋建築工程壹級資質) 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 (equivalent) billion 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 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, we 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 charity donation and sponsorships, 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.

#### 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 Zhongshan was awarded the First Prize in Green Property Management in Zhongshan City (中山市城市小區物業管理綠化「一等獎」).

The Group encouraged reciprocal 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. They are full of challenge. 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 middle 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





**ANNUAL GENERAL MEETING**

The 2007 Annual General Meeting (the "2007 AGM") of the Company will be held on Thursday, 7 June 2007 and the Notice of Annual General Meeting will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") in due course.

**CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 4 June 2007 to Thursday, 7 June 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend to be approved at the 2007 AGM and the right to attend and vote at the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited at 26th Floor Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 1 June 2007.

**MANAGEMENT DISCUSSION AND ANALYSIS****China Property Market**

In 2006, the overall economy of mainland China continued its rapid growth. The gross domestic product ("GDP") of mainland China reached RMB20.9 trillion, which represented a surge of 10.7% over 2005. The per capita disposable income of citizens residing in urban cities or towns grew by 12.1% in 2005. The steadily booming economy of mainland China and the rising household income of its citizens will continue to sustain a steady and rapid growth in demand for quality housing in the coming years.

The Chinese Government continued to introduce macroeconomic measures with the aim of stabilizing the property market. In mid-May 2006, the Chinese State Council announced six renewed general directives to dampen speculative demand for high-end residential properties, and to increase the supply of housing for low-to-mid income groups. It was followed by 15 detailed measures jointly issued by nine ministerial bodies effective 1 June 2006. The common goal is to nurture a stable property market providing affordable housing for end-users and to provide a steady stream of new property developments with slowly rising prices.

**Business Review**

The Group continued to focus on the residential property development business in mainland China, which attained robust growth with a rapid rise in profit. The Group's profit grew 27% over 2005, delivering the Company's promise to investors and successfully maximizing the return for its shareholders.

At present, the Group is engaged in property development in Pearl River Delta District, Yangtze River Delta District, Eastern Guangdong, Western China and Hainan Province. At the beginning of 2006, the Group was still a leading property developer in Guangdong only, with approximately 1.1 million sq. m. total gross floor area ("GFA") under construction. During the year under review, the Group increased its GFA under construction to 1.2 million sq.m.. As at 31 December 2006, the Group had a total of 35 projects, of which 32 located in cities in Guangdong and 3 in major cities of other provinces. As at 31 December 2006, the total GFA under construction was approximately 1.2 million sq.m.. The Group anticipates that the total GFA to be completed in 2007 will be approximately 2.57 million sq.m..

**Land Bank**

A quality land bank is the essence of the Group's success. As one of the most reputable brands in the China property industry, it is especially crucial for the Group to have an adequate and diversified land bank in certain strategic areas of the PRC.

At the beginning of 2006, the Group had a total land bank of 8.4 million sq. m. of GFA in the Pearl River Delta District, all of which will be used for development of residential projects. During the year under review, the Group had invested an aggregate of RMB5.8 billion in expanding its land bank. 15 land sites were newly acquired during the year, amounting to a total GFA of approximately 9.3 million sq.m.. These newly acquired sites are mainly situated in cities such as Chengdu, Nanjing, Xian, Heyuan, Huizhou and Foshan. At the end of year 2006, the total GFA of the Group's land bank amounted to 16.16 million sq.m..

City/Province	Completed GFA for sale (sq.m.)	GFA under development (sq.m.)	*GFA not yet developed (sq.m.)	Total (sq.m.)
Guangzhou, Guangdong	82,259	293,670	2,602,791	2,978,720
Zhongshan, Guangdong	594,638	514,963	3,881,042	4,990,643
Foshan, Guangdong	42,223	172,736	962,244	1,177,203
Huizhou, Guangdong	—	—	2,000,000	2,000,000
Heyuan, Guangdong	—	219,993	2,509,488	2,729,481
Nanjing, Jiangsu	—	—	358,980	358,980
Chengdu, Sichuan	—	—	1,606,753	1,606,753
Xian, Shanxi	—	—	317,000	317,000
	<u>719,120</u>	<u>1,201,362</u>	<u>14,238,298</u>	<u>16,158,780</u>

\* GFA not yet developed includes approximate GFA of 4.8 million sq.m. pending the finalisation of certain procedures for issuing the land use rights certificate.

Details of 15 land sites newly acquired during the year are as follows:

	GFA (sq.m.)
<b>Guangzhou district</b>	
Huadu Project No.2	78,899
Jiacheng Building, Panyu	10,410
Zhujiang New City Project	88,466
	<u>177,775</u>
<b>Zhongshan district</b>	
La Nobleu (La Cite Green 392 Project)	392,220
Metro Agile Zhongshan	220,583
Zhongshan Dachong	219,924
Qijiang Land No.1 (Qijiang Land No.2)	160,001
Qijiang Land No.3 (Qijiang Land No.4)	486,079
Metro Agile Zhongshan (Sanxiang Town 137 Project)	155,267
	<u>1,634,074</u>
<b>Foshan district</b>	
Shanshui Project	479,999
	<u>479,999</u>
<b>Other districts</b>	
Chengdu Shuangliu Project	1,606,753
Xian Project	317,000
Heyuan Agile Metro Garden	2,729,481
Huizhou Bailuhu Project	2,000,000
Nanjing Qinhuai Project	358,980
	<u>7,012,214</u>
<b>Total</b>	<u><u>9,304,062</u></u>

**Property Development and Sales**

The Group began its residential property development in Zhongshan and has more than 15 years of experience in the property development industry. Since we provide our owner occupants with premium properties and services that cater for their needs, many of the Group's property projects in certain cities have become leading brand names and have influenced the entire trend of the property sector therein. The Agile Property brand name and the supreme quality of our residential properties have won the trust of the property market.

In 2006, the PRC government continued to implement macroeconomic policies to rein in the overheating property market and curb speculation activities. These macroeconomic policies gradually stabilized the growth rate of the residential property sector. Nonetheless, property markets in major areas and cities in which the Group's property development operations were located maintained a robust demand.

The Group experienced another satisfactory year in property sales. In 2006, total GFA of completed residential projects available for sale amounted to 1.12 million sq.m.. Total GFA sold and delivered for the year was approximately 1.07 million sq.m. and sales revenue was approximately RMB6,544.7 million, an increase of 13.3% and 24.3% respectively compared to 2005. Of this, sales in Zhongshan city achieved satisfactory growth and reached RMB2,623 million, accounting for 40% of the total sales and representing an increase of 29.0% from 2005. The total GFA sold in Zhongshan city amounted to 424,282 sq. m., representing an increase of 15.4% over 2005. Sales in Guangzhou city amounted to RMB3,140.2 million, accounting for 48.0% of the total sales and representing an increase of 28.2% over 2005. The total GFA sold in Foshan city amounted to 151,000 sq.m., maintaining the same level as 2005.

**Property under development**

The Group plans to complete approximately 2.57 million sq. m. of residential property in 2007. We have fully capitalized on our thorough research efforts into local market demand and consumer preference, together with our excellent project management expertise and extensive cost control experience. This adds value to every aspect of the production process of project development so as to provide quality properties catering specifically to our target customers. As a result, the Group attained rapid growth in both sales and profit margin by offering satisfaction to consumers.

The following table sets forth the projects expected to be completed in 2007.

Project	GFA (sq.m.)
<b>Guangzhou district</b>	
Agile Garden Guangzhou	181,000
Jiangbei Estate	65,000
Huadu Majestic Garden	113,000
Guangzhou Liwan	61,622
Conghua Agile Binjiang Garden	169,000
South Legoon Guangzhou	10,400
	<u>600,022</u>
<b>Zhongshan district</b>	
Metro Agile Zhongshan	129,000
Qijiang Land	62,000
Zhongshan Dachong	103,000
Guinan Land	60,000
La Cite Greenville	268,000

**Project**

Project	GFA (sq.m.)
La Nobleu	32,000
Majestic Garden	3,300
	<u>657,300</u>

**Foshan district**

Nanhai Majestic Garden	173,000
Shunde Project	170,000
Foshan City Project	83,000
Shanshui Project	53,000
Foshan Nanhai District Xi Qiao commercial Trading Project	53,000
	<u>532,000</u>

**Project**

Project	GFA (sq.m.)
<b>Other district</b>	
Heyuan Agile Metro Garden	153,000
Huizhou Bailuhu Project	201,000
Nanjing Qinhuai Project	22,000
Chongqing South Coast Project	70,000
Hainan Qing Shui Wan Project	100,000
Chengdu Shuangliu Project	238,000
	<u>784,000</u>
<b>Total</b>	<u><u>2,573,322</u></u>

**Sales of properties**

All of the property projects developed to date by the Group are residential properties for sale. The properties we develop aim to meet the needs and demands of middle and upper-middle class income consumers who will be owner occupants.

Agile Property has firmly established its brand name as a master community developer and our brand name has been well recognized by the market for our emphasis on the quality of our products and related property management services. Our outstanding market reputation has helped us achieve a customer referral rate of approximately 60.3%.

During the year under review, the Group completed and delivered properties amounting to a total GFA of approximately 1.07 million sq. m. with a total contracted sales revenue of approximately RMB6,544.7 million.

The following table sets forth the GFA sold and sales revenue of each project in 2006.

Project	GFA (sq.m.)	Sales Revenue (RMB'000)
<b>Guangzhou district</b>		
Agile Garden Guangzhou	215,200	1,351,799
South Lagoon Guangzhou	103,097	709,681
Royal Hillside Villa	13,061	161,882
Huadu Grand Garden	763	2,484
Huadu Flower Paris	90,584	344,592
Huadu Majestic Garden	55,359	441,392
Conghua Garden	16,059	128,363
	<u>494,123</u>	<u>3,140,193</u>
<b>Zhongshan district</b>		
Metro Agile Zhongshan	111,946	581,110
Metropolis	13,950	65,006
Majestic Garden	4,171	14,197
The Landmark	3,067	21,482
Grand Gradan	14,065	71,372
Star Palace	85,230	358,958
The Riverside	31,784	187,614
La Cite Greenville	124,617	872,997
La Nobleu	35,452	449,851
	<u>424,282</u>	<u>2,622,587</u>
<b>Foshan district</b>		
Nanhai Majestic Garden	144,886	751,676
Nanhai Majestic Metropolis	5,698	30,250
	<u>150,584</u>	<u>781,926</u>
<b>Total</b>	<u><u>1,068,989</u></u>	<u><u>6,544,706</u></u>

**Property Management**

It is our mission to provide quality property management services to our valued property tenants. We are committed to creating a warm and harmonious community by constantly improving the living environment and the quality of our services, and improving customer satisfaction.

In 2006, our property management services companies recorded property management fee income of RMB130 million, representing an increase of 34.6% over 2005. Agile Property added 8,384 new property owners and attended 102,000 service requests. Our round-the-clock property management services were extended to over 31,400 property owners. At as 31 December 2006, our property management services companies managed a total GFA of approximately 5 million sq.m. in mainland China.

According to our internal survey, the overall customer satisfaction rate for 2006 reached 98.8%.

**Decoration**

As the Group's philosophy is offering "Value-for-Money to our customers", it is the long-term goal of our decoration services companies to ensure the quality of their products and materials for our property development business.

In 2006, our decoration services companies continued to exercise stringent control over the quality of products and materials at all stages of the process. The decoration services companies also strengthened the inspection of the environmental impact of materials, ensuring all materials meet environmental protection requirements.

For the purpose of maintaining the quality of the Group's property products, starting from the beginning of 2006, our decoration services companies only provide services for our Group companies.

**FINANCIAL REVIEW****Group finance****Borrowings**

The Group will continue to adhere to our prudent financial policy.

At 31 December 2006, the Group's bank loans and senior notes denominated in US\$ payable were RMB2.31 billion and RMB3.05 (equivalent) billion respectively, and their repayment schedule is as follows:

Repayment schedule	2006 (RMB million)	2005 (RMB million)
<b>Bank loans</b>		
Within 1 year	651	508
Between 1 and 2 years	253	400
Between 2 and 5 years	1,410	378
	<u>2,314</u>	<u>1,286</u>
<b>Senior notes</b>		
Over 5 years	3,045	—
	<u>5,359</u>	<u>1,286</u>

The Group's bank borrowings of RMB2.14 billion as at 31 December 2006 are secured by the Group's land use right and bank deposits with an aggregate carrying value of RMB868.5 million. The senior notes are jointly and severally guaranteed by certain subsidiary companies of the Group and by pledge of their shares. The net assets of these subsidiary companies were approximately RMB884.5 million as at 31 December 2006.

**Funds available**

At 31 December 2006, the Group's cash balance was approximately RMB5.2 billion. Together with the unutilized banking facilities of RMB700 million, the total funds available at 31 December 2006 amounted to approximately RMB5.9 billion. These capital resources and our stable financial structure provide a strong support for the Group to explore other best property development opportunities and accelerate its business expansion in China.

**Gearing**

The Group's net current assets at 31 December 2006 increased by 95% from 2005 to RMB9.18 billion, and the current ratio increased from 2.17 times in 2005 to 2.9 times in 2006. The net debt to equity ratio of the Group at 31 December 2006 was only 2.3%.

**Financing cost**

During the year, the Group's total cost of borrowing was RMB186 million, representing an increase of RMB103 million over 2005. The increase was attributable to the interest incurred on the 9% senior notes issued in September 2006. The interest coverage ratio (calculated on the basis of gross interest change over EBITDA) was 10.5.

**Currency**

The proportion of each currency of the Group's bank borrowings, senior notes and cash balances is listed below:

	Bank borrowings	9% Senior notes	Cash balances
Hong Kong dollars	—	—	42%
US dollars	—	100%	28%
Renminbi	100%	—	30%
Total	100%	100%	100%

The Group conducts its business almost exclusively in Renminbi. Other than the 9% senior notes, which are denominated in US dollars, the Group does not have any other material direct exposure to foreign exchange fluctuations. In the event that the value of Renminbi appreciates, the Group would be indirectly affected, in that the costs of goods imported and the interest on and the repayment of the senior notes would decrease.

For the time being, Renminbi is not a freely exchangeable currency. The Chinese government may adopt measures which could result in a material difference between the exchange rate of Renminbi in future and that prevailing or in the past. Appreciation in Renminbi would have a positive effect on the value of declaring any dividend by the Group, and on paying interest on the senior notes or repayment of the senior notes, in Renminbi, when translating into foreign currencies.

However, the Group may be exposed to exchange risk when converting the Hong Kong dollar bank balances into Renminbi.

**Credit rating and senior notes**

After receiving the credit ratings from Moody and Standard and Poor's respectively in July 2006, the Company successfully issued 7 year senior notes worth US\$400 million (equivalent to RMB3,168 million) at an interest rate of 9% per annum in September 2006, for the purpose of providing financial support for the Group's property development business and expansion. This debt market issuance affirms that the Group is capable of tapping the debt market through various types of instruments.

The Group's prudent financing strategy not only focused on lowering the funding costs but also on reducing the financial risk.

**Contingent liabilities**

The Group provides buy-back guarantees to banks which granted home mortgage facilities to buyers of the Group's properties in mainland China. At 31 December 2006, the outstanding buy-back guarantees amounted to RMB3.69 billion.

**Return on equity**

Return on equity is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue for the year ended 31 December 2006.

	2006	2005
Profit attributable to equity holders of the Company	1,242,488	978,693
Weighted average equity during the year (thousands)	5,722,827	4,504,209
Return on equity (RMB per share)	21.7%	21.7%

**Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2006	2005
Profit attributable to equity holders of the Company	1,242,488	978,693
Weighted average number of ordinary shares in issue (thousands)	3,502,903	2,536,853
Basic earnings per share (RMB per share)	0.355	0.386

Diluted earnings per share equals to basic earnings per share as there were no potential dilutive shares in issue during the years ended 31 December 2006 and 2005.

**Commitments**

At 31 December 2006, commitments in respect of the property development expenditures of the Group were approximately RMB1.2 billion. The Group has also committed to paying the land premium on land acquisitions amounting to approximately RMB3.2 billion.

**Human resources**

The Group is led by an experienced and dedicated management team. The Board of Directors, who have led the Group through its rapid growth and expansion since its establishment in 1993, have an average of approximately 15 years of experience in the property development business. Other senior executives have an average of 8 years of experience in the field. The Group also retains talented people from overseas with professional qualifications to augment its management team. Through management leadership, vision and drive, and its consistent effort to implement international best practices, the Group has become one of the market leaders within a short period of time. Most of the senior executives have been with the Company or its subsidiaries since their establishment.

We believe that the quality of the Group's human resources, particularly its senior executives and professional project management staff, are critical to its ability to compete effectively. The Group aims to achieve and exceed international standards of performance excellence by following international best practices for management processes and corporate governance.

As at 31 December 2006, the Group had a total of 4,728 employees, among which the Group's senior management accounted for 53 and middle management accounted for 456. By geographical location, there were 4,707 employees in mainland China and 21 in Hong Kong and Macau. Total staff costs, including directors' emoluments, for the year ended 31 December 2006 amounted to RMB189 million.

**Major acquisitions**

One of the Group's key focus points in 2006 was the expansion of the land bank.

During the year, the Group made the followings two acquisitions:

- Acquisition of a 99.5% equity interest in 惠州白鷺湖旅遊實業開發有限公司 (Huizhou Bailuhu Tour Enterprise Development Co., Ltd.) ("Bailuhu"). Bailuhu was established for the development of a residential property project in Huizhou City of Guangdong Province.
- Acquisition of the entire equity interest in 陝西吳瑞房地產開發有限責任公司 (Shanxi Haorui Real Estate Development Co., Ltd.), a property development company with a residential property development project in Xian City of Shanxi Province.

**Management Focus in 2007**

Currently, the Group has secured a total land bank of approximately 22.52 million sq.m. of GFA in over 18 different districts in mainland China. Based on our planned development schedule, the land bank is sufficient for the Group's medium to long term development.

However, Agile Property management does not consider that the key value of a property developer rests solely on land bank expansion. We believe that the drivers for maximizing the company's value to our shareholders are also based on how we can roll out our development plan. Our efficiency and effectiveness in handling the higher volumes and productions of our land bank in more cities should be the most crucial factor in determining how successful we will be in the future.

Therefore, the key management focus from 2007 onwards will be on the Group's operational and financial systems and quality of human resources. Agile Property management will fully review the existing business process and redesign it to enhance its efficiency and effectiveness. The Group is also in the process of implementing enterprise resource planning ("ERP") for its property development operations. This will manage, control and track all aspects of operation of the property development business. A complete re-engineering of our business process and the full implementation of the resource planning system is scheduled in 2008. The ERP system is expected to provide the Group with up-to-date information to determine optimal resource allocation in terms of financial planning and operations management.

**AUDIT COMMITTEE**

The Company's audit committee is composed of all the three independent non-executive directors of the Company. The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited consolidated accounts for the year ended 31 December 2006. The consolidated annual results of the Group for the year ended 31 December 2006 have been reviewed by the Audit Committee.

**SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and do the best knowledge of its Directors, this is confirmed that the Company has maintained during the year under review the amount of public float as required under the Listing Rules.

**MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year ended 31 December 2006 and all Directors confirmed that they have fully complied with the required standard set out in the Model Code during the year.

**CODE OF CORPORATE GOVERNANCE PRACTICES**

In the opinion of the Directors, the Company has determined to comply with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to the Listing Rules throughout the year of 2006.

**PURCHASE, SALE OR REDEMPTION OF SHARES**

During the year ended 31 December 2006, the Company or any of its subsidiaries had not redeemed, purchased or sold any of the Company's shares.

**BOARD OF DIRECTORS**

At the date of this announcement, the Board comprises Mr. Chen Zhuo Lin (Chairman), Mr. Chan Cheuk Yin (Vice-Chairman and Co-President), Madam Luk Sin Fong, Fion (Vice-Chairlady and Co-President), Mr. Chan Cheuk Hung, Mr. Chan Cheuk Hei and Mr. Chan Cheuk Nam, who are all executive Directors; and Dr. Cheng Hon Kwan, Mr. Kwong Che Keung, Gordon and Mr. Cheung Wing Yui who are independent non-executive Directors.

By Order of the Board  
Agile Property Holdings Limited  
LUK Sin Fong, Fion  
Vice-Chairlady & Co-President

Hong Kong, 18 April 2007

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2006 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated accounts for the year. The work performed by PricewaterhouseCoopers in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.