汎港地產集團
PAN HONG PROPERTY GROUP

Pan Hong Property Group Limited

2006 **Annual Report**

We built these cities

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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-Executive 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

Wong Chi Man
Yvonne Choo, *FCIS*

ASSISTANT SECRETARY

Ira Stuart Outerbridge III *(FCIS)*

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

BUSINESS OFFICE

Room 708, Tower B
Hunghom Commercial Centre
37-39 Ma Tau Wai Road
Hunghom, Hong Kong
Tel: 852-2363-1300
Fax: 852-2764-2160

SINGAPORE SHARE TRANSFER AGENT

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

BERMUDA SHARE REGISTRAR

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:

Andrew Lam
Appointed with effect from financial year ended 31 December 2006

Financial Highlights

Financial Highlights (RMB' million)

Revenue

Profit after taxation

Profit attributable to equity holders of the Company

* *Based on the audited combined financial statements for the year ended 31 December 2005.*

Financial Profile

Financial Ratios	2006	2005*
Earnings per share (RMB cents)	12.55	16.47
Return on equity (%)	9.6	96.4
Current ratio (times)	12.3	3.8
Gearing ratio (times)	0.20	0.23

* *Based on the audited combined financial statements for the year ended 31 December 2005.*

为客户创造**幸福**　为社会创造**价值**

为员工创造**机遇**　为企业创造**效益**

Chairman's Statement

Pan Hong Property *Chairman*

TO OUR SHAREHOLDERS

On behalf of the Board of Directors (the "Directors") of Pan Hong Property Group Limited (the "Company"), I am pleased to present our shareholders with the first annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2006 ("FY2006").

2006 was a significant and meaningful year for our Group. In September 2006, our Group was successfully listed on the Main Board of the Singapore Exchange, raising proceeds of S$42,000,000 from the Initial Public Offering ("IPO"). This important step has brought us to a new level, where our focus is not just on delivering returns, but also on ensuring that the Group maintains consistent growth to maximise the wealth of our shareholders. We are now equipped with a stronger capital base and financial structure that will enable us to continue expanding our land bank, as well as deliver high quality project developments to meet the demands for high quality living standards from our customers in China.

The underlying market fundamentals of China are intact, underpinned by economic growth, rising household incomes and urbanization. The recent policies by the Chinese Government to stabilize the PRC property market, particularly in the first tier cities, have presented golden opportunities for financially strong players such as Pan Hong Property Group, to build our pipeline of projects in second and third tier cities.

Our business strategy will be to continue focusing on second and third tier cities, such as Huzhou, Hangzhou and Nanchang. At the same time, we intend to employ a pro-active but prudent financial approach to the equity and debt market.

Results and Dividends

For FY2006, our Group's revenue and net profit attributable to equity holders of the Company were approximately RMB151.3 million and RMB49.4 million respectively. Earnings per share was RMB12.55 cents.

To reward our shareholders, the Directors are recommending the payment of a final dividend of HK$0.01 per share for FY2006.

Business Review

In December 2006, our Group entered into an agreement to acquire an additional land bank in Beihai City in Guangxi Province with a site area of approximately 358,296 square metres and planned gross floor area ("GFA") of 381,000 square metres. This land bank was obtained in March 2007 via the acquisition of a 90% equity interest in another company which wholly owns the land. Beihai City is a coastal city located at the southern end of Guangxi Province and on the northeastern bank of Beibu Gulf. It is located adjacent to the southwest regions of the Yunnan, Guizhou, Sichuan Provinces, faces Vietnam across the sea and is also the nearest Chinese port to Southeast Asia. It is a vital city in the region of Beibu Gulf due to its easy accessibility as well as its established infrastructure, which includes a domestic airport, railways and expressways. Such land is located in and around the area that the government authorities are planning for development as a tourism belt. As a result of its strategic location, we believe there is good potential for property development in this city, and that the Group's acquisition will allow us to tap on the expected economic growth of this city.

Status of Major Development

1. *Huzhou Liyang lingyuan Phase 1*

This project, which has a land area of about 36,720 square metres, is situated in Huzhou Economic and Technological Development Zone. For FY2006, we have sold residential and commercial units amounting to GFA of 13,531 square metres. The total revenue generated was approximately RMB57.5 million for FY2006. The accumulated percentage of GFA that was sold up to 31 December 2006 was 89.6%.

2. *Huhzou Xinya Jiayuan*

Located in Nanxun Town of Huzhou City, this development has land area of approximately 37,804 square meters. The total revenue arising from the sales of residential and commercial units of GFA 7,161 square metres was approximately RMB26.8 million for FY2006. The accumulated percentage of GFA sold up to 31 December 2006 was 88.6%.

3. *Huzhou Zhili Phase 1*

This development is located in Zhili Town of Huzhou City and has land area of approximately 32,911 square meters. The total revenue arising from the sales of residential units of GFA 2,121 square metres was approximately RMB3.2 million for FY2006. The accumulated percentage of GFA sold up to 31 December 2006 was 98.9%.

4. *Wuxing District Balidian Multi-trading Market*

Situated in Balidian, Wuxing District of Huzhou City, this development has a land area of 14,247 square meters. During FY2006, commercial units with GFA of 14,581 square metres were sold and handed over. The accumulated percentage of GFA sold up to 31 December 2006 was 61.9%.

FINANCIAL REVIEW

As at 31 December 2006, our Group's total GFA of development properties sold and delivered during 2006 was approximately 37,432 square metres. For FY2006, the Group recorded a turnover of approximately RMB151.3 million from the sale of residential and commercial properties. This represents a decrease in turnover of approximately 47.5% as compared to the previous year.

For FY2006, the Group's net profit attributable to equity holders of the Company was approximately RMB49.4 million (2005: RMB59.3 million).

LIQUIDITY, RESOURCES AND GEARING

As at 31 December 2006, our Group has financed its working capital, capital expenditures and other capital requirements primarily through proceeds from sale of properties, borrowings and loans from shareholders.

Our total banking facilities as at 31 December 2006 amounted to RMB200 million of which RMB110 million has been utilised.

Our Directors are of the opinion that, after taking into account our available credit facilities, cash at banks and in hand, and net cash to be generated from our operating activities, our Group has adequate working capital for our requirements.

As at 31 December 2006, our Group had current assets of approximately RMB659.0 million (2005: RMB361.5 million) while current liabilities stood at approximately RMB53.6 million (2005: RMB94.9 million). Our Group had total assets of approximately RMB735.1 million (2005: RMB385.6 million) and total liabilities of approximately RMB187.1 million (2005: RMB289.2 million), representing a debt ratio (total liabilities over total assets) of 25.4% as at 31 December 2006 (2005: 75.0%).

OUTLOOK

Based on the number of property units pre-sold to-date, the Group's revenue and earnings for the next 12 months are expected to remain robust. There remain growth opportunities for financially strong property developers with choice land banks and a reputation for quality and reliability. The Group has received encouraging response to our projects released in recent months. As such, the Directors are confident of the future performance of the Group.

On 28 December, 2006, the PRC State Administration of Taxation issued a circular, Tax Circular Guoshuifa 2006 No. 187, which will take effect on 1 February 2007, requiring real estate developers to settle the final Land Appreciation Tax ("LAT") payments in respect of their development projects that meet certain criteria, such as when 85% of a development project has been pre-sold or sold. Local authorities, including the Huzhou authorities, are required to issue regulations in compliance with the circular in consideration of local conditions. During the year 2006, the Group incurred LAT of approximately RMB2.9 million which was charged to the consolidated income statement as cost of sales. Our Directors, after consultation with the legal advisor, considered the amount charged to the consolidated 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.

Our Directors continue to believe that the expected continuous growth of the PRC economy in the coming years will lead to an increase in disposal income. This, in turn, will lead to rising consumer affluence and sophistication which will drive the demand for better quality housing. The expected increase in urbanisation in the PRC, coupled with government policies encouraging private property ownership in recent years, should also contribute to this rise in demand.

We are pleased to inform shareholders that the progress of our future projects remain on track with our schedule, with three major projects targeted to be launched in the second and third quarters of the year 2007. These include Nanchang Honggu Kaixuan, Huacui Tingyuan and Hangzhou Liyang Yuan.

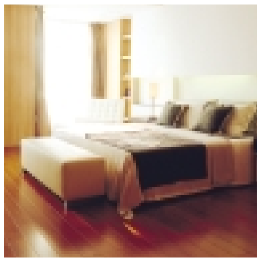
On behalf of our Group, I would like to express my gratitude to my fellow directors for their guidance, and all our staff for their dedication and hard work. We will continue to strive for outstanding results for our Group and better returns for our investors.

Wong Lam Ping
Executive Chairman

9 March 2007

Following our acquisition of Ever Sure, the Group has strengthened its operating base in the PRC.





Management Discussion and Analysis

BUSINESS REVIEW

We are a niche property developer for quality residential and commercial properties in the second and third tier cities in the PRC such as Hangzhou and Huzhou in Zhejiang Province and Nanchang in Jiangxi Province as we believe such developing cities have significant growth potential in the future. Our target customers are from the middle to upper-middle income segments in each city.

In addition to the above, our Group also owns commercial units for investment purposes and to rent out to suitable tenants for rental income.

During the year, we had four major developments in Huzhou City:

1. Huzhou Liyang lingyuan Phase 1

This project which has a land area of about 36,720 square metres is situated in Huzhou Economic and Technological Development Zone. For FY2006, we have sold residential and commercial units amounting to GFA of 13,531 square metres. The total revenue generated was approximately RMB57.5 million for FY2006. The accumulated percentage of GFA that was sold up to 31 December 2006 was 89.6%.

2. Huhzou Xinya Jiayuan

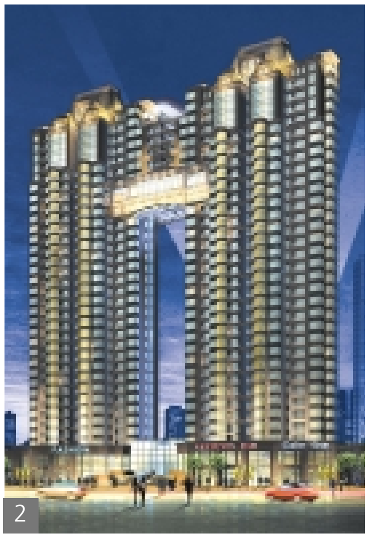
Located in Nanxun Town of Huzhou City, this development has land area of approximately 37,804 square meters. The total revenue arising from the sales of residential and commercial units of GFA 7,161 square metres was approximately RMB26.8 million for FY2006. The accumulated percentage of GFA sold up to 31 December 2006 was 88.6%.

3. Huzhou Zhili Phase 1

This development is located in Zhili Town of Huzhou City and has land area of approximately 32,911 square meters. The total revenue arising from the sales of residential units of GFA 2,121 square metres was approximately RMB3.2 million for FY2006. The accumulated percentage of GFA sold up to 31 December 2006 was 98.9%.

4. Wuxing District Balidian Multi-trading Market

Situated in Balidian, Wuxing District of Huzhou City, this development has a land area of 14,247 square meters. During FY2006, commercial units with GFA of 14,581 square metres were sold and handed over. The accumulated percentage of GFA sold up to 31 December 2006 was 61.9%.



(1) Hangzhou Liyang Yuan

(2) Nanchang Honggu Kaixuan

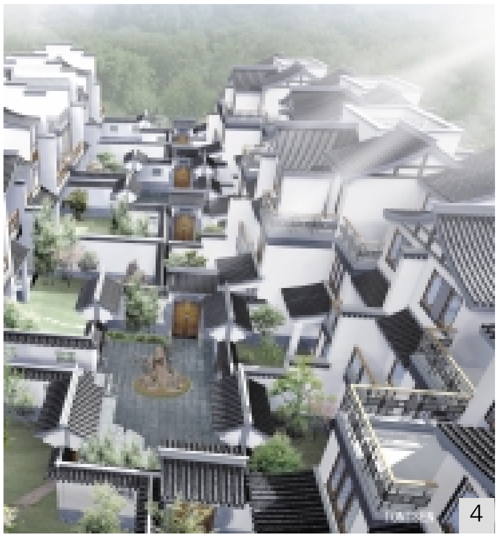
Investment in a subsidiary

During the year, our wholly-owned BVI subsidiary, Loerie Investments Limited ("Loerie") has entered into a sale and purchase agreement (the "Agreement") with Mr Liu Hong Shu (the "Vendor") to acquire 90.0% of the entire issued share capital of Ever Sure Industries Limited ("Ever Sure") from the Vendor (the "Acquisition") and the shareholder's loan advanced by the Vendor to Ever Sure at the completion date (the "Sale Loan") for a purchase consideration of about HK$101.5 million (the "Purchase consideration").

The Purchase Consideration was arrived at on a "willing-buyer, willing-seller" basis calculated by using the formula – maximum floor area X HK$296 per square metre X 90% subject to the final amount of maximum floor area ultimately approved by the PRC Government on the date of completion and taking into account the prevailing market rates of similar properties in the vicinity and the Sale Loan. The cost of the Acquisition was financed by way of proceeds from IPO and internal resources of our Group. It is not expected to have a material impact on our Group's earnings, gearing or net tangible assets for the financial year ending 31 December 2006.

This Acquisition will enable our Group to increase its planned gross floor area from approximately 818,500 square metres to 1,199,500 square metres.

Beihai City is a coastal city located at the southern end of Guangxi Province and on the northeastern bank of Beibu Gulf. It is located adjacent to the southwest regions of the Yunnan, Guizhou, Sichuan Provinces, faces Vietnam across the sea and is also the nearest Chinese port to Southeast Asia. It is a vital city in the region of Beibu Gulf due to its easy accessibility as well as its established infrastructure, which includes a domestic airport, railways and expressways. Such land is located in and around the area that the government authorities are planning for development as a tourism belt. As a result of its strategic location, we believe there is good potential for property development in this city, and that the Group's acquisition will allow us to tap on the expected economic growth of this city.

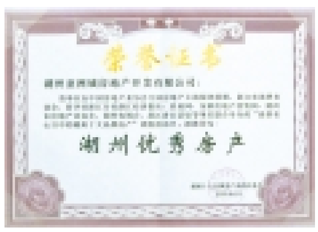


(3), (4)
Huacui Tingyuan

FINANCIAL REVIEW

Operating Results

As at 31 December 2006, our Group's total GFA of development properties sold and delivered during 2006 was approximately 37,432 square metres. For FY2006, the Group recorded a turnover of approximately. RMB151.3 million from the sale of residential and commercial properties. This represents a decrease in turnover of approximately 47.5% as compared to the previous year.



Huzhou City Outstanding Property Development Award

	Year ended 31/12/2006 ("FY2006")	Year ended 31/12/2005 ("FY2005")
Revenue (RMB'000)		
Residential	**45,568**	239,309
Commercial	**96,160**	27,881
Others including car parks lots	**9,541**	20,822
	151,269	288,012
Gross profit (RMB'000)		
Residential	**16,220**	70,630
Commercial	**35,060**	17,472
Others including car parks lots	**3,141**	5,087
	54,421	93,189

Revenue decreased by approximately RMB136.7 million or 47.5% to approximately RMB151.3 million in FY2006 mainly due to lower revenue contribution from the sales of remaining residential and commercial units of Huzhou Zhili Phase 1, Huzhou Liyang Phase 1, Huzhou Xinya Jiayuan and the sales of most of commercial units of Huzhou Hongjin Balidian Market in Huzhou City in FY2006.

Due to the decreased revenue, our Group's gross profit decreased by approximately RMB38.8 million or 41.6% to approximately RMB54.4 million in FY2006. Gross profit margin increased slightly from approximately 32% in FY2005 to approximately 36% in FY2006. The increase in gross profit margin during FY2006 was due mainly to higher average selling price of the commercial units of Huzhou Liyang Phase 1, Huzhou Xinya Jiayuan and Huzhou Hongjin Balidian Market in FY2006 as compared to that of the commercial units of Huzhou Liyang Phase 1 and Huzhou Xinya Jiayuan only in FY2005.

Other income and gains increased significantly by approximately RMB23.5 million or 2,350% to RMB24.5 million in FY2006 due mainly to the increase in fair value gains of our investment properties and properties held for sales upon transfer to investment properties amounted to approximately RMB5.9 million and RMB15.6 million respectively as well as the interest income generated from the fixed deposits placed in bank amounted to approximately RMB2.3 million in FY2006.

Expenses increased by approximately RMB8.7 million in FY2006 was owing to increases in salaries and commissions, low-value consumables, advertisement, entertainment and IPO expenses but partially offset by decreases in other operating expenses and finance costs.

Taxation was approximately RMB14.6 million in FY2006 due mainly to PRC corporate income tax on profits derived from the sale of the property units and deferred tax provided for the investment properties in FY2006. The drop of approximately RMB14.6 million or 50% to RMB14.6 million was mainly due to the receipt of a tax refund of approximately RMB7.7 million. This tax refund was obtained by certain subsidiaries under the reinvestment tax refund scheme in accordance with the relevant laws and regulations in the PRC.

For the year ended 31 December 2006, the Group's net profit attributable to equity holders of the Company was approximately RMB49.4 million (2005: RMB59.3 million).

FINANCIAL POSITION

As at 31 December 2006, one of our two investment properties was transferred from properties held for sales and reclassified as investment property which measured using fair value model and revalued by an independent qualified valuer.

During the year, an initial deposit paid of HK$30 million made by Loerie to acquire 90% equity interests in Ever Sure which wholly owned the equity interests in a PRC incorporated enterprise which held four lots of land with an aggregate area of 358,295.85 sq. m. in Beihai City, Guangxi Province, the PRC.

The increase in properties held under development and properties held for sale were a result of the leasehold land costs and development costs incurred arising from the Huzhou Liyang Phase 2, Jiangxi Honggu Kaixuan and Huzhou Zhili Phase 2 in FY2006.

The increase of cash and cash equivalents was due to the receipt of IPO proceeds in September 2006. The above increases were partially offset by a decrease in properties held for sale by approximately RMB39.5 million to RMB42.8 million.

Our current liabilities decreased by approximately RMB41.3 million to RMB53.6 million due mainly to decreases in accruals, receipts in advance and other payables by approximately RMB26.6 million, provision for tax by approximately RMB0.9 million and bank loans by approximately RMB22.0 million but such decreases were partially offset by a increase in accounts payable by approximately RMB9.6 million.

As at 31 December 2006, the outstanding shareholder's loan was approximately RMB17.8 million. Such loan was provided from the substantial shareholder, Mr Wong Lam Ping for the purpose of working capital. These amounts were unsecured and interest-free and will not be repayable prior to 1 January 2008. The balance outstanding of approximately RMB194.3 million as at 31 December 2005 was capitalised in March 2006.

As at 31 December 2006, a long term bank loan of RMB110 million with a term of 3 years had been granted by a bank in order to provide finance to the development of Nanchang Honggu Kaixuan project. Such bank loan was secured by the Group's leasehold interests in land of the project.

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 RMB1,250,000 (2005: RMB87,150,000) as at 31 December 2006. 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.

LIQUIDITY, RESOURCES AND GEARING

Cash and cash equivalents as at 31 December 2006 amounted to RMB221.4 million (2005: RMB15.2 million).

Our Group had total bank borrowings of RMB110.0 million as at 31 December 2006 (2005: RMB22.0 million). The borrowings to be repayable within one year were zero (2005: RMB22.0 million), and the Group's gearing ratio as at 31 December 2006 was 20.1% (2005: 22.8%), which was calculated based on interest bearing borrowings to total equity.

As at 31 December 2006, the Group had current assets of approximately RMB659.0 million (2005: RMB361.5 million) and current liabilities of approximately RMB53.6 million (2005: RMB94.9 million). The Group had total assets of approximately RMB735.1 million (2005: 385.6 million) and total liabilities of approximately RMB187.1 million (2005: 289.2 million), representing a debt ratio (total liabilities over total assets) of 25.5% as at 31 December 2006 (2005: 74.8%).

Management believe that our Group can utilize its internal reserve and debt financing to satisfy necessary funding requirement of future and bank acquisition. In view of the current gearing position, management also believes that the Group is in a good position to obtain debt financing on favorable terms.

CHARGE ON ASSETS

As at 31 December 2006, bank loan of approximately RMB110.0 million was secured by the Group's leasehold interests in land included in properties held under development of approximately RMB47.2 million.

FOREIGN EXCHANGE EXPOSURE

Our Group's monetary assets, loans and transactions are principally denominated in Renminbi. During the year, there was no significant fluctuation in the exchange rates of the Hong Kong dollars and US dollars. The appreciation in the currency value of the Renminbi contributed positively to the Group's bottom line. We did not engage in any derivative activities and did not commit to any financial instruments to hedge its balance sheet exposure in 2006.

EMPLOYEES

As at 31 December 2006, our Group had a staff force of approximately 60 of which 57 were in the PRC and 3 in Hong Kong. The remuneration of employees was in line with the market trend and commensurable to the level of pay in the industry. Remuneration of our Group's employees includes basic salaries, bonuses and long-term incentives. Total staff costs incurred in 2006 was up 63.2% to RMB3.1 million, representing approximately 2.0% of our Group's revenue for the year.

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 senior partner 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 Singapore Land Authority 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 Wong Chi Man is our Group's Financial Controller and was appointed in December 2005. He is responsible for our Group's finance and accounting functions. His responsibilities include the preparation of monthly financial statements, cash flow projections, budgets, forecasts and financial analysis for investment projects, as well as the development and review of effective policies and internal control procedures. He is also responsible for statutory compliance and corporate governance of our Group, as well as coordination with our Group's stakeholders such as investors, and external advisers. Mr Wong has had over 14 years of professional working experience which include work with various accounting firms like Deloitte Touche Tohmatsu from 1994 to 1998 and RSM Nelson Wheeler in 2001, as well as commercial working experience as an accounting supervisor in Tai Kong Industrial (Holdings) Co., Ltd. from 2002 to 2004. He was an Audit Supervisor in K.W. Poon & Co. before he joined our Group in 2005. Mr Wong obtained a diploma in Accounting from Hong Kong Shue Yan College in 1991. He subsequently graduated from the Open University of Hong Kong in 1996 with a Bachelor degree in Business Administration. In 2002, he was conferred a Master degree in Professional Accounting from the Hong Kong Polytechnic University. He has been an associate member of the Hong Kong Institute of Certified Public Accountants since 1998, and became a fellow member of the Association of Chartered Certified Accountants in 2003. Mr Wong was recently appointed as a Director of the PolyU-HKCyberU Alumni Association Limited in 2005.

Mr Xu Guangqquan 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.

Key Executives

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）.

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（交通銀行湖州分行）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.

Corporate Governance Report

A revised Code of Corporate Governance (the "2005 Code") was issued by the Council on Corporate Disclosure and Governance ("CCDG") on 14 July 2005. Listed companies are to disclose their corporate governance practices with specific reference to the 2005 Code in their annual reports for Annual General Meetings ("AGM") held from 1 January 2007 onwards.

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 each of the principle of the 2005 Code. Other than the deviations explained in this report, the Company had generally complied with the 2005 code.

(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 Company's values and standards and ensure that the requisite financial and human resources support are in place for the Company to achieve its objectives.

The principal functions of the Board are:

- guiding the corporate strategies 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.

The Board discharges some of its functions through scheduled meetings and ad-hoc meetings as and when circumstances require. In addition, the Board has established an audit committee, a nominating committee and a remuneration committee, and has delegated some of its duties to these committees. The Company welcomes directors to request for further explanations, briefings or informal discussions on any aspect of the Group's operations or business from the Management of the Company.

The Bye-Laws of the Company provide that board meetings may be convened in any form of audio or audio-visual communication. The attendance of each director at meetings held by the Board and Board committees during the year 2006 since listing of Company's shares on SGX-ST is disclosed below:

MEETINGS OF BOARD AND BOARD COMMITTEES HELD IN YEAR 2006

	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of Meetings held in FY2006	1	1	1	1
Name Of Director	**Attended**	**Attended**	**Attended**	**Attended**
Wong Lam Ping *(Executive Chairman)*	1	N.A.	1	N.A.
Chan Heung Ling *(Deputy Chairman)*	1	N.A.	N.A.	N.A.
Sim Wee Leong *(Lead Independent Director)*	1	1	1	N.A.
Dr. Choo Kian Koon *(Independent Director)*	1	1	1	1
Dr. Zheng Haibin *(Independent Director)*	1	1	N.A.	1
Chan Kin Sang *(Non-Executive Director)*	0	N.A.	N.A.	0
Shi Feng *(Executive Director)*	1	N.A.	N.A.	N.A.
Wang Cui Ping *(Executive Director)*	1	N.A.	N.A.	N.A.

N.A. – not applicable.

The Company conducts an orientation programme for newly appointed directors. New directors will be briefed and given orientation by the Executive Directors and Management of the Company 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. The cost of relevant cources is borne by the Company.

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 Cui Ping

Non-Executive Directors:

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

The Nominating Committee, which reviews the independence of each director on an annual basis, has adopted the 2005 Code's definition of what constitutes an independent director.

As a Group, the directors bring with them a broad range of expertise and experience in areas such as accounting, finance, business and management experience, industry knowledge, strategic planning experience and customer-based experienced and knowledge. The diversity of the directors' experience allows for the useful exchange of ideas and views. The profile of all Board members is set out on pages 15-16 of this Annual Report.

Non-executive Directors contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. When challenging Management proposals or, decisions, they bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities.

PRINCIPLE 3: EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Executive Chairman of the Group is Wong Lam Ping ("Mr. Wong"). Mr. Wong is the founder of the Group and is responsible for the formulation and execution of overall business strategies and policies as well as the overall management of the Group.

The Executive Chairman's performance and appointment to the Board is reviewed periodically by the Nominating Committee and his remuneration package is reviewed periodically by the Remuneration Committee. Both the Nominating Committee and Remuneration Committee are chaired by independent directors. As such, the Board believes that there are adequate safeguards in place against an uneven concentration of power and authority in a single individual. In line with the recommendations in the 2005 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") 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.

The NC comprises three members, a majority of whom are independent directors:

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

In accordance with the Company's Bye-Laws, each Director is required to retire at least once in every three years by rotation and all newly appointed Directors will have to retire at the next AGM following their appointment. Retiring Directors are eligible to offer themselves for re-election. Pursuant to the Company's Bye-Law 85(6), all the directors of the Company who were appointed during the year will retire at the forthcoming AGM.

The NC has adopted a process for selection and appointment of new directors subsequent to financial year 2006. In selecting potential new directors, the NC will seek to identify the competencies required to enable the Board to fulfill its responsibilities. The Curriculum Vitae and other particulars/documents of the nominee or candidate will be reviewed by the NC. 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 had considered that the multiple board representations of the directors of the Company do not impede their performance in carrying out their duties to the Company.

PRINCIPLE 5: BOARD PERFORMANCE

As the Company was only listed on SGX-ST on 20 September 2006, an evaluation of the Board's performance for year 2006 was deferred to year 2007, to provide the Board with more time and opportunity to interact with one another. The Board has adopted an evaluation process which will examine factors such as Board composition, information flow to the Board, Board procedures, Board accountability, assessment of the Directors and standards of conduct of the Board members. The evaluation process will be carried out by the NC on an annual basis.

PRINCIPLE 6: ACCESS TO INFORMATION

The Executive Directors and the senior management keep the Board apprised 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 and the Company Secretary should they have any queries or require additional information on the affairs of the Company and the Group.

Where the directors either individually or as a group, in the furtherance of their duties, require independent professional advice, assistance is available to assist them in obtaining such advice at the Company'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") is regulated by a written set of terms of reference,

The RC comprises three members, all of whom are Non-Executive Directors:

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

The RC reviews and recommends to the Board (a) the remuneration package of all Executive Directors and key executives of the Group, (b) directors' fees for non-executive directors, which are subject to shareholders' approval at the AGM, and (c) the service contracts of the Executive Directors.

The RC had recommended to the Board an amount of S$40,000 as directors' fees for the year ended 31 December 2006. The Board will table this at the forthcoming AGM for shareholders' approval.

The executive directors, Mr. Wong, Chan Heung Ling, Shi Feng and Wang Cui Ping had each signed separate service agreements for an initial term of 3 years 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 needs of the Group.

Disclosure of remuneration

The range of remuneration of directors and top 5 key executives (who are not directors) of the Group are set out below:

Remuneration Band & Name of Director	Allowance/ Fee	Based/ Fixed Salary	Variable Or Performance Related Income/ Bonus	Benefits In Kind	Other Long Term Incentives	Total
	%	%	%	%	%	%
$250,000 and below						
Wong Lam Ping[1]	–	100	–	–	–	100
Chan Heung Ling[1]	–	100	–	–	–	100
Shi Feng	–	100	–	–	–	100
Wong Cui Ping	–	100	–	–	–	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.*

For year 2006, there were no directors with remuneration above $250,000

Top 5 Key Executives In Remuneration Band	Number
(ii) $250,000 and below	5

For year 2006, there were no executives with remuneration above $250,000

Given the highly competitive industry conditions and the sensitivity and confidentiality of remuneration matters, the Company believes that the disclosure of remuneration of individual executives as recommended by the 2005 Code, would not be in the interest of the Group.

Other than disclosed above, there were no employees of the Company and its subsidiaries who were an immediate family of a director or the Executive Chairman and whose remuneration exceeded $150,000 in the year 2006.

(C) ACCOUNTABILITY AND AUDIT

PRINCIPLE 10: ACCOUNTABILITY

We believe in conducting ourselves in ways that deliver maximum sustainable value to our customers. The Board is responsible for corporate strategy, annual and interim results, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specially delegated by the Board to the management include the preparation of annual and quarterly results announcement for Board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

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The Company strives to disclose information on a timely basis to shareholders and does not practice selective disclosure of price sensitive information and other information. Shareholders are updated on the financial performance of the Group through annual and quarterly results announcements and the various disclosures and announcements made to the SGX-ST via SGXNET. Announcements released via SGXNET is also posted on the Company's website at www.pan-hong.com.

PRINCIPLE 11: AUDIT COMMITTEE

The Audit Committee ("AC") of the Company 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. Guided by a written set of Terms of Reference, the AC performs, *inter alia*, the following functions:

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

For the year 2006, the AC met up with the auditors without the presence of the Management. The Executive Directors 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 external auditors have confirmed other than professional services as Reporting Accountants for the Company's recent Initial Public Offer ("IPO"), no other non-audit services have been provided by them to the Group. The AC, having undertaken a review of all services provided by the external auditors and is of the opinion that the independence and objectivity of the external auditors have not been compromised.

The AC will be reviewing the adoption of a Whistle-Blowing Policy in financial year 2007 to encourage and 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.

PRINCIPLE 12: INTERNAL CONTROLS

The Board acknowledges that it should endeavor to ensure that the Management maintains a sound system of internal controls to safeguard shareholders' investments and the Company'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 and 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.

A company'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 organisation 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 auditors' recommendations are reported to the AC. The AC will review the external auditors' comments and ensure that there are adequate internal controls in the Group.

The Board is of the opinion that the existing internal controls of the Company and its subsidiaries are adequate.

PRINCIPLE 13: INTERNAL AUDIT

The Group is in the course of setting up an internal audit function which will report directly to the AC.

(D) COMMUNICATION WITH SHAREHOLDERS

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

In line with continuous disclosure obligations, the Company 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:

(a) SGXNET releases and press releases on major developments of the Group;

(b) financial statements containing a summary of the financial information and affairs of the Group for the quarterly and full year via SGXNET;

(c) annual reports that are sent to all shareholders; and

(d) notices of and explanatory notes for general meetings.

At the AGM, the 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 has adopted an internal compliance code of conduct to provide guidance to its officers regarding dealings in the Company's securities. Officers are prohibited from dealing in securities of the Company 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

The Company has adopted an internal policy governing procedures for the identification, approval and monitoring of interested person transactions. All interested person transactions are subject to review by the AC.

The aggregate values of all interested persons entered into during the financial year ended 31 December 2006 were as follows:

Name Of Interested Person	Aggregate Value Of All Interested Person Transactions During The Financial Year Under Review (Excluding Transactions Less Than S$100,000 And Transactions Conducted Under Shareholders' Mandate Pursuant To Rule 920)	Aggregate Value Of All Interested Person Transactions Conducted Under Shareholders' Mandate Pursuant To Rule 920 (Excluding Transactions Less Than S$100,000
Progress payment on a construction contract with Jiangxi Ganxun Electronic Information Technology Co. Ltd.[1]	RMB10,200,000	Nil
Consultancy fee charged by Joinn Strategic Holdings Limited[2]	RMB7,500,000	Nil

Notes:

1. During the year, the Group entered into an agreement with Jiangxi Ganxun Electronic Information Technology Co. Ltd., 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 up to 31 December 2006, the Group already paid RMB10,200,000 as the initial deposit for this contract.

2. 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 agreements.

The Company does not have a shareholders' mandate for interested person transactions.

MATERIAL CONTRACTS

Saved for the Service Agreements entered with the executive directors (as disclosed in the Company's Prospectus dated 11 September 2006), there were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the CEO, any director or controlling shareholder subsisting at the year ended 31 December 2006.

USE OF IPO'S PROCEEDS

In the year 2006, our Group has utilized the IPO's proceeds as follows:–

(i) capital injections of approximately US$4.4 million into 2 PRC subsidiaries for properties development; and

(ii) the initial deposit of HK$30 million for the acquisition of 90% equity interests in a subsidiary which held a Land in Beihai City.

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 2006 and balance sheet of the Company as at 31 December 2006.

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 Cui Ping *(Executive Director)*

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	
	At 1.1.2006	**At 21.01.2007 and 31.12.2006**	**At 1.1.2006**	**At 21.01.2007 and 31.12.2006**
Wong Lam Ping *(Executive Chairman)*	–	18,321,184	–	288,000,000[1]
Chan Heung Ling *(Deputy Chairman)*	–	13,099,300	–	288,000,000[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	–	–
Wang Cui Ping *(Executive Director)*	–	473,900	–	–

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

DIRECTORS' INTERESTS IN CONTRACTS

The Company entered into separate service agreements with Wong Lam Ping, Chan Heung Ling, Shi Feng and Wang Cui Ping 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.

Apart from the foregoing and save as disclosed under Interested Person Transactions in the Annual Report, 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 on unissued shares of the Company.

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 21 to 26 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*

9 March 2007

Statement By Directors

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 2006 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
Director

Chan Heung Ling
Director

9 March 2007

Financial Section

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Report of the Auditors

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton
均富會計師行

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") set out on pages 36 to 74, which comprise the consolidated and company balance sheets as at 31 December 2006, 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 32.

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.

Report of the Auditors

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 2006 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

9 March 2007

Consolidated Income Statement

For the year ended 31 December 2006

	Notes	2006 RMB'000	2005 RMB'000
Revenue	6	**151,269**	288,012
Cost of sales		**(96,848)**	(194,823)
Gross profit		**54,421**	93,189
Other income and gains	6	**24,495**	661
Selling expenses		**(909)**	(268)
Administrative expenses		**(13,188)**	(3,797)
Other operating expenses		**(613)**	(955)
Operating profit		**64,206**	88,830
Finance costs		**–**	(913)
Share of loss of associates		**(76)**	(210)
Profit before taxation	8	**64,130**	87,707
Taxation	9	**(14,580)**	(29,194)
Profit for the year		**49,550**	58,513
Attributable to:			
Equity holders of the Company		**49,440**	59,297
Minority interests		**110**	(784)
		49,550	58,513
Dividends	10	**4,800**	–
Earnings per share *(in RMB cents)*:	11		
– Basic		**12.55**	16.47
– Diluted		**N/A**	N/A

Balance Sheets

As at 31 December 2006

		Group		Company	
		2006	2005	**2006**	2005
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	*13*	**4,740**	1,794	**–**	–
Investment properties	*14*	**35,338**	–	**–**	–
Goodwill	*15*	**6,030**	–	**–**	–
Interests in subsidiaries	*16*	**–**	–	**278,608**	–
Interests in associates	*17*	**–**	22,360	**–**	–
Deposit paid	*18*	**30,000**	–	**–**	–
		76,108	24,154	**278,608**	–
Current assets					
Properties held under development	*19*	**291,394**	216,397	**–**	–
Properties held for sale	*20*	**42,809**	82,310	**–**	–
Account receivables		**51,159**	18,122	**–**	–
Deposits paid, prepayments and other receivables	*21*	**52,311**	4,127	**112**	–
Amounts due from related parties	*22*	**–**	25,290	**195,820**	–
Cash and cash equivalents	*23*	**221,356**	15,234	**92**	–
		659,029	361,480	**196,024**	–
Current liabilities					
Account payables		**9,637**	59	**–**	–
Accruals, receipts in advance and other payables	*24*	**26,951**	53,636	**350**	–
Provision for tax		**17,017**	17,911	**–**	–
Amounts due to related parties	*25*	**29**	1,296	**375**	–
Bank loans	*26*	**–**	22,000	**–**	–
		53,634	94,902	**725**	–
Net current assets		**605,395**	266,578	**195,299**	–
Total assets less current liabilities		**681,503**	290,732	**473,907**	–
Non-current liabilities					
Bank loans	*26*	**110,000**	–	**–**	–
Shareholder's loan	*27*	**17,794**	194,253	**–**	–
Deferred taxation	*28*	**5,713**	–	**–**	–
		133,507	194,253	**–**	–
Net assets		**547,996**	96,479	**473,907**	–

Balance Sheets (Continued)

As at 31 December 2006

		Group		Company	
		2006	2005	**2006**	2005
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
EQUITY					
Equity attributable to the Company's equity holders					
Share capital	*29*	**292,164**	219,123	**292,164**	–
Reserves	*30*	**223,169**	(157,657)	**181,743**	–
		515,333	61,466	**473,907**	–
Minority interests		**32,663**	35,013	**–**	–
Total equity		**547,996**	96,479	**473,907**	–

Consolidated Cash Flow Statement

For the year ended 31 December 2006

	Notes	2006 RMB'000	2005 RMB'000
Cash flows from operating activities			
Profit before taxation		**64,130**	87,707
Adjustments for:			
Interest income		**(2,296)**	(101)
Interest expense		**–**	913
Fair value change of			
– investment properties		**(5,880)**	–
– properties held for sale upon transfer to investment properties		**(15,623)**	–
Depreciation		**352**	250
(Gain)/Loss on disposal of property, plant and equipment		**(15)**	49
Share of loss of associates		**76**	210
Operating profit before working capital changes		**40,744**	89,028
Increase in properties held under development and properties held for sale		**(8,880)**	(94,923)
(Increase)/Decrease in account and other receivables, prepayments and deposits paid		**(51,959)**	22,186
Decrease/(Increase) in amount due from a related party		**2,133**	(25,290)
Decrease in account and other payables, accruals and receipts in advance		**(17,333)**	(116,292)
Increase in amounts due to related parties		**29**	1,296
Cash used in operations		**(35,266)**	(123,995)
Income taxes paid		**(17,421)**	(7,551)
Tax refund		**7,659**	–
Net cash used in operating activities		**(45,028)**	(131,546)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(457)**	(503)
Investment in associates		**(2,060)**	(18,738)
Acquisition of subsidiaries, net	*31*	**763**	–
Sales proceeds received from disposal of property, plant and equipment		**55**	150
Proceeds from liquidation of an associate	*17*	**2,374**	–
Deposit paid for acquisition of a subsidiary	*18*	**(30,000)**	–
Interest received		**2,296**	101
Net cash used in investing activities		**(27,029)**	(18,990)

Consolidated Cash Flow Statement (Continued)

For the year ended 31 December 2006

	Notes	2006 RMB'000	2005 RMB'000
Cash flows from financing activities			
Proceeds from issuance of share capital		**205,502**	–
Share issue expenses		**(15,734)**	–
Capital contributions made by minority shareholders		**–**	20,839
New borrowings		**149,000**	22,000
Repayment of borrowings		**(77,000)**	(25,000)
Increase in shareholder's loan		**20,724**	127,684
Interest paid		**(6,189)**	(2,796)
Net cash generated from financing activities		**276,303**	142,727
Net increase/(decrease) in cash and cash equivalents		**204,246**	(7,809)
Effect of foreign exchange difference		**1,876**	3,316
Cash and cash equivalents at 1 January		**15,234**	19,727
Cash and cash equivalents at 31 December	*23*	**221,356**	15,234

Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

	Equity attributable to equity holders of the Company									
	Share capital RMB'000	**Share premium** RMB'000	**Merger reserve** RMB'000	**Statutory reserve** RMB'000	**Exchange reserve** RMB'000	**Retained earnings** RMB'000	**Proposed final dividend** RMB'000	**Total** RMB'000	**Minority interest** RMB'000	**Total equity** RMB'000
At 1 January 2005	219,123	–	(219,112)	–	(2,879)	1,721	–	(1,147)	14,958	13,811
Profit for the year	–	–	–	–	–	59,297	–	59,297	(784)	58,513
Exchange difference (net income recognised directly in equity)	–	–	–	–	3,316	–	–	3,316	–	3,316
Total income and expenses recognised during the year	–	–	–	–	3,316	59,297	–	62,613	(784)	61,829
Capital contributions made by minority shareholders	–	–	–	–	–	–	–	–	20,839	20,839
At 31 December 2005 and 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)*	73,041	132,461	–	–	–	–	–	205,502	–	205,502
Share issue expenses	–	(15,734)	–	–	–	–	–	(15,734)	–	(15,734)
Final dividend proposed for the year *(note 10)*	–	–	–	–	–	(4,800)	4,800	–	–	–
Transfer to statutory reserves	–	–	–	6,058	–	(6,058)	–	–	–	–
At 31 December 2006	292,164	116,727	(2,243)	6,058	(1,773)	99,600	4,800	515,333	32,663	547,996

1. GENERAL INFORMATION

The Company was incorporated in Bermuda under the laws of Bermuda on 20 December 2005 as an exempted company with limited liability under the name of Pan Hong Property Group Limited.

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 708, 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 are set out in note 16 to the financial statements.

The financial statements on pages 36 to 74 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The financial statements for the year ended 31 December 2006 were approved by the board of directors on 9 March 2007.

2. THE REORGANISATION AND BASIS OF PRESENTATION

A reorganisation exercise ("Reorganisation Exercise") was undertaken by the Group to rationalise the corporate structure in preparation for the initial public offering of the Company's shares on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). On 9 September 2006, the Company became the holding company of the subsidiaries comprising the Group. Details of the Reorganisation Exercise were set out in the prospectus of the Company dated 11 September 2006.

The Group is regarded as a continuing entity resulting from the Reorganisation Exercise since all of the entities which took part in the Reorganisation Exercise were controlled by the same ultimate shareholders before and immediately after the Reorganisation Exercise with the exception of the 58% equity interests of Huzhou Hongjin Market Construction & Development Co., Ltd. ("Huzhou Hongjin Market Company") and 8% equity interest of Huzhou Jiangnan Hailian Construction Co., Ltd. ("Huzhou Jiangnan Hailian Company") which were acquired during the year (collectively known as the "Acquired Interests"). Consequently, immediately after the Reorganisation Exercise, there was a continuation of the risks and benefits to the ultimate shareholders that existed prior to the Reorganisation Exercise.

The Reorganisation Exercise has been accounted for as a reorganisation under common control in a manner similar to pooling of interests except for the Acquired Interests which have been accounted for using the purchase method from the respective dates of acquisition. Accordingly, the consolidated financial statements have been prepared on the basis of merger accounting, under which the Company was the holding company of the subsidiaries for the financial years presented rather than from the dates of acquisition of the subsidiaries. The consolidated financial statements of the Group have been prepared as if the Company has always been the holding company. The results of the Group include the results of the Company and its subsidiaries with effect from 1 January 2005 or since their respective dates of incorporation/establishment, where this is a shorter period. The consolidated balance sheet as at 31 December 2006 is a consolidation of the balance sheets of the Company and its subsidiaries at the balance sheet date.

3. ADOPTION OF NEW OR AMENDED IFRS

From 1 January 2006, the Group has adopted all of the new or amended standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2006.

The adoption of these new or revised IFRS did not result in significant alterations to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these standards and interpretations did not result in substantial changes to the amounts and disclosures in these financial statements.

The Group has not early adopted the following standards or interpretations related to its operations that have been issued but are not yet effective. The adoption of such standards and interpretations will not result in substantial changes to the Group's accounting policies.

IAS 1 (Amendment)	Capital Disclosures[1]
IFRS 7	Financial Instruments – Disclosures[1]

Notes:

[1] Effective for annual periods beginning on or after 1 January 2007

4. 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.

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain properties, financial assets and liabilities. 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 of current events and actions, actual results may ultimately differ from those estimates.

(b) Basis of consolidation

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Goodwill

Goodwill arising on acquisition of a subsidiary represents the excess of the cost of acquisition over the fair value of the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

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.

(d) Subsidiaries

Subsidiaries are 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 interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and equity holders of the Company.

Where losses applicable to the minority in a consolidated subsidiary exceed the minority interest in the subsidiary's equity, the excess and any further losses applicable to the minority are allocated against the majority interest except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interest only after the minority's share of losses previously absorbed by the majority has been recovered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture. In consolidated financial statements, investment in associates is initially recognised at cost and subsequently accounted for using the equity method.

Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate'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 associate for the year, including any impairment loss on goodwill relating to the investment in associate recognised for the year.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate 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 associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

In the Company's balance sheet, investments in associates are stated at cost less any impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

(f) Revenue recognition

Revenue arising from sale of properties held for sale is recognised when the significant risks and rewards of ownership of these properties held for sale have been transferred to the purchasers and the Group retains neither continuing involvement to the degree usually associated with ownership nor effective control over properties held for sale. Deposits and installments received from purchasers prior to this stage and pre-sale are included in current liabilities and are not recognised as revenue.

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

Interest income from bank deposits is recognised on a time proportion basis by reference to the principal outstanding and the rate applicable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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:

Computers and other equipment	20%
Motor vehicles	20%
Buildings	2.5%

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

(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 repairs and maintenance are charged to the consolidated income statement during the period in which they are incurred.

When assets are sold or retired, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included 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.

Investment properties are measured initially at its cost, including any directly attributable expenditure. After initial recognition, investment properties are carried at fair value. The carrying amounts recognised in the consolidated balance sheet reflect the prevailing market conditions at the balance sheet date.

Any gain or loss arising from either a change in fair value or the sale of investment properties is immediately recognised in the consolidated income statement in the period in which they arise.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Investment properties (Continued)

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 profit or loss.

(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 4(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 those costs that are incurred in bringing the properties held under development to their present location and condition.

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

No depreciation is provided on properties held under development.

On completion, the properties are transferred to completed 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) Leases

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.

Leasehold interests in land are included in properties held under development and properties held for sale, of which 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial assets

Account and other receivables, amounts due from related parties and cash and cash equivalents are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment losses. Any changes to their value are recognised in the consolidated income statement. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of expected cash flows, discounted at the original effective rate of interest.

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 the 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 profit or loss of the period in which the reversal occurs.

(m) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(ii) Transactions and balances

In the individual financial statements of the group 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 the 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 translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Foreign currencies (Continued)

(iii) Group companies

The results and financial positions of all the group entities (none of which has the currency of a hyperinflationary economy) that have functional currencies different from the Group's presentation currency are translated into the Group's presentation currency as follows:

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the balance sheet date;

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into RMB, at the closing rate.

All resulting exchange differences are recognised as a separate component of equity.

(n) Income tax

Income tax comprises current and deferred tax.

Current income tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous year.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Income tax (Continued)

Deferred tax assets and liabilities are not discounted. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Most changes in deferred tax is charged or credited to the consolidated income statement. Only changes in deferred tax assets and liabilities that relate to a change in value of assets and liabilities that is charged directly to equity are charged or credited directly to equity.

(o) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and short-term bank deposits.

(p) Impairment testing of assets

Goodwill, property, plant and equipment and interests in subsidiaries and associates are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). 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 management controls the related cash flows.

Individual assets or cash generating units that include goodwill are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generation 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.

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 change in the estimates used to determine the asset's recoverable amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

4. 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 loans and shareholder's loan. Financial liabilities are initially recognised at fair value, whether or not billed to the Group.

Financial liabilities 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.

Financial liabilities 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.

(r) Retirement benefits

The Group contributes to 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 calculated as percentages of employees' basic salaries. The retirement benefit scheme cost charged to the consolidated income statement represents contributions payable by the Group to the MPF Scheme.

Pursuant to the relevant regulations in the People's Republic of China ("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.

(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 proceeds (net of any related income tax benefits) to the extent that they are incremental cost directly attributable to the equity transaction.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Borrowing costs

Borrowing costs incurred for the construction 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 borrowing costs are expensed.

(u) Segment reporting

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.

(v) 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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

(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) Investment properties

The 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 2006 is set out in note 14. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

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

Management determines the net realisable value of completed 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 requires 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.

(iv) 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.

5. 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 6 to these financial statements. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyer requires examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the transfer of the legal title or the passing of possession to the buyer or a completion certificate is issued by the relevant government authorities. The Group believes that its recognition basis of sales as set out in note 4(f) is appropriate and is the current practice in the PRC.

6. REVENUE, OTHER INCOME AND GAINS

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

	2006 **RMB'000**	2005 RMB'000
Revenue		
Sale of properties held for sale	**151,269**	288,012
Other income and gains		
Fair value change of		
– investment properties	**5,880**	–
– properties held for sale upon transfer to investment properties	**15,623**	–
Gain on disposal of property, plant and equipment	**15**	–
Interest income	**2,296**	101
Rental income	**662**	535
Others	**19**	25
	24,495	661

7. SEGMENT INFORMATION

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

8. PROFIT BEFORE TAXATION

	2006 RMB'000	2005 RMB'000
Profit before taxation is arrived at after charging:		
Auditors' remuneration		
– Audit fee	**655**	195
– Non-audit fee *(note (a))*	**1,228**	–
Borrowing cost	**6,189**	2,796
Less: amount capitalised in properties held under development	**(6,189)**	(1,883)
	–	913
Cost of properties held for sale recognised as expense *(note (b))*	**87,467**	177,133
Depreciation of property, plant and equipment	**436**	309
Less: amount capitalised in properties held under development	**(84)**	(59)
	352	250
Exchange loss	**208**	70
Loss on disposal of property, plant and equipment	**–**	49
Operating lease charge in respect of land and buildings	**514**	65
Less: amount capitalised in properties held under development	**(90)**	(36)
	424	29
Outgoings in respect of all properties under operating lease arrangements	**152**	70
Staff costs (including directors' remuneration *(note 12)*)		
– Wages and salaries	**2,770**	1,779
– Retirement benefit scheme contributions – defined contribution plans	**281**	125
	3,051	1,904
Less: amount capitalised in properties held under development	**(707)**	(513)
	2,344	1,391

Note:

(a) During the year, the independent auditors received non-audit fee of approximately RMB2,014,000 (2005: Nil) for acting as the reporting accountants in respect of the preparation of the initial public offering of the Company's shares on the SGX-ST and invitation of 120,000,000 new shares of the Company issued on the initial public offering. The non-audit fees paid by the Group of approximately RMB1,228,000 and RMB786,000 were charged to the consolidated income statement and offset against the share premium account respectively.

Saved as disclosed above, no other non-audit fees were paid to the auditors by the Group and the Company.

8. PROFIT BEFORE TAXATION (Continued)

Note: (Continued)

(b) Under the Provisional Rules on Land Value Added Tax ("LVAT") 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 LVAT 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 borrowing 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.

During the year, the Group incurred LVAT of approximately RMB2,937,000 (2005: RMB3,323,000) which was charged to the consolidated income statement as cost of sales. The directors, after consultation with their legal advisor, considered the amount charged to the consolidated income statement to be adequate as this is calculated according to the method which is in compliance with the existing rules and interpretation of LVAT.

9. TAXATION

The PRC income tax is computed according to the relevant laws and regulations in the PRC. Companies with establishments in the PRC are subject to the income tax rate of 33% for the year (2005: 33%). Foreign companies which do not have establishments in PRC but derive rental income from the PRC are subject to PRC income tax on a withholding basis. According to Guofa (2000) 37, the statutory withholding tax rate is 10% for rent paid to foreign enterprises (2005: Nil).

	2006	2005
	RMB'000	RMB'000
Current tax – PRC		
Income tax for the year	**16,526**	29,194
Tax refund *(note (a))*	**(7,659)**	–
	8,867	29,194
Deferred taxation *(note 28)*	**5,713**	–
Total income tax	**14,580**	29,194

Note:

(a) According to approval documents obtained in 2006 issued by local tax bureaus, Huzhou Asia City Real Estate Development Co., Ltd ("Huzhou Asia City") and Huzhou Liyang Housing and Landing Development Co., Ltd. ("Huzhou Liyang"), subsidiaries of the Company, received amounts of approximately RMB3,898,000 and RMB3,761,000 respectively. Amounts represented tax refund obtained by the relevant subsidiaries under the reinvestment tax refund scheme in accordance with the relevant laws and regulations in the PRC.

9. TAXATION (Continued)

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

	2006 RMB'000	2005 RMB'000
Profit before taxation	**64,130**	87,707
Tax on profit before tax, calculated at the rates applicable to profits in the jurisdiction concerned	**22,406**	28,943
Tax effect of non-taxable revenue	**(1,534)**	–
Tax effect of non-deductible expenses	**524**	–
Tax effect of unrecognised deferred tax assets	**695**	933
Tax effect of prior tax losses utilised this year	**–**	(760)
Tax refund	**(7,659)**	–
Others	**148**	78
Total taxation	**14,580**	29,194

10. DIVIDENDS

Subsequent to the balance sheet date, a final dividend of HK1 cent per ordinary share, amounting to HK$4,800,000 (equivalent to RMB4,800,000), 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 the balance sheet date.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of approximately RMB49,440,000 (2005: RMB59,297,000) divided by the weighted average of 393,863,000 (2005: 360,000,000) ordinary shares during the year. In determining the weighted average number of shares, the 360,000,000 ordinary shares (after share consolidation) issued as consideration in the Reorganisation Exercise were deemed to have been in issue on 1 January 2005.

Diluted earnings per share for the year has not been presented as there is no dilutive potential share (2005: Nil).

12. DIRECTORS' REMUNERATION

The remuneration of the directors of the Company 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 RMB1,212,000)	522	56	147	725

13. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Computers and other equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Total RMB'000
At 1 January 2005				
Cost	279	1,514	619	2,412
Accumulated depreciation	(62)	(537)	(14)	(613)
Net book amount	217	977	605	1,799
Year ended 31 December 2005				
Opening net book amount	217	977	605	1,799
Additions	325	178	–	503
Disposals	–	(199)	–	(199)
Depreciation	(75)	(206)	(28)	(309)
Closing net book amount	467	750	577	1,794
At 31 December 2005				
Cost	604	1,493	619	2,716
Accumulated depreciation	(137)	(743)	(42)	(922)
Net book amount	467	750	577	1,794

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

	Computers and other equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Total RMB'000
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 *(note 20)*	–	–	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

Buildings held by the Group are located in the PRC.

Depreciation expenses have been included in:

	2006 RMB'000	2005 RMB'000
Consolidated balance sheet		
– capitalised in properties held under development	**84**	59
Consolidated income statement		
– cost of sales	**70**	68
– selling expenses	**3**	2
– administrative expenses	**279**	180
	352	250
	436	309

14. INVESTMENT PROPERTIES – GROUP

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties. Changes to the carrying amounts presented in the balance sheet can be summarised as follows:

	2006 **RMB'000**	2005 RMB'000
Carrying amount at 1 January	**–**	–
Additions *(note (a))*	**1,653**	–
Transfer from properties held for sale	**27,805**	–
Fair value change credited to the consolidated income statement	**5,880**	–
Carrying amount at 31 December	**35,338**	–

Note:

(a) The Group paid the consideration in full for this property in prior year and the amount was classified as deposits paid. During the year, the relevant certificate of ownership was obtained by the Group and the amount is transferred to investment properties.

The investment properties included leasehold interests in land located in the PRC with lease terms expiring on 30 December 2032 and 24 April 2070.

The investment properties were revalued on 31 December 2006 by Sallmanns (Far East) Limited, a firm of independent qualified professional surveyors, and 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 2006.

15. GOODWILL – GROUP

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

	2006 **RMB'000**	2005 RMB'000
Net book value:		
Net carrying amount at 1 January	**–**	–
Acquisition of a subsidiary *(note 31)*	**6,030**	–
Net carrying amount at 31 December	**6,030**	–
Closing carrying amount:		
Gross carrying amount	**6,030**	–
Accumulated impairment	**–**	–
Net carrying amount	**6,030**	–

15. GOODWILL – GROUP (Continued)

The goodwill at 31 December 2006 comprises mainly goodwill arising from the acquisition of Huzhou Hongjin Market Company. Based on the directors' assessment of the recoverable amount of the goodwill using the value-in-use calculations, covering 8 years cash-flow projections (note *) discounted at applicable costs of capital, which assume that there are no material adverse changes in the underlying property development operations of Huzhou Hongjin Market 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.*

16. INTERESTS IN SUBSIDIARIES – COMPANY

	2006 **RMB'000**	2005 RMB'000
Unlisted shares, at cost	**278,608**	–

Particulars of the subsidiaries as at 31 December 2006 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%
Loerie Investment Limited	BVI	Investment holding, Hong Kong	US$1	100%
Indirectly held:				
Hangzhou Liyang Housing and Landing Development Co., Ltd.	PRC	Property development, PRC	US$3,500,000	100%
Huzhou Real Estate Development Co., Ltd.	PRC	Property development, PRC	RMB22,500,000	70%
Huzhou Asia City	PRC	Property development, PRC	RMB27,000,000	100%
Huzhou Jiangnan Hailian Company	PRC	Property development, PRC	US$8,000,000	65%
Huzhou Liyang	PRC	Property development, PRC	RMB92,000,000	100%
Huzhou Luzhou Housing and Landing Development Co., Ltd.	PRC	Property development, PRC	RMB63,280,000	96.54%
Jiangxi Asia City Real Estate Development Co., Ltd.	PRC	Property development, PRC	US$5,000,000	100%
Huzhou Hongjin Market Company	PRC	Property development, PRC	US$6,000,000	100%
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%

17. INTERESTS IN ASSOCIATES – GROUP

	2006 **RMB'000**	2005 RMB'000
Share of net assets	**–**	22,360

As at 31 December 2005, the Group held 42% and 37.65% equity interests in Huzhou Hongjin Market Company and Huzhou Jinquan Construction Co., Ltd. ("Huzhou Jinquan") respectively. During the year, the Group further acquired 58% equity interest in Huzhou Hongjin Market Company and Huzhou Hongjin Market Company become a wholly owned subsidiary of the Company (note 16). In June 2006, Huzhou Jinquan was liquidated and the Group recovered RMB2,374,000 from this liquidation. No gain or loss was resulted from this liquidation.

Summary of financial information of Huzhou Hongjin Market Company and Huzhou Jinquan for the year ended 31 December 2005 extracted from their financial statements are as follows:

	Year ended **31 December 2005** RMB'000
Operating results:	
– Revenue	–
– Loss before tax	(501)
– Loss after tax	(501)

	At **31 December 2005** RMB'000
Financial position:	
– Non-current assets	160
– Current assets	73,829
– Non-current liabilities	(41,264)

18. DEPOSIT PAID – GROUP

On 14 December 2006, a wholly owned subsidiary of the Company 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. Upon signing the Agreement, the Group paid a deposit of RMB30 million. Settlement of the remaining balance is expected to take place on 31 August 2007 or such other date as the Vendor and the Group may agree. 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.

19. PROPERTIES HELD UNDER DEVELOPMENT – GROUP

	2006	2005
	RMB'000	RMB'000
Net book amount		
Leasehold interests in land	**254,517**	209,604
Development costs	**32,018**	4,975
Borrowing costs capitalised	**4,859**	1,818
	291,394	216,397

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

	2006	2005
	RMB'000	RMB'000
Leasehold interests in land held on:		
– Leases of 30 years or less	**121,589**	121,589
– Leases of over 30 years	**132,928**	88,015
	254,517	209,604

Leasehold interests in land of approximately RMB47,193,000 (2005: RMB32,982,000) were pledged against certain bank loans of the Group *(note 26)*.

At 31 December 2005, certain of the Group's leasehold interests in land were pledged for credit facilities of approximately RMB31,400,000 granted to a minority shareholder of a subsidiary of which RMB9,500,000 was utilised by the minority shareholder of that subsidiary. The pledge was released during the year.

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 2072. As at 31 December 2006, the carrying values of the operating lease up-front payments on the leasehold interests in land amounted to approximately RMB14,752,000 (2005: RMB12,798,000).

Pursuant to a resolution of the board of directors of a subsidiary of the Company dated 1 December 2006, a property held for sale with carrying value of approximately RMB12,182,000 was transferred to investment properties as the directors considered that this property was held to earn rental or capital appreciation purpose. The fair value of this property amounted to approximately RMB27,805,000 at the date of transfer which 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 2006. The fair value change of approximately RMB15,623,000 was credited to the consolidated income statement for the year.

During the year, a property of RMB2,815,000 was transferred to property, plant and equipment as the property was occupied as one of the offices of the Group in the PRC. Relevant certificate of real estate ownership was obtained on 10 March 2006.

21. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES – GROUP AND COMPANY

	Group		**Company**	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits and prepayments *(note (a))*	**44,931**	2,696	**112**	–
Other receivables	**7,380**	1,431	**–**	–
	52,311	4,127	**112**	–

(a) During the year, 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 up to 31 December 2006, the Group already paid RMB10,200,000 as prepayment for this contract.

22. AMOUNTS DUE FROM RELATED PARTIES – GROUP AND COMPANY

(a) Group

Balance represented amount due from Huzhou Hongjin Market Company, an associate, at 31 December 2005. The amount due was unsecured, interest free and repayable on demand.

(b) Company

Balance represented amount due from a subsidiary which was unsecured, interest free and repayable on demand.

23. CASH AND CASH EQUIVALENTS – GROUP AND COMPANY

	Group		**Company**	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at banks and in hand	**71,305**	13,570	**92**	–
Short-term bank deposits	**150,051**	1,664	**–**	–
	221,356	15,234	**92**	–

Cash and cash equivalents were denominated in RMB and Hong Kong Dollars (2005: RMB). At 31 December 2006, approximately RMB70,342,000 (2005: RMB15,234,000) was deposited with banks in the PRC. The conversion of balances denominated in RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The effective interest rates of short-term bank deposits ranged from 3.6% to 5.1% (2005: 1.7%) as at 31 December 2006. They have maturities of seven days to one month and are eligible for immediate cancellation without receiving any interest for the last deposit period.

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

	Group		**Company**	
	2006	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000
Receipts in advance	**2,860**	15,553	**–**	–
Accruals and other payables	**24,091**	38,083	**350**	–
	26,951	53,636	**350**	–

As at 31 December 2006, accrued construction cost and other project-related expense were included in accruals and other payables amounted to approximately RMB14,734,000 (2005: RMB23,391,000). The amount was accrued based on the terms of the relevant agreements and project progress and were not due for payment as at 31 December 2006.

25. AMOUNTS DUE TO RELATED PARTIES – GROUP AND COMPANY

(a) Group

	2006 **RMB'000**	2005 RMB'000
Amount due to an associate	**–**	1,144
Amount due to a related company *(note (i))*	**–**	152
Amount due to a director	**29**	–
	29	1,296

The amounts due were unsecured, interest free and repayable on demand.

(i) Balance represented amount due to Pan Hong Company Limited, a company in which Mr. Wong Lam Ping, a director of the Company, has beneficial interest.

(b) Company

Balance represented amount due to certain subsidiaries which were unsecured, interest free and repayable on demand.

26. BANK LOANS – GROUP

	2006 **RMB'000**	2005 RMB'000
Bank loans repayable		
– within one year	**–**	22,000
– in the second to fifth year	**110,000**	–
Total bank loans	**110,000**	22,000
Less: Portion due within one year included in current liabilities	**–**	(22,000)
Non-current portion included under non-current liabilities	**110,000**	–

Bank loans were denominated in RMB and have maturity of three years (2005: one year) commencing August 2006. Bank loans were secured by the Group's leasehold interests in land *(note 19)* and bore interests at the floating rate of 6.36% (2005: 5.58%) per annum at 31 December 2006.

27. SHAREHOLDER'S LOAN – GROUP

The amount due as at 31 December 2006 was unsecured, interest free and not repayable prior to 1 January 2008. Balance at 31 December 2005 was unsecured, interest free and had no fixed terms of repayment. During the year, shareholder's loan of approximately RMB194,253,000 was capitalised as part of the Reorganisation Exercise.

28. DEFERRED TAXATION – GROUP

Deferred taxation is calculated in full on temporary differences under the balance sheet liability method using principal taxation rates of 10% to 33% for the year. No deferred tax had been provided for the year ended 31 December 2005 as there was no material temporary difference. The movement on the deferred tax liabilities is as follows:

	2006	2005
	RMB'000	RMB'000
At 1 January	**–**	–
Deferred tax debited to the income statement attributable to:		
– fair value change of investment properties	**558**	–
– fair value change of properties held for sale upon transfer to investment properties	**5,155**	–
At 31 December	**5,713**	–

Deferred tax assets are recognised to the extent that realisation of related tax benefit through the future taxable profits is probable. The amounts of deferred tax credit/(charge) not recognised are as follows:

	2006	2005
	RMB'000	RMB'000
Tax effect of unrecognised deferred tax assets arising from tax losses	**695**	933
Tax effect of prior tax losses utilised this year	**–**	(760)
Deferred tax credit not recognised	**695**	173

Major deferred tax assets arising from tax losses not recognised in the consolidated balance sheet and the movement during the year are as follows:

	2006	2005
	RMB'000	RMB'000
At 1 January	**986**	813
Deferred tax credit not recognised	**695**	173
At 31 December	**1,681**	986

29. SHARE CAPITAL – COMPANY

Movement of share capital of the Company since the date of incorporation is summarised below:

	Notes	Number of shares	RMB$'000
Authorised:			
Increase in authorised share capital on incorporation at HK$0.1 each	*(a)*	1,000,000	101
At 31 December 2005 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 of HK$0.6 each		850,000,000	517,374
Issued and fully paid:			
At date of incorporation and 31 December 2005 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

Note:

(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)

Note: (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.

30. RESERVES

(a) Group

	Notes	**2006** **RMB'000**	2005 RMB'000
Share premium	*(i)*	**116,727**	–
Merger reserve	*(ii)*	**(2,243)**	(219,112)
Statutory reserve	*(iii)*	**6,058**	–
Exchange reserve		**(1,773)**	437
Retained earnings		**99,600**	61,018
		218,369	(157,657)
Proposed final dividend		**4,800**	–
		223,169	(157,657)

The amounts of the Group's reserves and the movements therein for the year ended 31 December 2006 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 (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 31 December 2005 and 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	132,461	–	–	–	132,461
Share issue expenses	(15,734)	–	–	–	(15,734)
Final dividend proposed for the year *(note 10)*	–	–	(4,800)	4,800	–
As at 31 December 2006	116,727	59,579	637	4,800	181,743

The Company was incorporated on 20 December 2005 and it had not been involved in any business transactions since incorporation to 31 December 2005. There was no movement in reserves since the date of incorporation to 31 December 2005.

The contributed surplus of the Company arose as a result of the Reorganisation Exercise and represents the excess of the nominal value of the Company's shares issued in exchange therefor over the then consolidated net assets value of the subsidiaries then acquired.

31. BUSINESS COMBINATION

The Group further acquired 10% and 48% interest in Huzhou Hongjin Market Company on 15 March 2006 and 23 March 2006 respectively as set out in note 17 to these financial statements. 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 would have been approximately RMB151,269,000 and profit for the year would have been approximately RMB49,550,000.

The identifiable assets and liabilities arising from the acquisition are as follows:

	At date of acquisition	
	Carrying value	**Fair value**
	RMB'000	RMB'000
Net identifiable assets acquired:		
Property, plant and equipment	150	150
Amount due from a shareholder	13,000	13,000
Property held under development	30,979	35,340
Deposits paid, prepayment and other receivables	30,915	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)
	25,228	29,589
Less: interest formerly held as an associate	(20,719)	(20,719)
	4,509	8,870

Details of purchase consideration and goodwill are as follows:

	At date of acquisition
	RMB'000
Purchase consideration	
Fair value of shares issued *(note #)*	22,514
Less: Shareholder loan assigned	(12,491)
Cash consideration for the acquisition of the 10% investment in Huzhou Hongjin Market Company	4,877
Total purchase consideration	14,900
Fair value of net identifiable assets acquired	(8,870)
Goodwill *(note 15)*	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.

31. BUSINESS COMBINATION (Continued)

The goodwill is 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 inflow in respect of acquisitions of subsidiary is summarised as follows:

	RMB'000
Cash consideration	(4,877)
Cash consideration paid by a shareholder *(note *)*	4,877
Cash at banks and in hand acquired	763
Net cash inflow in respect of acquisition of a subsidiary	763

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

There was no acquisition of subsidiary in the year ended 31 December 2005.

32. RELATED PARTY TRANSACTIONS

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

	2006 RMB'000	2005 RMB'000
Operating lease rental charged by Pan Hong Company Limited *(note 34(b))*	**130**	–
Consultancy fee charged by a related company *(note *)*		
– debited to the consolidated income statement	**2,500**	–
– debited to the share premium	**5,000**	–

* *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.*

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

	2006 RMB'000	2005 RMB'000
Salaries and wages	**1,050**	374
Retirement benefit scheme contributions – defined contribution plans	**18**	–

33. CAPITAL COMMITMENTS – GROUP

	2006 **RMB'000**	2005 RMB'000
Contracted but not provided for in respect of		
– properties held under development of the Group	**204,268**	3,278
– acquisition of a subsidiary – Ever Sure *(note 18)*	**71,498**	–
Attributable share of associate's capital commitments in respect of properties held under development contracted but not provided for	**–**	5,132

34. OPERATING LEASE ARRANGEMENTS

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

	2006 **RMB'000**	2005 RMB'000
Not later than one year	**2,102**	665
Later than one year and not later than five years	**7,059**	3,397
Later than five years	**1,039**	–
	10,200	4,062

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:

	2006 **RMB'000**	2005 RMB'000
Not later than one year	**401**	282
Later than one year and not later than five years	**442**	584
	843	866

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 Group occupied an office beneficially owned by Mr. Wong Lam Ping and Ms. Chan Heung Ling without incurring any rental expenses in the year ended 31 December 2005. The Group entered into a tenancy agreement with Mr. Wong Lam Ping and Ms. Chan Heung Ling for the same property for a lease period of four years commencing 1 January 2006, at a monthly rental of HK$10,800.

34. OPERATING LEASE ARRANGEMENTS (Continued)

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

35. 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 RMB1,250,000 (2005: RMB87,150,000) as at 31 December 2006. 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.

36. 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 loans and shareholder's loan.

(a) Interest rate risk

The Group has no significant interest-bearing assets, except cash held at banks. Details of cash held at banks are disclosed in note 23. The Group's interest rate risk arises from bank loans. The interest rates and terms of repayment of the bank loans are disclosed in note 26.

(b) Foreign currency risk

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

(c) Credit risk

The carrying amounts of account and other receivables and amount due from related parties represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no significant concentration of credit risk. No other financial assets carry a significant exposure to credit risk.

(d) Fair value

The fair value of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair value of bank loans is not disclosed because the carrying value is not materially different from their fair value.

Property Portfolio

Description	Location	Site Area (sq. m.)	Gross Floor Area (sq. m.)	Tenure	Effective Group Interest (%)	Approximate Percentage Completion (%)	Expected Completion Date
Mixed Development							
Huzhou Liyang Phase 1	No. 575 Longxi Bei Road and Land No. 5 Huzhou Economic and Technological Development Zone Huzhou City Zhejiang Province the PRC	36,720	63,843	Residential: 70 years Commercial: 40 years	100	89.6	2007
Huhzou Xinya Jiayuan	Eastern Wanshun Road Southern Shiyuan Road Nanxun Town Huzhou City Zhejiang Province the PRC	37,804	71,208	Residential: 70 years Commercial: 40 years	100	88.7	2007
Huzhou Zhili Phase 1	Northern Wuxing Road and Eastern Kaixuan Road Zhili Town Huzhou City Zhejiang Province the PRC	32,911	55,213	Commercial: 40 years	70	98.8	2007
Huacui Tingyuan	Taihu Meidong Huzhou Development Zone Zhejiang Province the PRC	133,423	140,000	Residential: 70 years Commercial: 40 years	96.54	0	2010
Nanchang Honggu Kaixuan	Honggu Tan Central District Nanchang City Jiangxi Province the PRC	78,361	390,000	Residential: 70 years Commercial: 40 years	100	0	2011
Hangzhou Liyang Yuan	Shenhua Road Xihu District Hangzhou City Zhejiang Province the PRC	7,833	36,751	Commercial: 70 years	100	0	2007
Huzhou Zhili Phase 2	Northern Wuxing Road and Eastern Kaixuan Road Zhili Town Huzhou City Zhejiang Province the PRC	2,469	5,250	Commercial: 40 years	100	0	2007
Huzhou Liyang Phase 2	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	Shenhua Road Xihu District Hangzhou City Zhejiang Province the PRC	220,767	221,000	Industrial: 27 years Cultural, gym & entertainment: 40 years	65	0	2011
Commercial Development							
Wuxing Balidian Market	Land No. BLD47 Balidian Wuxing District Huzhou City Zhejiang Province the PRC	14,247	20,309	Commercial: 40 years	100	72	2007
Held for Investment							
2nd Floor Nanxun Commercial Complex	Tai'an Road Nanxun Town Huzhou City Zhejiang Province the PRC	838	2,530	Commercial: 40 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	792	1,408	Commercial: 40 years	100	N/A	N/A

Shareholders' Information

SHAREHOLDERS' INFORMATION AS AT 15 MARCH, 2007

Authorised Share Capital	:	HK$510 million
Issued and fully paid-up capital	:	HK$288 million
No. of Shares Issued	:	480,000,000 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	473	59.57	2,143,000	0.45
10,001-1,000,000	300	37.78	22,731,700	4.74
1,000,001 and above	21	2.65	455,125,300	94.81
Total	794	100.00	480,000,000	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	EXTRA GOOD ENTERPRISES LTD	288,000,000	60.00
2.	SINGAPORE WAREHOUSE CO PTE LTD	21,500,000	4.48
3.	WONG LAM PING	18,321,184	3.82
4.	JUMBO KING HOLDINGS LTD	18,000,000	3.75
5.	DBS NOMINEES PTE LTD	17,689,000	3.69
6.	GLORY GROUP CORPORATION LIMITED	17,318,816	3.61
7.	CHAN HEUNG LING	13,099,300	2.73
8.	MORGAN STANLEY ASIA (S'PORE) SECURITIES PTE LTD	12,276,000	2.56
9.	ROYAL BANK OF CANADA (ASIA) LTD	9,557,000	1.99
10.	KIM ENG SECURITIES PTE. LTD.	7,834,000	1.63
11.	RAFFLES NOMINEES PTE LTD	7,650,000	1.59
12.	ASDEW ACQUISITIONS PTE LTD	5,100,000	1.06
13.	CIMB-GK SECURITIES PTE. LTD.	3,985,000	0.83
14.	ALPHA SECURITIES PTE LTD	2,500,000	0.52
15.	MENG YANTONG	2,072,000	0.43
16.	DBS VICKERS SECURITIES (S) PTE LTD	2,069,000	0.43
17.	CAPITAL INTELLIGENCE LIMITED	2,000,000	0.42
18.	PHILLIP SECURITIES PTE LTD	1,822,000	0.38
19.	G K GOH STRATEGIC HOLDINGS PTE LTD	1,700,000	0.35
20.	OCBC SECURITIES PRIVATE LTD	1,607,000	0.33
	TOTAL	454,100,300	94.60

Shareholders' Information

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholder	Direct Interest	%	Deemed Interest	%
Extra Good Enterprises Limited[1]	288,000,000	60.00	–	–
Wong Lam Ping[2]	18,321,184	4.48	301,099,300	62.73
Chan Heung Ling[3]	13,099,300	2.73	306,321,184	63.82

1 The entire issued share capital of Extra Good Enterprises Limited ("Extra Good") is held by Wong Lam Ping and Chan Heung Ling. As such, they are both deemed to have interests in the shares held by Extra Good.

2 3 Wong Lam Ping and Chan Heung Ling are spouses.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Approximately, 25.7% of the Company's issued ordinary 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 Meeting Room 1-B1 at M Hotel, 81 Anson Road, Singapore 079908 on Wednesday, 25 April 2007 at 2.00 pm 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 2006 together with the Auditors' Report thereon.

(Resolution 1)

2. To declare a first and final dividend of HK$0.01 cent per ordinary share (tax not applicable) for the year ended 31 December 2006 (2005: Not Applicable).

(Resolution 2)

3. To re-elect the following Directors retiring pursuant to Bye-law 85(6) of the Company's Bye-laws:

Mr Wong Lam Ping	**(Resolution 3)**
Ms Chan Heung Ling	**(Resolution 4)**
Mr Shi Feng	**(Resolution 5)**
Ms Wang Cuiping	**(Resolution 6)**
Mr Chan Kin Sang	**(Resolution 7)**
Mr Sim Wee Leong	**(Resolution 8)**
Dr. Choo Kian Koon	**(Resolution 9)**
Dr. Zheng Haibin	**(Resolution 10)**

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

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

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

Dr. 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.

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

5. To approve the payment of Directors' fees of S$40,000 for the year ended 31 December 2006 (2005: Nil).

(Resolution 11)

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

(Resolution 12)

7. 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:

8. **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 issued 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 issued 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 percentage of issued shares shall be based on the issued 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 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 13)

By Order of the Board

Wong Chi Man
Yvonne Choo
Secretaries

9 April 2007

Explanatory Note:

The Ordinary Resolution 13 proposed in item 8 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 issued 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.

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 forth-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.