汎港地產集團
PAN HONG PROPERTY GROUP

# Pan Hong Property Group Limited

## Annual Report 2007



Better lifestyle


# Contents

2 Corporate Information
3 Financial Highlights
5 Chairman's Statement
9 Business Review
15 Board of Directors
17 Key Executives
19 Corporate Governance Report
29 Directors' Report
31 Directors' Opinion Statement
32 Financial Section
90 Property Portfolio
92 Shareholders' Information
94 Notice of Annual General Meeting

# 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

Ira Stuart Outerbridge III

## 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

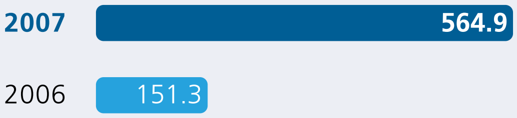
## AUDIT PARTNER-IN-CHARGE

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

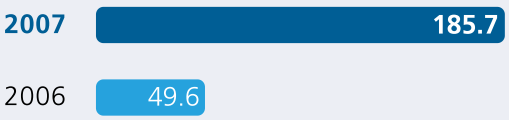
# Financial Highlights (RMB' million)



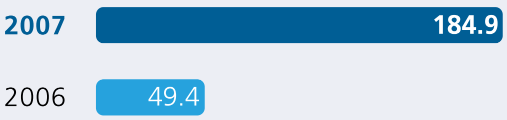
## REVENUE



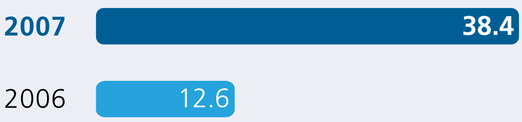

## PROFIT AFTER TAXATION




## PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY




## EARNINGS PER SHARE (RMB cents)




## FINANCIAL RATIOS

| | **2007** | 2006 |
|---|---|---|
| Return on equity (%) | **25.4** | 9.6 |
| Current ratio (times) | **2.8** | 12.3 |
| Gearing ratio (times) | **0.1** | 0.2 |

# Chairman's Statement



**Dear Shareholders**

It is my pleasure to present Pan Hong Property Group Limited's ("Pan Hong" or the "Group") second annual report for the financial year ended 31 December 2007 ("FY2007").

FY2007 has proven to be a dynamic chapter in Pan Hong's history as we saw an active expansion of our land bank in the PRC and ended the year with a record financial performance. During this period, both Group revenue and profit attributable to equity holders nearly quadrupled to RMB 564.9 million and RMB 184.9 million respectively.

**Pan Hong Property** *Chairman*

On the assets front, our land bank today comprises of land parcels that potentially yield 2.9 million square metres ("sq m") in total planned gross floor area ("GFA"). In fact, we have tripled the size of our land bank since the Group's listing on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") in late 2006 when the GFA of our land reserves was only around 0.8 million sq m.

Since our listing on the SGX-ST, we have remained steadfast in our strategy of accumulating choice land reserves for future development to spur the Group to its next phase of growth. Having already developed a presence in the fast-growing Nanchang city in Jiangxi Province, our sights were set on the neighbouring second- and third-tier cities in the PRC with good development potential as we mapped out our land acquisition plans for FY2007.

To this end, we seized the opportunity to acquire choice land parcels in Yichun, Leping and Fuzhou cities in Jiangxi Province and have plans to develop mixed property developments yielding a total GFA of approximately 2.2 million sq m. We believe these other cities around Nanchang have significant scope for economic development, underpinned by rising industrialisation and urbanisation. Notably, the site that we acquired in Fuzhou city is strategically located in the central business district (CBD) region, similar to our current property development in Nanchang.

The Group also made its entry into Guangdong Province, which is situated next to Jiangxi Province, in 2007 with the acquisition of a land parcel in the urban region of Jiangmen city for development of high-end residential and commercial properties. While the estimated GFA of this new land parcel is relatively smaller at around 49,000 sq m, we believe this purchase enables the Group to explore and capitalise on the potential of the property market in Jiangmen city, which stands to benefit from the construction of a bullet train railway that runs through Jiangmen to connect Guangzhou and Zhuhai cities.

For the land parcels in Yichun, Leping and Jiangmen cities, the Group has established joint-venture arrangements with equity interests of 50%, 51% and 75% respectively. Pan Hong owns 100% of the land acquired in Fuzhou city. With these new additions in FY2007, our enlarged land bank provides a steady pipeline of development projects for at least three years.

Going into 2008, the Group's primary focus will be on the development and launch of new property projects. Our first property development in the fast-developing city of Nanchang, Nanchang Honggu Kaixuan (南昌紅谷凱旋), received encouraging response since its launch in May 2007. Nanchang Honggu Kaixuan is a contemporary residential-and-commercial property that is strategically located in the prime CBD area. At the end of 2007, almost all of the 1,127 residential units under Phase 1 of this development had been snapped up. By mid-2008, we plan to launch and commence pre-sales of the second phase of Nanchang Honggu Kaixuan. The development of Phase 2 is expected to yield planned GFA of around 218,718 sq m, and will consist of an office tower, retail space and residential units.

Besides taking the Group's top and bottom-line to new heights in FY2007, the success of Nanchang Honggu Kaixuan is another testament of Pan Hong's capability to undertake larger-scale projects and underscores our wealth of experience in property development.

Indeed, we received several awards for Nanchang Honggu Kaixuan in 2007. This includes the '4th Annual Nanchang City Best Property Award', 'Most Popular Property in Nanchang', 'Harmonious Habitat of the Year Award', as well as company accolades such as 'Reputable Brand of the Year in Jiangxi" and 'Professional Property Developer of International Standard'.

We believe the impending launch of our new residential project, Hua Cui Ting Yuan (華萃庭院), in Huzhou city will also demonstrate the Group's strength to bring exquisite quality developments to the market. Hua Cui Ting Yuan is currently under construction. It is set within a scenic backdrop at the well-known Taihu Lake and will feature terrace houses that cater to the middle to upper-middle income PRC consumers. Both Nanchang Honggu Kaixuan and Hua Cui Ting Yuan are iconic projects that will help to lift Pan Hong's standing in the property development circle in the PRC.

Apart from Nanchang Honggu Kaixuan Phase 2 and Hua Cui Ting Yuan, Pan Hong is also targeting to unveil another residential-and-commercial development called Hangzhou Liyang Yuan (杭州麗陽苑) in Hangzhou city in FY2008, subject to changes in business and/or market conditions.

We believe the outlook remains positive for the PRC's property market, which is expected to be fuelled by continued growth of the country's economy. In turn, increasing consumer affluence and urbanisation should underpin demand for higher quality housing and properties, particularly in the second- and third-tier cities in the PRC.

Although our plan to expand into Beihai city through the acquisition of a 90.0% interest in Ever Sure Industries Limited ("Ever Sure") is currently on hold due to the ongoing legal proceedings against Ever Sure for breach of contract, Pan Hong remains in pole position to capitalise on the growth potential of the PRC's property market.

Not only do we have a sizeable 2.9 million sq m in GFA of land reserves to generate future revenue for the Group over coming years, we also possess a sound financial position which is particularly pertinent in today's context as the PRC's property industry is facing new regulations and measures aimed at curtailing speculative investments and ensuring sustainable long-term growth. Based on current market conditions, the Group's fundamentals and business plans, we expect our revenue and earnings in FY2008 to remain robust.

In closing, I would like to thank Hwa Hong Corporation Limited, and other valued investors, for the confidence they have shown in Pan Hong by subscribing to our share placement in October 2007. I would also like to extend my utmost appreciation to all our shareholders for your continued support and belief in Pan Hong. To our Board of Directors, thank you for your continued guidance and dedication, and to our management and staff of Pan Hong, I would to express my gratitude for your hard work and valuable contributions that have enabled the Group to attain success in our endeavours.

**Wong Lam Ping**
*Executive Chairman*

## STATUS OF COMPLETED PROPERTIES AND CURRENT PROJECT LAUNCHED FOR SALE

### 1. Completed Properties

**Huzhou Liyang Jingyuan Phase 1（湖州麗陽景苑第一期）**

This project has a total GFA of around 63,843 sq m. In FY2007, the Group sold residential and commercial units with total GFA of 975 sq m for approximately RMB 5.13 million. As at 31 December 2007, 91% of this development has been sold.

**Huzhou Xinya Jiayuan（湖州馨雅家園）**

This project has a total GFA of around 70,277 sq m. In FY2007, the Group sold residential and commercial units with total GFA of 187 sq m for approximately RMB 1.5 million. Excluding commercial and other properties with GFA of around 6,705 sq m that are being retained as investment properties, the Group has sold 100% of this development as at the end of FY2007.

**Huzhou Zhili Yazhoucheng Phase 1（湖州織里亞洲城第一期）**

This project has a total GFA of around 55,213 sq m. In FY2007, the Group sold residential and commercial units with total GFA of 641 sq m for approximately RMB 1.5 million. The Group has sold 100% of this development as at the end of FY2007.

**Huzhou Zhili Yazhoucheng Phase 2（湖州織里亞洲城第二期）**

This project was launched in August 2006 and has a total GFA of around 7,398 sq m. During the year, the Group sold residential and commercial units with total GFA of 3,911 sq m for approximately RMB 8.2 million. The accumulated percentage of GFA sold up to 31 December 2007 was around 53%.

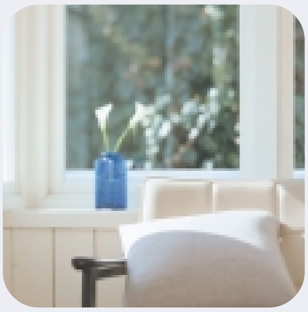
**Wuxing District Balidian Multi-trading Market（吳興區八里店社區綜合市場）**

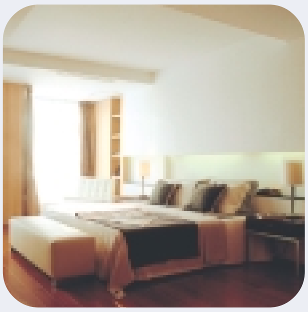
This project has a total GFA of around 23,543 sq m. In FY2007, the Group sold commercial units with total GFA of 19 sq m for approximately RMB 0.24 million. Excluding commercial units with GFA of 8,942 sq m which is being retained as investment properties, the Group has sold 100% of this development at the end of FY 2007.

### 2. Current Project Launched for Sale

**Nanchang Honggu Kaixuan Phase 1（南昌紅谷凱旋第一期）**

Phase 1 of this development has a planned GFA of 157,214 sq m. A total of 1,127 residential units with GFA of 135,222 sq m were launched for sale in FY2007. As at end 31 December 2007, the Group has sold a total of 1,030 units, or 91% of Phase 1 residential units. The Group sold and completed the handover of 989 units with GFA of approximately 117,846 sq m for RMB 548.3 million in FY2007. Handover of the remaining 14 pre-sold units valued at RMB 6.28 million will be carried out in FY2008.





## ADDITIONS TO LAND BANK IN FY2007

| Project | Location | Planned GFA (sq m) | Name of Joint Venture/ Subsidiary for Project | Pan Hong's Equity Interests | Cost of acquisition (RMB million) | Type of property | Description |
|---|---|---|---|---|---|---|---|
| Yichun Yue Liang Hu Residence | Yichun city, Jiangxi Province | 1,310,000 | Jiangxi Ganghong Industrial Co. Ltd | 50% | 116.4 | Mixed property development | Yichun City is a progressive city that is undergoing industrialisation and urbanization. Its economy is expanding at a rapid pace, with the GDP and annual disposable income per capita growing at a double-digit rate to RMB 44 billion and RMB 9,153 in 2006. The Group could be the first property developer to launch a large shopping mall-cum-residential property in Yichun. |
| Leping Project | Leping city, Jiangxi Province | 420,000 | Enrich HK Investments Limited | 51% | 12.5 | Mixed property development | On the back of urbanization efforts and initiatives to attract foreign investments, the GDP of Leping City has grown steadily from RMB 4.9 billion in 2003 to RMB 7.3 billion in 2006. The annual disposable income per capita has also risen from RMB 5,133 in 2003 to RMB 7,011 to 2006. The land parcels acquired in Leping are located in the belt of an upcoming science and technology park. |
| Jiangmen Project | Jiangmen city, Guangdong Province | 49,000 | Jiangmen Pan Hong Kaixuan Real Estate Development Co. Ltd | 75% | 28.6 | Mixed property development | Jiangmen City is a vital city centrally situated within the Pearl River Delta and is recognised as the "First Home Town of Foreign Chinese" in China (中國第一僑鄉). In recent years, it has become an investment hot spot in Guangdong Province being the hometown to more than 3.7 million overseas Chinese. Its GDP has risen 15.3% to RMB 92.1 billion in 2006, while annual disposable income per capita of urban households rose to RMB 16,530. The construction of a bullet train railway between Guangzhou City and Zhuhai City via Jiangmen City is currently underway and expected to be completed in 2008. |
| Fuzhou Project | Fuzhou city, Jiangxi Province | 476,000 | Fuzhou Pan Hong Kaixuan Real Estate Development Co. Ltd | 100% | 200 | Mixed property development | Recognised as the "Talents and Culture Home Town"in China(才子之鄉、文化之邦), Fuzhou City is shaping up to be a hotbed for investments due to its advantageous location and cost. The GDP rose 13.3% to RMB 31.4 billion in 2006, and the annual disposable income per capita of urban households increased 12.3% to RMB 9,432 in 2006. |

## FINANCIAL REVIEW

### Operating Results

| | Year ended 31/12/2007 | Year ended 31/12/2006 |
|---|---|---|
| **Revenue (RMB'000)** | | |
| Residential | **557,456** | 45,568 |
| Commercial | **7,038** | 96,160 |
| Others including car parks lots | **363** | 9,541 |
| | **564,857** | 151,269 |

| | Year ended 31/12/2007 | Year ended 31/12/2006 |
|---|---|---|
| **Gross profit (RMB'000)** | | |
| Residential | **227,992** | 17,792 |
| Commercial | **2,475** | 36,331 |
| Others including car parks lots | **120** | 3,235 |
| | **230,587** | 57,358 |

Group revenue for FY2007 jumped 273.4% to RMB 564.9 million, from RMB 151.3 million in FY2006. This was boosted mainly by the sales of residential units under Phase 1 of the Group's Nanchang Honggu Kaixuan project in Jiangxi Province that was launched in May 2007. By year-end, the Group completed the handover of residential GFA of around 117,846 sq m for Nanchang Honggu Kaixuan. This amounted to RMB 548.3 million and was recognized as revenue in FY2007.

Combined with the sales of remaining residential and commercial units of completed developments – Huzhou Liyang Jingyuan Phase 1, Huzhou Xinya Jiayuan, Huzhou Zhili Yazhoucheng Phase 1 and 2, Wuxing Balidian Market, the Group sold a total GFA of 122,273 sq m of residential properties, 1,153 sq m of commercial properties and 153 sq m of other properties such as car parks in FY2007.

In tandem with the increase in revenue, the Group's gross profit increased significantly by 302.0% to approximately RMB 230.6 million in FY2007. Gross profit margin also increased to 40.8% in FY2007, compared to 37.9% in FY2006, as the average selling price ("ASP") of properties sold during FY2007 was higher than in the previous year. Sales from Nanchang Honggu Kaixuan lifted overall ASP in FY2007, compared to the lower overall ASP that was derived from sales of Huzhou Liyang Jingyuan Phase 1, Huzhou Xinya Jiayuan and Wuxing Balidian Market in FY2006.

Other income and gains surged by more than 3 times to RMB 77.4 million in FY2007, from RMB 24.5 million in FY2006, driven primarily by agency commission and consultancy fee of RMB 33.8 million.

Selling expenses rose significantly to RMB 6.6 million in FY2007, from RMB 0.9 million in FY2006, which is attributed to an increase of around RMB 2.0 million for salaries and sales commissions as well as approximately RMB 3.0 million for advertising and promotion costs. The higher advertising and promotion expenses were incurred in conjunction with the launch of Nanchang Honggu Kaixuan to drive the pre-sales of this property.

Taxation for the year rose to RMB 99.3 million, from RMB 17.5 million in FY2006. Although the authorities had not issued the Land Appreciation Tax ("LAT") liability for the Group, we made a provision for LAT of RMB 41.6 million in FY2007. The Directors, after consultation with the Group's legal advisor, consider the amount charged to the consolidated income statement to be adequate as this is calculated based on methods that comply with the existing rules and interpretation of LAT.

Led by strong top line growth, the Group's profit for the year soared 274.7% to RMB 185.7 million in FY2007, from RMB 49.6 million in FY2006. Similarly, profit attributable to equity holders also surged by almost four times to reach RMB 184.9 million in FY2007.

## FINANCIAL POSITION

The Group ended FY2007 with a strong balance sheet. During the year, the Group generated healthy net cash from operating activities of RMB 87.1 million, which enabled it to close FY2007 with a sound cash balance of RMB 243.9 million, compared to RMB 221.4 million at the end of FY2006. The Group increased its short-term borrowings by around RMB 105.6 million mainly for working capital needs, and repaid about RMB 43.9 million of its long-term debts in FY2007. With total borrowings of RMB 189.5 million at the end of FY2007, the Group closed the year with a net cash position.

The Group's property, plant and equipment and the leasehold interest in land increased by RMB 11.7 million to RMB 16.5 million at the end of FY2007, due mainly to the acquisition of office premises in Hong Kong for a consideration of approximately RMB 10.0 million.

Investment properties increased RMB 45.7 million to RMB 81.0 million due mainly to the transfer of properties held for sales into investment properties and the corresponding revaluation gain at the date of transfer. In a strategic move to build a recurring source of income for the longer term, the Group has transferred the commercial units of Wuxing Balidian Market and Huzhou Xinya Jiayuan to its portfolio of investment properties for the purpose of generating rental income.

Properties held under development increased significantly by approximately RMB 114.5 million to RMB 405.9 million. This was due mainly to the acquisitions of land during the year in Yichun, Leping, Jiangmen and Fuzhou cities in the PRC. Additionally, there was also an increase in development costs amounting to around RMB 53.9 million mainly due to the new development projects – Hua Cui Ting Yuan, Hangzhou Liyang Yuan, Nanchang Honggu Kaixuan (Phase 2) and Huzhou Liyang Jingyuan (Phase 2).

Properties held for sale also increased by RMB 82.2 million to RMB 125.0 million at the end of FY2007, mainly attributable to the completion of car parks and commercial units in relation to Nanchang Honggu Kaixuan in FY2007.

Account receivables increased by approximately RMB 5.9 million to RMB 57.0 million as at 31 December 2007 on higher revenue recorded in FY2007.


*Award (Nanchang Honggu Kaixuan Phase 1)*

The Group's deposit, prepayment and other receivables, including current and non-current portion, increased significantly by approximately RMB 168.1 million to RMB 220.5 million as at 31 December 2007. This was mainly attributable to the prepayment of RMB 90.0 million in relation to the land acquisition in Fuzhou, as well as a pledged deposit of RMB 80.0 million required to secure a loan of RMB 75.0 million.

Pledged bank deposits mainly represented security deposits of RMB 12.8 million which the Group provides to the banks as guarantees for mortgage loan facilities arranged for the purchasers of property units. Such guarantees terminate upon the issue of property ownership certificate by the Group.

Accounts payable decreased significantly by approximately RMB 7.5 million at the end of FY2007 due to the settlement of outstanding amounts owing to contractors. Accruals, advance receipt and other payables increased significantly by approximately RMB 138.1 million to RMB 161.3 million as at 31 December 2007, as a result of a provision of construction costs of approximately RMB 129.0 million for the Nanchang Honggu Kaixuan.

Equity attributable to the Group's equity holders rose to RMB 728.5 million at the end of FY2007, from RMB 522.5 million previously.

# 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 and 2005, he was appointed a director of Chaozhou Jinaote Sanitary Ware Ltd. and Huzhou Wei Yuan Tang Bio-Pharmaceutical Ltd. respectively. 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 (輕工業部長沙設計院) from 1982 to 1992. He subsequently joined Guangdong Huizhou City Hui Long Housing and Landing Development Co., Ltd. (廣東惠州隆房地產開發有限公司) 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 (廣東惠州隆集團有限公司) 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 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 (內蒙古海勃灣礦務局) 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 (內蒙古烏海市國税局). She later joined 999 Huzhou Pharmaceutical Company (三九湖州藥業) 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 (內蒙古煤炭工業學校) with a degree in Financial Accounting, and from the Inner Mongolia Broadcast and Television University (內蒙古廣播電視大學) 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, Deloitte & Touche, 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 of the Valuation Review Board under the Finance Ministry of Singapore and the Valuation Review Board. 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 Executives



**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 (浙江省物資局化工輕工總公司) 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. (中國化工建設浙江物化有限公司). He then became Trading Manager of both Huzhou Jinquan Trading Co., Ltd. (湖洲金泉貿易有限公司) 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. (湖州龍海生物葯業有限公司) as the assistant general manager before joining our Group in 2004. Mr Wang graduated from Zhejiang University of Technology (浙江工業大學) 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 (浙江省學位委員會) in 2000. Mr Wang was also certified as an Economist by the Zhejiang Provincial Bureau of Materials (浙江省物資局) 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. (杭州機床廠) 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 (杭州市江平供銷貿易中心) 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 (浙江廣播電視大學) 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 (南潯建築工程公司). 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 (浙江川菱電器有限公司) as Chief of the Infrastructure Department before leaving to take up the concurrent positions as General Manager of Nanxun Municipal Main Company (南潯市政總公司) and an assistant supervisor in the Nanxun Economic Development Zone Construction Office (南潯經濟開發區建設辦公室) 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 (南潯中學) in 1972. Mr Zhang was certified as an Assistant Engineer in 1998 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 (湖洲市第五屆政治協商委員會) as well as a member of the Nanxun District Industry and Commerce Standing Committee (南潯區工商聯常務委員).

# Key Executives



**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（浙江省農業銀行湖州市分行）, working in the Capital Organization Department. In 1994, he joined the Bank of Communications（交通銀行湖洲分行）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（浙江廣播電視大學）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（農行浙江省分行專業技術職務評審委員會）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.

The Board of Directors ("the Board") is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the "Group").

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

### PRINCIPLE 1: THE BOARD'S CONDUCT OF ITS AFFAIRS

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

The principal functions of the Board are:

- 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;
- approving major acquisitions and disposals;
- approving the nominations of directors; and
- reviewing the corporate governance processes and practices.

In general the Board deals with matters such as conflict of interest issues relating to directors and substantial shareholders, major acquisitions and disposals of assets, dividend and other distributions to shareholders, and those transactions or matters which require Board's approval under the provisions of the Listing Manual (the "Listing Manual") of the Singapore Exchange Securities Trading Limited ("SGX-ST") or any applicable regulations.

**MEETINGS OF BOARD AND BOARD COMMITTEES HELD IN YEAR 2007**

| | Board of Directors | Audit Committee | Nominating Committee | Remuneration Committee |
|---|---|---|---|---|
| No. of Meetings held | 4 | 4 | 1 | 0[(1)] |
| **Name Of Director** | **Attended** | **Attended** | **Attended** | **Attended** |
| Wong Lam Ping | 4 | N.A. | 1 | N.A. |
| Chan Heung Ling | 3 | N.A. | N.A. | N.A. |
| Sim Wee Leong | 4 | 4 | 1 | N.A. |
| Dr. Choo Kian Koon | 4 | 4 | 1 | 0 |
| Dr. Zheng Haibin | 2 | 2 | N.A. | 0 |
| Chan Kin Sang | 1 | N.A. | N.A. | 0 |
| Shi Feng | 3 | N.A. | N.A. | N.A. |
| Wang Cuiping | 3 | N.A. | N.A. | N.A. |

*N.A. – not applicable.*

*(1) No meeting of the Remuneration Committee was held in FY2007. Matters of the Remuneration Committee were approved via circular resolutions during the year.*

The Group conducts an orientation programme for newly appointed directors. New directors will be briefed and given orientation by the Executive Directors and Management of the Group to familiarise himself with the businesses and operations of the Group. 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.

## PRINCIPLE 2: BOARD COMPOSITION AND BALANCE

The Board is made up of eight directors, four executive and four non-executive directors as follow:

**Executive Directors:**

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

**Non-Executive Directors:**

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

The criterion for independence is based on the definition given in the Code. The Board considers an independent director as one who has no relationship with the Group, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the directors' independent judgement of the Group's affairs.

The Nominating Committee, which reviews the independence of each director on an annual basis, had adopted the Code's definition of what constitutes an independent director.

## PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

Wong Lam Ping ("Mr. Wong") 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. 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 Lead Independent Director of the Company to address the concerns, if any, of the Company's shareholders.

## PRINCIPLE 4: BOARD MEMBERSHIP

The Nominating Committee ("NC") comprises of 3 Directors, majority of whom, including the Chairman, are independent Directors.

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

The NC had adopted a process for selection and appointment of new directors subsequent to financial year 2007. 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.

The NC was established to perform the following key duties and responsibilities 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;
- 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.

## PRINCIPLE 5: BOARD PERFORMANCE

The NC will recommend to the Board performance criteria and evaluation procedures for the assessment and evaluation of the effectiveness of the effectiveness and performance of the Board.

To assess the performance of the Board, the NC evaluates each Director based on the followings:

- 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.

## PRINCIPLE 6: ACCESS TO INFORMATION

The Executive Directors and the senior management keep the Board aware of the Group's operations and performance through updates and reports as well as through informal discussions. Prior to any meetings of the Board or 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 role of the Company Secretary is clearly defined. The Company Secretary should attend all Board meeting and is responsible to the Board for advising on the implementation of the Group's compliance requirements pursuant to the relevant statutes and regulations.

Where decisions to be taken require expert opinion or specialized knowledge, the Board had adopted a policy to seek independent professional advice at the Group's expense.

## (B) REMUNERATION MATTERS

### PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES
### PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION
### PRINCIPLE 9: DISCLOSURE ON REMUNERATION

The Remuneration Committee ("RC") comprises three members, all of whom are Non-Executive Directors:

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

The RC is governed by written terms of reference and responsibilities are:

- recommending to the Board to determine the appropriateness of the remuneration of the Directors and key executives of the Group;
- directors' fees for non-executive directors, which are subject to shareholders' approval at the AGM; and
- the service contracts of the Executive Directors.

The RC had recommended to the Board an amount of S$145,000 as director fees for the year ended 31 December 2007. The Board will table this at the forthcoming AGM for shareholder's approval.

The executive directors, Wong Lam Ping, Chan Heung Ling, Shi Feng and Wang Cuiping had each signed separate service agreements for an initial term of 3 year commencing from 20 September 2006. The service agreements can be terminated with 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 regard to the financial and commercial health and business need of the Group.

The range of remuneration of directors of the Group for the financial year ended 31 December 2007 are set out belows:

| Remuneration Band & Name of Director | Allowance/ Fee % | Based/ Fixed Salary % | Variable or Performance Related Income/ Bonus % | Benefits in Kind % | Other Long Term Incentives % | Total % |
|---|---|---|---|---|---|---|
| (i) S$250,000 to S$500,000 | | | | | | |
| Wong Lam Ping[1] | – | 100 | – | – | – | 100 |
| (ii) S$250,000 and below | | | | | | |
| Chan Heung Ling[1] | – | 100 | – | – | – | 100 |
| Shi Feng | – | 32 | 68 | – | – | 100 |
| Wang Cuiping | – | 32 | 68 | – | – | 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.*

| Top 5 Key Executives in Remuneration Bands | Number |
|---|---|
| S$250,000 and below | 5 |

For year 2007, there were no executives with remuneration above S$250,000.

Given the highly competitive industry conditions and the sensitivity and confidentiality of remuneration matters, the Group believes that the disclosure of remuneration of individual executives as recommended by the Code, would not be in the interest of the Group.

Other than disclosed above, there were no employees of the Group who were an immediate family of a director or the Executive Chairman and whose remuneration exceeded S$150,000 for the financial year ended 31 December 2007.

## (C) ACCOUNTABILITY AND AUDIT

### PRINCIPLE 10: ACCOUNTABILITY

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.

### PRINCIPLE 11: AUDIT COMMITTEE

The Audit Committee ("AC") of the Group comprises three members, all of whom are independent directors:

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

The Board believes that the AC of the Company is appropriately qualified to discharge their duties and responsibilities. AC is governed by written terms of reference under which it is responsible for:

- review with the external auditors, their audit plans and audit reports;
- review the co-operation given by the Management to the external auditors;
- review the annual and quarterly results announcements of the Group before submission to the Board for adoption;
- nominate and review the appointment or re-appointment of external auditors; and
- review interested person transactions.

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 Group has implemented the Whistle-Blowing Policy during the year. The policy aims to provide a channel for staff of the Group to report and to arise in good faith and in confidence, their concerns about possible improprieties in matters of financial reporting or other matters. The AC had reviewed the adoption of a Whistle-Blowing Policy in financial year 2007.

For the year 2007, the AC met up with the external auditor without the presence of the Management. The Executive Director were invited to be present at AC meetings to report and brief the AC members on the financial and operating performance of the Group and to answer any queries from the AC members on any aspect of the operations of the Group. The external auditors also presented their findings on the annual audit to the AC at the last AC meeting. The AC, having undertaken a review of all non-audit services provided by the external auditors and is of the opinion that the independence and objectivity of the external auditors have not been compromised. No non-audit service fee incurred during the year.

## PRINCIPLE 12: INTERNAL CONTROLS
## PRINCIPLE 13: INTERNAL AUDIT

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.

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 will review the external auditor's comments and ensure that are adequate internal controls in the Group.

The Board is of the opinion that the existing internal controls of the Group are adequate.

The Company is finalising the appointment of an accounting firm to conduct an internal audit review of the Group's operations.

## (D) COMMUNICATION WITH SHAREHOLDERS

### PRINCIPLES 14 & 15: COMMUNICATION WITH SHAREHOLDERS AND GREATER SHAREHOLDER PARTICIPATION

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 be informed of all major developments that impact the Group.

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

- SGXNET releases and press releases on major developments of the Group;
- Financial statement containing a summary of the financial information and affairs of the Group for the quarterly and full year via SGXNET
- Annual reports that are sent to all shareholders; and
- Notices of and explanatory notes for general meetings.

At the AGM, shareholders will be given opportunities to voice their views and seek clarification.

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 at the AGM.

## 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 year and the year ended 31 December 2007.

## 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 year ended 31 December 2007.

## 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.

## USD OF IPO's PROCEEDS

In the year 2007, our Group has fully utilized the IPO's proceeds as follows:–

| | **Amount** *(RMB million) | **Amount** *(S$ million) |
|---|---|---|
| **Amount of IPO Proceeds raised** | **214.2** | **42.0** |
| Less: Listing Expenses | 21.5 | 4.2 |
| **Net IPO Proceeds** | **192.7** | **37.8** |
| Less: net IPO Proceeds Utilised for – | | |
| (a) Capital injection to Hangzhou Liyang | 69.7 | 13.6 |
| (b) Capital injection to Huzhou Luzhou | 16.5 | 3.2 |
| (c) Deposit to acquire 90% equity interests in Ever Sure Industrial Ltd which held a land in Beihai | 30.0 | 5.9 |
| (d) Capital injection to acquire 51% interests in Leping City Fenghuang Jincheng Holdings Ltd which held a land in Leping City | 12.5 | 2.5 |
| (e) Capital injection to acquire 50% interests in Jiangxi Ganghong Investment Co., Ltd which held a land in Yichun City | 30.0 | 5.9 |
| (f) Increase of registered capital to USD25 million and capital injection to Jiangxi Asia City and capital injection to acquire 75% interests in Jiangmen Pan Hong Kaixuan Co., Ltd in Jiangmen City by Jiangxi Asia City | 34.0 | 6.7 |
| **Balance** | **–** | **–** |

* *Based on the exchange rates at RMB:HKD = 1:1 and SGD:RMB = 1:5.1*

# 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 year ended 31 December 2007.

## 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 Wong Lam Ping, Ms Chan Heung Ling and Dr. Choo Kian Koon 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 year, 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 year 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 1.1.2007** | **At 21.01.2008 and 31.12.2007** | **At 1.1.2007** | **At 21.01.2008 and 31.12.2007** |
| Wong Lam Ping *(Executive Chairman)* | 18,321,184 | 18,321,184 | 288,000,000 | 301,399,300[1] |
| Chan Heung Ling *(Deputy Chairman)* | 13,399,300 | 13,099,300 | 288,000,000 | 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' 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 19 to 28 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* |

20 March 2008

# 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 balance sheets, consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement together with the notes thereto 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 December 2007 and the results of the business, changes in equity and cash flows of the Group for the year then ended; 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* |

20 March 2008

# Contents

33 Independent Auditors' Report
35 Consolidated Income Statement
36 Balance Sheets
38 Consolidated Cash Flow Statement
40 Consolidated Statement of Changes in Equity
41 Notes to the Financial Statements

*Expressed in Renminbi ("RMB")*

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均富

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**To the members of Pan Hong Property Group Limited 汎港地產集團有限公司**
**(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 35 to 89, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, 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 31.

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.

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.

# Independent Auditors' Report

## 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 December 2007 and of the Group's profit and cash flows for the year then ended 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

20 March 2008

# Consolidated Income Statement

For the year ended 31 December 2007

| | Notes | 2007 RMB'000 | 2006 RMB'000 (restated) |
|---|---|---|---|
| **Revenue** | 5 | **564,857** | 151,269 |
| Cost of sales | | **(334,270)** | (93,911) |
| **Gross profit** | | **230,587** | 57,358 |
| Other income and gains | 5 | **77,407** | 24,495 |
| Selling expenses | | **(6,577)** | (909) |
| Administrative expenses | | **(14,164)** | (13,188) |
| Other operating expenses | | **(547)** | (613) |
| **Operating profit** | | **286,706** | 67,143 |
| Finance costs | 7 | **(1,412)** | – |
| Share of loss of associates | | **–** | (76) |
| Share of loss of jointly controlled entity | | **(298)** | – |
| **Profit before taxation** | 7 | **284,996** | 67,067 |
| Taxation | 8 | **(99,327)** | (17,517) |
| **Profit for the year** | | **185,669** | 49,550 |
| **Attributable to:** | | | |
| Equity holders of the Company | | **184,856** | 49,440 |
| Minority interests | | **813** | 110 |
| | | **185,669** | 49,550 |
| **Dividends** | 9 | **9,178** | 4,800 |
| **Earnings per share *(in RMB cents)*:** | 10 | | |
| – Basic | | **38.37** | 12.55 |
| – Diluted | | **N/A** | N/A |

# Balance Sheets

As at 31 December 2007



| | Notes | Group 2007 RMB'000 | Group 2006 RMB'000 (restated) | Company 2007 RMB'000 | Company 2006 RMB'000 |
|---|---|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | *11* | **8,312** | 4,740 | **–** | – |
| Investment properties | *12* | **81,013** | 35,338 | **–** | – |
| Leasehold interest in land | *13* | **8,206** | – | **–** | – |
| Goodwill | *14* | **6,030** | 6,030 | **–** | – |
| Investments in subsidiaries | *15* | **–** | – | **278,608** | 278,608 |
| Interest in a jointly controlled entity | *16* | **49,702** | – | **–** | – |
| Other receivables | *22* | **20,000** | – | **–** | – |
| Deposit paid | *17* | **30,000** | 30,000 | **–** | – |
| Deferred tax assets | *18* | **11,000** | – | **–** | – |
| | | **214,263** | 76,108 | **278,608** | 278,608 |
| **Current assets** | | | | | |
| Properties held under development | *19* | **405,914** | 291,394 | **–** | – |
| Properties held for sale | *20* | **125,010** | 42,809 | **–** | – |
| Account receivables | *21* | **57,007** | 51,159 | **–** | – |
| Deposits paid, prepayments and other receivables | *22* | **200,453** | 52,311 | **1,564** | 112 |
| Amounts due from related parties | *23* | **538** | – | **248,626** | 195,820 |
| Pledged bank deposits | *24* | **12,805** | – | **–** | – |
| Cash and cash equivalents | *24* | **243,906** | 221,356 | **92** | 92 |
| | | **1,045,633** | 659,029 | **250,282** | 196,024 |
| **Current liabilities** | | | | | |
| Account payables | | **2,105** | 9,637 | **–** | – |
| Accruals, receipts in advance and other payables | *25* | **161,343** | 23,218 | – | 350 |
| Provision for tax | | **109,048** | 20,750 | **–** | – |
| Amounts due to related parties | *26* | **91** | 29 | **6,395** | 375 |
| Bank and other loans | *27* | **105,563** | – | **–** | – |
| | | **378,150** | 53,634 | **6,395** | 725 |
| **Net current assets** | | **667,483** | 605,395 | **243,887** | 195,299 |
| **Total assets less current liabilities** | | **881,746** | 681,503 | **522,495** | 473,907 |
| **Non-current liabilities** | | | | | |
| Bank and other loans | *27* | **66,140** | 110,000 | **–** | – |
| Shareholder's loan | *28* | **17,794** | 17,794 | **–** | – |
| Deferred tax liabilities | *18* | **8,495** | 5,713 | **–** | – |
| | | **92,429** | 133,507 | **–** | – |
| **Net assets** | | **789,317** | 547,996 | **522,495** | 473,907 |

# Balance Sheets

As at 31 December 2007

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2007** | 2006 | **2007** | 2006 |
| | *Notes* | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| | | | (restated) | | |
| **EQUITY** | | | | | |
| **Equity attributable to the Company's equity holders** | | | | | |
| Share capital | *29* | **298,164** | 292,164 | **298,164** | 292,164 |
| Reserves | *30* | **430,379** | 223,169 | **224,331** | 181,743 |
| | | **728,543** | 515,333 | **522,495** | 473,907 |
| **Minority interests** | | **60,774** | 32,663 | **–** | – |
| **Total equity** | | **789,317** | 547,996 | **522,495** | 473,907 |

**Wong Lam Ping**
*Director*

**Chan Heung Ling**
*Director*

# Consolidated Cash Flow Statement

For the year ended 31 December 2007

| | Notes | 2007 RMB'000 | 2006 RMB'000 (restated) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | | **284,996** | 67,067 |
| Adjustments for: | | | |
| Interest income | | **(6,410)** | (2,296) |
| Interest expense | | **1,412** | – |
| Fair value change of | | | |
| – investment properties | | **–** | (5,880) |
| – properties held for sale upon transfer to investment properties | | **(17,637)** | (15,623) |
| Depreciation | | **315** | 352 |
| Amortisation of leasehold interest in land | | **17** | – |
| (Gain)/Loss on disposal of property, plant and equipment | | **4** | (15) |
| 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 associates | | **–** | 76 |
| Share of loss of a jointly controlled entity | | **298** | – |
| Operating profit before working capital changes | | **255,516** | 43,681 |
| Increase in properties held under development and properties held for sale | | **(65,181)** | (8,880) |
| Increase in account and other receivables, prepayments and deposits paid | | **(86,798)** | (51,959) |
| (Increase)/Decrease in amount due from a related party | | **(538)** | 2,133 |
| Increase/(Decrease) in account and other payables, accruals and receipts in advance | | **6,394** | (14,396) |
| Increase in amounts due to related parties | | **62** | 29 |
| Increase in pledged bank deposits | *24* | **(12,805)** | – |
| *Cash generated from/(used in) operations* | | **96,650** | (29,392) |
| Interest received | | **5,295** | 2,296 |
| Income taxes paid | | **(18,521)** | (23,295) |
| Tax refund | | **3,686** | 7,659 |
| *Net cash generated from/(used in) operating activities* | | **87,110** | (42,732) |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | | **(3,994)** | (457) |
| Purchase of leasehold interest in land | | **(8,223)** | – |
| Sales proceeds received from disposal of property, plant and equipment | | **–** | 55 |
| Investment in associates | | **–** | (2,060) |
| Investment in a jointly controlled entity | | **(50,000)** | – |
| Acquisition of additional interest of a subsidiary from a minority shareholder | | **(2,172)** | – |
| Acquisition of subsidiaries, net | *31* | **(12,482)** | 763 |
| Deposit paid for acquisition of a subsidiary | *17* | **–** | (30,000) |
| Proceeds from liquidation of an associate | | **–** | 2,374 |
| *Net cash used in investing activities* | | **(76,871)** | (29,325) |

# Consolidated Cash Flow Statement

For the year ended 31 December 2007

| | Notes | 2007 RMB'000 | 2006 RMB'000 (restated) |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Proceeds from issuance of share capital | | **42,353** | 205,502 |
| Share issue expenses | | **–** | (15,734) |
| Capital contributions made by minority shareholders | | **10,000** | – |
| Dividend paid | | **(4,800)** | – |
| Dividend paid to a minority share holder | | **(1,552)** | – |
| New borrowings | | **111,781** | 149,000 |
| Repayment of borrowings | | **(50,078)** | (77,000) |
| Increase in shareholder's loan | | **–** | 20,724 |
| Interest paid | | **(7,347)** | (6,189) |
| Increase in pledged other deposits | *22(a)* | **(80,000)** | – |
| *Net cash generated from financing activities* | | **20,357** | 276,303 |
| **Net increase in cash and cash equivalents** | | **30,596** | 204,246 |
| **Effect of foreign exchange difference** | | **(8,046)** | 1,876 |
| **Cash and cash equivalents at 1 January** | | **221,356** | 15,234 |
| **Cash and cash equivalents at 31 December** | | **243,906** | 221,356 |

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2007



| | Equity attributable to equity holders of the Company | | | | | | | | | Minority interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Merger reserve | Statutory reserve | Capital reserve | Exchange reserves | Retained earnings | Proposed final dividend | Total | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2006 | 219,123 | – | (219,112) | – | – | 437 | 61,018 | – | 61,466 | 35,013 | 96,479 |
| Profit for the year | – | – | – | – | – | – | 49,440 | – | 49,440 | 110 | 49,550 |
| Exchange difference (net expense recognised directly in equity) | – | – | – | – | – | (2,210) | – | – | (2,210) | 2,733 | 523 |
| Total income and expenses recognised during the year | – | – | – | – | – | (2,210) | 49,440 | – | 47,230 | 2,843 | 50,073 |
| Further acquisition of a subsidiary | – | – | – | – | – | – | – | – | – | (5,193) | (5,193) |
| Merger reserve arising from the reorganisation exercise | – | – | 216,869 | – | – | – | – | – | 216,869 | – | 216,869 |
| Issue of shares by initial public offering *(note 29(d))* | 73,041 | 132,461 | – | – | – | – | – | – | 205,502 | – | 205,502 |
| Share issue expenses | – | (15,734) | – | – | – | – | – | – | (15,734) | – | (15,734) |
| Final dividend proposed for the year *(note 9)* | – | – | – | – | – | – | (4,800) | 4,800 | – | – | – |
| Transfer to statutory reserves | – | – | – | 6,058 | – | – | (6,058) | – | – | – | – |
| At 31 December 2006 and 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 (net expense recognised directly in equity) | – | – | – | – | – | (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 shareholder | – | – | – | – | – | – | – | – | – | 10,000 | 10,000 |
| Acquisition of additional interest in a subsidiary from a minority shareholder | – | – | – | – | – | – | – | – | – | (2,172) | (2,172) |
| Acquisition of a subsidiary | – | – | – | – | – | – | – | – | – | 19,190 | 19,190 |
| Issue of shares on placement *(note 29(e))* | 6,000 | 36,353 | – | – | – | – | – | – | 42,353 | – | 42,353 |
| 2006 dividend paid during the year *(note 9)* | – | – | – | – | – | – | – | (4,800) | (4,800) | – | (4,800) |
| Final dividend proposed for the year *(note 9)* | – | – | – | – | – | – | (9,178) | 9,178 | – | – | – |
| Dividend paid to minority shareholder | – | – | – | – | – | – | (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 | 298,164 | 153,080 | (2,243) | 4,257 | 3,838 | (9,420) | 271,689 | 9,178 | 728,543 | 60,774 | 789,317 |

## 1. GENERAL INFORMATION

Pan Hong Property Group Limited (the "Company") 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 15 to the financial statements.

The financial statements on pages 35 to 89 have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Standards and Interpretations issued by the International Accounting Standards Board ("IASB").

The financial statements for the year ended 31 December 2007 were approved for issue by the board of directors on 20 March 2008.

## 2. ADOPTION OF NEW OR AMENDED IFRSs

From 1 January 2007, the Group has adopted all of the new or amended IFRSs which are relevant to the Group and first effective on 1 January 2007.

| | |
|---|---|
| IAS 1 (Amendment) | Capital disclosures |
| IFRS 7 | Financial Instruments: Disclosures |

### Amendment IAS 1 – Presentation of Financial Statements

In accordance with the amendment of IAS 1 *Presentation of Financial Statements*, the Group now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclousures that become necessary due to this change in IAS 1 are detailed in note 33.

### Adoption of IFRS 7 – Financial Instruments: Disclosures

IFRS 7 Financial Instruments: Disclosure is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends the disclosure requirements previously set out in IAS 32 Financial Instruments: Presentation and Disclosures and has been adopted by the Group in its financial statements for the year ended 31 December 2007. All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements. In particular, the Group's financial statements now feature:

– a sensitive analysis explained the Group's market risk exposure in regards to its financial instruments; and

– a maturity analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet dates. The first-time application of IFRS 7, however, has not resulted in any prior period adjustments on cash flows, net income or balance sheet line items.

## 2. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

The adoption of these new and amended IFRSs did not result in significant changes in the Group's accounting policies but give rise to additional disclosures. The specific transitional provisions contained in some of these new and amended IFRSs were considered. The adoption of these new and amended IFRSs did not result in significant changes in the Company's accounting policies.

In light of the discussion of the International Financial Reporting Interpretations Committee on the scope of IAS 12, Income Taxes, and after reviewing the Group's accounting policies on land appreciation tax ("LAT") in the People's Republic of China ("PRC"), the directors of the Company decided that it is more appropriate to account for and present LAT as income tax under IAS 12. The effect of changes in the presentation on the consolidated financial statements is summarised below:

| | **Increase/(decrease)** | |
|---|---|---|
| | **2007** | 2006 |
| | **RMB'000** | RMB'000 |
| **Consolidated income statement – year ended 31 December** | | |
| Cost of sales | **(41,567)** | (2,937) |
| Taxation | **41,567** | 2,937 |
| Net effect to profit for the year | **–** | – |
| **Consolidated balance sheet – as at 31 December** | | |
| Other payable | **(44,016)** | (3,733) |
| Provision for taxation | **44,016** | 3,733 |
| Net effect to net assets | **–** | – |
| **Consolidated cash flow statement – year ended 31 December** | | |
| (Increase)/Decrease in account and other payables, accruals and receipt in advance | **(681)** | (2,937) |
| Tax paid | **681** | 2,937 |
| Net effect to cash flow for the year | **–** | – |

## 2. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

The Group has not early adopted the following IFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of such IFRSs will not result in material financial impact to the Group's financial statements:

| | |
|---|---|
| IAS 1 (Revised 2007) | Presentation of Financial Statements – Comprehensive revision including requiring a statement of comprehensive income[1] |
| IAS 1 (Revised 2007) | Presentation of Financial Statements – Consequential amendments arising from IAS 32 (revised)[1] |
| IAS 23 (Amendment) | Borrowing Costs – Comprehensive revision to prohibit immediate expensing[1] |
| IAS 27 (Amended) | Consolidated and Separate Financial Statements[4] |
| IAS 28 (Amended) | Investments in Associates – Consequential amendments arising from amendments to IFRS 3[4] |
| IAS 31 (Amended) | Interests in Joint Ventures – Consequential amendments arising from amendments to IFRS 3[4] |
| IAS 32 (Revised) | Financial Instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation[1] |
| IAS 39 (Amended) | Financial Instruments: Recognition and Measurement – Consequential amendment arising from IAS 32 (revised)[1] |
| IFRS 2 (Amended) | Share-based payment – Amendment relating to vesting condition and cancellations[1] |
| IFRS 3 (Revised) | Business Combinations – Comprehensive revision on applying the acquisition method[4] |
| IFRS 7 (Amended) | Financial Instruments: Disclosures – Consequential amendments arising from IAS 31 (Revised)[1] |
| IFRS 8 | Operating Segments[1] |
| IFRIC 2 | Members' Shares in Cooperative Entities and Similar Instruments – Consequential amendment arising from IAS 32 (revised)[1] |
| IFRIC 11 | IFRS 2: Group and Treasury Share Transaction[5] |
| IFRIC 12 | Service Concession Arrangements[2] |
| IFRIC 13 | Customer Loyalty Programmes[3] |
| IFRIC 14 | IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[2] |

*Notes:*

1 *Effective for annual periods beginning on or after 1 January 2009*
2 *Effective for annual periods beginning on or after 1 January 2008*
3 *Effective for annual periods beginning on or after 1 July 2008*
4 *Effective for annual periods beginning on or after 1 July 2009*
5 *Effective for annual periods beginning on or after 1 March 2007*

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) 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 4.

### (b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

### (c) 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 3(p))*.

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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) 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 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.

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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) 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.

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 *(note 3(p))* 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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) 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.

### (g) Property, plant and equipment

#### (i) Depreciation

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% |
| Leasehold improvement | 5% |
| Motor vehicles | 20% |

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (g) Property, plant and equipment (Continued)

#### (ii) Measurement bases

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.

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.

### (h) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both is classified as investment property. Investment properties comprise land held under operating lease and building held under finance lease. Land held under operating lease is classified and accounted for as investment property on a property-by-property basis. Such land held under operating lease is accounted for as if it was 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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) 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 3(k)(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.

### (j) Properties held for sale

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.

### (k) 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 3(f).

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (l) 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.

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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (l) 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. 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.

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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) 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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (n) 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.

### (o) Cash and cash equivalents

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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (p) Impairment of 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.

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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) 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.

### (r) 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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Retirement benefit costs and short term employee benefits (Continued)

**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.

### (s) 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.

### (t) 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.

### (u) 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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (v) 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.

### (w) Related parties

Parties are considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the Group:

- controls, is controlled by, or is under common control with, the entity;
- has an interest in the entity that gives it significant influence over the entity;
- has joint control over the entity;

(ii) the party is an associate of the Group;

(iii) the party is 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 its parent;

(v) the party is a close member of the family or any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

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

## 4. 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.

### (a) 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 December 2007 and properties held for sale upon transfer to investment properties as at the date of transfer are set out in notes 12 and 20 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.

#### (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.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### (b) 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 year as disclosed in note 5 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 3(f) 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.

During the year, the Group incurred LAT of approximately RMB41,567,000 (2006: RMB2,937,000) which was charged to the income statement as taxation. The directors, after consultation with their legal advisor, considered the amount charged to the income statement to be adequate as this is calculated according to the method which is in compliance with the existing rules and interpretation of LAT.

## 5. REVENUE, OTHER INCOME AND GAINS

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

| | 2007<br>RMB'000 | 2006<br>RMB'000 |
|---|---|---|
| **Revenue** | | |
| Sale of properties held for sale | **564,857** | 151,269 |
| **Other income and gains** | | |
| Commission income | **18,780** | – |
| Consultancy fee income | **15,000** | – |
| Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost *(note 31)* | **7,479** | – |
| Fair value gain of | | |
| – investment properties | **–** | 5,880 |
| – properties held for sale upon transfer to investment properties | **17,637** | 15,623 |
| Gain on disposal of property, plant and equipment | **–** | 15 |
| Fair value change of financial assets at fair value through profit or loss | **8,519** | – |
| Interest income | | |
| – from bank deposits and cash at banks | **5,295** | 2,296 |
| – from other deposits | **1,115** | – |
| Rental income | **1,932** | 662 |
| Others | **1,650** | 19 |
| | **77,407** | 24,495 |

## 6. 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.

## 7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

| | 2007 RMB'000 | 2006 RMB'000 |
|---|---|---|
| Amortisation of leasehold interest in land | 17 | – |
| Finance costs | | |
| – Bank loans | 7,347 | 6,189 |
| – Other loans | 1,412 | – |
| *Less:* amount capitalised in properties held under development | (7,347) | (6,189) |
| | 1,412 | – |
| Cost of properties held for sale recognised as expense | 306,229 | 87,467 |
| Depreciation of property, plant and equipment | 418 | 436 |
| *Less:* amount capitalised in properties held under development | (103) | (84) |
| | 315 | 352 |
| Loss on disposal of property, plant and equipment | 4 | – |
| Exchange loss, net | 88 | 208 |
| Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost *(note 31)* | (7,479) | – |
| Fair value gain of | | |
| – investment properties | – | (5,880) |
| – properties held for sale upon transfer to investment properties | (17,637) | (15,623) |
| Operating lease charge in respect of land and buildings | 173 | 514 |
| *Less:* amount capitalised in properties held under development | (26) | (90) |
| | 147 | 424 |
| Outgoings in respect of investment properties that generated rental income during the year under operating lease arrangements | 168 | 152 |
| Staff costs, (including directors' remuneration *(note (a))* | | |
| – Wages and salaries | 7,967 | 2,770 |
| – Retirement benefit scheme contributions – defined contribution plans | 507 | 281 |
| *Less:* amount capitalised in properties held under development | (978) | (707) |
| | 7,496 | 2,344 |

## 7. PROFIT BEFORE TAXATION (Continued)

*Notes:*

(a) The remuneration of the directors of the Company for the year analysed into the following bands is disclosed in compliance with paragraph 1207.11 of Chapter 12 of the Listing Manual of the SGX-ST:

| | **Executive director** RMB'000 | **Non-executive director** RMB'000 | **Independent director** RMB'000 | **Total** RMB'000 |
|---|---|---|---|---|
| Below S$250,000 (equivalent to RMB1,265,000) | 2,390 | 209 | 550 | 3,149 |

(b) There was no non-audit fee incurred during the year (2006: RMB1,228,000).

## 8. TAXATION

| | *Notes* | **2007** **RMB'000** | 2006 RMB'000 (restated) |
|---|---|---|---|
| **Current tax** | | | |
| Tax for the year | | | |
| – PRC corporate income tax | *(a)* | **72,550** | 16,526 |
| – LAT | *(b)* | **41,567** | 2,937 |
| – Tax refund | *(c)* | **(3,686)** | (7,659) |
| **Overprovision in prior year** | | | |
| – PRC corporate income tax | *(a)* | **(2,947)** | – |
| | | **107,484** | 11,804 |
| **Deferred taxation** | *(d)* | **(8,157)** | 5,713 |
| **Total income tax** | | **99,327** | 17,517 |

*Notes:*

(a) The PRC corporate income tax is computed according to the relevant laws and regulations in the PRC. Companies with establishments in the PRC, other than Jiangxi, are subject to the income tax rate of 33% for the year (2006: 33%). The PRC corporate income tax rate in Jiangxi was 30% for the year. 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 (2006: 10%).

## 8. TAXATION (Continued)

*Notes:* (Continued)

(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) Tax refund was obtained by the Group under the reinvestment tax refund scheme in accordance with the relevant laws and regulations in the PRC.

(d) 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%. Accordingly, the deferred taxes as at 31 December 2007 that are expected to be utilised in year 2008 and onwards have been provided at an enacted corporate tax rate of 25% (At 31 December 2006: 33%).

Reconciliation between tax expense and accounting profit at the applicable tax rate is as follows:

| | **2007**<br>**RMB'000** | 2006<br>RMB'000<br>(restated) |
|---|---|---|
| Profit before taxation | **284,996** | 67,067 |
| Tax on profit before taxation, calculated at the rates applicable to profits in the jurisdiction concerned | **71,137** | 22,406 |
| Tax effect of non-taxable revenue | **(9,063)** | (1,534) |
| Tax effect of non-deductible expenses | **5,404** | 524 |
| Tax effect of lower tax rate used for the recognition of deferred tax *(note 18)* | **(1,250)** | – |
| Tax refund | **(3,686)** | (7,659) |
| LAT charge | **41,567** | 2,937 |
| Others | **(4,782)** | 843 |
| Total taxation | **99,327** | 17,517 |

## 9. DIVIDENDS

At a meeting held on 12 February 2007, the directors proposed a final dividend of HK1 cent per ordinary share for the year ended 31 December 2006, which was approved by the shareholders at the annual general meeting held on 25 April 2007. This final dividend has been reflected as an appropriation of retained earnings for the year.

Subsequent to 31 December 2007, a final dividend of HK2 cents per ordinary share, amounting to HK$9,800,000 (equivalent to RMB9,178,000), has been proposed and will be submitted for approval at the forthcoming annual general meeting. As such, the final dividend has not been recognised as a liability as at 31 December 2007.

## 10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of approximately RMB184,856,000 (2006: RMB49,440,000) divided by the weighted average of 481,808,000 (2006: 393,863,000) ordinary shares during the year.

Diluted earnings per share for the year has not been presented as there is no dilutive potential share (2006: Nil).

## 11. 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 2006** | | | | | |
| Cost | 604 | 1,493 | 619 | – | 2,716 |
| Accumulated depreciation | (137) | (743) | (42) | – | (922) |
| Net book amount | 467 | 750 | 577 | – | 1,794 |
| **Year ended 31 December 2006** | | | | | |
| Opening net book amount | 467 | 750 | 577 | – | 1,794 |
| Acquisition of a subsidiary | 24 | 126 | – | – | 150 |
| Additions | 110 | 347 | – | – | 457 |
| Transfer from properties held for sale | – | – | 2,815 | – | 2,815 |
| Disposals | (17) | (23) | – | – | (40) |
| Depreciation | (119) | (247) | (70) | – | (436) |
| Closing net book amount | 465 | 953 | 3,322 | – | 4,740 |
| **At 31 December 2006** | | | | | |
| 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 |

Buildings held by the Group are located in the PRC and Hong Kong. Building of RMB2,068,000 (2006: Nil) was pledged for a bank loan *(note 27(b))* of the Group.

## 11. PROPERTY, PLANT AND EQUIPMENT – GROUP (Continued)

Depreciation charges have been included in:

| | 2007<br>RMB'000 | 2006<br>RMB'000 |
|---|---|---|
| Consolidated balance sheet | | |
| – capitalised in properties held under development | **103** | 84 |
| Consolidated income statement | | |
| – cost of sales | **106** | 70 |
| – selling expenses | **12** | 3 |
| – administrative expenses | **197** | 279 |
| | **315** | 352 |
| | **418** | 436 |

## 12. INVESTMENT PROPERTIES – GROUP

| | 2007<br>RMB'000 | 2006<br>RMB'000 |
|---|---|---|
| Carrying amount at 1 January | **35,338** | – |
| Additions | **–** | 1,653 |
| Transfer from properties held for sale *(note 20)* | **45,675** | 27,805 |
| Net fair value change credited to the consolidated income statement | **–** | 5,880 |
| Carrying amount at 31 December | **81,013** | 35,338 |

The investment properties included leasehold interest in land located in the PRC with lease terms expiring from 2032 to 2070 (2006: from 2032 to 2070).

The fair value of the investment properties at 31 December 2007 was revalued by Sallmanns (Far East) Limited, 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 December 2007.

## 13. LEASEHOLD INTEREST IN LAND – GROUP

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

| | **2007** **RMB'000** | 2006 RMB'000 |
|---|---|---|
| Net carrying amount at 1 January | **–** | – |
| Additions | **8,223** | – |
| Amortisation for the year | **(17)** | – |
| Net carrying amount at 31 December | **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 27(b))* of the Group.

## 14. GOODWILL – GROUP

The net carrying amount of goodwill can be analysed as follows:

| | **2007** **RMB'000** | 2006 RMB'000 |
|---|---|---|
| **Net book value:** | | |
| Net carrying amount at 1 January | **6,030** | – |
| Acquisition of a subsidiary *(note 31)* | **–** | 6,030 |
| Net carrying amount at 31 December | **6,030** | 6,030 |
| **Closing carrying amount:** | | |
| Gross carrying amount | **6,030** | 6,030 |
| Accumulated impairment | **–** | – |
| Net carrying amount | **6,030** | 6,030 |

The goodwill at 31 December 2007 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 *(note *)* 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, no impairment provision is considered necessary.

* *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.*

## 15. INVESTMENTS IN SUBSIDIARIES – COMPANY

| | **2007** **RMB'000** | 2006 RMB'000 |
|---|---|---|
| Unlisted shares, at cost | **278,608** | 278,608 |

Particulars of the subsidiaries as at 31 December 2007 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 HK Investments Limited | Hong Kong | Investment holding, Hong Kong | HK$1 | 100% |
| Far East Construction Limited (formerly known as Lander Hong Kong Limited) | Hong Kong | Investment holding, Hong Kong | HK$1 | 100% |
| Loerie Investment Limited | BVI | Investment holding, Hong Kong | US$1 | 100% |
| Maxrich Asia Limited | 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. | PRC | Property development, PRC | RMB93,538,860 | 100% |
| Hangzhou Liyang Housing and Landing Development Co., Ltd. | PRC | Property development and investment, PRC | US$9,500,000 | 100% |
| Huzhou Real Estate Development Co., Ltd. | PRC | Property development, PRC | RMB22,500,000 | 70% |
| Huzhou Asia City Real Estate Development Co., Ltd. | PRC | Property development and investment, PRC | RMB27,000,000 | 100% |
| Huzhou Jiangnan Hailian Construction Co., Ltd. | PRC | Property development, PRC | US$8,000,000 | 65% |

## 15. INVESTMENTS IN SUBSIDIARIES – COMPANY (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 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 Company | 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 Kaixuan Real Estate Development Co., Ltd. | PRC | Property development, PRC | RMB40,000,000 | 75% |
| Leping City Fenghuang Jincheng Holdings Limited ("Leping City Fenghuang") | 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% |

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

## 16. INTEREST IN A JOINTLY CONTROLLED ENTITY – GROUP

| | 2007<br>RMB'000 | 2006<br>RMB'000 |
|---|---|---|
| Unlisted investment, at cost | 50,000 | – |
| Share of post-acquisition losses | (298) | – |
| | 49,702 | – |

As at 31 December 2007, the Group had interest in the following jointly controlled entity:

| Company 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:

| | Year ended 31 December | |
|---|---|---|
| | 2007<br>RMB'000 | 2006<br>RMB'000 |
| Share of jointly-controlled entity's results | | |
| Income | 41 | – |
| Expenses | (637) | – |

| | As at 31 December | |
|---|---|---|
| | 2007<br>RMB'000 | 2006<br>RMB'000 |
| Share of jointly-controlled entity's assets and liabilities | | |
| Non-current assets | 513 | – |
| Current assets | 108,976 | – |
| Current liabilities | (10,085) | – |
| | 99,404 | – |

## 17. DEPOSIT PAID – GROUP

On 14 December 2006, the Group 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. Ever Sure owned 100% interest in Beihai Southern Paradise Land Industries Development Co., Ltd (北海南國天堂房地產開發有限公司) which in turn owns four parcels of land in Beihai City, Guangxi Province in the PRC.

Upon signing the Agreement, the Group paid a deposit of RMB30 million as partial payment of the purchase consideration. 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. For the purpose of unaudited quarterly/interim result announcement as required under the listing rules of SGX-ST, the financial information for Ever Sure Group was consolidated in the financial information of the Group for the three-months ended 31 March 2007, six-months ended 30 June 2007 and nine-months ended 30 September 2007.

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 the Group 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 the Group. 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.

In connection with the above, the Group has taken proceedings from court in Hong Kong to seek enforcement of specific performance of the Agreement against the Vendor in due course and the case was still under progress up to the date of these financial statements.

The Vendor failed to complete the Agreement and transfer the 90% equity interest in Ever Sure to the Group on the closing date of the Agreement. As a result, the Group has instituted legal proceedings against the Vendor for compulsory transfer of the 90% equity interest in Ever Sure to the Group. As at the end of the finance year on 31 December 2007, the legal proceedings were still continuing and the transfer of the 90% equity interest in Ever Sure to the Group 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 for the year ended 31 December 2007. The Unpaid Contract Sum has not been recognised by the Group as liability as at 31 December 2007 and the obligation of the Unpaid Contract Sum is contingent upon the outcome of the legal proceedings.

## 18. DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES – GROUP

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 year (2006: 10% to 33%). The movement on the deferred tax assets/(liabilities) is as follows:

| | Deferred tax liabilities in respect of fair value change of investment properties and properties held for sale upon transfer to investment properties<br>RMB'000 | Deferred tax assets in respect of provision for LAT<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|
| At 1 January 2006 | – | – | – |
| Deferred tax debited to the consolidated income statement | (5,713) | – | (5,713) |
| At 31 December 2006 and 1 January 2007 | (5,713) | – | (5,713) |
| Lower enacted tax rate used for the recognition of deferred tax | 1,250 | – | 1,250 |
| Deferred tax (debited)/credited to the consolidated income statement | (4,093) | 11,000 | 6,907 |
| Exchange difference | 61 | – | 61 |
| **At 31 December 2007** | **(8,495)** | **11,000** | **2,505** |

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 December 2007 (2006: Nil).

## 19. PROPERTIES HELD UNDER DEVELOPMENT – GROUP

| | 2007<br>RMB'000 | 2006<br>RMB'000 |
|---|---|---|
| Leasehold interests in land | **370,981** | 254,517 |
| Development costs | **34,933** | 32,018 |
| Finance costs capitalised | **–** | 4,859 |
| | **405,914** | 291,394 |

Leasehold interests in land are located in the PRC and have lease terms expiring from 2027 to 2076 (2006: 2027 to 2073). The Group's leasehold interests in land are analysed as follows:

| | 2007<br>RMB'000 | 2006<br>RMB'000 |
|---|---|---|
| Leasehold interests in land held on: | | |
| – Leases of 30 years or less | **121,589** | 121,589 |
| – Leases of over 30 years | **249,392** | 132,928 |
| | **370,981** | 254,517 |

Leasehold interests in land of approximately RMB25,024,000 (2006: RMB47,193,000) were pledged against certain bank loans of the Group *(note 27(a))*.

## 20. PROPERTIES HELD FOR SALE – GROUP

Properties held for sale included leasehold interests in land located in the PRC with lease terms expiring from 2041 to 2073 (2006: 2041 to 2072). As at 31 December 2007, the carrying values of the operating lease up-front payments on the leasehold interests in land amounted to approximately RMB16,476,000 (2006: RMB14,752,000).

During the year, properties held for sale with carrying value of approximately RMB28,038,000 were transferred to investment properties as these properties were under operating lease arrangements with third parties commenced during the year to earn rental or 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.

## 21. ACCOUNT RECEIVABLES – GROUP

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

| | **2007 RMB'000** | 2006 RMB'000 |
|---|---|---|
| Not past due | **43,937** | 49,056 |
| Past due and more than one year | **13,070** | 2,103 |
| | **57,007** | 51,159 |

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.

## 22. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES – GROUP AND COMPANY

| | | **Group** | | **Company** | |
|---|---|---|---|---|---|
| | *Notes* | **2007 RMB'000** | 2006 RMB'000 | **2007 RMB'000** | 2006 RMB'000 |
| **Current** | | | | | |
| Deposits paid | *(a)* | **172,433** | – | **–** | – |
| Prepayments | *(b)* | **3,400** | 44,931 | **1,508** | 112 |
| Other receivables | *(c)* | **24,620** | 7,380 | **56** | – |
| | | **200,453** | 52,311 | **1,564** | 112 |
| **Non-current** | | | | | |
| Deposits paid | *(d)* | **20,000** | – | **–** | – |

*Notes:*

(a) In 2007, the Group entered into a loan agreement with a third party for a loan of RMB75,000,000 *(note 27(c))* with RMB80,000,000 cash as collateral which was classified as "deposits paid" under current assets. This amount was interest bearing at a floating interest rate of 2.61% per annum at 31 December 2007. Pursuant to the loan agreement, the other deposit of RMB80,000,000 will be remitted to the Group once the other loan is settled on the expiry date. The amount was fully settled in March 2008.

In addition, included in 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".

## 22. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES – GROUP AND COMPANY (Continued)

*Notes:* (Continued)

(b) In 2006, the Group entered into an agreement with Jiangxi Ganxun Electronic Information Technology Co. Ltd.(江西贛訊電子信息技術有限公司), a company in which a director of the Company, Mr. Wong Lam Ping, has beneficial interest, for a property development project. The contract sum was approximately RMB16,685,000 and the Group already made full payment during the year (2006: RMB10,200,000 as prepayment) for this contract. During the year, the whole amount was reclassified to properties held under development on completion of services under this contract.

(c) Balance at 31 December 2007 included the consultancy fee receivable of RMB15,000,000.

(d) The Group made advance of RMB20,000,000 to an independent third party during the year. The advance due was unsecured, interest free and repayable in 2009.

## 23. AMOUNTS DUE FROM RELATED PARTIES – GROUP AND COMPANY

| | Group | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Amount due from: | | | | |
| Subsidiaries | **–** | – | **248,626** | 195,820 |
| A director | **538** | – | **–** | – |
| | **538** | – | **248,626** | 195,820 |

Balances due were unsecured, interest free and repayable on demand.

## 24. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS – GROUP AND COMPANY

| | Group | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Cash at banks and in hand | **141,606** | 71,305 | **92** | 92 |
| Short term bank deposits *(note (a))* | **115,105** | 150,051 | **–** | – |
| | **256,711** | 221,356 | **92** | 92 |
| *Less:* Deposit pledged against banking facilities granted to the mortgagee *(note (b))* | **(11,242)** | – | **–** | – |
| Deposit pledged for construction work | **(1,563)** | – | **–** | – |
| | **(12,805)** | – | **–** | – |
| Cash and cash equivalents | **243,906** | 221,356 | **92** | 92 |

## 24. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS – GROUP AND COMPANY (Continued)

*Notes:*

(a) The effective interest rates of short-term bank deposits ranged from 0.72% to 1.17% (2006: 3.6% to 5.1%) per annum as at 31 December 2007. They had maturities of seven days to three months (2006: seven days to one month) and were 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.

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 December 2007, approximately RMB154,102,000 (2006: RMB70,342,000) was deposited with banks in the PRC.

## 25. ACCRUALS, RECEIPTS IN ADVANCE AND OTHER PAYABLES – GROUP AND COMPANY

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | **RMB'000** | RMB'000 (restated) | **RMB'000** | RMB'000 |
| Receipts in advance | **4,231** | 2,860 | **–** | – |
| Accruals and other payables | **157,112** | 20,358 | **–** | 350 |
| | **161,343** | 23,218 | **–** | 350 |

As at 31 December 2007, accrued construction cost and other project-related expense were included in accruals and other payables amounted to approximately RMB119,054,000 (2006: RMB14,734,000). The amount was accrued based on the terms of the relevant agreements and project progress and was not due for payment as at 31 December 2007.

## 26. AMOUNTS DUE TO RELATED PARTIES – GROUP AND COMPANY

| | Group | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Amount due to: | | | | |
| Subsidiaries | **–** | – | **6,379** | 375 |
| A director | **56** | 29 | **–** | – |
| Related company *(note (a))* | **35** | – | **16** | – |
| | **91** | 29 | **6,395** | 375 |

Balances due were unsecured, interest free and repayable on demand.

*Note:*

(a) Balance represented amount due to Pan Hong Company Limited. Mr. Wong Lam Ping and Ms. Chan Heung Ling, directors of the Company, have beneficial interests in Pan Hong Company Limited.

## 27. BANK AND OTHER LOANS – GROUP

| | *Notes* | **2007** **RMB'000** | 2006 RMB'000 |
|---|---|---|---|
| Bank loans wholly repayable | | | |
| – in the second to fifth year | *(a)* | **60,000** | 110,000 |
| – after the fifth year | *(b)* | **6,822** | – |
| Total bank loans | | **66,822** | 110,000 |
| Other loans wholly repayable within one year | *(c)* | **104,881** | – |
| Total bank and other loans | | **171,703** | 110,000 |
| *Less:* Portion due within one year included in current liabilities | | **(105,563)** | – |
| Non-current portion included under non-current liabilities | | **66,140** | 110,000 |

## 27. BANK AND OTHER LOANS – GROUP (Continued)

*Notes:*

(a) The bank loan was denominated in RMB and has maturity of three years (2006: three years) commencing 2006. The bank loan was secured by the Group's leasehold interests in land *(note 19)* and bore interests at the fixed rate. The effective interest rate was 6.36% (2006: 6.36%) per annum at 31 December 2007.

(b) The bank loan was denominated in Hong Kong dollars and has maturity of ten years commencing 2007. The bank loan was secured by (i) the Group's building *(note 11)* and leasehold interest in land *(note 13)* 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 4.25% per annum at 31 December 2007.

(c) Other loans consisted of (i) RMB75,000,000 obtained from a third party which has a maturity on 20 February 2008 and with interest rate on floating basis of 3.26% per annum at 31 December 2007. This loan is secured by other deposit of RMB80,000,000 *(note 22(a))*; and (ii) RMB29,881,000 from a third party which has a maturity on 28 May 2008 and with fixed interest rate of 10% per annum.

## 28. SHAREHOLDER'S LOAN – GROUP

The amount due was unsecured, interest free and not repayable within twelve months from the balance sheet date (2006: not repayable on or before 1 January 2008). The shareholder agreed not to demand repayment of his debt due from the Group until such time when the Group received full settlement on the non-current other receivables as disclosed in note 22(d).

## 29. SHARE CAPITAL – COMPANY

Movement of share capital of the Company is summarised below:

| | *Notes* | **Number of shares** | RMB'000 |
|---|---|---|---|
| *Authorised:* | | | |
| At 1 January 2006 of HK$0.1 each | | 1,000,000 | 101 |
| Increase in authorised share capital on reorganisation exercise at HK$0.1 each | *(b)(i)* | 5,099,000,000 | 517,273 |
| | | 5,100,000,000 | 517,374 |
| Share consolidation from HK$0.1 each to HK$0.6 each | *(b)(ii)* | (4,250,000,000) | – |
| At 31 December 2006 and 2007 of HK$0.6 each | | 850,000,000 | 517,374 |
| *Issued and fully paid:* | | | |
| At 1 January 2006 of HK$0.1 each | | – | – |
| First allotment and issue of HK$0.1 each on 3 January 2006 at nil paid | *(a)* | 1,000,000 | – |
| Issue of shares on reorganisation exercise at HK$0.1 each | *(c)(i)* | 2,159,000,000 | 219,022 |
| Credit as fully paid the 1,000,000 shares of HK$0.1 each that was issued on 3 January 2006 at nil paid pursuant to the reorganisation exercise | *(c)(ii)* | – | 101 |
| | | 2,160,000,000 | 219,123 |
| Share consolidation from HK$0.1 each to HK$0.6 each | *(b)(ii)* | (1,800,000,000) | – |
| | | 360,000,000 | 219,123 |
| Issue of shares of HK$0.6 each by initial public offering | *(d)* | 120,000,000 | 73,041 |
| At 31 December 2006 of HK$0.6 each | | 480,000,000 | 292,164 |
| Issue of shares on placement | *(e)* | 10,000,000 | 6,000 |
| At 31 December 2007 of HK$0.6 each | | 490,000,000 | 298,164 |

*Notes:*

(a) The Company was incorporated on 20 December 2005 under the laws of Bermuda with an authorised share capital of HK$100,000 comprising 1,000,000 ordinary shares of HK$0.1 each. Mr. Wong Lam Ping and Ms. Chan Heung Ling were the initial shareholders, each holding 50% of the issued share capital of the Company, comprising 1,000,000 ordinary shares of HK$0.1 each issued nil paid.

## 29. SHARE CAPITAL – COMPANY (Continued)

*Notes:* (Continued)

(b) Pursuant to written resolutions dated 14 August 2006, the shareholders approved, inter alia, the following:

(i) an increase in the authorised share capital of the Company from HK$100,000 to HK$510,000,000 by the creation of an additional 5,099,000,000 ordinary shares of par value of HK$0.1 each; and

(ii) the consolidation of six ordinary shares of par value of HK$0.1 each in the Company into one ordinary share of HK$0.6 each with effect from the allotment and issue of the 2,159,000,000 shares of HK$0.1 each in the capital of the Company pursuant to the reorganisation exercise *(note (c))*.

(c) Pursuant to a share purchase agreement dated 9 September 2006, the Company acquired the entire issued and paid-up capital of Modernland Developments. The consideration was satisfied by:

(i) the allotment and issue of an aggregate of 2,159,000,000 shares of HK$0.1 each in the Company, credited as fully paid, to the respective shareholders of Modernland Developments; and

(ii) the crediting as fully paid the 1,000,000 nil paid shares of HK$0.1 each in the share capital of the Company held by Mr. Wong Lam Ping and Ms. Chan Heung Ling in equal proportions.

(d) On 19 September 2006, the Company allotted and issued 120,000,000 shares of HK$0.6 each upon listing of the shares on the Main Board of the SGX-ST at a price of S$0.35 each.

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

## 30. RESERVES – GROUP AND COMPANY

### (a) Group

| | Notes | **2007**<br>**RMB'000** | 2006<br>RMB'000 |
|---|---|---|---|
| Share premium | *(i)* | **153,080** | 116,727 |
| Merger reserve | *(ii)* | **(2,243)** | (2,243) |
| Statutory reserve | *(iii)* | **4,257** | 6,058 |
| Exchange reserves | | **(9,420)** | (1,773) |
| Capital reserve | | **3,838** | – |
| Retained earnings | | **271,689** | 99,600 |
| | | **421,201** | 218,369 |
| Proposed final dividend *(note 9)* | | **9,178** | 4,800 |
| | | **430,379** | 223,169 |

The amounts of the Group's reserves and the movements therein for the year ended 31 December 2007 are presented in the consolidated statement of changes in equity of the financial statements.

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

## 30. RESERVES – GROUP AND COMPANY (Continued)

### (a) Group (Continued)

(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.

### (b) Company

| | Share premium RMB'000 | Contributed surplus RMB'000 | Retained earnings RMB'000 | Proposed final dividend RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| As at 1 January 2006 | – | – | – | – | – |
| Profit for the year (total income and expenses recognised during the year) | – | – | 5,437 | – | 5,437 |
| Reorganisation exercise | – | 59,579 | – | – | 59,579 |
| Issue of shares by initial public offering *(note 29(d))* | 132,461 | – | – | – | 132,461 |
| Share issue expenses | (15,734) | – | – | – | (15,734) |
| Final dividend proposed for the year *(note 9)* | – | – | (4,800) | 4,800 | – |
| As at 31 December 2006 | 116,727 | 59,579 | 637 | 4,800 | 181,743 |
| Profit for the year (total income and expenses recognised during the year) | – | – | 11,035 | – | 11,035 |
| Issue of shares on placement *(note 29(e))* | 36,353 | – | – | – | 36,353 |
| 2006 dividend paid during the year | – | – | – | (4,800) | (4,800) |
| Final dividend proposed for the year *(note 9)* | – | – | (9,178) | 9,178 | – |
| **As at 31 December 2007** | **153,080** | **59,579** | **2,494** | **9,178** | **224,331** |

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 then consolidated net assets value of the subsidiaries then acquired.

## 31. BUSINESS COMBINATION

During the year, 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.

During the year ended 31 December 2006, the Group further acquired 10% and 48% equity interest in Huzhou Hongjin Market Company on 15 March 2006 and 23 March 2006 respectively. Together with the original 42% equity interest held by the Group, Huzhou Hongjin Market Company became a wholly owned subsidiary of the Company. The acquired business contributed revenue and net profit of RMB63,748,000 and RMB14,968,000 respectively to the Group since the date of acquisition. If the acquisition had occurred on 1 January 2006, the Group's revenue for the year ended 31 December 2006 would have been approximately RMB151,269,000 and profit for the year ended 31 December 2006 would have been approximately RMB49,550,000.

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

| | **Carrying value** | | **Fair value** | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Net identifiable assets acquired: | | | | |
| Property, plant and equipment | **–** | 150 | **–** | 150 |
| Amount due from a shareholder | **13** | 13,000 | **13** | 13,000 |
| Property held under development | **18,410** | 30,979 | **33,074** | 35,340 |
| Deposits paid, prepayment and other receivables | **6,077** | 30,915 | **6,077** | 30,915 |
| Amount due from related parties | **–** | 730 | **–** | 730 |
| Cash at banks and in hand | **–** | 763 | **–** | 763 |
| Accruals, receipts in advance and other payables | **–** | (226) | **–** | (226) |
| Amount due to related parties | **–** | (35,082) | **–** | (35,082) |
| Provision for tax | **–** | (1) | **–** | (1) |
| Borrowings | **–** | (16,000) | **–** | (16,000) |
| | **24,500** | 25,228 | **39,164** | 29,589 |
| *Less:* interest formerly held as an associate | **–** | (20,719) | **–** | (20,719) |
| *Less:* minority interest | **(12,005)** | – | **(19,190)** | – |
| | **12,495** | 4,509 | **19,974** | 8,870 |

## 31. BUSINESS COMBINATION (Continued)

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

| | 2007 RMB'000 | 2006 RMB'000 |
|---|---|---|
| Purchase consideration | | |
| Fair value of shares issued *(note #)* | – | 22,514 |
| Less: Shareholder loan assigned | – | (12,491) |
| Cash consideration | **12,495** | 4,877 |
| Total purchase consideration | **12,495** | 14,900 |
| Fair value of net identifiable assets acquired | **(19,974)** | (8,870) |
| (Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost) *(note 7)*/Goodwill *(note 14)* | **(7,479)** | 6,030 |

\# *5,777,087 ordinary shares of Pan Hong Investment Limited ("Pan Hong Shares") were issued as consideration for the acquisition of the 48% interest in Huzhou Hongjin Market Company. On reorganisation exercise, 10,800,000 ordinary shares of the Company were issued and allotted in exchange for these Pan Hong Shares. The fair value of the Company's shares issued was determined with reference to the share price at initial public offering.*

The goodwill was attributable to future economic benefits to be generated from the property held under development after the Group's acquisition of Huzhou Hongjin Market Company.

An analysis of net cash (outflow)/inflow in respect of acquisitions of subsidiary is summarised as follows:

| | 2007 RMB'000 | 2006 RMB'000 |
|---|---|---|
| Cash consideration | **(12,495)** | (4,877) |
| Cash consideration paid by a shareholder *(note *)* | – | 4,877 |
| Cash at banks and in hand acquired | **13** | 763 |
| Net cash (outflow)/inflow in respect of acquisition of a subsidiary | **(12,482)** | 763 |

* *The consideration was settled by Mr. Wong Lam Ping, a director of the Company, on behalf of the Group.*

## 32. RELATED PARTY TRANSACTIONS

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

| | Notes | 2007 RMB'000 | 2006 RMB'000 |
|---|---|---|---|
| Operating lease rental charged | *(a)* | | |
| by Pan Hong Company Limited | | **130** | 130 |
| Consultancy fee charged by a related company | *(b)* | | |
| – debited to the consolidated income statement | | **–** | 2,500 |
| – debited to the share premium | | **–** | 5,000 |
| Legal fee charged by related company | *(c)* | **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 2008.

(b) For the year ended 31 December 2006, Joinn Strategic Holdings Limited charged a consultancy fee of RMB7,500,000 for consultancy services provided to the Group which included corporate advisory, corporate and introduction services. Mr. Wang Linjia is the managing director of Joinn Strategic Holdings Limited and is the brother of Mr. Wong Lam Ping. The consultancy fee was charged in accordance with the terms of the underlying agreement.

(c) Legal fee was charged by a related company, in which Mr. Chan Kin Sang, the non-executive director for he Company has beneficial interest, for general legal advisory during the year. 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:

| | 2007 RMB'000 | 2006 RMB'000 |
|---|---|---|
| Salaries and wages | **2,856** | 1,050 |
| Retirement benefit scheme contributions – defined contribution plans | **36** | 18 |

## 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 December 2007 amounted to approximately RMB789,317,000 (At 31 December 2006: RMB547,996,000), which the management considers as optimal having consider the projected capital expenditures and the projected strategic investment opportunities.

## 34. COMMITMENTS – GROUP

| | **2007** | 2006 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Contracted but not provided for in respect of | | |
| – properties held under development of the Group | **396,453** | 204,268 |
| – properties held under development of the jointly controlled entity shared by the Group | **10,755** | – |
| – acquisition of a subsidiary – Ever Sure *(note 17)* | **–** | 71,498 |

## 35. OPERATING LEASE ARRANGEMENTS

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

| | **2007** | 2006 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Not later than one year | **2,255** | 2,102 |
| Later than one year and not later than five years | **5,447** | 7,059 |
| Later than five years | **92** | 1,039 |
| | **7,794** | 10,200 |

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.

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

| | **2007** | 2006 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Not later than one year | **351** | 401 |
| Later than one year and not later than five years | **244** | 442 |
| | **595** | 843 |

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. The outstanding guarantees amounted to RMB196,929,000 (2006: RMB1,250,000) as at 31 December 2007. 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.

## 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.

The financial assets of the Group comprise primarily account and other receivables, amounts due from related parties and cash and cash equivalents. The financial liabilities of the Group comprise account and other payables, accruals, amounts due to related parties, bank and other loans and shareholder's loan.

### (a) Interest rate risk

The Group's exposure to interest rate risk mainly arises on bank deposits, bank loan denominated in Hong Kong Dollars *(note 27(b))* and other loan at floating rate *(note 27(c)(i))*. The Group has no significant exposure to interest rate risk in respect of the Group's bank loan denominated in RMB as it is at fixed rates and stated at amortised cost. 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 profits after tax and retained earnings. Changes in interests 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 expense.

### (b) Foreign currency risk

The Group's exposure to risk resulting from changes in foreign currency exchange rates is minimal.

### (c) Credit risk

The Group's maximum exposure to credit risk in relation to its financial assets is summarised in note 38 below. The Group has no significant concentration of credit risk because:

- The Group's bank balances are mainly deposited with the PRC banks; and
- The Group has no significant concentration of credit risk arising from its ordinary course of business due to its relatively large customer base.

There is no requirement for collateral by the Group.

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (d) Fair value

The fair value of the Group's current 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 non-current financial assets and liabilities is not disclosed because the carrying value is not materially different from their fair value.

### (e) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

The Group relies on proceeds from sale of property and bank and other borrowings *(note 27)* as a significant source of liquidity.

## 38. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and liabilities as recognised at 31 December 2007 may also be categorised as follows. See notes 3(l) and 3(q) for explanations about how the category of financial instruments affects their subsequent measurement.

### Financial Assets

| | Group | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| **Non-current assets** | | | | |
| – Other receivables | **20,000** | – | **–** | – |
| **Current assets** | | | | |
| Loans and receivables | | | | |
| – Account and other receivables | **81,627** | 58,539 | **56** | – |
| – Due from related parties | **538** | – | **248,626** | 195,820 |
| | **82,165** | 58,539 | **248,682** | 195,820 |
| **Pledged bank deposits** | **12,805** | – | **–** | – |
| **Cash and cash equivalents** | **243,906** | 221,356 | **92** | 92 |
| | **358,876** | 279,895 | **248,774** | 195,912 |

## 38. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (Continued)

### Financial Liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| **Current liabilities** | | | | |
| Financial liabilities measured at amortised cost | | | | |
| – Account and other payables, accruals | **159,217** | 29,995 | **–** | 350 |
| – Bank and other loans | **105,563** | – | **–** | – |
| – Due to related parties | **91** | 29 | **6,395** | 375 |
| | **264,871** | 30,024 | **6,395** | 725 |
| **Non-current liabilities** | | | | |
| – Bank and other loans | **66,140** | 110,000 | **–** | – |
| – Shareholder's loan | **17,794** | 17,794 | **–** | – |
| | **348,805** | 157,818 | **6,395** | 725 |

Net gains/(losses) from financial assets and financial liabilities by category of financial instruments are set out below.

| | **2007** | 2006 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Financial assets | **358,876** | 279,895 |
| Financial liabilities measured at amortised cost | **(348,805)** | (157,818) |
| | **10,071** | 122,077 |

# Property Portfolio



| Description | Location | Site Area (sq.m.) | Planned Gross Floor Area (sq.m.) | Tenure | Effective Group Interest (%) | Approximate Percentage Sold (%) | Expected Completion Date |
|---|---|---|---|---|---|---|---|
| **Mixed Development** | | | | | | | |
| Huzhou Liyang 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<br>Commercial: 40 years | 100 | 91 | Completed |
| Huzhou Zhili 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 | 53 | Completed |
| Huacui Tingyuan Phase 1 | Taihu Meidong Huzhou Development Zone Zhejiang Province the PRC | 77,000 | 57,686 | Residential: 70 years<br>Commercial: 43 years | 100 | 0 | 2008 |
| Huacui Tingyuan Phase 2 | Taihu Meidong Huzhou Development Zone Zhejiang Province the PRC | 56,423 | 42,314 | Residential: 70 years<br>Commercial: 43 years | 100 | 0 | 2009 |
| Nanchang Honggu Kaixuan Phase 1 | Honggu Tan Central District Nanchang City Jiangxi Province the PRC | 37,830 | 157,214 | Residential: 70 years<br>Commercial: 44 years | 100 | 75 | Completed |
| Nanchang Honggu Kaixuan Phase 2 | Honggu Tan Central District Nanchang City Jiangxi Province the PRC | 42,691 | 218,718 | Residential: 70 years<br>Commercial: 44 years | 100 | 0 | 2008 |
| Hangzhou Liyang Yuan | Shenhua Road Xihu District Hangzhou City Zhejiang Province the PRC | 7,833 | 36,751 | Commercial: 70 years | 100 | 0 | 2008 |
| 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 | 31,023 | Commercial: 40 years | 100 | 0 | 2008 |
| Huzhou Hailian Construction | S38 S40 Xinan fenqu Huzhou Economic and Technological Development Zone Huzhou City Zhejiang Province the PRC | 220,767 | 221,000 | Industrial: 30 years<br>Cultural, gym and entertainment: 40 years | 65 | 0 | 2011 |
| Jiangmen Project | No 11 Jiangnan Road Xihu District Jiangmeng City Guangdong Province the PRC | 27,221 | 49,000 | Residential: 70 years<br>Commercial: 48 years | 75 | 0 | 2009 |
| Leping Project | Hushan Meiyankenzhichang Leping City Jiangxi Province the PRC | 326,668 | 420,000 | Residential: 70 years<br>Commercial: 48 years | 51 | 0 | 2011 |

# Property Portfolio



| Description | Location | Site Area (sq.m.) | Planned Gross Floor Area (sq.m.) | Tenure | Effective Group Interest (%) | Approximate Percentage Sold (%) | Expected Completion Date |
|---|---|---|---|---|---|---|---|
| **Mixed Development** (Continued) | | | | | | | |
| 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<br>Commercial: 48 years | 100 | 0 | 2010 |
| Yichun Project Phase 1 | Yiyang North Road West Side Yichun City Jiangxi Province the PRC | 46,000 | 60,000 | Residential: 70 years<br>Commercial: 49 years | 50 | 0 | 2009 |
| Yichun Project Phase 2 | Yiyang North Road West Side Yichun City Jiangxi Province the PRC | 594,343 | 1,250,000 | Residential: 70 years<br>Commercial: 50 years | 50 | 0 | 2010 |
| **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 | 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 | Residential: 70 years<br>Commercial: 49 years | 100 | N/A | 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 | 6,705 | Commercial: 40 years | 100 | N/A | N/A |
| **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 | 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 | N/A |
| Room 1502 | Zhengshan Xi Road Xihu Zone Nanchang City Jiangxi Province the PRC | N/A | 165.8 | Commercial: 40 years<br>Residential: 70 years | 100 | N/A | N/A |

# Shareholders' Information

## SHAREHOLDERS' INFORMATION AS AT 7 MARCH 2008

| | | |
|---|---|---|
| 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 |

## STATISTICS OF SHAREHOLDINGS

| Size of Shareholding | Number of Shareholders | % | Number of Shares | % |
|---|---|---|---|---|
| 1-999 | – | – | – | – |
| 1,000-10,000 | 317 | 71.24 | 1,510,000 | 0.31 |
| 10,001-1,000,000 | 110 | 24.72 | 9,982,700 | 2.04 |
| 1,000,001 and above | 18 | 4.04 | 478,507,300 | 97.65 |
| Total | 445 | 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 | SINGAPORE WAREHOUSE CO PTE LTD | 25,300,000 | 5.16 |
| 3 | RAFFLES NOMINEES PTE LTD | 20,800,000 | 4.24 |
| 4 | PHILLIP SECURITIES PTE LTD | 19,519,000 | 3.98 |
| 5 | WONG LAM PING | 18,321,184 | 3.74 |
| 6 | DBS NOMINEES PTE LTD | 14,321,000 | 2.92 |
| 7 | CHAN HEUNG LING | 13,399,300 | 2.73 |
| 8 | DBSN SERVICES PTE LTD | 11,607,000 | 2.37 |
| 9 | KIM ENG SECURITIES PTE LTD | 9,917,000 | 2.02 |
| 10 | JUMBO KING HOLDING LIMITED | 9,850,000 | 2.01 |
| 11 | ROYAL BANK OF CANADA (ASIA) LIMITED | 9,424,000 | 1.92 |
| 12 | CITIBANK NOMINEES SINGAPORE PTE LTD | 9,297,000 | 1.90 |
| 13 | ASDEW ACQUISITIONS PTE LTD | 8,937,000 | 1.82 |
| 14 | DBS VICKERS SECURITIES (S) PTE LTD | 6,898,816 | 1.41 |
| 15 | UNITED OVERSEAS BANK NOMINEES (PTE) LTD | 6,834,000 | 1.39 |
| 16 | HSBC (SINGAPORE) NOMINEES PTE LTD | 3,223,000 | 0.66 |
| 17 | DB NOMINEES (S) PTE LTD | 1,628,000 | 0.33 |
| 18 | UOB KAY HIAN PTE LTD | 1,231,000 | 0.25 |
| 19 | YEO CHITT HOCK BRANDON (YANG QIFU) | 700,000 | 0.14 |
| 20 | WAH LEONG CO PTE LTD | 600,000 | 0.12 |
| | TOTAL | 479,807,300 | 97.89 |

# Shareholders' Information



## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

| | Direct Interest | % | Deemed Interest | % |
|---|---|---|---|---|
| Extra Good Enterprises Ltd | 288,000,000 | 58.78 | – | – |
| Wong Lam Ping (1) (2) | 18,321,184 | 3.74 | 301,399,300 | 61.51% |
| Chan Heung Ling (1) (2) | 13,399,300 | 2.73 | 306,321,184 | 62.52% |
| 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

29.4% 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.

**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, Anson 3, Level 2, 81 Anson Road, Singapore 079908 on Friday, 18 April 2008 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 year ended 31 December 2007 together with the Auditors' Report thereon.

**(Resolution 1)**

2. To declare a first and final dividend of HK$0.02 per ordinary share (tax not applicable) for the year ended 31 December 2007 (2006: HK$0.01 per ordinary share, tax not applicable).

**(Resolution 2)**

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

Mr Wong Lam Ping **(Resolution 3)**
Ms Chan Heung Ling **(Resolution 4)**
Dr Choo Kian Koon **(Resolution 5)**

*Mr Wong Lam Ping will, upon re-election as a Director of the Company, remain a member of the Nominating Committee.*

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

4. To approve the payment of Directors' fees of S$145,000 for the year ended 31 December 2007 (2006: S$40,000).

**(Resolution 6)**

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

**(Resolution 7)**

6. 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 resolution as Ordinary Resolution, with or without any modifications:

7. **Authority to allot and issue shares up to 50 per centum (50%) of issued shares**

   That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, authority be given to the Directors of the Company to issue shares ("Shares") whether by way of rights, bonus or otherwise, and/or 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) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

   (a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the Company;

   (b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) of the Company as at the date of the passing of this Resolution, after adjusting for:

      (i) new shares arising from the conversion or exercise of convertible securities;

      (ii) new shares arising from exercising share options or vesting of Share awards outstanding or subsisting at the time this Resolution is passed; and

      (iii) any subsequent bonus issue, consolidation or subdivision of shares;

(c) And that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities.
[See Explanatory Note]

**(Resolution 8)**

By Order of the Board

**Chan Chun Kit**
**Yvonne Choo**
*Company Secretaries*

2 April 2008

**Explanatory Note:**

The Ordinary Resolution 8 proposed in item 7 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis.

For the purpose of this resolution, the total number of issued shares (excluding treasury shares) is based on the Company's total number of issued shares (excluding treasury shares) at the time this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

**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.