汎港地產集團
PAN HONG PROPERTY GROUP

Pan Hong Property Group Limited

Annual Report 2008/2009

Contents

Corporate Information

BOARD OF DIRECTORS

Executive

Wong Lam Ping *(Executive Chairman)*
Chan Heung Ling *(Deputy Chairman)*
Shi Feng
Wang Cuiping

Non-Executive

Chan Kin Sang *(Non-Independent Director)*
Sim Wee Leong *(Lead Independent Director)*
Dr Choo Kian Koon *(Independent Director)*
Dr Zheng Haibin *(Independent Director)*

AUDIT COMMITTEE

Sim Wee Leong *(Chairman)*
Dr Choo Kian Koon
Dr Zheng Haibin

NOMINATING COMMITTEE

Dr Choo Kian Koon *(Chairman)*
Sim Wee Leong
Wong Lam Ping

REMUNERATION COMMITTEE

Dr Zheng Haibin *(Chairman)*
Dr Choo Kian Koon
Chan Kin Sang

COMPANY SECRETARIES

Chan Chun Kit
Yvonne Choo

ASSISTANT SECRETARY

Richard J Evans (Appointed on 31 October 2008)
Ira Stuart Outerbridge III
(Resigned on 31 October 2008)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

BUSINESS OFFICE

Rooms 1214 & 1215, 12 Floor, Tower B
Hunghom Commercial Centre
37-39 Ma Tau Wai Road
Hunghom, Hong Kong
Tel: 852-2363-1300
Fax: 852-2764-2160

SHARE REGISTRARS/ SHARE TRANSFER AGENT

B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758

Codan Services Limited
2 Church Street
Hamilton, HM 11
Bermuda

AUDITORS

Grant Thornton
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

AUDIT PARTNER-IN-CHARGE

Lo Ngai Hang
(since financial year ended 31 December 2007)

INVESTOR RELATIONS CONSULTANT

Octant Consulting
10 Anson Road #33-04
International Plaza
Singapore 079903
Tel: 65-6220 2842

Corporate Profile

Pan Hong Property Group Limited (汎港地产集团) ("Pan Hong" or the "Group") is a niche property developer that focuses primarily on developing high quality residential and commercial properties in the second and third-tier cities in the People's Republic of China ("PRC").

Backed by over 20 years of experience in the PRC's property development industry, Pan Hong has established its presence in Hangzhou and Huzhou cities in Zhejiang Province, and Nanchang city in Jiangxi Province. Besides these cities, the Group also owns interests in land reserves in Fuzhou, Yichun and Leping cities in Jiangxi Province, and Jiangmen city in Guangdong Province, for property development.

As a testament to the strong brand identity that Pan Hong has built in the second and third-tier cities as well as the quality of its property developments, the Group has received several awards for its projects. In 2007, the Group's Nanchang Honggu Kaixuan project was conferred the "4th Annual Nanchang City Best Property Award", "Most Popular Property in Nanchang", as well as accolades such as "Reputable Brand of the Year in Jiangxi" and "Professional Property Developer of International Standard". The Group's Hua Cui Ting Yuan project also clinched the "China Classic Villa Award 2008".

Pan Hong was listed on the Main Board of the SGX-ST on 20 September 2006.

To strengthen our brand for sustainable long-term growth, we are presently considering to replicate the townhouse concept of our Hua Cui Ting Yuan project

Financial Highlights

(RMB million)	FP2009	FY2007
Revenue	**39.9**	564.9
Gross Profit	**16.7**	230.6
(Loss)/Profit for the period/year	**(37.2)**	185.7
(Loss)/Profit for the period/year attributable to Equity Holders of the Company	**(37.0)**	184.9
(Loss)/Earnings Per Share (RMB cents)	**(7.55)**	38.37

FP2009: 15 months ended 31 March 2009
FY2007: 12 months ended 31 December 2007

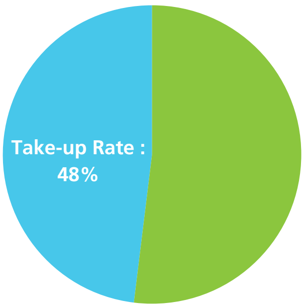
FINANCIAL RATIOS

	FP2009	FY2007
Gross Profit Margin (%)	**41.9**	40.8
Current Ratio (times)	**2.0**	2.8
Gearing Ratio (%) (total borrowings less deposit collateral/total equity)	**28.2**	13.9
Net Gearing Ratio (%) (total borrowings less deposit collateral and cash and bank balances/total equity)	**12.0**	Net cash

SUMMARY OF PRE-SALES FOR PROJECTS LAUNCHED IN FP2009 (AS AT 24 MAY 2009)

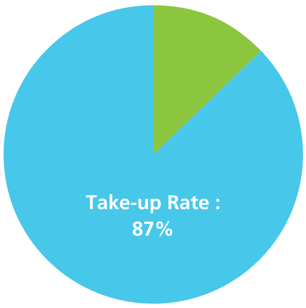
Aggregate Pre-sales Value = RMB 503.6 million

Nanchang Honggu Kaixuan Phase 2
南昌红谷凯旋第二期



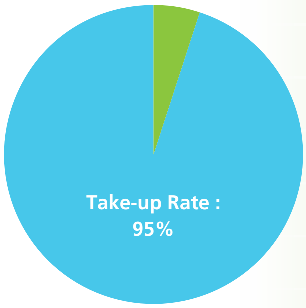
Launched in July 2008
649 residential units for sale
Total pre-sales value: RMB 194.9 million
Estimated completion: 1Q 2010

Huzhou Liyang Jingyuan Phase 2
湖州丽阳景苑第二期



Launched in December 2008
150 residential units for sale
Total pre-sales value: RMB 70.3 million
Estimated completion: 3Q – 4Q 2009

Hangzhou Liyang Yuan
杭州丽阳苑



Launched in January 2009
226 residential units for sale
Total pre-sales value: RMB 238.4 million
Estimated completion: 4Q 2009

N.B.

1. Estimated construction completion dates for the residential component of the respective properties are subject to change.
2. Pre-sales can only be recognised as revenue after the completion of handover to buyers.

Chairman's Statement

Wong Lam Ping
Executive Chairman

Dear Shareholders

The property market in the People's Republic of China (the "PRC") slipped into a corrective phase in early 2008 as the government instituted credit tightening policies and measures to prevent the housing market from overheating.

With many prospective homebuyers adopting a "wait-and-see" approach, the operating landscape for PRC property developers became more challenging. As a result, housing sales transaction volumes began sliding even before the onset of the global financial and economic crisis in the later part of the year. To attract buyers during this difficult period, some property developers dropped the selling price of their properties and offered special promotions.

Based on our management's experience and reading of the PRC property market, Pan Hong swiftly adapted to the changing market situation in 2008 in order to conserve the Group's financial resources, and ensure that we would be ready to take advantage of an upturn when it comes.

In view of the rising cost of raw materials in 2008 and faltering property market conditions, we slowed construction of our projects and initiated more prudent financial management practices, including cost containment measures. To further improve the Group's cost structure, our management also took the lead through a salary reduction exercise last year. As Executive Chairman of the Group, I also voluntarily gave up my salary for three months from January 2009 to March 2009.

Instead of lowering our selling prices significantly like some of the other developers, we chose to scale back our sales activity during the market slowdown. Thanks to our strong financial position and credit standing with banks, we had the flexibility to hold back plans to commence pre-sales of two projects in Huzhou and Hangzhou cities, as well as the remaining residential units at the second phase of Nanchang Honggu Kaixuan, where the first batch of 270 residential units was launched in July 2008.

Demand in the property market started to recover towards the turn of the year on the back of favourable government policies to revive the property sector, which is a key pillar of the country's economy. Some of the measures included reductions in taxes, mortgage rates and downpayments. According to China's National Bureau of Statistics, the volume of real estate sales increased 17.5% year-on-year to 176.25 million square metres in the first four months of 2009. This was driven mainly by demand from owner-occupiers who had stayed on the sidelines during 2008.

Chairman's Statement

Pan Hong wasted no time in capitalising on this improving market sentiment and quickly expanded the scale of our sales activity. The Group launched the pre-sales of another two developments – Huzhou Liyang Jingyuan Phase 2 and Hangzhou Liyang Yuan as well as released a second batch of 379 residential units for sale at Nanchang Honggu Kaixuan Phase 2. We also began accelerating construction of our projects to benefit from lower building costs.

We believe this strategic plan during the downturn has enabled the Group to enjoy the twin benefits of maintaining a sound financial position, and defending the profitability of our property projects. As such, we were able to reap better results from our property presales as the market recovers.

As at 24 May 2009, the accumulated value of the presold residential units of these three developments was RMB 503.6 million on aggregate. Among these three projects, Hangzhou Liyang Yuan chalked up RMB 238.4 million in presales value to post the strongest take-up rate of 95%. Demand for Huzhou Liyang Jingyuan Phase 2 was also buoyant as 87% of the 150 residential units were presold for a total value of RMB 70.3 million. As for our largest project, Nanchang Honggu Kaixuan Phase 2, RMB 194.9 million was generated from presales of 310 units. Presales from these projects can only be recognised after completion of handover to buyers, hence none of these presales was taken into account for the financial period ended 31 March 2009.

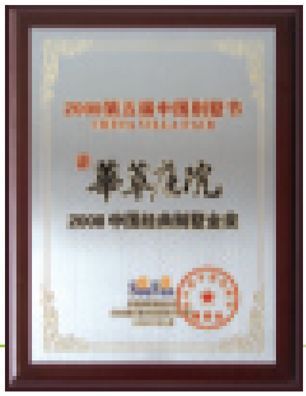
CURRENT PLANS

For the financial year ending 31 March 2010 ("FY2010"), the Group's focus will be to drive sales of our current property projects and enhance cash flow while seeking expansion opportunities selectively.

We are preparing to unveil presales of another project, Hua Cui Ting Yuan Phase 1（华萃庭院第一期）, which is presently under development in Huzhou city. This exquisite project integrates Chinese culture into the architecture of the townhouses. As a testament to its distinctive concept and quality, Hua Cui Ting Yuan was conferred the "China Classic Villa Award 2008".

Hua Cui Ting Yuan is ideally located near the scenic Taihu Lake resort where multiple developments are taking place to enhance this location as a tourist destination. Since last year, the government has stepped up its efforts to enhance the surroundings of Taihu Lake and improve its transport infrastructure and accessibility. The Group intends to seek an ideal market timing to launch Hua Cui Ting Yuan Phase 1 during or after June 2009.

Based on the current construction schedule, the Group expects to complete the development of Nanchang Honggu Kaixuan Phase 2, Hangzhou Liyang Yuan, Huzhou Liyang Jingyuan Phase 2 and Hua Cui Ting Yuan Phase 1 before the end of FY2010. At this juncture, we are also planning to commence construction of the second phase of Hua Cui Ting Yuan, and our projects in Fuzhou（抚州）and Yichun（宜春）cities (Jiangxi Province) during FY2010.



Hua Cui Ting Yuan Award

Chairman's Statement

Pan Hong has always adhered to a key organisation principle, which is to always expand and grow our business in a sound and steady manner while striving to create value for shareholders. With a healthy financial position, extensive management experience and interests in relatively sizeable land reserves, we believe Pan Hong has a sturdy foundation to withstand market challenges and seek growth opportunities.

With property market conditions still subject to an element of uncertainty in the near term due to the global economic situation, the Group will continue to take a proactive and prudent approach in our financial management and closely monitor market conditions.

Based on the accumulated pre-sales achieved to-date and the current construction schedule of our projects, the Group is cautiously optimistic of its financial performance for FY2010, barring any unforeseen circumstances.

STRENGTHENING BRAND AND PRODUCT

The Group continues to have a positive long-term view of the property market in the PRC's second and third-tier cities, which are underpinned by the resilient need for owner-occupied housing amid the urbanisation trend.

We recognise the importance of strengthening our brand and continually enhancing our products to ensure sustainable long term growth, in the face of increasing competition amongst property developers.

With this in mind, the Group is presently considering to enhance its competitive position by establishing a niche in developing projects based on the townhouse concept that is similar to Hua Cui Ting Yuan. We believe the townhouse concept has certain advantageous features compared to high-rise developments. These include shorter development-to-sales cycle, lower unit cost of construction, and higher market potential as such townhouse developments have not saturated the PRC market. This townhouse concept, which mainly targets more affluent consumers, is expected to strengthen the Group's brand identity as it will differentiate our projects from the apartment-style developments that are typical of other private and/or government-subsidised housing.

With our experience developing Hua Cui Ting Yuan, we will be looking to replicate this model in other locations, such as the rural-urban fringe where there is gradual upgrading of living environment and improving transportation system and mobility. Moreover, these areas also offer better opportunities for us to obtain land parcels at relatively lower cost.

We envisage that this strategic direction is an avenue for Pan Hong to heighten our branding and sharpen our market competitiveness within the property development sector. At the same time, we are also looking to expand our investment properties portfolio in a bid to build more stable revenue streams in future. One commercial property that the Group is considering to retain for investment is the office tower and/or commercial units at Nanchang Honggu Kaixuan. The Group will also assess the investment potential of the commercial properties in our future developments, such as the property project in Fuzhou city.

Chairman's Statement

APPRECIATION

Before I close this statement, I am pleased to inform you that the Court has approved the out-of-court settlement between the Group's subsidiary and Ever Sure Industries Limited. The Group's deposit for the acquisition of equity interests in Ever Sure Industries Limited shall be refunded in full with interest in accordance with the terms of the settlement order approved by the Court. In addition, an ex-gratia payment to the Group's subsidiary of HK$27.5 million shall be paid into Court by the Vendor within 12 months from 8 May 2009 upon due compliance of certain agreed settlement terms.

On behalf of the Board, I would like to express my sincere appreciation to our shareholders for your continued confidence in the Group. I would also like to thank our Board of Directors and business partners for your contributions and support of Pan Hong. Last but not least, to my management and staff, thank you for your concerted efforts in building the business and increasing the market reputation of Pan Hong in the PRC.

Wong Lam Ping
Executive Chairman

15 June 2009

Hua Cui Ting Yuan Phase 1

Business Review

STATUS OF PROPERTIES AND FUTURE PROJECTS

1. Completed Properties

Nanchang Honggu Kaixuan Phase 1（南昌红谷凯旋第一期）

Phase 1 of this development has total GFA of 157,214 sq m. In FP2009, the Group sold and delivered 57 residential units with GFA amounting to 8,748 sq m for RMB 35.7 million. As at 31 March 2009, around 93% of the total 1,127 residential units have been sold and handed over to the property purchasers.

Huzhou Liyang Jingyuan Phase 1（湖州丽阳景苑第一期）

This project has total GFA of around 63,843 sq m. In FP2009, the Group sold 4 residential units and other properties with total GFA amounting to 769 sq m for approximately RMB 2.6 million. As at 31 March 2009, almost 99% of the total 501 residential units were sold.

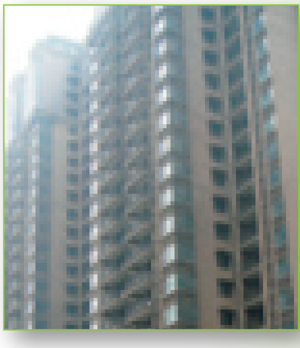
Huzhou Zhili Yazhoucheng Phase 2（湖州织里亚洲城第二期）

This project has total GFA of around 7,398 sq m. During FP2009, the Group sold a commercial unit with GFA amounting to 305 sq m for approximately RMB 1.5 million. As at 31 March 2009, around 62% of the total 39 residential units were sold.

2. Properties Under Development

Nanchang Honggu Kaixuan Phase 2

Phase 2 of this development has a total planned GFA of 218,718 sq m, comprising 1,003 residential units, commercial and office space. A total of 649 residential units with total GFA of 81,650 sq m were launched for sale in FP2009. As at 24 May 2009, the Group has pre-sold 310 residential units with GFA amounting to 38,984 sq m for RMB 194.9 million. Handover of these units are expected to commence before the end of FY2010*.

Nanchang Honggu Kaixuan Phase 1

Business Review

Huzhou Liyang Jingyuan Phase 2

Phase 2 of this development has a total planned GFA of 29,386 sq m, comprising residential units, an office tower and commercial units. A total of 150 residential units with total GFA of 18,178 sq m were launched for sale in FP2009. As at 24 May 2009, the Group pre-sold 131 residential units with GFA amounting to 13,789 sq m for RMB 70.3 million. Handover of these units are expected to commence before the end of FY2010*.

Hangzhou Liyang Yuan

This development has a total planned GFA of 36,839 sq m, comprising residential and commercial units as well as underground facilities. A total of 226 residential units with total GFA of 25,007 sq m were launched for sale in FP2009. As at 24 May 2009, the Group pre-sold 215 residential units with GFA amounting to 23,509 sq m for RMB 238.4 million. Handover of these units are expected to commence before the end of FY2010*.

Hua Cui Ting Yuan Phase 1

This development has a total planned GFA of 42,278 sq m, comprising residential and commercial units. Around 184 residential units are expected to be constructed under Phase 1. The Group currently expects to launch pre-sales of this property during or after June 2009.

N.B.

** based on current construction schedules of respective projects which may be subject to change*
FP2009: 15 months ended 31 March 2009
FY2010: Financial year ending 31 March 2010

3. Future Projects

Project	Equity Interests	Location	Planned Development GFA
Hua Cui Ting Yuan Phase 2 (华萃庭院第二期)	100%	Huzhou (Zhejiang Province)	56,423 sq m
Yichun Project Phase 1 (宜春项目第一期)	50%	Yichun (Jiangxi Province)	122,341 sq m
Yichun Project Phase 2 (宜春项目第二期)	50%	Yichun (Jiangxi Province)	1,250,000 sq m
Fuzhou Project (抚州项目)	100%	Fuzhou (Jiangxi Province)	476,000 sq m
Leping Project (乐平项目)	51%	Leping (Jiangxi Province)	420,000 sq m
Hailian Project (海联项目)	80%#	Huzhou (Zhejiang Province)	221,000 sq m
Jiangmen Project (江门项目)	75%	Jiangmen (Guangdong Province)	49,000 sq m

Effective group interest in Hailian Project increased from 65% to 80% in April 2009.

Financial Review

INCOME STATEMENT

	Group	
	FP2009	FY2007
Revenue (RMB'000)		
Residential	38,081	557,456
Commercial and others	1,778	7,401
Total Revenue	**39,859**	**564,857**
Gross Profit (RMB'000)		
Residential	16,523	227,992
Commercial and others	182	2,595
Total Gross Profit	**16,705**	**230,587**

Group revenue for the fifteen-month period ended 31 March 2009 ("FP2009") was RMB 39.9 million, compared to RMB 564.9 million for the 12 months ended 31 December 2007 ("FY2007"). This was due mainly to the lower number of residential units that were available for sale under Phase 1 of the Nanchang Honggu Kaixuan project. In FP2009, the Group derived revenue of RMB 35.7 million from the sale and delivery of 57 residential units of Nanchang Honggu Kaixuan Phase 1. In comparison, it sold and handed over 989 residential units, representing 87.8% of the total residential units at Nanchang Honggu Kaixuan Phase 1 during FY2007.

The remaining RMB 4.2 million of Group revenue in FP2009 came primarily from sales of the outstanding residential units and other properties at Huzhou Liyang Jingyuan Phase 1, and Huzhou Zhili Yazhoucheng Phase 2.

In line with lower sales, cost of sales fell substantially to RMB 23.2 million in FP2009, from RMB 334.3 million in FY2007. The Group successfully maintained the average selling prices of its projects amid slower property market conditions. This enabled it to achieve a slightly higher gross profit margin of 41.9% in FP2009, compared to 40.8% in FY2007.

Other income and gains decreased to RMB 22.8 million in FP2009, from RMB 77.4 million in FY2007. This was due mainly to lower agency fees and commission, and lower net fair value gain of investments in financial assets.

Financial Review

Selling expenses in FP2009 rose to RMB 9.4 million, from RMB 6.6 million in FY2007, and comprised mainly of sales agency fees and advertising/promotional expenses related to the Group's property presale launches and its new property development, Hua Cui Ting Yuan.

Administrative expenses in FP2009 totalled RMB 20.9 million, an increase of 47.3% from RMB 14.2 million in FY2007, which was attributable to the longer 15-month financial period in FP2009, and legal costs.

The Group also recorded other operating expenses of RMB 43.0 million in FP2009. Due to the softer property market towards the end of this period, the Group took a prudent approach and made impairment provision for a number of its properties. This included RMB 16.2 million for its investment properties; RMB 6.0 million for goodwill in respect of its acquisition in 2006 of Huzhou Hongjin Market Construction & Development Co., Ltd. which owns commercial units at the Wuxing Balidian Market property; and RMB 19.8 million on the net book value for car park lots at Nanchang Honggu Kaixuan Phase 1. These car park lots were fully constructed at the end of FY2007. When sales of the car park lots commenced, the realisable average selling price turned out to be lower than anticipated due to the market downturn.

After accounting for finance costs and share of loss of a jointly controlled entity, the Group posted a loss after tax of RMB 37.2 million in FP2009, compared to a net profit of RMB 185.7 million in FY2007. The income tax credit of RMB 4.3 million for FP2009 included a provision for land appreciation tax (LAT) of approximately RMB 1.2 million.

BALANCE SHEET

The Group ended FP2009 with a healthy financial position. As at 31 March 2009, cash and cash equivalents amounted to RMB 216.0 million, comprising of cash and bank balances of RMB 120.4 million and time deposits of RMB 95.6 million with maturity of less than three months. Total short-term and long-term borrowings amounted to RMB 349.7 million, of which approximately RMB 131.7 million of debt was secured by cash deposits ("deposit collateral") of RMB 139.6 million.

Based on its total equity of RMB 745.1 million, the Group had a gearing ratio (total borrowings less deposit collateral/total equity) of 28.2% as at 31 March 2009. On a net of cash and bank balances basis, the Group's net gearing was a lower 12.0% (total borrowings less deposit collateral and cash and bank balances/total equity).

At the end of March 2009, properties held under development increased to around RMB 730.5 million, from RMB 405.9 million as at 31 December 2007. This was in line with the construction progress of the Group's new property projects, including Hua Cui Ting Yuan Phase 1, Nanchang Honggu Kaixuan Phase 2, Hangzhou Liyang Yuan and Huzhou Liyang Jingyuan Phase 2.

Financial Review

Properties held for sale declined to RMB 114.7 million, compared to RMB 125.0 million as at 31 December 2007. This comprised primarily the remaining residential units, commercial spaces and car park lots at Nanchang Honggu Kaixuan Phase 1.

Accounts receivables owing from purchasers of property units and banks stood at RMB 13.4 million as at 31 March 2009, which was a significant decline from RMB 57.0 million as at 31 December 2007. This was due primarily to receipt of payments for the relatively substantial revenue that the Group recognised from October to December 2007.

As at 31 March 2009, deposits, prepayments and other receivables amounted to RMB 209.4 million. This comprised primarily of deposits of RMB 44.0 million as collateral for borrowings; a deposit of RMB 90.0 million for the acquisition of land in Fuzhou; and a deposit of RMB 30.0 million related to the acquisition of Ever Sure Industries Limited which would be refunded in full in accordance with the terms of an out-of-court settlement announced on 20 May 2009. The remaining amount was mainly related to prepayments to contractors for the construction costs of properties currently under development.

Pledged bank deposits increased to RMB 105.0 million, from RMB 12.8 million as at 31 December 2007, and comprised mainly of deposits of RMB 95.6 million as collateral to secure bank borrowings. The balance of RMB 9.4 million was mainly for security deposits provided to banks as guarantees for mortgage loans to purchasers of the Group's properties. These security deposits will be released when certificates for housing ownership are issued to the property purchasers.

Accounts payables at the end of FP2009 amounted to RMB 2.5 million. This was primarily for amounts owing to suppliers for construction costs incurred in respect of the Group's properties under development. Accruals, advance receipts and other payables surged to RMB 305.3 million as at 31 March 2009, compared to RMB 161.3 million as at 31 December 2007, due mainly to deposits and prepayments received for presales of residential units at the Group's property projects.

Board of Directors

Mr Wong Lam Ping is our Executive Chairman and founder of our Group. He was appointed to our Board on 3 January 2006 and is responsible for the formulation and execution of overall business strategies and policies as well as the overall management of our Group. Mr Wong has over 20 years of property development experience since he established Pan Hong Co., Ltd. in 1983. Mr Wong also sits on the board of several investment holding companies. He has been a director of Jiangxi Ganxun Electronic Technology Ltd., a telecommunications company, since 1992. In 2004, he was appointed a director of Chaozhou Jinaote Sanitary Ware Ltd. Mr Wong completed a postgraduate course in Economics of Science and Technology and Management from the Zhejiang University of Technology in 2000. He holds an honorary degree of a Doctor of Business Management from Armstrong University.

Ms Chan Heung Ling is our Deputy Chairman and an Executive Director of our Group. She was appointed to our Board on 3 January 2006 and is responsible for the management of overall project strategy, sales and marketing, as well as finance and business of our Group. She was a statistician with Jieyang Sugar, Tobacco and Wine Company in 1979 until 1982. In 1983, she co-founded Pan Hong Co., Ltd. together with Mr Wong Lam Ping, and has been involved in property development since then. She holds directorships in several companies outside our Group, namely Hong Kong Kam Fai Trading Development Ltd., China Hong Jun Limited, Kaiserin International (Hong Kong) Ltd. and Lee Tat Trading Company. She graduated from Jieyong No 1. Secondary School in 1975.

Mr Shi Feng is an Executive Director of our Group. He was appointed to our Board on 14 August 2006 and is responsible for the management of project plans, quality control and contractors, as well as the management of our subsidiaries. He started his career as an engineer at the Changsha Design Institute of Light Industry (轻工业部长沙设计院) from 1982 to 1992. He subsequently joined Guangdong Huizhou City Hui Long Housing and Landing Development Co., Ltd. (广东惠州隆房地产开发有限公司) in 1992 as the manager of the engineering department which involved project development and engineering management. This was followed by six years as an assistant general manager in charged of project development and engineering management in Guangdong Huizhou City Hui Long Group Co., Ltd. Until (广东惠州隆集团有限公司)1999. From 1996 to 1999, he was also the general manager of Shenzhen Jin Yue Long Investment Co., Ltd. Between 1999 and 2002, he was the general manager of 3A Electronics Co., Ltd. He joined our Group in 2002 when he became General Manager of Huzhou Liyang Company, a position he still holds. In 2003, he was appointed, and still holds the offices of, Director and General Manager of Jiangxi Asia City Company. Mr Shi graduated with a Bachelor Degree in Industrial and Civil Construction from the Construction and Building Department of Hunan University in 1982. He was certified as an engineer and senior engineer by the Changsha Design Institute of Light Industry in 1987 and 1993 respectively.

Ms Wang Cuiping is an Executive Director of our Group, being appointed on 14 August 2006. She joined our Group in 2002, and is responsible for the planning and financial management, and the human resource management of our Group. Before joining our Group, she spent 13 years from 1982 with the Inner Mongolia Hai Bo Wan Mining Bureau (内蒙古海勃湾矿务局) handling accounting matters, eventually becoming the head of the financial department from 1992 to 1995. From 1995 to 2002, she worked as a tax expert for the Inner Mongolia Wu Hai City State Administration of Taxation (内蒙古乌海市国税局). She later joined 999 Huzhou Pharmaceutical Company (三九湖州药业) as the head of the financial department, before joining our Group as senior accountant in 2002. Ms Wang graduated from the Inner Mongolia Coal Industrial School (内蒙古煤炭工业学校) with a degree in Financial Accounting, and from the Inner Mongolia Broadcast and Television University (内蒙古广播电视大学) with a degree in Industrial Accounting in 1982 and 1986 respectively. She was certified as a PRC Certified Tax Expert by the PRC Ministry of Finance, State Administration of Taxation in 2000 and as a PRC Certified Public Accountant by the Chinese Institute of Certified Public Accountants in 2004.

Board of Directors

Mr Chan Kin Sang is a Non-Executive Director and was appointed to our Board on 14 August 2006. He is currently a sole proprietor of Messrs Peter K.S. Chan & Co., Solicitors and Notaries, where he is involved in corporate and commercial law, civil law, conveyancing, litigation matters and notarial work. Mr Chan has been a practising solicitor in Hong Kong since 1982. He was an assistant solicitor in Messrs John Ku & Tam from 1982 to 1985 and a partner of Messrs. Wong and Chan from 1985 to 1996. He holds and has held several executive and non-executive directorships in various companies, including companies listed in Hong Kong and Singapore. Mr Chan graduated from the University of Hong Kong with a Bachelor of Laws degree in 1979. He was admitted first as an associate in 1985 and subsequently as a member of the Chartered Institute of Arbitrators. He was admitted as a solicitor of England and Wales in 1985, a barrister and solicitor of Australia in 1989 and an advocate and solicitor of Singapore in 1990. Mr Chan has also been a notary public in Hong Kong since 1997 and a China-appointed attesting officer since 2000.

Mr Sim Wee Leong is our lead Independent Director and was appointed to our Board on 14 August 2006. He is currently practising as a certified public accountant in Smalley & Co, a well established local accounting practice. He started his professional career in 1989 with an international accounting firm, prior to leaving in 1997 to join his current firm. He graduated with a Bachelor of Accountancy from the National University of Singapore in 1989.

Dr Choo Kian Koon is an Independent Director and was appointed to our Board on 14 August 2006 and has over 30 years of experience in the property industry. He was formerly the Senior Vice President (Malaysia Investment) of CapitaLand Residential Limited, and was on the board of United Malayan Land Bhd, a real estate developer listed on Bursa Malaysia. Prior to joining the CapitaLand group of companies, Dr Choo was the National Director and Head of Research and Consultancy at Jones Lang LaSalle Property Consultants Pte Ltd where he was the Asia Pacific regional head of research. Before that, he was with Richard Ellis Property Consultants as the Director and the Head of Development and Consultancy. Dr Choo was also previously a senior lecturer with the School of Building and Estate Management of the National University of Singapore. He is currently a member on NTUC Choice Homes' board of directors and a member of the Valuation Review Board under the Finance Ministry of Singapore. Dr Choo obtained a Doctorate in Urban Planning from the University of Washington with a Certificate of Achievement in Urban Design in 1988, a Master of Philosophy in Environmental Planning from the University of Nottingham in 1979, and a Bachelor of Science in Estate Management from the University of Singapore in 1974. He is a fellow of the Singapore Institute of Surveyors and Valuers and an affiliate member of the Singapore Institute of Planners.

Dr Zheng Haibin is an Independent Director and was appointed to our Board on 14 August 2006. He is presently the President of CCH High-Tech Enterprise Ltd. and the General Manager of Shenzhen Scinfo Venture Capital Management Co., Ltd. He was also a visiting Assistant Professor at the University of Waterloo from 1989 to 1991. Dr Zheng graduated from Copenhagen University with a Doctorate in Natural Science in 1987 and a Bachelor degree from Zhongshan University in 1982.

Ms Chan Heung Ling is the spouse of Mr Wong Lam Ping. Mr Chan Kin Sang is the nephew of Mr Wong Lam Ping. Save as disclosed, none of our Directors is related to each other or to any of our Executive Officers.

None of our Directors had been appointed pursuant to any arrangement or understanding with a substantial shareholder, customer or supplier.

Key Executive Officers

Mr Wang Yinjian is our Group's Human Resources Manager, and is responsible for our Group's human resource management. He joined the Zhejiang Provincial Bureau of Materials (Chemical and Light Industrial Company (浙江省物资局化工轻工总公司) in 1983 and rose to become Head of the Planning Department In 1993, he became the Import and Export Manager of the same company for the next five years. Concurrently, he was also appointed Assistant General Manager of the China Chemical Construction Zhejiang Material Trading Company Ltd. (中国化工建设浙江物化有限公司). He then became Trading Manager of both Huzhou Jinquan Trading Co., Ltd. (湖洲金泉贸易有限公司) as well as Huzhou Yiyuan Trading Co., Ltd. (湖洲怡源有限公司), from 1998 to 2002. He subsequently joined Huzhou Longhai Biological Pharmaceutical Co. Ltd. (湖州龙海生物葯业有限公司) as the assistant general manager before joining our Group in 2004. Mr Wang graduated from Zhejiang University of Technology (浙江工业大学) in 1983 with a Bachelor degree in Inorganic Chemical Engineering. He was later conferred a Master of Business Administration degree by the Zhejiang Province Degree Committee (浙江省学位委员会) in 2000. Mr Wang was also certified as an Economist by the Zhejiang Provincial Bureau of Materials (浙江省物资局) in 1991.

Mr Chan Chun Kit is our Group's Financial Controller and Company Secretary. He joined our Group in 2008 and is responsible for the Group's finance and accounting functions. He is also responsible for statutory compliance and corporate governance of our Group, as well as coordination with our Group's stakeholders. Prior to joining the Group, he was an auditor with an international public accounting firm. Mr Chan graduated from The Hong Kong Polytechnic University with a Bachelor of Arts in Accountancy (Hons). Mr Chan is also a Certified Public Accountant and an associate member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr Xu Guangquan is our Group's Property Management Manager. He is responsible for the property management, decoration management and development, as well as the management of certain of our subsidiaries. He has over 37 years of work experience, with the greater part of the last decade based in the real estate industry. Mr Xu started working in 1967 with the Hangzhou Machine Tool Group Co., Ltd. (杭州机床厂) where he rose to become the Head of the Supply and Marketing Department. In 1988, he joined Hangzhou City Jiang Ping Sales and Trading Centre (杭州市江平供销贸易中心) as the Business Manager. He joined our Group as the General Manager of our subsidiary, Hangzhou Asia City Company in 1997, before being appointed as the General Manager of Hangzhou Liyang Company in 2004. Mr Xu graduated from Zhejiang Radio and TV University (浙江广播电视大学) in 1988 with a Bachelor of Law degree.

Mr Zhang Ning is the Construction Quality Control Manager of our Group and is responsible for the quality control of construction materials and cost control, as well as the management of certain of our subsidiaries. His experience in quality control began in 1975 when he started work with the Nanxun Construction Engineering Company (南浔建筑工程公司). He subsequently rose to become the Chief of the Biological Department, Quality Control Department and Planning and Operation Department. In 1992 he joined Zhejiang Chuan Ling Electrical Company Limited (浙江川菱电器有限公司) as Chief of the Infrastructure Department before leaving to take up the concurrent positions as General Manager of Nanxun Municipal Main Company (南浔市政总公司) and an assistant supervisor in the Nanxun Economic Development Zone Construction Office (南浔经济开发区建设办公室) in 1994. He joined our Group in 1995 as the General Manager of Nanxun Yazhoucheng Company. In 2000, he was appointed as the General Manager of Huzhou Asia City Company, as well as Assistant General Manager of Huzhou Xiandai Company. Mr Zhang graduated from Nan Xun Secondary School (南浔中学) in 1972. Mr Zhang was certified as a Engineer in 2008 by the Huzhou Municipal Bureau of Urban Construction (湖洲市城建局). Aside from these positions, Mr Zhang is also a member of the Fifth Huzhou Municipal Political Committee (湖洲市第五届政治协商委员会) as well as a member of the Nanxun District Industry and Commerce Standing Committee (南浔区工商联常务委员).

Key Executive Officers

Mr Wu Jie is the Public Relations Manager of our Group, and is responsible for the coordination of public relations as well as the management of certain of our Group's subsidiaries and the research and development of new projects. He started his career in 1988 with the Huzhou branch of the Agricultural Bank of China in Zhejiang Province (浙江省农业银行湖州市分行), working in the Capital Organization Department. In 1994, he joined the Bank of Communications (交通银行湖洲分行) for nine years until 2003 during which he held various positions such as the Chief of the Industrial Loans Team in the Loan Department, General Manager of the Personal Financial Business Department and the Assistant General Manager of Business (Loans Department). He joined our Group in 2005 as the Assistant Chairman of two of our subsidiaries, namely Huzhou Jiangnan Halian Company and Huzhou Hongjin Market Company. He is also the Assistant General Manager of the Huzhou Hongjin Market Company. Mr Wu graduated from Zhejiang Radio and TV University (浙江广播电视大学) in 1988, majoring in Finance. Mr Wu is also a qualified economist as accredited by the Evaluation Committee for Professional Skills in Business Departments of the Agricultural Bank of China, Zhejiang Branch (农行浙江省分行专业技术职务评审委员会) in 1993.

None of our Executive Officers is related to each other or to any of our Directors or substantial shareholders.

None of our Executive Officers had been appointed pursuant to any arrangement or understanding with a substantial shareholder, customer or supplier.

Corporate Governance Report

The Board of Directors ("the Board") of Pan Hong Property Group Limited (the "Company") is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the "Group"). Good corporate governance establishes and maintains a legal and ethical environment, which strives to preserve and enhance the interests of all stakeholders.

This Report describes the Group's corporate governance practices with specific reference to the Code of Corporate Governance 2005 (the "Code"). Where there are deviations from the Code, appropriate explanations are provided.

(A) BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

PRINCIPLE 1: EVERY COMPANY SHOULD BE HEADED BY AN EFFECTIVE BOARD TO LEAD AND CONTROL THE COMPANY. THE BOARD IS COLLECTIVELY RESPONSIBLE FOR THE SUCCESS OF THE COMPANY. THE BOARD WORKS WITH MANAGEMENT TO ACHIEVE THIS AND THE MANAGEMENT REMAINS ACCOUNTABLE TO THE BOARD.

The Board is responsible for the overall performance of the Group. It sets the Group's values and standards and ensures that the requisite financial and human resources support are in place for the Group to achieve its objectives

The Board's role includes:

– guiding the corporate strategy and directions of the Group;

– dealing with matters brought up by the Audit Committee relating to the Group's system of internal controls, including financial, operational and compliance controls, and risk management to enable risk to be assessed and managed;

– reviewing the performance of the Group, including but not limited to approving announcements relating to the financial results of the Group and the audited financial statements;

– making decisions in the best interests of the Group. Major investments and funding decisions are approved by the Board;

– approving major acquisitions and disposals;

– reviewing the corporate governance processes.

Corporate Governance Report

The Board is supported by the Audit Committee (“AC”), Nominating Committee (“NC”) and Remuneration Committee (“RC”) to assist it in discharging its responsibilities. These Committees function within clearly defined terms of reference and operating procedures which are reviewed on a regular basis.

The Board conducts regular scheduled meetings during the period and ad-hoc meetings, including teleconferencing meetings, are convened when circumstances require.

Meetings of board and board committees held in FP2009

	Board of Directors	Audit Committee	Nominating Committee	Remuneration Committee
No. of Meeting held	5	5	1	1
Name of Director	**Attended**	**Attended**	**Attended**	**Attended**
Wong Lam Ping	5	N.A.	1	N.A.
Chan Heung Ling	4	N.A.	N.A.	N.A.
Sim Wee Leong	5	5	1	N.A.
Dr. Choo Kian Koon	5	5	1	1
Dr. Zheng Haibin	5	5	N.A.	1
Chan Kin Sang	5	N.A.	N.A.	1
Shi Feng	5	N.A.	N.A.	N.A.
Wang Cuiping	5	N.A.	N.A.	N.A.

The Group conducts an orientation programme for newly appointed directors. All directors to be appointed will be briefed and given an orientation by the Executive Directors and Management of the Group to familiarise themselves with the businesses and operations of the Group and those who have no prior experience as directors of a listed company will undergo training and briefing on the roles and responsibilities as directors of a listed company. In the event of an appointment of a director, the Company will provide a formal letter to the director, setting out the director’s duties and obligations.

The Directors also have the opportunity to visit the Group’s operating facilities and meet with the Management to gain a better understanding of the Group’s business operations and governance practices. The Directors may join institutes and group associations of specific interests, and attend relevant training seminars or informative talks from time to time to apprise themselves of legal, financial and other regulatory developments.

Corporate Governance Report

BOARD COMPOSITION AND BALANCE

PRINCIPLE 2: THERE SHOULD BE A STRONG AND INDEPENDENT ELEMENT ON THE BOARD, WHICH IS ABLE TO EXERCISE OBJECTIVE JUDGEMENT ON CORPORATE AFFAIRS INDEPENDENTLY, IN PARTICULAR, FROM MANAGEMENT. NO INDIVIDUAL OR SMALL GROUP OF INDIVIDUALS SHOULD BE ALLOWED TO DOMINATE THE BOARD'S DECISION MAKING.

Presently, the Board comprises eight Directors, four executive and four non-executive Directors, as follow:

Executive Directors:

Mr Wong Lam Ping *(Chairman)*
Ms Chan Heung Ling
Mr Shi Feng
Ms Wang Cuiping

Non-Executive Directors:

Mr Chan Kin Sang *(Non-Independent Director)*
Mr Sim Wee Leong *(Lead Independent Director)*
Dr Choo Kian Koon *(Independent Director)*
Dr Zheng Haibin *(Independent Director)*

The present composition of the Board complies with the Code's guidelines that independent directors make up one-third of the Board.

The Board adopts the Code's definition of what constitutes an independent director in its review. The Board is of the view that the independent non-executive Directors of the Company are independent, No individual or small group of individuals dominate the Board's decision making process. The independence of each director is also reviewed annually by the NC.

The size and composition of the Board is reviewed annually by the NC. The review seeks to ensure that the size of the Board is appropriate so as to facilitate effective decision making. The review also ensures that there is an appropriate mix of expertise and experience, which the Group may tap for assistance in furthering its business objectives and shaping its business strategies. Together, the Directors as a group provide core competencies such as accounting and finance, business experience, industry knowledge, strategic planning experience and customer-based experience.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER (“CEO”)

PRINCIPLE 3: THERE SHOULD BE A CLEAR DIVISION OF RESPONSIBILITIES AT THE TOP OF THE COMPANY – THE WORKING OF THE BOARD AND THE EXECUTIVE RESPONSIBILITY OF THE COMPANY’S BUSINESS – WHICH WILL ENSURE A BALANCE OF POWER AND AUTHORITY, SUCH THAT NO ONE INDIVIDUAL REPRESENTS A CONSIDERABLE CONCENTRATION OF POWER.

Mr Wong Lam Ping is currently the Chairman and CEO of the Group. Mr. Wong is the founder of the Group and is responsible for the formulation and execution of overall business strategies and policies.

Although the roles and responsibilities for the Chairman and CEO are vested in Mr. Wong, major decisions making by Board is independent and based on collective decisions without any individual exercising any considerable concentration of power of influence. As such, there is a balance of power and authority and no one individual can control or dominate the decision-making process of the Company. The Board believes that there are adequate measures in place against an uneven concentration of power and authority in one individual.

In line with the recommendations in the Code, Sim Wee Leong has been appointed the Lead Independent Director of the Company to address the concerns, if any, of the Company’s shareholders.

BOARD MEMBERSHIP

PRINCIPLE 4: THERE SHOULD BE A FORMAL AND TRANSPARENT PROCESS FOR THE APPOINTMENT OF NEW DIRECTORS TO THE BOARD.

The NC comprises three members, majority of whom, including the Chairman, are independent Directors.

Dr Choo Kian Koon *(Chairman)*
Mr Sim Wee Leong
Mr Wong Lam Ping

The NC is responsible for the following under its terms of reference:

– making recommendations to the Board on new appointments to the Board;

– making recommendations to the Board on the re-nomination of retiring directors standing for re-election at the Company's annual general meeting, having regard to the director's contribution and performance;

Corporate Governance Report

- determining annually whether or not a director is executive or independent;

- determining whether or not a director is able to and has been adequately carrying out his duties as a director of the Company, particularly when he has multiple board representations;

- deciding how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval; and

- recommending for the Board's implementation, a process for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual director to the effectiveness of the Board.

The NC had in place a process for selection and appointment of new Directors. In selecting potential new directors, the NC will seek to identify the competencies required to enable the Board to fulfill its responsibilities. The NC will evaluate the suitability of the nominee or candidate based on his qualifications, business and related experience, commitment, ability to contribute to the Board process and such other qualities and attributes that may be required by the Board.

During the period, the NC had reviewed the independence of Board members and is of the opinion that Mr Sim Wee Leong, Dr Choo Kian Koon and Dr Zheng Haibin are independent.

The NC had also reviewed the multiple-board seats held by some Directors and is of the view that such multiple board representations do not hinder them from carrying out their duties as Directors.

In accordance with the provisions of the Company's Bye-laws, all Directors will submit themselves for re-nomination and re-election at regular intervals of at least once every three years and newly appointed Directors will submit themselves for re-nomination and re-election at the next Annual General Meeting ("AGM") following their appointment.

The NC had recommended to the Board the re-nomination of Mr Shi Feng, Mr Chan Kin Sang, Mr Sim Wee Leong, Dr Zheng Haibin and Ms Wang Cuiping, for re-election as Directors of the Company at the forthcoming AGM.

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BOARD PERFORMANCE

PRINCIPLE 5: THERE SHOULD BE A FORMAL ASSESSMENT OF THE EFFECTIVENESS OF THE BOARD AS A WHOLE AND THE CONTRIBUTION BY EACH DIRECTOR TO THE EFFECTIVENESS OF THE BOARD.

The Group has in place a system to assess the performance of the Board as a whole of the Board.

The evaluation of the Board's performance is conducted by means of a questionnaire completed by each individual Director, which is then collated and the findings analyzed and discussed. The result of the Board's performance assessment are reviewed by the NC and circulated to the Board for consideration thereafter. Recommendations to further enhance the effectiveness of the Board are implemented, as appropriate.

The NC had assessed the effectiveness of the Board as a whole and the effectiveness of each Director, by each of the following:

- attendance at board/committee meetings;
- involvement in management;
- independence of the directors;
- appropriate experience and skill;
- participation at meetings; and
- availability for consultation and advice when required.

Corporate Governance Report

ACCESS TO INFORMATION

PRINCIPLE 6: IN ORDER TO FULFILL THEIR RESPONSIBILITIES, BOARD MEMBERS SHOULD BE PROVIDED WITH COMPLETE, ADEQUATE AND TIMELY INFORMATION PRIOR TO BOARD MEETINGS AND ON AN ON-GOING BASIS.

The executive Directors and the senior management keep the Board informed of the Group's operations and performance through regular updates and reports as well as through informal discussions. Prior to any meetings of the Board or Board Committees, Directors are provided, where appropriate, with management information to enable them to participate at the meetings. In addition, Board members have separate and independent access to the senior management.

The Company Secretary or her delegate attends all Board and Board Committee meetings and assists the Board in ensuring that Board procedures and all other rules and regulations applicable to the Company are complied with. The Directors are updated by the Company Secretary with new statutory or regulations requirements concerning their duties and responsibilities.

Where decisions to be taken require expert opinion or specialized knowledge, the Company has in place the procedure to enable the Directors, whether as a group or individually, to obtain independent professional advice as and when necessary in furtherance of their duties at the Company's expense. The appointment of such independent professional advisor is subject to approval by the Board.

(B) REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

PRINCIPLE 7: THERE SHOULD BE A FORMAL AND TRANSPARENT PROCEDURE FOR FIXING THE REMUNERATION PACKAGES OF INDIVIDUAL DIRECTORS. NO DIRECTOR SHOULD BE INVOLVED IN DECIDING HIS OWN REMUNERATION.

The RC comprises three members, all of whom, including the Chairman, are non-executive Directors:

Dr Zheng Haibin *(Chairman)*
Dr Choo Kian Koon
Mr Chan Kin Sang

Corporate Governance Report

The RC is responsible for the following under its terms of reference:

– recommending to the Board a framework of remuneration for the Board and key executives;

– recommending specific remuneration packages and terms of employment for each executive Director and the CEO (or executive of equivalent rank) if the CEO is not a director;

– recommending the remuneration of the non-executive Directors, taking into account factors such as their effort and time spent, and their responsibilities;

– in the case of service contracts, considering what compensation commitments the Directors' contracts of service, if any, would entail in the event of early termination with a view to be fair and avoid rewarding poor performance;

– reviewing the remuneration of senior management; and

– recommending to the Board long term incentive schemes which may be set up from time to time.

The recommendation of the RC for the remuneration of Directors is submitted for endorsement by the Board and covered all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, and benefits in kind. No director or member of the RC is involved in deciding his own remuneration.

The RC had recommended to the Board an amount of S$217,500 as Directors' fees for the period ended 31 March 2009. The Board will table this at the forthcoming AGM for shareholder's approval.

If required, the RC will seek expert's advice inside and/or outside the Company on remuneration of all Directors.

Corporate Governance Report

LEVEL AND MIX OF REMUNERATION

PRINCIPLE 8: THE LEVEL OF REMUNERATION SHOULD BE APPROPRIATE TO ATTRACT, RETAIN AND MOTIVATE THE DIRECTORS NEEDED TO RUN THE COMPANY SUCCESSFULLY BUT COMPANIES SHOULD AVOID PAYING MORE THAN IS NECESSARY FOR THIS PURPOSE. A SIGNIFICANT PROPORTION OF EXECUTIVE DIRECTORS' REMUNERATION SHOULD BE STRUCTURED SO AS TO LINK REWARDS TO CORPORATE AND INDIVIDUAL PERFORMANCE.

The remuneration packages are set such that the directors are adequately but not excessively remunerated as compared to other comparable companies in the industry in view of present market conditions. The remuneration policy adopted takes into account the individual's and the Company's performance.

The executive Directors, Mr Wong Lam Ping, Ms Chan Heung Ling, Mr Shi Feng and Ms Wang Cuiping had each entered into separate service agreements with the Company for an initial term of 3 year commencing from 20 September 2006 which will continue thereafter until terminated by not less than 3 months' notice in writing served by either party on the other.

An annual review of the remuneration packages of all Directors was carried out by the RC to ensure that the remuneration of the Directors and key executives commensurate with their performance, giving due consideration to the financial and commercial health and business needs of the Group.

For FP2009, the Directors and key executives had taken the lead to improve the Group's cost structure through a salary reduction exercise. Mr Wong Lam Ping had forego his salary for three months from January 2009 to March 2009 while the management team had taken a salary reduction of up to 20% with respect to their annual salaries.

The non-executive Directors do not have any service agreements with the Company. The current remuneration of the non-executive Directors is appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors. Except for Directors' fees, which have to be approved by shareholders at every AGM, the independent Directors do not receive any other forms of remuneration from the Company.

Presently, the Company does not have any share option scheme.

Corporate Governance Report

DISCLOSURE ON REMUNERATION

PRINCIPLE 9: EACH COMPANY SHOULD PROVIDE CLEAR DISCLOSURE OF ITS REMUNERATION POLICY, LEVEL AND MIX OF REMUNERATION, AND THE PROCEDURE FOR SETTING REMUNERATION IN THE COMPANY'S ANNUAL REPORT. IT SHOULD PROVIDE DISCLOSURE IN RELATION TO ITS REMUNERATION POLICIES TO ENABLE INVESTORS TO UNDERSTAND THE LINK BETWEEN REMUNERATION PAID TO DIRECTORS AND KEY EXECUTIVES, AND PERFORMANCE.

The range of remuneration of Directors of the Group for the financial period ended 31 March 2009 is set out below:

Remuneration Band & Name of Director	Allowance/ Fee %	Based/ Fixed Salary %	Variable or Performance Related Income/ Bonus %	Benefits in Kind %	Other Long Term Incentives %	Total %
S$250,000 and below						
Wong Lam Ping(1)	–	100	–	–	–	100
Chan Heung Ling(1)	–	100	–	–	–	100
Shi Feng	–	21	79	–	–	100
Wang Cuiping	–	21	79	–	–	100
Sim Wee Leong	100	–	–	–	–	100
Dr. Choo Kian Koon	100	–	–	–	–	100
Dr. Zheng Haibin	100	–	–	–	–	100
Chan Kin Sang(2)	100	–	–	–	–	100

1 *Wong Lam Ping and Chan Heung Ling are spouses.*

2 *Chan Kin Sang is the nephew of Wong Lam Ping.*

The top 5 key executives of the Group (in terms of remuneration) are Messrs Wang Yinjian, Chan Chun Kit, Xu Guangquan, Zhang Ning and Wu Jie. The remuneration of each of the key executives for the period ended 31 March 2009 were all below S$250,000.

There were no executives with remuneration above S$250,000 and save as disclosed above, there are no employees of the Group who are immediate family members of a Director and whose remuneration exceeds S$150,000 during the period ended 31 March 2009.

The Group does not have share option scheme in place.

Corporate Governance Report

(C) ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

PRINCIPLE 10: THE BOARD SHOULD PRESENT A BALANCED AND UNDERSTANDABLE ASSESSMENT OF THE COMPANY'S PERFORMANCE, POSITION AND PROSPECTS.

The aim of the Board provides a balanced and understandable assessment of the Group's financial performance to shareholders. Management currently provides the Board with appropriately detailed management accounts of the Group's performance. Financial results are released on a quarterly basis to the shareholders through SGXNET.

AUDIT COMMITTEE

PRINCIPLE 11: THE BOARD SHOULD ESTABLISH AN AUDIT COMMITTEE ("AC") WITH WRITTEN TERMS OF REFERENCE WHICH CLEARLY SET OUT ITS AUTHORITY AND DUTIES.

The AC of the Group comprises three members, all of whom are independent Directors:

Mr Sim Wee Leong *(Chairman)*
Dr Choo Kian Koon
Dr Zheng Haibin

The Board is of the view that the Audit Committee members, having accounting and related financial management expertise or experience, are appropriately qualified to discharge their responsibilities.

The AC is governed by written terms of reference under which it is responsible for:

– reviewing the scope and results of the external audits and the independence and objectivity of the external auditors;

– reviewing the internal control and ensure co-operation given by the Management to the external auditors;

– reviewing the annual and quarterly results announcements of the Group before submission to the Board for adoption;

– reviewing with the internal auditor, the scope and results of the internal audit and monitor Management's response to their findings to ensure that appropriate follow-up measures are taken;

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– nominating and review the appointment or re-appointment of external auditors; and

– reviewing interested person transactions, if any.

The AC has the authority to investigate any matter within its terms of reference. It has full access to the Management and full discretion to invite any director or executive officer to attend its meetings or be provided with reasonable resources to enable it to discharge its functions.

The Company has put in place a Whistle-Blowing Policy. The AC reviews arrangements by which staff may in confidence, raise their concerns about possible improprieties in matters of financial reporting or other matters. The objective of the Policy is to ensure that arrangements and process are in place, to facilitate the independent investigation of such concerns and for appropriate follow-up action.

In performing its functions for the financial period ended 31 March 2009, the Audit Committee:

– held 5 meetings in the financial period with Management and the external auditors.

– met once with the external and internal auditors in May 2009, without the presence of the Management, to review any matters that might be raised privately.

– reviewed the volume of non-audit services to satisfy itself that the nature and extent of such services would not prejudice the independence and objectivity of the external auditors as well as the cost effectiveness of the audit before confirming their re-appointment.

– recommended the re-appointment of Grant Thornton as external auditors at the forthcoming AGM.

INTERNAL CONTROLS

PRINCIPLE 12: THE BOARD SHOULD ENSURE THAT THE MANAGEMENT MAINTAINS A SOUND SYSTEM OF INTERNAL CONTROLS TO SAFEGUARD THE SHAREHOLDERS' INVESTMENT AND THE COMPANY'S ASSETS.

The Board acknowledges its responsibility for maintaining a sound system of internal control framework. The controls are to provide reasonable assurance to safeguard shareholders investments and the Group's assets. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable but not absolute assurance against material misstatement or loss and the review of the Group's internal control systems should be a concerted and continuing process.

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The Group's control environment provides the foundation upon which all other components of internal controls are built upon. It provides discipline and structure, setting the tone of the organization and influencing the control consciousness of its staff. A weak control environment foundation hampers the effectiveness of even the best designed internal control procedure.

The external auditors have, during the course of their audit, carried out a review of the effectiveness of key internal controls within the scope of their audit. Material non-compliance and internal control weaknesses noted during their audit and the auditor's recommendations are reported to the AC. The AC reviews the external auditors' comments and ensures that there are adequate internal controls in the Group.

INTERNAL AUDIT

PRINCIPLE 13: THE COMPANY SHOULD ESTABLISH AN INTERNAL AUDIT FUNCTION THAT IS INDEPENDENT OF THE ACTIVITIES IT AUDITS.

The Group had outsourced its internal audit function to Huzhou Huifeng Chuangye CPA Co., Ltd. The internal auditors report directly to the Chairman of the AC on all internal audit matters and findings, if any, from the audit process. The AC will review the findings of the internal auditors and will ensure that the Group follows up on the auditors' recommendations raised. The AC will review the adequacy of the internal audit function annually and ensures that the internal audit function is adequately resourced.

(D) COMMUNICATION WITH SHAREHOLDERS

PRINCIPLE 14: COMPANIES SHOULD ENGAGE IN REGULAR, EFFECTIVE AND FAIR COMMUNICATION WITH SHAREHOLDERS.

PRINCIPLE 15: COMPANIES SHOULD ENCOURAGE GREATER SHAREHOLDER PARTICIPATION AT AGMS, AND ALLOW SHAREHOLDERS THE OPPORTUNITY TO COMMUNICATE THEIR VIEWS ON VARIOUS MATTERS AFFECTING THE COMPANY.

In line with continuous disclosure obligations, the Group is committed to regular and proactive communication with its shareholders. It is the Board's policy that the shareholders should be informed of all major developments that impact the Group.

Information is communicated to the shareholders on a timely basis through:

– SGXNET announcements and press releases on major developments of the Group;

– the Group's website at www.pan-hong.com;

– financial statements containing a summary of the financial information and affairs of the Group on a quarterly basis via SGXNET;

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- annual reports that are sent to all shareholders; and

- notices of and explanatory notes for general meetings.

Shareholders are encouraged to attend the Annual General Meeting ("AGM") and Special General Meeting ("SGM") to ensure high level of accountability and to stay apprised of the Group's strategy and goals. At AGMs, shareholders are given opportunities to share and communicate their views and seek clarification with the Board. The general meetings are the principal forum for dialogue with shareholders. Shareholders can vote in person or by way of proxy at the general meeting. The notices of the general meeting are dispatched to shareholders, together with explanatory notes at least 14 clear days before each meeting. The notice is also advertised in a national newspaper.

Separate resolutions are proposed for substantially separate issues at the AGM.

The Chairmen of the AC, RC and NC and the external auditors will be available at the forthcoming AGM to attend to queries raised by shareholders.

DEALINGS IN SECURITIES

The Group had adopted an internal compliance code of conduct to provide guidance to its officers regarding dealings in the Group's securities. Officers are prohibited from dealing in securities of the Group two weeks before the release of the quarterly results and at least one month before the release of full year results and at all times, if in possession of price-sensitive information.

INTERESTED PERSON TRANSACTIONS ("IPT")

The Group had adopted an internal policy governing procedures for the identification, approval and monitoring of IPT. All IPT are subject to review by the AC. There was no IPT for the financial period ended 31 March 2009.

MATERIAL CONTRACTS

Saved for the Service Agreements entered into with the Executive Directors (as disclosed in the Company's prospectus 11 September 2006), there are no material contracts entered into by the Group involving the interest of the CEO, any director or controlling shareholder subsisting for the period ended 31 March 2009.

RISK AND MANAGEMENT

The Company does not have a Risk Management Committee. However, Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant control policies and procedures and highlights all significant matter to the Directors and the AC.

Directors' Report

The Directors present their report to the members together with the audited consolidated financial statements of Pan Hong Property Group Limited (the "Company") and its subsidiaries (collectively known as the "Group") for the financial period ended 31 March 2009.

DIRECTORS

The Directors of the Company in office at the date of this report are:

Wong Lam Ping *(Executive Chairman)*
Chan Heung Ling *(Deputy Chairman)*
Sim Wee Leong *(Lead Independent Director)*
Dr. Choo Kian Koon *(Independent Director)*
Dr. Zheng Haibin *(Independent Director)*
Chan Kin Sang *(Non-Executive Director)*
Shi Feng *(Executive Director)*
Wang Cuiping *(Executive Director)*

In accordance with the Company's bye-laws, Mr. Shi Feng, Ms. Wang Cuiping , Mr. Chan Kin Sang, Mr. Sim Wee Leong and Dr. Zheng Haibin shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

During and at the end of the financial period, neither the Company nor any of its subsidiaries was a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of director's shareholdings, interests of Directors who held office at the end of the financial period in the shares of the Company are as follows:

	Shares beneficially held by Directors		**Shareholdings in which Directors are deemed to have an interest**[(1)]	
	At 01.01.2008	**At 21.04.2009 and 31.03.2009**	**At 01.01.2008**	**At 21.04.2009 and 31.03.2009**
Wong Lam Ping *(Executive Chairman)*	18,321,184	18,321,184	301,399,300	302,443,300[1]
Chan Heung Ling *(Deputy Chairman)*	13,099,300	14,443,300	306,321,184	306,321,184[1]
Sim Wee Leong *(Lead Independent Director)*	–	–	–	–
Dr. Choo Kian Koon *(Independent Director)*	–	–	–	–
Dr. Zheng Haibin *(Independent Director)*	–	–	–	–
Chan Kin Sang *(Non-Executive Director)*	–	–	–	–
Shi Feng *(Executive Director)*	473,900	473,900	–	–
Wang Cuiping *(Executive Director)*	473,900	473,900	–	–

1 *Held by company in which Wong Lam Ping and Chan Heung Ling are deemed interested.*

Directors' Report

DIRECTORS' SERVICE CONTRACTS

The Company entered into separate service agreements with Wong Lam Ping, Chan Heung Ling, Shi Feng and Wang Cuiping for a period of 3 years with effect from 20 September 2006 unless otherwise terminated by either party giving not less than 3 month's notice.

No Director of the Company has received or become entitled to receive any benefits by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than in the normal course of business and except as disclosed in this report and the accompanying financial statements.

SHARE OPTIONS

The Company did not have any share option scheme.

AUDIT COMMITTEE, NOMINATING COMMITTEE AND REMUNERATION COMMITTEE

Details of the Company's Audit Committee, Nominating Committee and Remuneration Committee are set out in the Corporate Governance Report on pages 20 to 33 of this annual report.

MATERIAL CONTRACTS INVOLVING THE INTERESTS OF CHIEF EXECUTIVE OFFICER, EACH DIRECTOR OR CONTROLLING SHAREHOLDER

Since the end of the previous financial year, the Company and its subsidiary companies did not enter into any material contracts involving the interests of the chief executive officer, each director or controlling shareholder (as defined under the Listing Manual of the Singapore Exchange Securities Trading Limited) of the Company and no such material contracts still subsist at the end of the financial year.

AUDITORS

Grant Thornton, Certified Public Accountants, Hong Kong, have expressed their willingness to accept re-appointment as auditors.

On behalf of the Directors,

Wong Lam Ping	**Chan Heung Ling**
Director	*Director*

15 June 2009

Directors' Opinion Statement

We, Wong Lam Ping and Chan Heung Ling, being two of the directors of the Company, do hereby state that, in the opinion of the Directors:

(i) the accompanying consolidated and company balance sheets, consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement together with the notes thereto, as set out on pages 40 to 103, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2009 and the results of the business, changes in equity and cash flows of the Group for the fifteen months ended 31 March 2009; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

Wong Lam Ping	**Chan Heung Ling**
Director	*Director*

15 June 2009

Financial Section

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Expressed in Renminbi ("RMB")

Independent Auditors' Report

Grant Thornton
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Member of Grant Thornton International Ltd

To the members of Pan Hong Property Group Limited 汎港地产集团有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Pan Hong Property Group Limited (the "Company") and its subsidiaries (collectively known as the "Group") set out on pages 40 to 103, which comprise the consolidated and company balance sheets as at 31 March 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the fifteen months ended 31 March 2009, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. Their opinion on these financial statements is set out on page 36.

The directors' responsibility for the financial statements includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Independent Auditors' Report

Auditors' responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2009 and of the Group's loss and cash flows for the fifteen months ended 31 March 2009 in accordance with International Financial Reporting Standards.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

15 June 2009

Consolidated Income Statement

for the fifteen months ended 31 March 2009

	Notes	Group Fifteen months ended 31 March 2009 RMB'000	Year ended 31 December 2007 RMB'000
Revenue	*6*	**39,859**	564,857
Cost of sales		**(23,154)**	(334,270)
Gross profit		**16,705**	230,587
Other income and gains	*6*	**22,837**	77,407
Selling expenses		**(9,394)**	(6,577)
Administrative expenses		**(20,867)**	(14,164)
Other operating expenses		**(42,964)**	(547)
Operating (loss)/profit		**(33,683)**	286,706
Finance costs	*8*	**(6,949)**	(1,412)
Share of loss of jointly controlled entity		**(876)**	(298)
(Loss)/profit before income tax	*9*	**(41,508)**	284,996
Income tax credit/(expense)	*10*	**4,289**	(99,327)
(Loss)/profit for the period/year		**(37,219)**	185,669
Attributable to:			
Equity holders of the Company		**(36,985)**	184,856
Minority interests		**(234)**	813
		(37,219)	185,669
Dividends	*11*	**–**	9,178
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the period/year *(in RMB cents):*	*12*		
– Basic		**(7.55)**	38.37
– Diluted		**N/A**	N/A

Balance Sheets

as at 31 March 2009

		Group		Company	
		31 March 2009	31 December 2007	**31 March 2009**	31 December 2007
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	*13*	**8,204**	8,312	**–**	–
Investment properties	*14*	**67,209**	81,013	**–**	–
Leasehold interest in land	*15*	**7,067**	8,206	**–**	–
Goodwill	*16*	**–**	6,030	**–**	–
Investments in subsidiaries	*17*	**–**	–	**278,608**	278,608
Interest in a jointly controlled entity	*18*	**91,080**	49,702	**–**	–
Other receivables	*24*	**–**	20,000	**–**	–
Deposit paid	*19*	**–**	30,000	**–**	–
Deferred tax assets	*20*	**10,300**	11,000	**–**	–
		183,860	214,263	**278,608**	278,608
Current assets					
Properties held under development	*21*	**730,472**	405,914	**–**	–
Properties held for sale	*22*	**114,685**	125,010	**–**	–
Account receivables	*23*	**13,363**	57,007	**–**	–
Deposits paid, prepayments and other receivables	*24*	**209,439**	200,453	**169**	1,564
Amounts due from related parties	*25*	**14,978**	538	**246,182**	248,626
Financial assets at fair value through profit and loss	*26*	**8,468**	–	**–**	–
Pledged bank deposits	*27*	**105,045**	12,805	**–**	–
Cash and bank balances	*27*	**120,414**	243,906	**92**	92
		1,316,864	1,045,633	**246,443**	250,282
Current liabilities					
Account payables		**2,478**	2,105	**–**	–
Accruals, receipts in advance and other payables	*28*	**305,322**	161,343	**16**	–
Provision for tax		**91,364**	109,048	**–**	–
Amounts due to related parties	*25*	**684**	91	**7,606**	6,395
Bank and other loans	*29*	**244,599**	105,563	**–**	–
		644,447	378,150	**7,622**	6,395
Net current assets		**672,417**	667,483	**238,821**	243,887
Total assets less current liabilities		**856,277**	881,746	**517,429**	522,495
Non-current liabilities					
Bank and other loans	*29*	**105,121**	66,140	**–**	–
Shareholder's loan		**–**	17,794	**–**	–
Deferred tax liabilities	*20*	**6,065**	8,495	**–**	–
		111,186	92,429	**–**	–
Net assets		**745,091**	789,317	**517,429**	522,495

Balance Sheets

as at 31 March 2009

		Group		Company	
		31 March 2009	31 December 2007	**31 March 2009**	31 December 2007
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
EQUITY					
Equity attributable to the Company's equity holders					
Share capital	*30*	**298,164**	298,164	**298,164**	298,164
Reserves	*31*	**386,387**	421,201	**219,265**	215,153
Proposed final dividend	*11*	**–**	9,178	**–**	9,178
		684,551	728,543	**517,429**	522,495
Minority interests		**60,540**	60,774	**–**	–
Total equity		**745,091**	789,317	**517,429**	522,495

Wong Lam Ping
Director

Chan Heung Ling
Director

Consolidated Cash Flow Statement

for the fifteen months ended 31 March 2009

	Notes	Group Fifteen months ended 31 March 2009 RMB'000	Year ended 31 December 2007 RMB'000
Cash flows from operating activities			
(Loss)/profit before income tax		**(41,508)**	284,996
Adjustments for:			
Interest income		**(10,782)**	(6,410)
Interest expense		**6,949**	1,412
Fair value change of properties held for sale upon transfer to investment properties		**–**	(17,637)
Depreciation		**1,154**	315
Amortisation of leasehold interest in land		**181**	17
Loss on disposal of property, plant and equipment		**44**	4
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost		**–**	(7,479)
Share of loss of a jointly controlled entity		**876**	298
Fair value adjustment on investment properties		**16,172**	–
Write-down of inventories to net realisable value		**19,811**	–
Impairment losses of goodwill		**6,030**	–
Operating (loss)/profit before working capital changes		**(1,073)**	255,516
Increase in properties held under development and properties held for sale		**(320,945)**	(65,181)
Decrease/(increase) in account and other receivables, prepayments and deposits paid		**30,917**	(86,798)
Increase in amount due from related parties		**(14,440)**	(538)
Increase in account and other payables, accruals and receipts in advance		**146,558**	6,394
Increase in amounts due to related parties		**593**	62
Decrease/(increase) in pledged bank deposits	*27*	**3,360**	(12,805)
Cash (used in)/generated from operations		**(155,030)**	96,650
Interest received		**5,125**	5,295
Income taxes paid		**(15,125)**	(18,521)
Tax refund		**–**	3,686
Net cash (used in)/generated from operating activities		**(165,030)**	87,110

Consolidated Cash Flow Statement

for the fifteen months ended 31 March 2009

	Notes	Group Fifteen months ended 31 March 2009 RMB'000	Year ended 31 December 2007 RMB'000
Cash flows from investing activities			
Purchases of property, plant and equipment		**(2,216)**	(3,994)
Proceeds from disposal of property, plant and machinery		**582**	–
Additions to investment properties		**(2,368)**	–
Purchase of leasehold interest in land		**–**	(8,223)
Investment in a jointly controlled entity		**–**	(50,000)
Acquisition of additional interest of a subsidiary from a minority equity holder		**–**	(2,172)
Acquisition of subsidiaries, net		**–**	(12,482)
Advance to a jointly controlled entity		**(40,000)**	–
Acquisition of financial assets at fair value through profit and loss		**(7,324)**	–
Net cash used in investing activities		**(51,326)**	(76,871)
Cash flows from financing activities			
Proceeds from issuance of share capital		**–**	42,353
Capital contributions made by minority equity holders		**–**	10,000
Dividend paid		**(9,178)**	(4,800)
Dividend paid to a minority equity holder		**–**	(1,552)
New borrowings		**283,580**	111,781
Repayment of borrowings		**(105,563)**	(50,078)
Interest paid		**(19,770)**	(7,347)
Decrease/(Increase) in pledged other receivables and other deposits	*24(b)*	**36,000**	(80,000)
Net cash generated from financing activities		**185,069**	20,357
Net (decrease)/increase in cash and cash equivalents		**(31,287)**	30,596
Effect of foreign exchange difference		**3,395**	(8,046)
Cash and cash equivalents at beginning of the period/year		**243,906**	221,356
Cash and cash equivalents at end of the period/year	*27*	**216,014**	243,906

Consolidated Statement of Changes in Equity

for the fifteen months ended 31 March 2009

The Group

	Equity attributable to equity holders of the Company									Minority Interest	Total equity
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Exchange reserves RMB'000	Retained earnings RMB'000	Proposed final dividend RMB'000	Total RMB'000	RMB'000	RMB'000
At 1 January 2007	292,164	116,727	(2,243)	6,058	–	(1,773)	99,600	4,800	515,333	32,663	547,996
Profit for the year	–	–	–	–	–	–	184,856	–	184,856	813	185,669
Exchange difference	–	–	–	–	–	(7,647)	–	–	(7,647)	280	(7,367)
Total income and expenses recognised during the year	–	–	–	–	–	(7,647)	184,856	–	177,209	1,093	178,302
Capital contribution made by a minority equity holder	–	–	–	–	–	–	–	–	–	10,000	10,000
Acquisition of additional interest in a subsidiary from a minority equity holder	–	–	–	–	–	–	–	–	–	(2,172)	(2,172)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	19,190	19,190
Issue of shares on placement	6,000	36,353	–	–	–	–	–	–	42,353	–	42,353
2006 dividend paid during the year	–	–	–	–	–	–	–	(4,800)	(4,800)	–	(4,800)
Final dividend proposed for the year *(note 11)*	–	–	–	–	–	–	(9,178)	9,178	–	–	–
Dividend paid to minority equity holder	–	–	–	–	–	–	(1,552)	–	(1,552)	–	(1,552)
Transfer to capital reserve	–	–	–	(3,838)	3,838	–	–	–	–	–	–
Transfer to statutory reserves	–	–	–	2,037	–	–	(2,037)	–	–	–	–
At 31 December 2007 and 1 January 2008	298,164	153,080	(2,243)	4,257	3,838	(9,420)	271,689	9,178	728,543	60,774	789,317
Loss for the period	–	–	–	–	–	–	(36,985)	–	(36,985)	(234)	(37,219)
Exchange difference	–	–	–	–	–	2,171	–	–	2,171	–	2,171
Total income and expenses recognised during the period	–	–	–	–	–	2,171	(36,985)	–	(34,814)	(234)	(35,048)
2007 dividend paid during the period *(note 11)*	–	–	–	–	–	–	–	(9,178)	(9,178)	–	(9,178)
Transfer to statutory reserves	–	–	–	21	–	–	(21)	–	–	–	–
At 31 March 2009	298,164	153,080	(2,243)	4,278	3,838	(7,249)	234,683	–	684,551	60,540	745,091

Notes to the financial statements

for the fifteen months ended 31 March 2009

1. GENERAL INFORMATION

Pan Hong Property Group Limited was incorporated in Bermuda under the laws of Bermuda on 20 December 2005 as an exempted company with limited liability. The Company's shares are listed on the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST").

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at Room 1214-1215, Tower B, Hunghom Commercial Centre, 37-39 Ma Tau Wai Road, Hunghom, Hong Kong. The Company does not have a place of business in Singapore as at the date of this report.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries (together with the Company, known as the "Group") are set out in note 17 to the financial statements.

The Group's financial year end date changed from 31 December to 31 March as detailed in note 2.

The financial statements on pages 40 to 103 have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IAS") and Interpretations issued by the International Accounting Standards Board ("IASB").

The financial statements for the fifteen months ended 31 March 2009 were approved for issue by the board of directors on 15 June 2009.

2. CHANGE OF FINANCIAL YEAR END DATE

During the period, the Directors resolved to change the Company's financial year end date from 31 December to 31 March to enable better management of the Company's internal processes and smoother flow of its operations.

As a result of aforesaid change of the financial year end date, the financial statements for the current period cover the 15-month period from 1 January 2008 to 31 March 2009. The corresponding amounts shown for the income statement, cash flow statement and statement of changes in equity and related notes cover a 12-month period from 1 January 2007 to 31 December 2007 and therefore may not be comparable with amounts shown for the current period.

Notes to the financial statements

for the fifteen months ended 31 March 2009

3. ADOPTION OF NEW OR AMENDED IFRSs

In current year, the Group has applied, for the first time, the following new standards, amendments and interpretations (the "new IFRSs") issued by IASB and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2008.

IAS 39 (Amended)	Reclassification of Financial Assets
IFRIC 11	IFRS 2: Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	IFRS 19: The limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction

These new and amended IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

3.1 New or amended IFRSs that have been issued but are not yet effective

The Group has not early adopted the following IFRSs that have been issued but are not yet effective for the period from 1 January 2008 to 31 March 2009.

IFRS 1	First-time Adoption of International Financial Reporting Standards[5]
IFRS 1	First-time Adoption of International Financial Reporting Standards – Amendment relating to cost of an investment on first-time adoption[4]
IFRS 2 (Amended)	Share-based Payment – Amendment relating to vesting conditions and cancellations[4]
IFRS 3 (Revised)	Business Combinations – Comprehensive revision on applying the acquisition method[5]
IFRS 5 (Amended)	Non-current Assets Held for Sale and Discontinued Operations – Amendments resulting from May 2008 Annual Improvements to IFRSs[5]
IFRS 7 (Amended)	Financial Instruments: Disclosures – Consequential Amendments Arising from IAS 32 (revised)[4]
IFRS 7 (amendments)	Improving Disclosure about Financial Instruments[4]
IFRS 8	Operating segments[4]
IAS 1 (Revised 2007)	Presentation of Financial Statements – Comprehensive revision including requiring a statement of comprehensive income[4]
IAS 1 (Revised 2008)	Presentation of Financial Statements – Amendments relating to disclosure of puttable instruments and obligations arising on liquidation[4]

Notes to the financial statements

for the fifteen months ended 31 March 2009

3. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

3.1 New or amended IFRSs that have been issued but are not yet effective (Continued)

IAS 23 (Revised)	Borrowing Costs – Comprehensive revision to prohibit immediate expensing[6]
IAS 27 (Amended)	Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS 3[5]
IAS 27 (Revised)	Consolidated and Separate Financial Statements – Amendment relating to cost of an investment on first-time adoption[4]
IAS 28 (Amended)	Investments in Associates – Consequential amendments arising from amendments to IFRS 3[5]
IAS 31 (Amended)	Interests in Joint Ventures – Consequential amendments arising from amendments to IFRS 3[5]
IAS 32 (Amended)	Financial Instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation[4]
IAS 39 (Amended)	Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items[5]
IAS 39 and IFRIC 9 (amendments)	Reassessment of embedded derivatives[2]
IFRIC 13	Customer Loyalty Programmes[1]
IFRIC 15	Agreements for the Construction of Real Estate[4]
IFRIC 16	Hedges of a Net Investment in a Foreign Operation[3]
IFRIC 17	Distributions of Non-cash Assets to Owners[5]
IFRIC 18	Transfers of Assets from Customers[7]
Various	Amendments resulting from Annual Improvements to IFRSs issued on May 2008[7] and April 2009[9]

Notes:

[1] *Effective for annual periods beginning on or after 1 July 2008.*

[2] *Effective for annual periods ending on or after 30 June 2009.*

[3] *Effective for annual periods beginning on or after 1 October 2008.*

[4] *Effective for annual periods beginning on or after 1 January 2009.*

[5] *Effective for annual periods beginning on or after 1 July 2009.*

[6] *Effective for borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009.*

[7] *Effective for transfer received on or after 1 July 2009.*

[8] *Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific IFRS.*

[9] *Generally effective for annual periods beginning on or after 1 January 2010 unless otherwise stated in the specific IFRS.*

Notes to the financial statements

for the fifteen months ended 31 March 2009

3. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

3.2 Among these new standards and interpretations, IAS 1 (revised) is expected to be relevant to the Group's financial statements.

Amendment to IAS 1 Presentation of Financial Statements

This amendment affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures. Management is currently assessing the detailed impact of this amendment on the Group's financial statements.

The directors of the Company are currently assessing the impact of the other new standards and interpretations but are not yet in a position to state whether they would have material impact on the Group's financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied all the years presented unless otherwise stated.

The financial statements have been prepared under the historical cost basis, except for investment properties and financial assets at fair value through profit or loss which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that the accounting estimates and assumptions are used in preparing these financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

Notes to the financial statements

for the fifteen months ended 31 March 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year upon the change of financial year end date as detailed in note 2 above.

4.3 Goodwill

Goodwill represents the excess of the cost of a business combination or an investment over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assume, and equity instruments issued by the Group, plus any costs directly attributable to the business combination or investment.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment *(note 4.16)*.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in the consolidated income statement.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

4.4 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Notes to the financial statements

for the fifteen months ended 31 March 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Subsidiaries (Continued)

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

4.5 Jointly controlled entities

A jointly controlled entity is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers.

In the consolidated financial statements, investment in a jointly controlled entity is initially recognised at cost and subsequently accounted for using the equity method. Under the equity method, the Group's interest in the jointly controlled entity is carried at cost and adjusted for the post-acquisition changes in the Group's share of the jointly controlled entity's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the jointly controlled entity for the year, including any impairment loss on goodwill relating to investment in jointly controlled entity recognised for the year.

Notes to the financial statements

for the fifteen months ended 31 March 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 Jointly controlled entities (Continued)

When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity. For this purpose, the Group's interest in the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the jointly controlled entity.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in a jointly controlled entity. At each balance sheet date, the Group determines whether there is any objective evidence that the investment in a jointly controlled entity is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount of the jointly controlled entity and its carrying amount.

In the Company's balance sheet, investment in a jointly controlled entity is stated at cost less any impairment losses. The results of the jointly controlled entity are accounted for by the Company on the basis of dividends received and receivable.

4.6 Revenue recognition

Revenue comprises the fair value for the sale of properties, rendering of services and the use by others of the Group's assets yielding interest, royalties and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Revenue arising from sale of properties held for sale is recognised upon the transfer of the significant risks and rewards of ownership of these properties held for sale to the purchasers. Revenue is recognised upon the signing of the sale and purchase agreement or the issue of an occupation permit by the relevant government authorities, whichever is the later. Deposits and instalments received from purchasers prior to the date of revenue recognition are included in current liabilities as receipts in advance.

Commission income and consultancy fee income are recognised at the time when the services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

Rental income receivable under operating leases is recognised in the consolidated income statement in equal instalments over the periods covered by the lease terms.

Notes to the financial statements

for the fifteen months ended 31 March 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Property, plant and equipment

Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the consolidated income statement during the period in which they are incurred.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Buildings	The shorter of the lease terms and 2.5%
Computers and other equipment	20.0%
Leasehold improvement	5.0%
Motor vehicles	20.0%

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted, if appropriate, at each balance sheet date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Notes to the financial statements

for the fifteen months ended 31 March 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.8 Investment properties

Investment properties are land and buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment properties. The carrying amounts recognised in the consolidated balance sheet reflect the prevailing market conditions at the balance sheet date.

Gain or loss arising from either a change in fair value or the sale of investment properties is included in the consolidated income statement for the period in which it arises.

For a transfer from properties held for sale to investment property that is carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the consolidated income statement.

4.9 Properties held under development

Properties held under development which are held for future sale are included in current assets and comprise land held under operating lease *(note 4.11(ii))* and aggregate cost of development, materials and supplies, wages, and other expenses ("development costs"). Development costs are stated at the lower of cost and net realisable value. Other expenses included (a) those costs that are incurred in bringing the properties held under development to their present location and condition; and (b) a systematic allocation of fixed overheads that are incurred on development of properties. Fixed overheads are indirect costs which remain relatively constant regardless of the size or volume of the development.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and applicable selling expenses.

On completion, the properties are transferred to properties held for sale.

Notes to the financial statements

for the fifteen months ended 31 March 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Properties held for sale

In case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. The cost of completed properties held for sale comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

4.11 Operating leases

(i) Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the consolidated income statement on a straight line basis over the lease terms. Lease incentives received are recognised in the consolidated income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the consolidated income statement in the period in which they are incurred.

(ii) Leasehold interests in land are up-front payments to acquire the land use right. The payments are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis over the lease term.

For leasehold interest in land included in properties held under development and properties held for sale, the amortisation of prepaid land lease is capitalised as part of the building costs during the development period but charged to the consolidated income statement for completed properties. Other amortisation of prepaid land lease is expensed.

Properties leased out under operating leases are included in the balance sheet as investment properties. The recognition of rental income is set out in note 4.6.

Notes to the financial statements

for the fifteen months ended 31 March 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries and jointly controlled entities are set out below.

Financial assets other than hedging instruments are classified into the following categories:

– financial assets at fair value through profit or loss

– loans and receivables

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in the consolidated income statement.

Notes to the financial statements

for the fifteen months ended 31 March 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Financial assets (Continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

At each balance sheet date, loans and receivables are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that come to the attention of the Group about one or more of the following loss events:

(a) significant financial difficulty of the debtor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

(d) significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtors; and

(e) a significant or prolonged decline in the fair value of an investment in an equity instrument below its costs.

If any such evidence exists, the impairment loss is measured and recognised as follows:

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the consolidated income statement of the period in which the impairment occurs.

Notes to the financial statements

for the fifteen months ended 31 March 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Financial assets (Continued)

(ii) Loans and receivables (Continued)

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the consolidated income statement of the period in which the reversal occurs.

4.13 Foreign currencies

The financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the consolidated income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the balance sheet date. Income and expenses have been converted into the RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the Exchange reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into RMB at the closing rates.

Other exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale.

Notes to the financial statements

for the fifteen months ended 31 March 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the consolidated income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the consolidated income statement, or in equity if they relate to items that are charged or credited directly to equity.

Notes to the financial statements

for the fifteen months ended 31 March 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.15 Cash and cash equivalents

For the purpose of consolidated cash flow statement presentation, cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of balance sheet classification, cash and bank balances comprise cash on hand and in banks and time deposits repayable on demand with any banks or other financial institutions. Cash includes deposits denominated in foreign currencies.

4.16 Impairment of non-financial assets

Goodwill arising on an acquisition of a subsidiary, property, plant and equipment, leasehold interests in land and interests in subsidiaries are subject to impairment testing.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that it is impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under the Group's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

Notes to the financial statements

for the fifteen months ended 31 March 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 Impairment of non-financial assets (Continued)

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.17 Financial liabilities

The Group's financial liabilities include account and other payables, accruals, amounts due to related parties, bank and other loans and shareholder's loan.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the consolidated income statement. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the consolidated income statement.

Borrowings are recognised initially at fair value, net of transaction cost incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Other financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Notes to the financial statements

for the fifteen months ended 31 March 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.18 Retirement benefit costs and short term employee benefits

Retirement benefits to employees

The Group operates a defined contribution retirement benefit scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance which is available to its employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are made based on a percentage of employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme.

Pursuant to the relevant regulations in the PRC, the Group has participated in a local municipal government retirement benefit scheme (the "Scheme"), whereby the Group is required to contribute a certain percentage of basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees in the PRC. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. The Group's contributions to the Scheme are expensed as incurred.

The assets of the MPF Scheme and Scheme are held separately from those of the Group in independently administered funds.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

4.19 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from the share premium (net of any related income tax benefits) to the extent that they are incremental cost directly attributable to the equity transaction.

Notes to the financial statements

for the fifteen months ended 31 March 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.20 Finance costs

Finance costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other finance costs are expensed.

4.21 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4.22 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

Notes to the financial statements

for the fifteen months ended 31 March 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.23 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly, or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of the key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vii) the party is a post-employment benefit plan which is for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

Notes to the financial statements

for the fifteen months ended 31 March 2009

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy. The recoverable amounts of cash-generating unit have been determined based on value-in-use calculations. These calculations require the use of estimates.

(ii) Fair value of investment properties and properties held for sale upon transfer to investment properties

The investment properties and properties held for sale upon transfer to investment properties of the Group were stated at fair value in accordance with the accounting policy. The fair value of the investment properties is determined by a firm of independently qualified professional surveyors and the fair value of investment properties as at 31 March 2009 and properties held for sale upon transfer to investment properties are set out in notes 14 and 22 respectively. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

(iii) Impairment of account receivables

The Group's management assesses the collectibility of account receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the impairment loss at the balance sheet date.

Notes to the financial statements

for the fifteen months ended 31 March 2009

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

5.1 Critical accounting estimates and assumptions (Continued)

(iv) Net realisable value of properties held for sale and properties held under development

Management determines the net realisable value of properties held for sale by using prevailing market data such as most recent sale transactions and market survey reports available from independent property valuers, and internal estimates of costs based on quotes by suppliers.

Management's assessment of net realisable value of properties held under development requires the application of a risk-adjusted discount rate to estimate future discounted cash flows to be derived from these properties. These estimates require judgement as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions.

5.2 Critical judgements in applying the entity's accounting policies

(i) Revenue recognition

The Group has recognised revenue from sale of properties held for sale during the period as disclosed in note 6 to these financial statements. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyer requires examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the transfer of the legal title or the passing of possession to the buyer or a completion certificate is issued by the relevant government authorities. The Group believes that its recognition basis of sales as set out in note 4.6 is appropriate and is the current practice in the PRC.

(ii) Taxation

The Group is subject to taxation in various jurisdictions. Significant judgement is required in determining the amount of the provision of taxation and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in periods in which such determination are made.

The Group is subject to LAT in the PRC. However, the implementation and settlement of this tax varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its LAT calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related LAT. The Group recognised LAT based on management's best estimates according to the understanding of the tax rules.

Notes to the financial statements

for the fifteen months ended 31 March 2009

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, other income and gains recognised during the period are as follows:

	Group	
	Fifteen months ended 31 March 2009 RMB'000	Year ended 31 December 2007 RMB'000
Revenue		
Sale of properties held for sale	**39,859**	564,857
Other income and gains		
Commission income	**1,202**	18,780
Consultancy fee income	**6,395**	15,000
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	**–**	7,479
Net fair value gain for		
– properties held for sale upon transfer to investment properties	**–**	17,637
– financial assets at fair value through profit or loss	**1,144**	8,519
Interest income		
– from bank deposits and cash at banks	**5,125**	5,295
– from other deposits	**247**	1,115
– from other receivables and amount due from jointly controlled entity	**5,410**	–
	10,782	6,410
Rental income	**2,791**	1,932
Others	**523**	1,650
	22,837	77,407

Notes to the financial statements

for the fifteen months ended 31 March 2009

7. SEGMENT INFORMATION

Properties development is the only business segment of the Group. No geographical segment analysis is presented as less than 10% of the Group's revenue and contribution to operating profit is attributable to markets located outside the PRC. Accordingly, no separate business and geographical segment information is prepared.

8. FINANCE COSTS

	Group	
	Fifteen months ended 31 March 2009 RMB'000	Year ended 31 December 2007 RMB'000
Interest charges on financial liabilities stated at amortised cost:		
Bank loans repayable within five years	**16,260**	7,261
Bank loans repayable after five years	**247**	86
Other loans repayable within five years	**3,263**	1,412
	19,770	8,759
Less: amount capitalised in properties held under development	**(12,821)**	(7,347)
	6,949	1,412

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for the fifteen months ended 31 March 2009

9. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging/(crediting):

	Group	
	Fifteen months ended 31 March 2009 RMB'000	Year ended 31 December 2007 RMB'000
Amortisation of leasehold interest in land	**181**	17
Cost of properties held for sale recognised as expense	**20,850**	306,229
Loss on disposal of property, plant and equipment	**44**	4
Exchange (gain)/loss, net	**(928)**	88
Operating lease charge in respect of land and buildings	**134**	173
Less: amount capitalised in properties held under development	**–**	(26)
	134	147
Outgoings in respect of investment properties that generated rental income during the year arrangements	**497**	168
Staff costs, including directors' remuneration		
– Wages and salaries	**10,934**	7,967
– Retirement benefit scheme contributions – defined contribution plans	**1,070**	507
Less: amount capitalised in properties held under development	**(1,871)**	(978)
	10,133	7,496
Impairment losses of goodwill	**6,030**	–
Write down of properties held under development to net realisable value	**19,811**	–
Net fair value loss for investment properties	**16,172**	–

The independent auditors did not receive any fee for non-audit services for the fifteen months ended 31 March 2009 and year ended 31 December 2007.

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for the fifteen months ended 31 March 2009

10. INCOME TAX (CREDIT)/EXPENSE

	Notes	Group Fifteen months ended 31 March 2009 RMB'000	Year ended 31 December 2007 RMB'000
Current tax – PRC			
– Corporate income tax	*(a)*	**1,016**	72,550
– LAT	*(b)*	**1,206**	41,567
– Tax refund	*(c)*	**–**	(3,686)
Overprovision in prior year			
– Corporate income tax		**(5,068)**	(2,947)
		(2,846)	107,484
Current tax – Hong Kong	*(d)*	**287**	–
Deferred income tax *(note 20)*		**(1,730)**	(8,157)
Total income tax (credit)/expense		**(4,289)**	99,327

Notes:

(a) During the 5th session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law was approved and would become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25% (Year ended 31 December 2007: 33%).

Foreign companies which do not have establishments in PRC but derive rental income from the PRC are subject to PRC corporate income tax on a withholding basis. According to Guoshuifa (2000) 37, the statutory withholding tax rate is 10% for rent paid to foreign enterprises (Year ended 31 December 2007: 10%).

(b) Under the Provisional Rules on LAT Implementation Rules of the PRC implemented on 27 January 1995, all gains from the sales or transfer of land use rights, buildings and their attached facilities in the PRC are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including all finance costs and all property development expenditures. There are certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items (as defined in the relevant PRC tax laws). Sales of commercial properties are not eligible for such an exemption.

(c) For the year ended 31 December 2007, tax refund was obtained by the Group under the reinvestment tax refund scheme in accordance with the relevant laws and regulations in the PRC.

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for the fifteen months ended 31 March 2009

10. INCOME TAX (CREDIT)/EXPENSE (Continued)

Notes: (Continued)

(d) Hong Kong profits tax has been provided at the rate of 16.5% (Year ended 31 December 2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable else where have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during the year.

The Hong Kong SAR Government enacted a reduction in the Profits Tax Rate from 17.5% to 16.5% with effect from the year of assessment 2008/2009. Accordingly, the relevant current and deferred tax liabilities have been calculated using the new tax rate of 16.5%.

Reconciliation between income tax expense and accounting (loss)/profit at the applicable tax rate is as follows:

	Group	
	Fifteen months ended 31 March 2009	Year ended 31 December 2007
	RMB'000	RMB'000
(Loss)/profit before income tax	**(41,508)**	284,996
Tax on profit before taxation, calculated at the rates applicable to (loss)/profits in the jurisdiction concerned	**(10,377)**	71,137
Tax effect of non-taxable revenue	**(6,591)**	(9,063)
Tax effect of non-deductible expenses	**12,475**	5,404
Tax effect of lower tax rate used for the recognition of deferred tax *(note 20)*	**–**	(1,250)
Tax refund	**–**	(3,686)
LAT charge	**1,206**	41,567
Others	**(1,002)**	(4,782)
Total taxation	**(4,289)**	99,327

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for the fifteen months ended 31 March 2009

11. DIVIDENDS

At a meeting of Board of Directors of the Company held on 27 February 2008, the directors proposed a final dividend of HK$0.02 per ordinary share, amounting to HK$9,800,000 (equivalent to RMB9,178,000) for the year ended 31 December 2007, which was approved by the shareholders at the annual general meeting held on 18 April 2008. This final dividend has been reflected as an appropriation of retained earnings for the current period.

The Directors do not recommend the payment of a final dividend for the current period.

12. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company of approximately RMB36,985,000 (Year ended 31 December 2007: profit of RMB184,856,000) divided by 490,000,000 (Year ended 31 December 2007: the weighted average of 481,808,000) ordinary shares during the period.

Diluted earnings per share for the period has not been presented as there is no dilutive potential share (Year ended 31 December 2007: Nil).

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for the fifteen months ended 31 March 2009

13. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Computers and other equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Leasehold improvement RMB'000	Total RMB'000
At 1 January 2007					
Cost	725	1,768	3,434	–	5,927
Accumulated depreciation	(260)	(815)	(112)	–	(1,187)
Net book amount	465	953	3,322	–	4,740
Year ended 31 December 2007					
Opening net book amount	465	953	3,322	–	4,740
Additions	228	697	2,068	1,001	3,994
Disposals	–	(4)	–	–	(4)
Depreciation	(151)	(263)	(4)	–	(418)
Closing net book amount	542	1,383	5,386	1,001	8,312
At 31 December 2007					
Cost	953	2,460	5,502	1,001	9,916
Accumulated depreciation	(411)	(1,077)	(116)	–	(1,604)
Net book amount	542	1,383	5,386	1,001	8,312
Period ended 31 March 2009					
Opening net book amount	542	1,383	5,386	1,001	8,312
Additions	194	1,930	–	92	2,216
Disposals	(477)	(129)	(20)	–	(626)
Depreciation	(181)	(676)	(520)	(55)	(1,432)
Exchange difference	–	(53)	(213)	–	(266)
Closing net book amount	78	2,455	4,633	1,038	8,204
At 31 March 2009					
Cost	670	4,222	5,482	1,093	11,467
Accumulated depreciation	(592)	(1,767)	(849)	(55)	(3,263)
Net book amount	78	2,455	4,633	1,038	8,204

Notes to the financial statements

for the fifteen months ended 31 March 2009

13. PROPERTY, PLANT AND EQUIPMENT – GROUP (Continued)

Buildings held by the Group are located in the PRC and Hong Kong. At balance sheet date, the Group's buildings of approximately RMB2,012,000 (31 December 2007: RMB2,068,000) was pledged for a bank loan *(note 29(c))* of the Group.

Depreciation charges have been included in:

	Group	
	Fifteen months ended 31 March 2009 RMB'000	Year ended 31 December 2007 RMB'000
Consolidated balance sheet		
– capitalised in properties held under development	**278**	103
Consolidated income statement		
– cost of sales	**219**	106
– selling expenses	**28**	12
– administrative expenses	**907**	197
	1,154	315
	1,432	418

14. INVESTMENT PROPERTIES

	Group	
	31 March 2009 RMB'000	31 December 2007 RMB'000
Carrying amount at beginning of the period/year	**81,013**	35,338
Additions	**2,368**	–
Transfer from properties held under development *(note 21)*	**–**	45,675
Net fair value change debited to the consolidated income statement	**(16,172)**	–
Carrying amount at end of the period/year	**67,209**	81,013

The investment properties included leasehold interest in land located in the PRC with lease terms expiring from 2032 to 2070 (31 December 2007: from 2032 to 2070).

The fair value of the investment properties at 31 March 2009 was revalued by Jones Lang LaSalle Sallmanns Limited ("JLLSS"), a firm of independent qualified professional surveyors, which was based on the investment method by capitalising the net rental income derived from the existing tenancy with due allowance for the reversionary value of the properties as at 31 March 2009.

Notes to the financial statements

for the fifteen months ended 31 March 2009

15. LEASEHOLD INTEREST IN LAND

The Group's interest in leasehold land represents prepaid operating lease payment and its net book amount is analysed as follows:

	Group	
	31 March 2009 RMB'000	31 December 2007 RMB'000
Net carrying amount at beginning of the period/year	**8,206**	–
Additions	**–**	8,223
Amortisation for the period/year	**(181)**	(17)
Exchange difference	**(958)**	–
Net carrying amount at end of the period/year	**7,067**	8,206

Leasehold interest in land is located in Hong Kong and has lease terms expiring in 2046. It is pledged for a bank loan *(note 29(c))* of the Group.

16. GOODWILL

The amount of goodwill capitalised as an asset and recognised in the consolidated balance sheet, arising from the acquisition of a subsidiary, is as follows:

	Group	
	31 March 2009 RMB'000	31 December 2007 RMB'000
At beginning of the period/year		
Gross carrying amount	**6,030**	6,030
Accumulated impairment	**–**	–
Net carrying amount	**6,030**	6,030
For the period/year		
Opening net carrying amount	**6,030**	6,030
Impairment losses	**(6,030)**	–
Closing net carrying amount	**–**	6,030
At end of the period/year		
Gross carrying amount	**6,030**	6,030
Accumulated impairment	**(6,030)**	–
Net carrying amount	**–**	6,030

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for the fifteen months ended 31 March 2009

16. GOODWILL (Continued)

The goodwill at 31 March 2009 mainly comprises goodwill arising from the acquisition of Huzhou Hongjin Market Construction & Development Co., Ltd. ("Huzhou Hongjin Market Company") in 2006. Based on the directors' assessment of the recoverable amount of the goodwill using the value-in-use calculations, covering 10 years cash-flow projections discounted at applicable costs of capital for Huzhou Hongjin Market Company, which assume that there are no material adverse changes in the underlying property development operations of the company. Cash flow projections were based on the budgeted financial results of the cash-generating unit approved by the management covering a five-year period. Cash flows beyond the five-year period were extrapolated without growth rate.

The discount rate applied to cashflow projection is 9% (31 December 2007: 9%) and cash flow beyond five-year period are extrapolated using a growth rate of 15% (31 December 2007: 15%) which is similar to the long term average growth rate of the life of the assets in the PRC.

The impairment loss recognised during the period relates to the unsatisfactory business performance of property development operations of the company and the fair value loss on the investment properties held by the company.

The goodwill impairment loss of RMB6,030,000 (Year ended 31 December 2007: Nil) was included under "other operating expenses" in the income statement.

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	31 March 2009 RMB'000	31 December 2007 RMB'000
Unlisted shares, at cost	**278,608**	278,608

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for the fifteen months ended 31 March 2009

17. INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 March 2009 are as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid-up share/ registered capital	Percentage of equity interest held by the Company
Directly held:				
Modernland Developments Limited ("Modernland Developments")	British Virgin Islands ("BVI")	Investment holding, Hong Kong	US$1,000,000	100%
Enrich H.K. Investments Limited	Hong Kong	Investment holding, Hong Kong	HK$1	100%
Far East Construction Limited	Hong Kong	Investment holding, Hong Kong	HK$1	100%
Loerie Investments Limited	BVI	Investment holding, Hong Kong	US$1	100%
Ho Hong (HK) Management Limited (formerly known as Maxrich Asia Ltd.)	Hong Kong	Investment holding, Hong Kong	HK$1	100%
Sino Harbour Limited	Hong Kong	Investment holding, Hong Kong	HK$1	100%
Indirectly held:				
Fuzhou Pan Hong Kai Xuan Property Development Co., Ltd. ("Fuzhou Pan Hong") *(note a)*	PRC	Property development, PRC	RMB89,930,000	100%
Hangzhou Liyang Housing and Landing Development Co., Ltd.	PRC	Property development and investment holding, PRC	US$9,500,000	100%
Huzhou Real Estate Development Co., Ltd.	PRC	Property development, PRC	RMB22,500,000	70%

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17. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid-up share/ registered capital	Percentage of equity interest held by the Company
Indirectly held: (Continued)				
Huzhou Asia City Real Estate Development Co., Ltd.	PRC	Property development and investment holding, PRC	RMB27,000,000	100%
Huzhou Jiangnan Hailian Construction Co., Ltd. ("Huzhou Hailian") *(note b)*	PRC	Property development, PRC	US$8,000,000	65%
Huzhou Liyang Housing and Landing Development Co., Ltd.	PRC	Property development, PRC	RMB95,837,525	100%
Huzhou Luzhou Housing and Landing Development Co., Ltd.	PRC	Property development, PRC	RMB82,176,000	100%
Huzhou Hongjin Market Construction & Development Co., Ltd.	PRC	Property development and investment, PRC	US$6,000,000	100%
Jiangxi Asia City Real Estate Development Co., Ltd.	PRC	Property development, PRC	US$25,000,000	100%
Jiangmen Pan Hong Property Co., Ltd.	PRC	Property development, PRC	RMB40,000,000	75%
Leping City Feng Huang Jincheng Industry Co., Ltd.	PRC	Property development, PRC	RMB24,500,000	51%
Pan Hong Investment Limited	Hong Kong	Investment holding, Hong Kong	HK$192,569,567	100%
Wiseidea Investments Limited	BVI	Investment holding, Hong Kong	US$1	100%

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17. INVESTMENTS IN SUBSIDIARIES (Continued)

Note:

(a) The registered capital of Fuzhou Pan Hong was RMB450,000,000. At 31 March 2009, RMB89,930,000 of the total registered capital of Fuzhou Pan Hong Kai Xuan Property Development Co., Ltd. has been paid-up and the group therefore had an outstanding investment commitment of RMB360,070,000 in the subsidiary.

(b) On 20 March 2009, the Group has entered into a sales and purchase agreement with a minority equity holder, Zhejiang Jiangnan Gongmao Group Co., Ltd. ("Zhejiang Jiangnan Gongmao") for acquisition of additional 15% equity interest in Huzhou Hailian by a cash consideration of RMB9,600,000. The transaction have been completed on 24 April 2009. This transaction is not expected to have material impact on the financial results or financial position of the Group for the fifteen months ended 31 March 2009.

The financial statements of the above subsidiaries are audited by Grant Thornton, Certified Public Accountants, Hong Kong, for statutory purpose and/or for the purpose of the Group consolidation of Pan Hong Property Group Limited.

18. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	31 March 2009	31 December 2007
	RMB'000	RMB'000
Unlisted investment, at cost	**50,000**	50,000
Share of post-acquisition losses	**(1,174)**	(298)
	48,826	49,702
Amount due from Jointly controlled entity *(note a)*	**42,254**	–
	91,080	49,702

Note:

(a) Balance due from the jointly controlled entity amount comprised (i) RMB10,000,000 advanced which was unsecured, interest free and not repayable with twelve months form the balance sheet date; and (ii) RMB30,000,000 advanced which was unsecured, interest bearing at 8.217% and repayable on demand. During the period, the Group had interest income from the jointly controlled entity of amount RMB2,254,000 (Year ended 31 December 2007: Nil).

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18. INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

As at 31 March 2009, the Group had interest in the following jointly controlled entity:

Name	Place of establishment	Principal activities and place of operation	Paid-up registered capital	Percentage of equity interest held by the Group
Jiangxi Ganghong Investment Co., Ltd.	PRC	Property development, PRC	RMB100,000,000	50%

The aggregate amounts relating to the jointly controlled entity that have been included in the Group's consolidated financial statements are set out below:

	Group	
	Fifteen months ended to 31 March 2009 RMB'000	Year ended 31 December 2007 RMB'000
Share of jointly-controlled entity's results		
Income	**35**	41
Expenses	**(1,786)**	(637)
Loss for the period/year	**(1,751)**	(596)

	Group	
	31 March 2009 RMB'000	31 December 2007 RMB'000
Share of jointly-controlled entity's assets and liabilities		
Non-current assets	**399**	513
Current assets	**176,673**	108,976
Current liabilities	**(79,419)**	(10,085)
	97,653	99,404

19. DEPOSIT PAID – GROUP

On 14 December 2006, the Group's subsidiary, Loerie Investments Limited ("Loerie") entered into a sale and purchase agreement (the "Agreement") with Mr. Liu Hong Shu (the "Vendor"), an independent third party, to acquire 90% equity interest of Ever Sure Industries Limited ("Ever Sure") from the Vendor at a consideration of approximately HK$101.5 million (the "Acquisition"). Ever Sure owned 100% interest in Beihai Southern Paradise Land Industries Development Co., Ltd（北海南国天堂房地产开发有限公司）which in turn owns four parcels of land in Beihai City, Guangxi Province in the PRC.

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19. DEPOSIT PAID – GROUP (Continued)

Upon signing the Agreement, Loerie paid a deposit of HK$30 million as partial payment of the purchase consideration (the "Deposits"). In March 2007, the Group appointed two directors, out of a total of three directors, to Ever Sure. The directors of the Company considered that the Group has control over Ever Sure and its PRC subsidiary (collectively the "Ever Sure Group") because it has sufficient representatives in the board of directors of Ever Sure Group.

Pursuant to the Agreement, settlement of the remaining purchase consideration was expected to take place on 31 August 2007 or such other date as the Vendor and Loerie may agree. However, on 31 August 2007, the Vendor failed to fulfill his obligations under the Agreement, which required the transfer of legal ownership of 90.0% of the entire issued and paid-up capital of Ever Sure to Loerie. As a result, the Vendor had not collected the bank draft and the Group's liability of approximately HK$71.5 million ("Unpaid Contract Sum") had not been discharged.

As the Vendor failed to complete the Agreement and transfer the 90% equity interest in Ever Sure to Loerie on the closing date of the Agreement, Loerie instituted legal proceedings against the Vendor for compulsory transfer of the 90% equity interest in Ever Sure to Loerie during the year ended 31 December 2007. As at 31 December 2007 and 31 March 2009, the legal proceedings were still continuing and the transfer of the 90% equity interest in Ever Sure to Loerie still has not been effected. In view of the above, the directors of the Company therefore considered that the financial information of Ever Sure Group should not be consolidated in the financial statements of the Group. The Unpaid Contract Sum has not been recognised by the Group as liability as at 31 December 2007 and 31 March 2009.

Subsequent to the balance sheet date, on 3 April 2009, Loerie reached an out of court settlement with the Vendor which was approved by the High Court in Hong Kong (the "Court") on 8 May 2009 (the "Settlement Agreement"). Pursuant to the Settlement Agreement, the Vendor has agreed, inter alia, on a without admission of liability basis, to pay into the Court (i) a sum of HK$30 million plus interest at 3% per annum from 15 December 2006 until 16 March 2009, being the full refund of the deposit and part payment for the Purchase Consideration with interest and (ii) an ex gratia payment to Loerie of HK$27.5 million upon notification of due compliance by Loerie of certain agreed settlement terms.

On 15 May 2009, the Vendor has paid the sum of HK$32,027,000 into the Court. Pursuant to the Settlement Agreement, Loerie has given notice to the Vendor that it has complied with certain agreed settlement terms. On 10 June 2009, the Vendor has given the consent to the Court to release the total sum of HK$32,027,000 to Loerie.

After compliance with all the terms of the Settlement Agreement by the parties, Loerie would discontinue its legal proceedings against the Vendor and shall not pursue the Acquisition.

The Unpaid Contract Sum has not been recognised by the Group as liability as at 31 March 2009 and the Deposits have been reclassified as current assets under "Deposits paid, prepayment and other receivables" *(note 24)*. The Directors of the Company therefore considered the non-completion of the Acquisition does not have any adverse impact on the financial performance and net asset value of the Company and the Group for the fifteen months ended 31 March 2009.

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20. DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES

Deferred taxation is calculated in full on temporary differences under the balance sheet liability method using principal taxation rates of 10% to 25% for the fifteen months ended 31 March 2009 (Year ended 31 December 2007: 10% to 25%). The movement on the deferred tax assets/(liabilities) is as follows:

	Group		
	Deferred tax assets in respect of provision for LAT	**Deferred tax liabilities in respect of fair value change of investment properties and properties held for sale upon transfer to investment properties**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 January 2007	–	(5,713)	(5,713)
Lower enacted tax rate used for the recognition of deferred tax	–	1,250	1,250
Deferred tax credited/(debited) to the consolidated income statement	11,000	(4,093)	6,907
Exchange difference	–	61	61
At 31 December 2007 and 1 January 2008	11,000	(8,495)	2,505
Deferred tax (debited)/credited to the consolidated income statement	(700)	2,430	1,730
At 31 March 2009	**10,300**	**(6,065)**	**4,235**

Deferred tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has no material unrecognised tax losses to carry forward against future taxable income at 31 March 2009 (31 December 2007: Nil).

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21. PROPERTIES HELD UNDER DEVELOPMENT

	Group	
	31 March 2009 RMB'000	31 December 2007 RMB'000
Leasehold interests in land	**368,397**	370,981
Development costs	**349,254**	34,933
Finance costs capitalised	**12,821**	–
	730,472	405,914

Leasehold interests in land are located in the PRC and have lease terms expiring from 2027 to 2076 (31 December 2007: 2027 to 2073). The Group's leasehold interests in land are analysed as follows:

	Group	
	31 March 2009 RMB'000	31 December 2007 RMB'000
Leasehold interests in land held on:		
– Leases of 30 years or less	**121,589**	121,589
– Leases of over 30 years	**246,808**	249,392
	368,397	370,981

Leasehold interests in land of approximately RMB130,836,000 (31 December 2007: RMB25,024,000) were pledged against certain bank loans of the Group *(note 29(a))*.

22. PROPERTIES HELD FOR SALE

	Group	
	31 March 2009 RMB'000	31 December 2007 RMB'000
Gross carrying amount	**134,496**	125,010
Less: Write down to net realisable value	**(19,811)**	–
Net carrying amount	**114,685**	125,010

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22. PROPERTIES HELD FOR SALE (Continued)

Properties held for sale included leasehold interests in land located in the PRC with lease terms expiring from 2041 to 2076 (31 December 2007: 2041 to 2073). As at 31 March 2009, the carrying values of the operating lease up-front payments on the leasehold interests in land amounted to approximately RMB7,265,000 (31 December 2007: RMB16,476,000).

During the year ended 31 December 2007, properties held for sale with carrying value of approximately RMB28,038,000 were transferred to investment properties as these properties were held under operating lease arrangements with third parties during that year to earn rental or for capital appreciation purpose. The fair value of these properties amounted to approximately RMB45,675,000 at the date of transfer was determined by Sallmanns (Far East) Limited, a firm of independent qualified professional surveyors, based on the investment method by capitalising the net rental income derived from the existing tenancy with due allowance for the reversionary value of the property on 1 December 2007. The fair value change of approximately RMB17,637,000 was credited to the income statement for the year ended 31 December 2007.

23. ACCOUNT RECEIVABLES

The aging analysis of account receivables that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	31 March 2009 RMB'000	31 December 2007 RMB'000
Not past due	**1,093**	43,937
Past due and more than one year	**12,270**	13,070
	13,363	57,007

Receivables that were neither past due nor impaired relate to a wide range of buyers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent buyers. Based on past experience, the board of directors of the Company considered that no impairment allowance is required as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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24. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

		Group		Company	
		31 March 2009	31 December 2007	**31 March 2009**	31 December 2007
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Current					
Deposits paid	*(a)*	**120,009**	172,433	**–**	–
Prepayments		**10,418**	3,400	**–**	1,508
Other receivables	*(b), (c)*	**79,012**	44,620	**169**	56
		209,439	220,453	**169**	1,564
Less: current portion included in current assets		**(209,439)**	(200,453)	**(169)**	(1,564)
Non-current portion of other receivables included under non-current assets		**–**	20,000	**–**	–

Notes:

(a) Deposits paid included an amount of RMB90 million paid by the Group in 2007 for acquisition of a piece of land located in Fuzhou City, Jiangxi Province, the PRC, for property development. The total consideration of the acquisition amounted to RMB200 million (excluding tax) and the remaining consideration was disclosed in note 34 "commitments".

In addition, on 14 December 2006, the Group paid a deposit of HK$30 million as partial payment of the purchase consideration of acquiring 90% equity interest of Ever Sure and its wholly-owned subsidiary in turn owns four parcels of land in Beihai City, Guangxi Province in the PRC *(note 19)*.

(b) In 2008, the Group's subsidiary, Jiangxi Asia City Real Estate Development Co., Ltd. ("Jiangxi Asia City") entered into an agreement with 上海成信医疗投资有限公司 ("上海成信") to advance a loan of RMB44,000,000 for its business operation purpose, the loan was interest bearing at 9.11% per annum. According to the agreement, 香港德汇实业有限公司 ("香港德汇"), the immediate holding company of 上海成信, lent HK$50,000,000 (approximately RMB44,165,000) to the Group's subsidiary, Pan Hong Investment Limited, at the same time and such amount was recognised as other loan of the Group, which bears interest at HIBOR rate *(note 29(d))*. Pursuant to the loan agreement, Pan Hong Investment Limited will repay the loan until 上海成信 settle its balances due to Jiangxi Asia City.

Balance at 31 December 2007 included the consultancy fee receivable of RMB15,000,000 and advance of RMB20,000,000 to an independent third party which was unsecured, interest free and repayable in 2009.

(c) The other receivables of RMB20,000,000 and RMB6,000,000 were offset against the shareholder's loan and other payables, respectively, in accordance with the debt assignments signed among these parties.

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25. AMOUNTS DUE FROM/(TO) RELATED PARTIES

	Notes	Group 31 March 2009 RMB'000	Group 31 December 2007 RMB'000	Company 31 March 2009 RMB'000	Company 31 December 2007 RMB'000
Amount due from:					
– subsidiaries		**–**	–	**246,182**	248,626
– a director		**–**	538	**–**	–
– a minority equity holder	*(a)*	**14,000**	–	**–**	–
– related companies	*(b)*	**978**	–	**–**	–
		14,978	538	**246,182**	248,626
Amount due to:					
– subsidiaries		**–**	–	**(7,151)**	(6,379)
– directors	*(c)*	**(684)**	(56)	**(455)**	–
– related company		**–**	(35)	**–**	(16)
		(684)	(91)	**(7,606)**	(6,395)

Notes:

(a) Balance consisted amounts of RMB6,620,000 advanced to Zhejiang Jiangnan Gongmno which held 35% equity interest in the Group's subsidiary, Huzhou Hailian. These amounts were secured by the equity interest held by Zhejiang Jiangnan Gongmno in Huzhou Hailian, interest bearing with a range from 1.5% to 3.0% per annum and settled on 24 April 2009.

(b) Balance represented amount due from Extra Good Enterprises Ltd., Pan Hong Company Limited and 湖州龙海生物葯业有限公司 which Mr. Wong Lam Ping and Ms. Chan Heung Ling, directors of the Company, have beneficial interests.

(c) Balance represented amount due to Mr. Wong Lam Ping and Ms. Chan Heung Ling, which are the directors of the Company.

(d) Except the amounts stated in note (a), amounts due from/(to) related parties were unsecured, non-interest bearing and repayable on demand.

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26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	31 March 2009 RMB'000	31 December 2007 RMB'000
Listed equity securities held for trading are as follows:		
– Hong Kong	**32**	–
– the PRC	**8,436**	–
Fair value of listed securities	**8,468**	–

The fair value of the Group's investment in listed securities has been determined by reference to their quoted bid prices on the reporting date.

27. PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES

	Group		Company	
	31 March 2009 RMB'000	31 December 2007 RMB'000	**31 March 2009 RMB'000**	31 December 2007 RMB'000
Cash at banks and in hand	**49,629**	141,606	**92**	92
Time deposits *(note a)*	**70,785**	102,300	**–**	–
Cash and bank balances	**120,414**	243,906	**92**	92
Deposit pledged against banking facilities granted to the mortgagees *(note b)*	**8,867**	11,242	**–**	–
Deposit restricted for construction work	**578**	1,563	**–**	–
Deposit pledged for bank loan *(note c)*	**95,600**	–	**–**	–
Pledged bank deposits	**105,045**	12,805	**–**	–
	225,459	256,711	**92**	92
Less: Deposits with original maturity over three months	**(9,445)**	(12,805)	**–**	–
Cash and cash equivalents for the purpose of the cash flow statement	**216,014**	243,906	**92**	92

Notes to the financial statements

for the fifteen months ended 31 March 2009

27. PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES (Continued)

Notes:

(a) As at 31 March 2009, the effective interest rates of time deposits ranged from 0.36% to 1.17% (31 December 2007: 0.72% to 1.17%) per annum. Short term bank deposit with amount RMB63,400,000 (31 December 2007: RMB102,300,000) had maturities of seven days (31 December 2007: seven days to three months) and was eligible for immediate cancellation without receiving any interest for the last deposit period.

(b) The bank deposits were pledged to certain banks as security in the PRC. These banks provided mortgage loan to purchasers for acquisition of properties from the Group. The pledge will last for the period from the date of draw-down of mortgage loans to the date when the certificates for housing ownership are granted to the property purchasers. Such charges would be released upon the certificates are granted to the property purchasers.

(c) The bank deposit with maturity with three months was pledged for a bank loan amounted HK$99,110,000 (approximately RMB87,544,000) as detailed in note 29(a).

Balances were denominated in RMB and Hong Kong Dollars. RMB is not freely convertible into foreign currencies. Under the PRC foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange regulations, the Group is permitted to exchange RMB for foreign currencies through banks in the PRC that are authorised to conduct foreign exchange businesses. At 31 March 2009, approximately RMB224,115,000 (31 December 2007: RMB154,102,000) was deposited with banks in the PRC.

28. ACCRUALS, RECEIPTS IN ADVANCE AND OTHER PAYABLES

	Group		**Company**	
	31 March 2009 RMB'000	31 December 2007 RMB'000	**31 March 2009 RMB'000**	31 December 2007 RMB'000
Receipts in advance	**222,370**	4,231	**–**	–
Accruals and other payables	**82,952**	157,112	**16**	–
	305,322	161,343	**16**	–

As at 31 March 2009, accrued construction cost and other project-related expense were included in accruals and other payables amounted to approximately RMB44,726,000 (31 December 2007: RMB119,054,000). The amount was accrued based on the terms of the relevant agreements and project progress and was not due for payment as at 31 March 2009.

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29. BANK AND OTHER LOANS

		Group	
		31 March	31 December
		2009	2007
	Notes	**RMB'000**	RMB'000
Bank loans – secured		**301,155**	66,822
Other loans – secured		**44,165**	75,000
Other loans – unsecured		**4,400**	29,881
Total bank and other loans		**349,720**	171,703
Bank loans wholly repayable			
– within one year	*(a)*	**196,034**	682
– in the second to fifth year	*(b)*	**101,961**	60,000
– after the fifth year	*(c)*	**3,160**	6,140
Total bank loans		**301,155**	66,822
Other loans wholly repayable within one year	*(d)*	**48,565**	104,881
Total bank and other loans		**349,720**	171,703
Less: Portion due within one year included in current liabilities		**(244,599)**	(105,563)
Non-current portion included under non-current liabilities		**105,121**	66,140

Notes:

(a) The bank loan of HK$99,110,000 (approximately RMB87,544,000) was secured by Jiangxi Asia City's bank deposits in RMB amount equivalent to 110% of this bank loan which was deposited in the same banking institute *(note 27(c))* and bore interests at HIBOR plus 2.3% per annum.

(b) The bank loan was denominated in RMB and has maturity of three years (31 December 2007: three years) commencing 2007. The bank loan was secured by the Group's leasehold interests in land *(note 21)* and bore interests at the floating rate. The effective interest rate was 6.48% – 7.71% (31 December 2007: 6.36%) per annum at 31 March 2009.

(c) The bank loan was denominated in Hong Kong dollars and has maturity of 15 years commencing 2007. The bank loan was secured by (i) the Group's building *(note 13)* and leasehold interest in land *(note 15)* and (ii) joint and several guarantee by Mr. Wong Lam Ping and Ms Chan Heung Ling, directors of the Company, and bore interests at the floating rate. The effective interest rate was 2.75% (31 December 2007: 4.25%) per annum at 31 March 2009.

(d) Other loans consisted of (i) RMB4,400,000 advanced from a third party which was unsecured, repayable on demand and with a fixed interest rate of 10% per annum; and (ii) RMB44,165,000 advanced from 香港德汇 as detailed in note 24(b).

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30. SHARE CAPITAL – COMPANY

Movement of share capital of the Company is summarised below:

	Notes	Number of shares	RMB'000
Authorised:			
At 31 December 2007 and 31 March 2009 of HK$0.6 each		**850,000,000**	517,374
Issued and fully paid:			
At 1 January 2007 of HK$0.6 each		**480,000,000**	292,164
Issue of shares on placement	*(a)*	**10,000,000**	6,000
At 31 December 2007 and 31 March 2009 of HK$0.6 each		**490,000,000**	298,164

Note:

(a) On 26 October 2007, 10,000,000 placement shares were allotment and issued as fully paid at S$0.81 for each placement share.

31. RESERVES

(a) The Group

	Notes	31 March 2009 RMB'000	31 December 2007 RMB'000
Share premium	*(i)*	**153,080**	153,080
Merger reserve	*(ii)*	**(2,243)**	(2,243)
Statutory reserve	*(iii)*	**4,278**	4,257
Capital reserve	*(iv)*	**3,838**	3,838
Exchange reserves		**(7,249)**	(9,420)
Retained earnings		**234,683**	271,689
		386,387	421,201

The amounts of the Group's reserves and the movements therein for the fifteen months ended 31 March 2009 are presented in the consolidated statement of changes in equity of the financial statements.

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31. RESERVES (Continued)

(a) The Group (Continued)

(i) The share premium account of the Group represented the premium arising from the issue of shares of the Company at a premium.

(ii) The merger reserve of the Group arose as a result of the reorganisation exercise completed on 9 September 2006 and represented the difference between the nominal value of the Company's shares issued under the reorganisation exercise and the nominal value of the aggregate share capital and share premium of the subsidiaries then acquired.

(iii) According to the relevant PRC laws, the subsidiaries are required to transfer at least 10% of its net profit after tax, as determined under the PRC accounting regulation, to a statutory reserve until the reserve balance reaches 50% of the subsidiaries' registered capital. The transfer of this reserve must be made before the distribution of dividend to the subsidiaries' equity owners. The statutory reserve is non-distributable other than upon the liquidation of the subsidiaries.

(iv) The capital reserve arose from the capitalisation of statutory reserve of the PRC subsidiaries.

(b) The Company

	Share premium RMB'000	**Contributed surplus** RMB'000	**Retained Earnings** RMB'000	**Total** RMB'000
As at 1 January 2007	116,727	59,579	637	176,943
Profit for the year (total income and expenses recognised during the year)	–	–	11,035	11,035
Issue of shares on placement	36,353	–	–	36,353
Final dividend proposed for the year *(note 11)*	–	–	(9,178)	(9,178)
As at 31 December 2007	153,080	59,579	2,494	215,153
Profit for the period (total income and expenses recognised during the period)	–	–	4,112	4,112
As at 31 March 2009	**153,080**	**59,579**	**6,606**	**219,265**

The contributed surplus of the Company arose as a result of the reorganisation exercise completed on 9 September 2006 and represents the excess of the nominal value of the Company's shares issued in exchange therefore over the consolidated net assets value of the subsidiaries then acquired.

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32. BUSINESS COMBINATION

During the year ended 31 December 2007, the Group acquired 51% equity interest in Leping City Fenghuang on 2 March 2007 at a consideration of RMB12,495,000. The acquired business did not contribute any revenue to the Group before and after the acquisition. In addition, it did not contribute any net profit prior to the date of acquisition but a net loss of RMB136,000 to the Group since the date of acquisition. If the acquisition had occurred on 1 January 2007, the Group's revenue for the year ended 31 December 2007 would have been approximately RMB564,857,000 and profit for the year ended 31 December 2007 would have been approximately RMB185,669,000.

At the date of acquisition, the identifiable assets and liabilities arising from the acquisition are as follows:

	Carrying value RMB'000	**Fair value** RMB'000
Net identifiable assets acquired:		
Amount due from a shareholder	13	13
Property held under development	18,410	33,074
Deposits paid, prepayment and other receivables	6,077	6,077
	24,500	39,164
Less: minority interest	(12,005)	(19,190)
	12,495	19,974

Details of purchase consideration, excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost are as follows:

	RMB'000
Purchase consideration	
Cash consideration	12,495
Total purchase consideration	12,495
Fair value of net identifiable assets acquired	(19,974)
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	(7,479)

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32. BUSINESS COMBINATION (Continued)

An analysis of net cash outflow in respect of acquisitions of subsidiary is summarised as follows:

	RMB'000
Cash consideration	(12,495)
Cash at banks and in hand acquired	13
Net cash outflow in respect of acquisition of a subsidiary	(12,482)

The excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over costs of approximately RMB137,479,000 was recognised in the consolidation income statements.

33. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

(i) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for stakeholders;

(ii) To support the Group's stability and growth; and

(iii) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

Management regards total equity as capital. The amount of capital as at 31 March 2009 amounted to approximately RMB745,091,000 (31 December 2007: RMB789,317,000), which the management considers as optimal having consider the projected capital expenditures and the projected strategic investment opportunities.

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34. COMMITMENTS

	Group	
	31 March 2009 RMB'000	31 December 2007 RMB'000
Contracted but not provided for in respect of		
– properties held under development of the Group	**387,746**	396,453
– properties held under development of the jointly controlled entity shared by the Group	**103,842**	10,755

Save as disclosed elsewhere in the financial statements, the Company did not have any commitments as at 31 March 2009 and 31 December 2007.

35. OPERATING LEASE ARRANGEMENTS

(a) The Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of properties as follows:

	Group	
	31 March 2009 RMB'000	31 December 2007 RMB'000
Not later than one year	**1,959**	2,255
Later than one year and not later than five years	**2,087**	5,447
Later than five years	**–**	92
	4,046	7,794

The Group leases out its properties held for sale with operating lease arrangements and investment properties which run for initial periods of two to eight years, without an option to renew the lease terms at the expiry date. None of the leases includes contingent rentals.

The Company does not have any operating lease receipts under non-cancellable operating leases.

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35. OPERATING LEASE ARRANGEMENTS (Continued)

(b) The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of properties as follows:

	Group	
	31 March 2009 RMB'000	31 December 2007 RMB'000
Not later than one year	**107**	351
Later than one year and not later than five years	**28**	244
	135	595

The Group leases a number of properties under operating lease arrangements which run for initial periods of one to six years, with an option to renew the lease terms at the expiry date. None of the leases includes contingent rentals.

The Company does not have any operating lease payments under non-cancellable operating leases.

36. MORTGAGE LOAN ARRANGEMENTS WITH BANKS

The Group has arranged mortgage loan facility for certain purchasers of property units and provided guarantees to secure obligations of repayments. As at 31 March 2009, the outstanding guarantees amounted to RMB157,166,000 (31 December 2007: RMB196,929,000). Such guarantees terminate upon earlier of (i) issuance of the real estate ownership certificate which will generally be available within one or two years after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the purchasers of properties.

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management. As the directors of the Company consider that the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

As at 31 March 2009, the financial assets of the Group comprise primarily account and other receivables, amounts due from a jointly controlled entity, a minority equity holder and related companies, financial assets at fair value through profit and loss, and cash and bank balances. The financial liabilities of the Group comprise account and other payables, loans from bank and other borrowings and amounts due to directors.

(i) Interest rate risk

The Group's exposure to interest rate risk mainly arises on bank deposits *(note 27)*, bank loan denominated in Hong Kong Dollars ("HK$") and RMB and other loan at floating rate *(note 29)*. The Group has no significant exposure to interest rate risk in respect of the Group's bank loan denominated in HK$ and RMB subject to variable interest rates and stated at amortised costs. The Group has not used any derivative contracts to hedge its exposure to interest rate risk. The Group has not formulated a policy to manage the interest rate risk. A reasonable change in interest rate in the next twelve months is assessed to result in immaterial change in the Group's loss for the period and retained earnings. Changes in interest rates have no impact on the Group's other components of equity. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expenses.

(ii) Foreign currency risk

Most of the Group's transactions are carried out in RMB which is the functional currency of most of the group entities. Exposures to currency exchange rates arise from certain of the Group's cash and bank balances which are denominated in HK$, US Dollars ("US$"), and Singapore Dollars ("SG$") . The Group does not use derivative financial instruments to hedge its foreign currency risk. The Group reviews its foreign currency exposures regularly and does not consider its foreign exchange risk to be significant.

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(ii) Foreign currency risk (Continued)

Foreign currency risk exposure

The following table details the Group's exposure at the balance sheet date to foreign currency risk from financial assets at fair value through profit and loss, other receivables, bank balances, pledged bank deposits, bank and other loans, and other payables denominated in a currency other than the functional currency of the Company and its subsidiaries.

	Group	
	31 March 2009 RMB'000	31 December 2007 RMB'000
Financial assets at fair value through profit and loss denominated in		
– HK$	**32**	120
Other receivables denominated in		
– HK$	**30,162**	19,352
– SG$	**–**	267
Bank deposits denominated in		
– HK$	**1,343**	102,608
– US$	**1**	–
– SG$	**–**	1
Bank and other loans denominated in		
– HK$	**(141,720)**	(111,703)
Other payables denominated in		
– HK$	**(1,669)**	(2,797)

By assessing foreign currency risk on financial assets at fair value through profit and loss, other receivables, bank balance, pledged bank deposits, bank and other loans, and other payables, the effect arising from a reasonably possible change in the exchange rates of RMB against HK$, US$ and SG$ in the next twelve months was not material to the results for the period and retained profits at each of the balance sheet date, on the basis that all other variables remain constant.

The Company is not exposed to any foreign currency risk.

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(iii) Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	Group		Company	
	31 March 2009 RMB'000	31 December 2007 RMB'000	**31 March 2009 RMB'000**	31 December 2007 RMB'000
Classes of financial assets – carrying amounts				
Account receivables	**13,363**	57,007	**–**	–
Other receivables	**79,012**	24,620	**169**	56
Amount due from subsidiaries	**–**	–	**246,182**	248,626
Amount due from a director	**–**	538	**–**	–
Amount due from jointly controlled entity	**42,254**	–	**–**	–
Amounts due from a minority equity holder	**14,000**	–	**–**	–
Amounts due from related companies	**978**	–	**–**	–
Pledged bank deposit	**105,045**	12,805	**–**	–
Cash and bank balances	**120,414**	243,906	**92**	92
	375,066	338,876	**246,443**	248,774

The Group's credit risk is primarily attributable to trade and other receivables and cash and bank balances. The management has a credit policy and the exposures to credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

None of the Group's financial assets are secured by collateral or other credit enhancements.

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(iii) Credit risk (Continued)

The Group performs ongoing credit evaluation of its customers' financial positions. Provision for impairment is based upon a review of the expected collectibility of all receivables.

The Group's bank balances are mainly deposits with state-owned banks in the PRC and major banks in Hong Kong.

The Company's credit risk is primarily attributable to amount due from subsidiaries.

(iv) Liquidity risk

The Group's objective is to ensure adequate funds to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise funds from the realisation of its assets if required.

As at 31 March 2009 and 31 December 2007, the remaining contractual maturities of the Group's financial liabilities which are based on undiscounted cash flows are summarised below:

The Group

	Carrying Amount RMB'000	Total contractual undiscounted cash flow RMB'000	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Over 1 year RMB'000
At 31 March 2009						
– Account payables	2,478	2,478	1,698	66	579	135
– Other payables	59,033	59,033	34,793	603	2,876	20,761
– Amount due to related parties	684	684	684	–	–	–
– Interest-bearing bank and other borrowings	349,720	355,238	–	167,299	81,895	106,044
	411,915	417,433	37,175	167,968	85,350	126,940
At 31 December 2007						
– Account payables	2,105	2,105	1,965	10	8	122
– Other payables	117,558	119,144	117,558	1,156	312	118
– Amount due to related parties	91	91	91	–	–	–
– Interest-bearing bank and other borrowings	171,703	176,382	–	135,318	33,439	7,625
– Shareholder's loan	17,794	17,794	–	–	–	17,794
	309,251	315,516	119,614	136,484	33,759	25,659

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(iv) Liquidity risk (Continued)

The Company

	Carrying Amount RMB'000	Total contractual undiscounted cash flow RMB'000	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Over 1 year RMB'000
At 31 March 2009						
– Account due to related parties	7,606	7,606	7,606	–	–	–
At 31 December 2007						
– Account due to related parties	6,395	6,395	6,395	–	–	–

The management has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(v) Fair value

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair value of borrowings is not disclosed because the carrying value is not materially different from the fair value at the balance sheet date.

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

(vi) Equity price risk

The Group is exposed to equity price risk through its investment in listed equity securities which are classified as at fair value through profit or loss *(note 26)*. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles and will consider hedging the risk exposure should the need arise and represent a small percentage of the Group's net assets and the risk is minimal.

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38. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and liabilities as recognised at 31 March 2009 may also be categorised as follows. See note 4.12 and 4.17 for explanations about how the category of financial instruments affects their subsequent measurement.

Financial Assets

	Group		Company	
	31 March 2009 RMB'000	31 December 2007 RMB'000	**31 March 2009 RMB'000**	31 December 2007 RMB'000
Non-current assets				
– Other receivables	**–**	20,000	**–**	–
Current assets				
Financial assets measured at fair value				
– Financial assets at fair value through profit and loss	**8,468**	–	**–**	–
Financial asset measured at amortised cost				
Loans and receivables				
– Account and other receivables	**92,375**	81,627	**169**	56
– Due from related parties	**14,978**	538	**246,182**	248,626
	115,821	82,165	**246,351**	248,682
Pledged bank deposits	**105,045**	12,805	**–**	–
Cash and cash equivalents	**120,414**	243,906	**92**	92
	341,280	358,876	**246,443**	248,774

Financial Liabilities

	Group		Company	
	31 March 2009 RMB'000	31 December 2007 RMB'000	**31 March 2009 RMB'000**	31 December 2007 RMB'000
Current liabilities				
Financial liabilities measured at amortised cost				
– Account and other payables, accruals	**61,511**	121,249	**16**	–
– Bank and other loans	**244,599**	105,563	**–**	–
– Due to related parties	**684**	91	**7,606**	6,395
	306,794	226,903	**7,622**	6,395
Non-current liabilities				
– Bank and other loans	**105,121**	66,140	**–**	–
– Shareholder's loan	**–**	17,794	**–**	–
	411,915	310,837	**7,622**	6,395

Notes to the financial statements

for the fifteen months ended 31 March 2009

39. RELATED PARTY TRANSACTIONS

Other than as mentioned elsewhere in these financial statements, the Group has the following related party transactions:

		Group	
	Notes	**Fifteen months ended 31 March 2009 RMB'000**	Year ended 31 December 2007 RMB'000
Operating lease rental charged by Pan Hong Company Limited	*(a)*	**–**	130
Legal fee charged by related company	*(b)*	**106**	186

Notes:

(a) The Group entered into a tenancy agreement with Pan Hong Company Limited at a monthly rental of HK$10,800 for a lease period of four years commencing 1 January 2006. Mr. Wong Lam Ping and Ms. Chan Heung Ling, directors of the Company, have beneficial interests in Pan Hong Company Limited. The lease was terminated in January 2008.

(b) Legal fee was charged by a related company, in which Mr. Chan Kin Sang, the non-executive director for the Company has beneficial interest, for general legal advisory during the period. The fee was charged in accordance with the terms mutually agreed by both party.

Included in staff costs are key management personnel compensation as follows:

	Group	
	Fifteen months ended 31 March 2009 RMB'000	Year ended 31 December 2007 RMB'000
Salaries and wages	**2,755**	2,856
Retirement benefit scheme contributions – defined contribution plans	**24**	36

Notes to the financial statements

for the fifteen months ended 31 March 2009

40. DIRECTORS' REMUNERATION

For the fifteen months ended 31 March 2009 and year ended 31 December 2007, the remuneration of the directors of the Company analysed into the following bands is disclosed in compliance with rule 1207.11 of Chapter 12 of the Listing Manual of the SGX-ST:

For the fifteen months ended 31 March 2009

	Executive director	**Non-executive director**	**Independent director**	**Total**
Below S$250,000 (equivalent to RMB1,482,000)	4	1	3	8
	4	**1**	**3**	**8**

For the year ended 31 December 2007

	Executive director	Non-executive director	Independent director	Total
Below S$250,000 (equivalent to RMB1,265,000)	3	1	3	7
S$250,000 to S$500,000 (equivalent to RMB1,265,000 to RMB2,530,000)	1	–	–	1
	4	**1**	**3**	**8**

Property Portfolio

Description	Location	Site Area (sq.m.)	Planned Gross Floor Area (sq.m.)	Tenure	Effective Group Interest (%)	Approximate Percentage Sold and Delivered (%)
COMPLETED PROPERTIES						
Huzhou Liyang Jingyuan Phase 1	No. 579 Longxi Bei Road and Land No. 5 Huzhou Economic and Technological Development Zone Huzhou City Zhejiang Province the PRC	36,720	63,843	Residential: 70 years Commercial: 40 years	100	95
Huzhou Zhili Yazhoucheng Phase 2	Northern Wuxing Road and Eastern Kaixuan Road Zhili Town Huzhou City Zhejiang Province the PRC	2,469	7,398	Commercial: 40 years	70	57
Nanchang Honggu Kaixuan Phase 1	Honggu Tan Central District Nanchang City Jiangxi Province the PRC	37,830	157,214	Residential: 70 years Commercial: 44 years	100	Residential units: 93
PROPERTIES UNDER DEVELOPMENT						
Nanchang Honggu Kaixuan Phase 2	Honggu Tan Central District Nanchang City Jiangxi Province the PRC	42,691	218,718	Residential: 70 years Commercial: 44 years	100	Commenced presales
Hangzhou Liyang Yuan	Shenhua Road Xihu District Hangzhou City Zhejiang Province the PRC	7,833	36,839	Residential: 70 years Commercial: 40 years	100	Commenced presales
Huzhou Liyang Jingyuan Phase 2	No. 579 Longxi Bei Road and Land No. 5 Huzhou Economic and Technological Development Zone Huzhou City Zhejiang Province the PRC	17,251	29,386	Residential: 70 years Commercial: 40 years	100	Commenced presales
Huacui Tingyuan Phase 1	Taihu Meidong Huzhou Development Zone Zhejiang Province the PRC	58,386	42,278	Residential: 70 years Commercial: 43 years	100	N.A.
FUTURE PROJECTS						
Huacui Tingyuan Phase 2	Taihu Meidong Huzhou Development Zone Zhejiang Province the PRC	75,041	56,423	Residential: 70 years Commercial: 43 years	100	N.A.
Hailian Project	S38 S40 Xinan Fenqu Huzhou Economic and Technological Development Zone Huzhou City Zhejiang Province the PRC	220,767	221,000	Industrial: 22 years Commercial: 35 years	#65	N.A.
Jiangmen Project	No 11 Jiangnan Road Xihu District Jiangmen City Guangdong Province the PRC	27,221	49,000	Residential: 70 years Commercial: 48 years	75	N.A.

Effective group interest in Hailian Project increased from 65% to 80% in April 2009.

Property Portfolio

Description	Location	Site Area (sq.m.)	Planned Gross Floor Area (sq.m.)	Tenure	Effective Group Interest (%)	Approximate Percentage Sold and Delivered (%)
FUTURE PROJECTS (Continued)						
Leping Project	Hushan Meiyankenzhichang Leping City Jiangxi Province the PRC	326,668	420,000	Residential: 70 years Commercial: 48 years	51	N.A.
Fuzhou Project	Yinghing Road South Side and Land No. FJ[2007]019 Jingcao Economic and Technological Development Zone Fuzhou City Jiangxi Province the PRC	190,753	476,000	Residential: 70 years Commercial: 48 years	100	N.A.
Yichun Project Phase 1	Yiyang North Road West Side Yichun City Jiangxi Province the PRC	46,000	122,341	Residential: 70 years Commercial: 49 years	50	N.A.
Yichun Project Phase 2	Yiyang North Road West Side Yichun City Jiangxi Province the PRC	594,343	1,250,000	Residential: 70 years Commercial: 50 years	50	N.A.
PROPERTIES HELD FOR INVESTMENT						
2nd Floor Nanxun Commercial Complex	Tai'an Road Nanxun Town Huzhou City Zhejiang Province the PRC	N.A.	2,530	Commercial: 40 years	100	N.A.
Wuxing Balidian Market (14 Commercial Units on Level 1 and 3)	Land No. BLD47 Balidian Wuxing District Huzhou City Zhejiang Province the PRC	N.A.	8,942	Commercial: 40 years	100	N.A.
Huzhou Xinya Jiayuan (48 Commercial Units and 71 car park lots)	Eastern Wanshun Road Southern Shiyuan Road Nanxun Town Huzhou City Zhejiang Province the PRC	N.A.	6,667	Commercial: 40 years	100	N.A.
PROPERTIES OCCUPIED BY THE GROUP						
	Unit Nos 14 and 15 on 12th Floor of Tower B Hunghom Commercial Centre No 37 Ma Tau Wai Road Hunghom Kowloon	N.A.	389.91	Commercial: 75 years	100	N.A.
No. 25 Building Liyang Jingyuan	Land No. 5 Huzhou Economic and Technological Development Zone Huzhou City Zhejiang Province the PRC	N.A.	1,408	Commercial: 40 years	100	N.A.
Room 1502	Zhengshan Xi Road Xihu Zone Nanchang City Jiangxi Province the PRC	N.A.	165.8	Commercial: 40 years Residential: 70 years	100	N.A.

Shareholders' Information

SHAREHOLDERS' INFORMATION AS AT 9 JUNE 2009

Authorised Share Capital	:	HK$510 million
Issued and fully paid-up capital	:	HK$294 million
No. of Shares Issued	:	490,000,000 ordinary shares of HK$0.60 each
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

TREASURY SHARES

Number of treasury share held	:	Nil
Percentage of treasury share held against total number of issued shares (excluding treasury share)	:	Nil

STATISTICS OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 – 999	2	0.32	1,000	0.00
1,000 – 10,000	375	59.90	1,965,000	0.40
10,001 – 1,000,000	236	37.70	15,968,700	3.26
1,000,001 and above	13	2.08	472,065,300	96.34
Total	626	100.00	490,000,000	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1	EXTRA GOOD ENTERPRISES LTD	288,000,000	58.78
2	PHILLIP SECURITIES PTE LTD	29,083,000	5.94
3	SINGAPORE WAREHOUSE CO PTE LTD	24,820,000	5.07
4	HSBC (SINGAPORE) NOMINEES PTE LTD	19,584,000	4.00
5	WONG LAM PING	18,321,184	3.74
6	DBS VICKERS SECURITIES (S) PTE LTD	14,520,816	2.96
7	CHAN HEUNG LING	14,443,300	2.95
8	ROYAL BANK OF CANADA (ASIA) LTD	12,592,000	2.57
9	KIM ENG SECURITIES PTE. LTD	11,644,000	2.38
10	ASDEW ACQUISITIONS PTE LTD	10,454,000	2.13
11	RAFFLES NOMINEES (PTE) LTD	10,264,000	2.09
12	JUMBO KING HOLDING LIMITED	9,850,000	2.01
13	CITIBANK NOMINEES SINGAPORE PTE LTD	8,489,000	1.73
14	OCBC SECURITIES PRIVATE LTD	714,000	0.14
15	YEO CHITT HOCK BRANDON (YANG QIFU)	700,000	0.14
16	CIMB-GK SECURITIES PTE. LTD.	583,000	0.12
17	SIM SOON TONG	500,000	0.10
18	TANN KAH HUAT ERIC	500,000	0.10
19	WAH LEONG CO PTE LTD	500,000	0.10
20	SHI FENG	473,900	0.10
	TOTAL	476,036,200	97.15

Shareholders' Information

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Extra Good Enterprises Ltd [(1)]	288,000,000	58.78	–	–
Wong Lam Ping [(1)] [(2)]	18,321,184	3.74	302,443,300	61.72
Chan Heung Ling [(1)] [(2)]	14,443,300	2.95	306,321,184	62.51
Singapore Warehouse Company (Private) Ltd	25,300,000	5.16	–	–
Hwa Hong Corporation Limited [(3)]	–	–	25,300,000	5.16
Ong Holdings (Private) Limited [(4)]	–	–	25,300,000	5.16

Notes:

1. The entire issued share capital of Extra Good Enterprises Ltd is held as to 52% and 48% by Mr Wong Lam Ping, Executive Chairman and Ms Chan Heung Ling, Deputy Chairman. As such, they are both deemed to be interested in the shares held by Extra Good Enterprises Ltd.

2. Ms Chan Heung Ling is the spouse of Mr Wong Lam Ping.

3. Hwa Hong Corporation Limited is deemed to have an interest in the shares held by Singapore Warehouse Company (Private) Ltd, a wholly-owned subsidiary.

4. Ong Holdings (Private) Limited by virtue of their interest of not less than 20% of the voting shares of Hwa Hong Corporation Limited, is deemed to have an interest in the shares held by Hwa Hong Corporation Limited.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

29.3% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

Notice of Annual General Meeting

PAN HONG PROPERTY GROUP LIMITED
(Incorporated in Bermuda with limited liability)
(Co. Reg. No: 37749)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Pan Hong Property Group Limited (the "Company") will be held at M Hotel Singapore, Anson II, Level 2, 81 Anson Road, Singapore 079908 on Wednesday, 22 July 2009 at 10:00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the financial period ended 31 March 2009 together with the Auditors' Report thereon.

(Resolution 1)

2. To re-elect the following Directors retiring pursuant to Bye-law 86(1) of the Company's Bye-laws:

Mr Shi Feng	**(Resolution 2)**
Ms Wang Cuiping	**(Resolution 3)**
Mr Chan Kin Sang	**(Resolution 4)**
Mr Sim Wee Leong	**(Resolution 5)**
Dr Zheng Haibin	**(Resolution 6)**

Mr Chan Kin Sang will, upon re-election as a Director of the Company, remain a member of the Remuneration Committee.

Mr Sim Wee Leong will, upon re-election as a Director of the Company, remain Chairman of the Audit Committee and a member of the Nominating Committee, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Dr Zheng Haibin will, upon re-election as a Director of the Company, remain Chairman of the Remuneration Committee and a member of the Audit Committee, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

3. To approve the payment of Directors' fees of S$145,000 for the financial period ended 31 March 2009 (FY2007: S$145,000).

(Resolution 7)

Notice of Annual General Meeting

4. To re-appoint Grant Thornton as the Company's Auditors and to authorise the Directors to fix their remuneration.

(Resolution 8)

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Share Issue Mandate**

.

That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be empowered to:

(a) (i) issue shares in the capital of the Company ("Shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the issued share capital (excluding treasury shares) of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the issued share capital (excluding treasury shares) of the Company (as calculated in accordance with sub-paragraph (2) below);

Notice of Annual General Meeting

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of issued share capital shall be based on the issued share capital (excluding treasury shares) of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new Shares arising from the conversion or exercise of convertible securities;

(b) new Shares arising from the exercise of any share options or vesting of any share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) the fifty per cent. (50%) limit in sub-paragraph (1) above may be increased to one hundred per cent. (100%) for issues of Shares and/or Instruments by way of a renounceable rights issue where shareholders of the Company are entitled to participate in the same on a pro-rata basis.

(4) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Bye-laws of the Company; and

(5) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required to be held, whichever is earlier.

See Explanatory Note (i) **(Resolution 9)**

Notice of Annual General Meeting

7. **Discount for Non Pro-rata Share Issue**

That:

(a) subject to and conditional upon the passing of Ordinary Resolution 9 above, approval be and is hereby given to the Directors of the Company at any time to issue Shares (other than on a pro-rata basis to existing shareholders of the Company) at an issue price for each Share which shall be determined by the Directors of the Company in their absolute discretion provided that such price shall not represent a discount of more than twenty per cent. (20%) to the weighted average price of a Share for trades done on the SGX-ST (as determined in accordance with the requirements of SGX-ST); and

(b) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

See Explanatory Note (ii) **(Resolution 10)**

By Order of the Board

Chan Chun Kit
Yvonne Choo
Company Secretaries

Date: 29 June 2009

Explanatory Note:

(i) Ordinary Resolution 9 in item 6 above, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company.

For the purposes of determining the aggregate number of shares that may be issued, the percentage of issued share capital will be calculated based on the issued share capital (excluding treasury shares) of the Company at the time this Ordinary Resolution is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities, the exercise of any share options or the vesting of any share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed, and any subsequent bonus issue or consolidation or subdivision of shares.

Notice of Annual General Meeting

The increased limit of up to 100% referred to in sub-paragraph (3) for renounceable pro-rata rights issue will be effective up to 31 December 2010 pursuant to SGX-ST's news release of 19 February 2009. The increased limit is subject to the condition that the issuer makes periodic announcements on the use of the proceeds as and when the funds are materially disbursed and, provides a status report on the use of proceeds in the annual report.

(ii) Ordinary Resolution 10 proposed in item 7 above, if passed, will enable Directors of the Company to issue new Shares on a non pro-rata basis, at a discount of not more than 20% to the weighted average market price of the Company's shares, determined in accordance with the requirements of SGX-ST. The discount in issue price of non pro-rata new Share issue is one of the interim measures announced by the SGX-ST to accelerate and facilitate listed issuer's fund-raising efforts in a volatile and difficult market condition.

Notes:

1. A Shareholder being a Depositor whose name appears in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore) is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. If a Depositor wishes to appoint a proxy/proxies to attend the Meeting, then he/she must complete and deposit the Depositor Proxy Form at the office of the Singapore Share Transfer Agent, B.A.C.S Private Limited, 63 Cantonment Road, Singapore 089758, at least forty-eight (48) hours before the time of the Meeting.

3. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

汎港地產集團

PAN HONG PROPERTY GROUP

Pan Hong Property Group Limited

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