SINGAPORE EQUITY
Investment Research

DMG & Partners SECURITIES

Initial Coverage

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PROPERTY

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PAN HONG PROPERTY

(SGX Research Incentive Scheme)

NEUTRAL	**Initiate**
Price	**S$0.205**
Target	**S$0.25**

Pitching A Niche In Southeastern China

Stock Profile/Statistics

Bloomberg Ticker	PANH SP
STI	1,711.13
Issued Share Capital (m)	490.0
Market Cap (S$m)	100.45
52 week H L Price (S$)	0.08| 0.90
Average Volume (3m) '000	92.3
YTD Returns (%)	-75.60
Net gearing (x)	0.33
Altman Z-score	2.19
Beta	0.94
ROCE/WACC	0.61
P/B	0.58

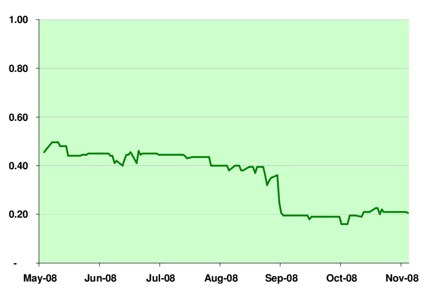
Major Shareholders

Extra Good Enterprises Ltd	58.8%
Hwa Hong Corporation Ltd	5.2%

Share Performance (%)

Month	Absolute	Relative
1m	28.13	21.20
3m	-48.75	-12.01
6m	-58.59	-13.51
12m	-76.97	-28.23

6-month Share Price



Niche property developer in China's lower tier cities. Based in Southeastern China, namely the provinces of Jiangxi, Zhejiang and Guangdong, Pan Hong Property Group Limited (Pan Hong) is a niche residential property developer. Targeted at the middle to upper class-middle income level residents, Pan Hong's strategy is to focus on China's lower tier cities with immense growth potential.

Commanding presence with sizeable landbank. At present, Pan Hong has a substantial landbank of 2.9m sm in GFA, spanning across seven different cities. A total of nine residential projects would be borne out of Pan Hong's landbank, which we deduce would be completed and realisable within the next two to four years, implying a visible run of projects over the short to medium term until 2012.

Favourable macroeconomic fundamentals, but risks are not non-existent. While favourable macroeconomic fundamentals underpin the growth potential of Pan Hong's lower tier cities, such as robust economic growth, rising urbanisation and increasing annual disposable incomes, as well as a lack of quality and affordable housing, risks are not non-existent for the company, especially in the near term. For one, Pan Hong has a lumpy revenue model, which is hardly mitigated by its stable income-producing investment properties. It is also subjected to the cyclicality of the property sector, as well as the ongoing credit crunch. Recent moves by competitors to slash selling prices could also lead to Pan Hong to inadvertently cut prices as well just to match the lowered prices.

Initiate with NEUTRAL – S$0.25. While we remain confident of China's medium-long term real estate fundamentals, especially within its lower tier cities, we admit that the sector's near-term outlook is plagued with unfettered challenges and uncertainty. In view of the above, we have taken on a rather conservative stance in deriving our base case RNAV for Pan Hong, assuming a further 5% decline in selling prices for the remaining of 2008, and 20% dive in 2009, with a slight recovery of 2% in 2010 and steady growth of 4% p.a. for the subsequent three years. Applying a 50% trough discount, we arrive at our RNAV-pegged fair value for Pan Hong at S$0.25. Initiate with NEUTRAL.

FY Mar (RMB m)	FY05*	FY06*	FY07*	FY08 / 09F**	FY10F
Turnover	288.0	151.3	564.9	76.8	791.0
PATMI	59.3	49.4	184.9	26.7	245.0
% Chg YoY	-	-16.6%	273.9%	-85.6%	818.1%
EPS (RMB ¢)	16.5	12.6	38.4	5.4	50.0
DPS (RMB ¢)	0.0	1.2	1.9	0.3	5.0
Div Yield (%)	0.0%	1.3%	2.1%	0.3%	5.4%
ROE (%)	61.5%	9.0%	23.4%	3.3%	23.6%
ROA (%)	15.4%	6.7%	14.7%	1.8%	15.9%
P/E (x)	5.6	7.3	2.4	16.9	1.8
P/B (x)	3.4	0.8	0.6	0.6	0.4

Source: Company, DMG estimates
**FY ending Dec.*
*** For 15-month period from Jan 08 to Mar 09. FY was changed from Dec to Mar wef 2008.*

TABLE OF CONTENTS

COMPANY BACKGROUND

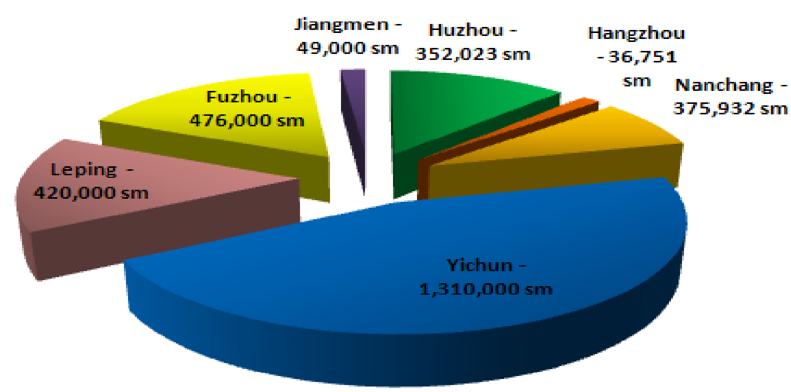
Niche property developer in Southeastern China's lower tier cities. Listed on the SGX Mainboard on 20 Sep 06, Pan Hong Property Group Limited (Pan Hong) is a niche residential property developer based in Southeastern China, namely the provinces of Jiangxi, Zhejiang and Guangdong. Targeted at the middle to upper class-middle income level residents, Pan Hong's strategy is to focus on China's developing cities, or lower tier cities with immense growth potential. Although a bulk of its revenue streams is residential-centric, Pan Hong intends to mitigate the lumpiness of that business segment by expanding its portfolio of investment properties, which currently stands at 18,127 square metres (sm).

Figure 1: Location of Pan Hong's Properties

Source: Company, Compiled by DMG

Commanding presence with sizeable landbank. At present, Pan Hong has a substantial landbank of 2.9m sm in GFA, spanning across seven different cities within three key provinces along China's Southeastern quadrant. With this geographically diversified yet considerable portfolio, Pan Hong is well-positioned to tap on the potential of this upcoming region of China. A total of nine residential projects would be borne out of Pan Hong's landbank, of which 59% are already in the development stages, while the remaining 41% are still undeveloped. We deduce that these nine developments would be completed and realisable within the next two to four years, implying a visible run of projects over the short to medium term for Pan Hong. Using its historical projects' take-up rates (90 - 100%) as a benchmark, they should serve as an evident source of Pan Hong's headline numbers until 2012, assuming it does not acquire any additional sites within this time frame.

Figure 2: Overview of Pan Hong's Landbank



Source: Company

Proven track record in Zhejiang province – Huzhou and Hangzhou cities. As of Dec 06, Pan Hong has completed the construction of eight residential cum commercial developments in the cities of Huzhou and Hangzhou since 1999, covering total GFA of 477,000 sm. To date, all of these projects have been fully sold and handed over to the buyers. These historically robust take-up rates reflect the quality of and consistent demand for Pan Hong's developments. In the same vein, this has also aided in boosting Pan Hong's reputation, in turn giving it the confidence to venture beyond Zhejiang province and take on more projects in other cities across China, i.e. its current five other cities.

Figure 3: Pan Hong's Eight Completed & Sold Projects in Zhejiang Province

No.	Name of Project	City	Site Area (sm)	GFA (sm)	Type
1	Nanxun Yazhoucheng Garden 南浔亚洲城花园	Huzhou	18,216	50,177	Residential-cum-Commercial
2	Huzhou Jinquan Garden 湖州金泉花园	Huzhou	81,595	140,000	Residential-cum-Commercial
3	Hangzhou Yazhoucheng Garden 杭州亚洲城花园	Hangzhou	49,911	67,032	Residential-cum-Commercial
4	Huzhou Zhili Phase 1 湖州织里亚洲城第一期	Huzhou	32,911	55,212	Residential-cum-Commercial
5	Huzhou Xinya Jiayuan 湖州磬亚家园	Huzhou	37,804	71,208	Residential-cum-Commercial
6	Huzhou Liyang Phase 1 湖州丽阳景苑第一期	Huzhou	36,720	64,293	Residential-cum-Commercial
7	Wuxing Balidian Market 吴兴区八里店社区综合市场	Huzhou	14,247	23,824	Commercial
8	Huzhou Zhili Phase 2 湖州织里亚洲城第二期	Huzhou	2,469	5,250	Residential-cum-Commercial
		Total	273,873	476,996	

Source: Company, Compiled by DMG

Low possibility of speculation. A huge majority of Pan Hong's customers are first time buyers who are either looking to settle down or upgrade their current residential homes. As such, speculative activity is almost insignificant. This is further evidenced by a low level of activity within the resale market, as buyers do not aim to flip their property purchases. Amidst the nationwide rise in real estate prices, the Chinese government has also imposed curbs on the purchase of second homes. Therefore, this lowers the possibility of an excessive upswing in property prices. For Pan Hong, this further strengthens itself against any inflationary pressures of its properties.

PROJECT HIGHLIGHTS

Favourable start in Nanchang but slowdown expected. Pan Hong's first development in Nanchang – Nanchang Honggu Kaixuan (NHK) Phase 1, was a major success, as evidenced by a 100% take-up rate of its 1,127 units within seven months since its launch. More importantly, the project eventually yielded RMB548.3m of residential revenue, making up a significant 97.1% of FY07 topline, as well as bumping up ROE to 23.4% (FY06 = 9.0%). Nonetheless, we reckon the continued country-wide slowdown and weakness within China's residential property sector should dampen take-up rates for NHK Phase 2, which has begun its preliminary launch.

Fundamentals and allure unshaken. Despite the near-term negative sentiments, we are of the view that Nanchang's real estate fundamentals remain intact. Ranked 48th among all Chinese cities in 2007, Nanchang's 2007 GDP growth of 15.5% exceeded that of China as a whole, further boosted by a 17.9% growth in annual disposable income. As a key transport hub in eastern China, Nanchang has also benefitted from the shifting of cost sensitive industrial activity from the regions of Yangtze River Delta and Pearl River Delta. In terms of education, 32% of the city's workforce is university educated (according to The World Bank in 2006), placing it in sixth position amongst China's remaining cities. In the medium-long term, we do not eliminate the possibility of Pan Hong acquiring more sites in Nanchang.

Phase 2's contribution to arrive in FY10. Although we reckon NHK Phase 2 would witness some difficulty in closing off sales in 2008, a gradual recovery should commence during the festive season in first quarter of 2009, with a more reasonable take-up in the last quarter of the year. Overall, we are forecasting a take-up rate of 70 – 75% for FY10, which approximates to RMB400m in revenue contribution. Although there are competing properties within NHK's vicinity, we believe a few factors are in favor of Pan Hong's project. For one, as NHK's land cost is considerably low, we estimate that NHK can still yield a healthy gross margin of above 20% even if it shaves 20% off the current selling price of RMB5,000 – 6,000 psm. This would be further helped by the tapering off of construction costs, namely steel and concrete mix. Also, NHK's strategic position in Nanchang's Central Business District should allow it to profit from the potential relocation of a majority of the government offices as per the local Master Plan.

Figure 4: Artist Impression of Nanchang Honggu Kaixuan (南昌红谷凯旋)

Source: Company

Villa ban illuminates luster of Huzhou's villa-style project. Stricter implementation of a ban on land allotment for villa construction has led to an increased scarcity for such developments. As such, we surmise that Hua Cui Ting Yuan (Hua Cui), Pan Hong's maiden foray into the building of villas, should be able to rake in a decent quantum of sales from upper class-middle income level residents once the property market begins to exhibit recovery signs. With a GFA of 100,000 sm, Hua Cui is expected to fetch between RMB5,000 – 6,000 psm, compared to the range of RMB4,000 - 5,000 psm that Huzhou's residential buildings typically transact at. Although Phase 1 pre-sales was scheduled for 2Q08, we understand that it has now been postponed to 1H09. With forecasted breakeven cost at RMB2,700 psm, gross margin comes up to an appealing 40%.

Infrastructure, location and nearby attractions further enhance value. Hua Cui's close proximity to Huzhou Taihu Tourist Resort Area – an upcoming idyllic tourist destination, ranks as one of the project's positives. In terms of accessibility, transport to key nearby cities would be further facilitated upon the imminent completion of a bullet train in 2010, which would trim the travelling time from Hangzhou to Huzhou and Nanjing by more than half to 20 minutes and 90 minutes respectively.

Figure 5: Artist Impression of Hua Cui Ting Yuan (华萃庭院)

Source: Company

More from Huzhou and Hangzhou. Leveraging on its established reputation in the cities of Huzhou and Hangzhou, Pan Hong would be launching three more mixed developments there. Huzhou Liyang Jingyuan Phase 2, covering GFA of 31,023 sm, is expected to begin pre-sales in 4Q08. With an estimated breakeven cost at RMB2,800 psm, this project is expected to fetch RMB5,000 psm, yielding gross margins of above 30%. Another nearby Huzhou site - Huzhou Hailian Construction, is expected to launch in 2009. Pre-sales for Hangzhou Liyang Yuan would begin before the end of 2008, with the 36,751 sm development expected to be priced attractively between RMB9,000 – 10,000 psm.

Figure 6: Map & Artist Impression of Huzhou Liyang Jingyuan Phase 2 (湖州丽阳景苑第二期)

Source: Company

Figure 7: Map & Artist Impression of Hangzhou Liyang Yuan (杭州丽阳苑)

Source: Company

Biggest site in Yichun project. Spanning a vast 1.31m sm, Yichun City Yue Liang Hu Residence (Yue Liang) signifies Pan Hong's largest site acquired to date. Located within the northwestern part of Jiangxi province, Yichun is in the midst of an economic expansion, as shown by a 2007 growth in GDP and Annual Disposable Income of 14.0% and 18.1% respectively. These positive economic trends, along with the increasing rate of consumer expenditures, urbanization and standard of living, would form a set of good fundamentals for its up and coming property sector. Given that Yue Liang's units are set to be launched in several phases over a 5-year period from 2009 – 2013, Pan Hong should see medium-long term recurring profits from the city's growing economic landscape.

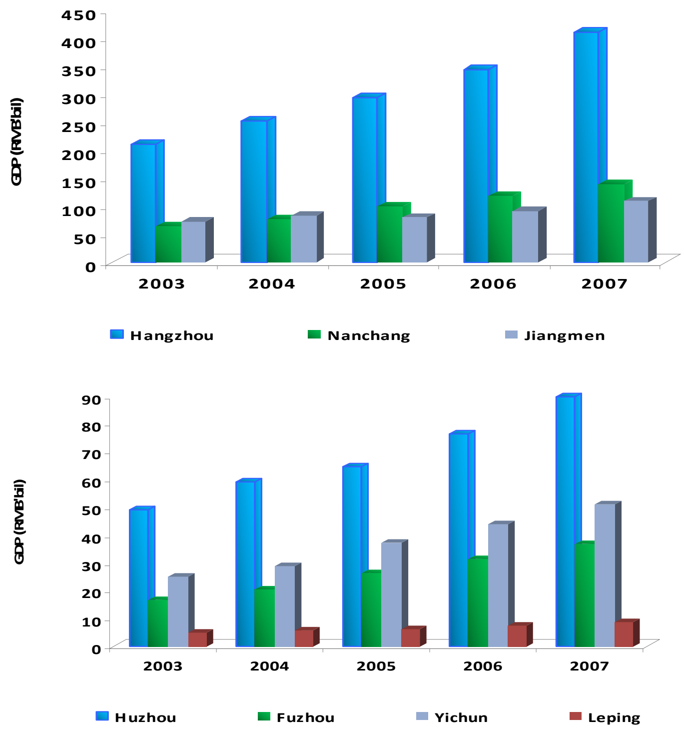
Figure 8: Artist Impression of Yichun City Yue Liang Hu Residence (宜春市月亮湖公寓)

Source: Company

Fuzhou and Leping expand footprint in Jiangxi province. With total GFA of approximately 900,000 sm, Pan Hong's two projects in the cities of Fuzhou and Leping should give it another opportunity to capitalise on the growth potential of China's lower tier cities. Fuzhou's site is situated within the Central Business District. With its strategically accessible location, comparatively lower cost of labor and raw materials, Fuzhou is tipped to attract opportunities from the relocation of labor-intensive industries from other more developed regions in China. Leping's site is located at the belt of an upcoming science & technology park, comprising of a good blend of modern agricultural, technological and industrial activities. Construction for both projects has yet to start and their launches are expected in a couple of years' time, thus providing further testaments of Pan Hong's medium-long term residential schedule.

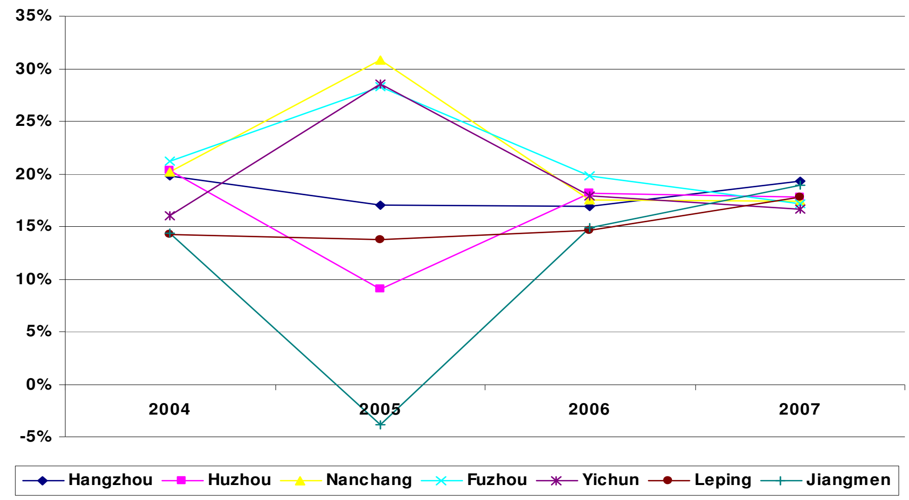
Robust economic growth in China's lower tier cities. Outside of China's Tier 1 coastal cities such as Beijing, Shanghai, Guangzhou and Shenzhen, are a myriad of other lower tier inland cities which are currently undergoing a period of robust economic growth and rising urbanization, as well as a lack of quality and affordable housing. Further, these lower tier cities provide a cheaper alternative for companies to relocate or expand their operations, as the cost of doing business in Tier 1 cities increases. Pan Hong, with a residential cum commercial portfolio of nine properties across seven of such cities, offers a unique exposure to their elevating growth prospects.

Figure 9: 2003 – 2007 GDP of China's Lower Tier Cities with Pan Hong's Projects



Source: CEIC, National Bureau of Statistics, Company, Compiled by DMG

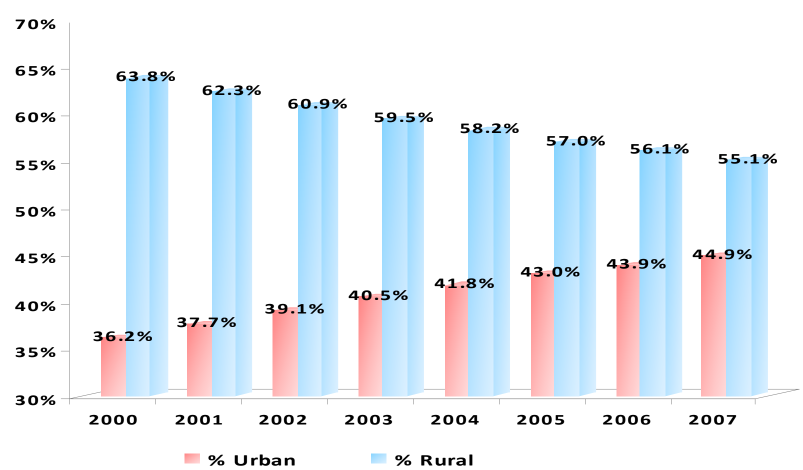
Figure 10: 2004 – 2007 GDP Growth Rate of China's Lower Tier Cities with Pan Hong's Projects



Source: CEIC, National Bureau of Statistics, Company, Compiled by DMG

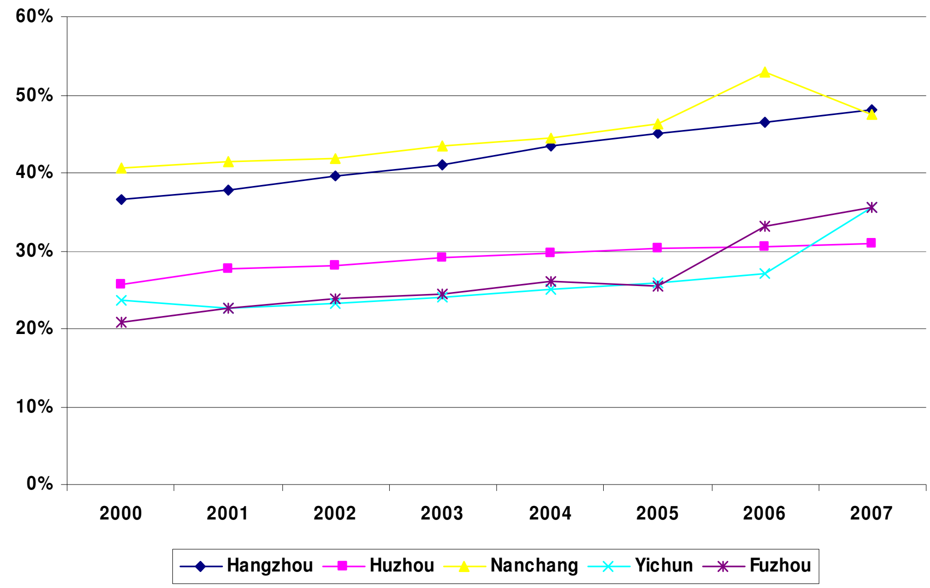
Urbanisation the name of the game. Since China's ascension into the World Trade Organization in 2001, its central government has been implementing a string of concerted efforts to boost its secondary and tertiary sectors, i.e. manufacturing, industrial and services, instead of relying solely on the primary sector in agriculture. Along with the improving economic landscape, this has led to a steady rise in China's urbanization from 38% to 45% of its population within six years. This urbanisation trend is evident throughout a bulk of the cities in China, including the seven where Pan Hong's projects are located. As more rural citizens move out of the agricultural farmland into the cities, it should trigger a natural demand for housing, from our view. As such, this implies a strong level of demand for Pan Hong's lower tier city-centric properties. Looking ahead, we reckon that urbanization in lower tier cities will continue to march upwards, underpinned by China's continued decent growth and its aspirations to become one of the major economies in the world.

Figure 11: China's Population Structure – Urban & Rural



Source: CEIC, National Bureau of Statistics, Company, Compiled by DMG

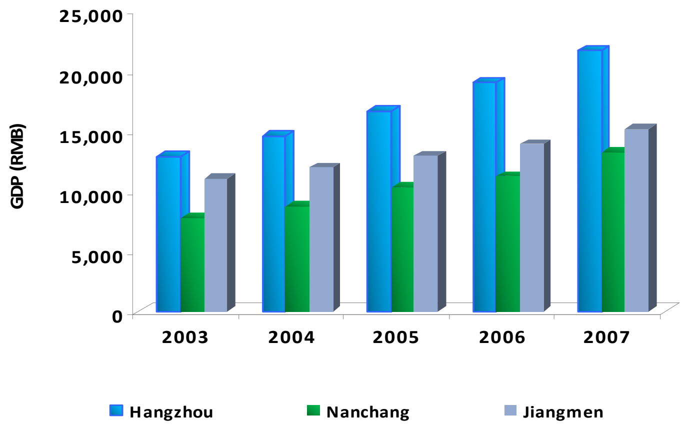
Figure 12: % of Urban Population of Lower Tier Cities with Pan Hong's Projects

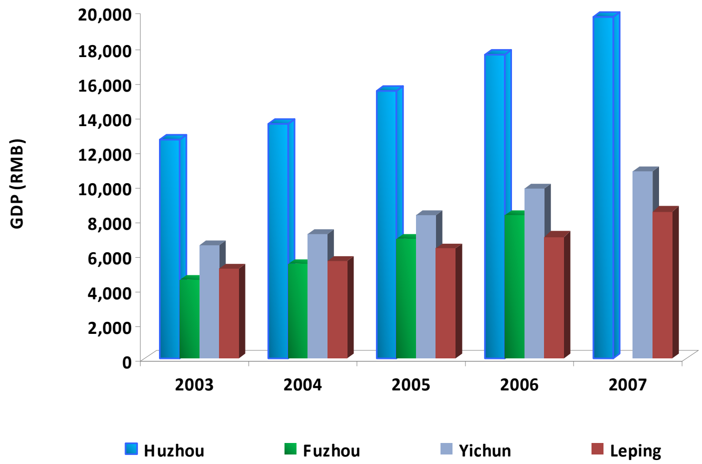


Source: CEIC, National Bureau of Statistics, Company, Compiled by DMG

Rising disposable income to buttress domestic consumption growth story. As a result of a US-led global macroeconomic slowdown, demand for exports is expected to head downwards significantly. While it is true that China has one of the largest economies, its growth for the past half decade has been largely underpinned by export-oriented activities. As such, as a developing nation, we believe that China would not be immune from the ongoing and external macroeconomic slowdown. Nonetheless, we note that the fundamentals of China's domestic consumption growth story remain intact, especially with its growing population, as well as a healthy growth in annual disposable income per capita. We view this as a positive element for the real estate sector, as foreign companies would pump in capital, either in the form of FDI or other secondary sources, in a bid to tap into this growing consumer base to mitigate the evident slowdown in the rest of the world. As such, this would lead to an increase in jobs and other key macroeconomic indicators, in turn galvanizing the property sector.

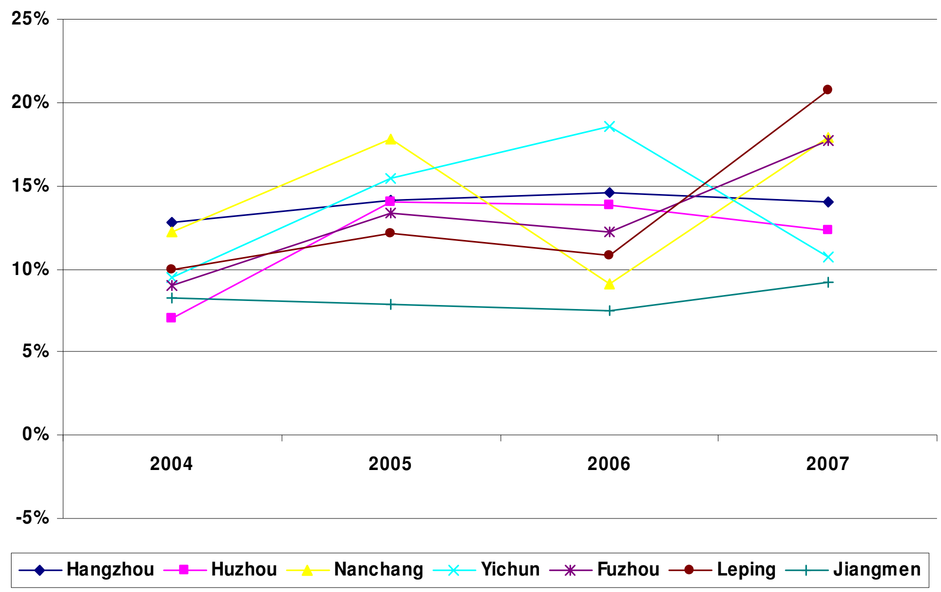
Figure 13: Figure 13: 2003 – 2007 Annual Disposable Income Per Capita of China's Lower Tier Cities with Pan Hong's Projects





Source: CEIC, National Bureau of Statistics, Company, Compiled by DMG

Figure 14: 2004 – 2007 Annual Disposable Income Per Capita Growth of China's Lower Tier Cities with Pan Hong's Projects



Source: CEIC, National Bureau of Statistics, Company, Compiled by DMG

INVESTMENT RISKS

Lumpy revenue model not mitigated by stable income-producing investment properties. Similar to all Chinese real estate companies, Pan Hong's revenue from the sale of its property development units can only be recognised following the project's completion or when possession of the property has been handed over to the buyers, whichever takes place at a later date. As such, this would lead to fluctuations in Pan Hong's revenue from one financial period to another. Although management intends to add to its present stable of investment properties by renting out its office tower and commercial spaces within NHK, we conjecture that this would not help to significantly smoothen the lumpy revenue curve on a regular basis.

No immunity from cyclicality of property sector. Like all property developers, Pan Hong is subjected to the cyclicality of the property sector, which moves in tandem with China's economy. Although China's economic growth has measured a strong 10 - 12% in the past five years, the country is beginning to exhibit signs of a slowdown, as shown by a slower expansion of 9.0% in 3Q08 as compared to 2Q08's 10.1%. As the global macroeconomic climate starts to worsen, take-up rates for Pan Hong's residential projects could hit a major bump.

Credit crunch. Although concerted efforts worldwide by various central banks has helped to thaw credit markets, worries over further asset writedowns by financial institutions and the state of their balance sheets continue to linger. As such, global lending activities have significantly slowed down, heightening the difficulty for companies to finance their expansion or acquisition activities with debt. To acquire more land, Pan Hong could either find it harder to issue loans, or having to pay higher interest expenses. Also, this has led to a continuous decline in the global consumer sentiments, most noticeably the US. A considerable part of China's manufactured goods are exported to the US and this trend would lead to a fall in China's GDP, indirectly causing a drop in market value of properties.

Government interventions – repercussions if lack of strict implementations. Throughout the past five years, China's property sector has burgeoned expansively, leading to unimpeded price spikes in cities across the country. Given that the property sector makes up 25% of fixed asset investment and 10% of employment, we believe a housing slump would lead to dire consequences for the economy. While we welcome the government's recent move to step in with several timely interventions, i.e. lower interest rates, mortgage rates and downpayments, we are less confident of how strictly they are implemented, especially given that it could take some lead time for the central government's policies to flow through to the provincial and city level. In addition, since this is the first slowdown since its WTO ascension, it is not inconceivable that China's government is still attempting to fully grasp the new dynamics of its country.

More low-cost housing to cater to the needs of the needy. To provide low-cost homes to the 10m low-income urban families whose living space is less than 10 sqm per person, the Ministry of Construction, MLR and seven relevant ministries implemented the low-rent housing guarantee policy on 1 Dec 07. This policy entails local governments to reserve at least 70% of the land designated for residential construction for low-rent units or smaller, cheaper commercial homes. Pan Hong, whose residential units are targeted at middle to upper class-middle income level residents, could be affected by this new policy.

Rivals slash prices to capture sales. Just a couple of months ago, reputable Chinese developers such as China Vanke Co, Hengda Real Estate Group and Shimao Property Holdings Ltd trimmed the selling prices of their respective projects by 15 – 35% to capture sales. From our view, it is not illogical to expect further price cuts if property markets fail to show salient signs of recovery, as cashflow is needed to service their loan obligations. For Pan Hong, they might inadvertently have to cut prices as well just to match the lowered prices offered by rival developers. While land costs are low, margins would be hurt once prices were to come down.

Figure 15: SWOT Analysis

	Strengths		Threats
1	Sizeable land bank	1	Credit crunch
2	Proven track record of eight projects in Zhejiang province	2	Slashing of prices by competitors
3	Buyers are genuine owner-occupiers, thus possibility of speculators is low	3	More low-cost housing for the needy
4	Strong balance sheet with net gearing at 0.33x	4	No immunity from cyclicality of property sector
		5	Government interventions - repercussions if lack of strict implementations
	Weaknesses		**Opportunities**
1	Lumpy revenue model hardly mitigated by stable income-producing investment properties	1	Robust economic growth of lower tier cities
2	Bulk of land bank located in only two provinces - Zhejiang and Jiangxi	2	Rising urbanisation of lower tier cities
3	Over-dependence on CEO	3	Increasing annual disposable incomes of lower tier cities
		4	Entrance of more real estate capital into lower tier cities
		5	Companies shift production to lower tier cities due to rising production costs in Tier 1 cities

Source: DMG

FINANCIALS & VALUATION

Disappointing 3Q08 results. Pan Hong recently reported a 3Q08 net loss of RMB8.9m (3Q07 PATMI = RMB10.3m, largely attributable to lower revenue contribution from its residential projects, other income and gains, as well as higher expenses. On a nine month basis, the 84.6% YoY surge in topline failed to offset the significant jump in its selling, administrative and finance expenses, leading to a net loss of RMB6.1m. (9M07 PATMI = RMB24.8m) Even though a handful of units from NHK Phase 2 were pre-sold, Pan Hong did not recognize any revenue from this project due to a different accounting policy for property sales pertaining to Chinese developers. Basically, Chinese developers' revenue from property sales is only recognised upon the issuance of the completion certificate by the relevant government authorities, or when possession of the property has been handed over to the buyers, depending on whichever occurs at a later date. Therefore, this limits pre-sales amounts from being booked into revenue, but rather as current liabilities in the balance sheet.

A muted FP09, look towards FY10. In view of the challenging operating environment, Pan Hong has not only delayed the launch of NHK Phase 2's remaining units, but also deferred three other projects in Huzhou and Hangzhou. From our view, FP09 would be a muted period for Pan Hong, as we are predicting a gradual recovery in China's property markets in 1Q09 at best. Overall, we estimate Pan Hong would turn in a subdued FP09 PATMI of RMB27m, with contribution mainly from units previously sold yet not handed over from NHK Phase 1. Nonetheless, we encourage investors to look towards FY10, where Pan Hong should be well-positioned to benefit from a full-fledged recovery in the Chinese real estate sector then. Further, given that Pan Hong has begun constructing its residential projects, it should be able to recognise immediately the revenue at the period the units are sold.

Strong balance sheet, sufficient cash and undrawn loan facilities to cover ST loans. With a current net gearing ratio of 0.33x and cash position of RMB111.9m, Pan Hong is equipped with a relatively strong balance sheet. More importantly, its cash and undrawn facilities of RMB80m are more than sufficient to meet its ST loan obligations of approximately RMB161.3m which are due in Jun – Jul 09. As for its nearest LT debt of RMB78.0m due in Nov 09, we reckon that Pan Hong should be able to service it using operating cashflow generated from sales of NHK Phase 2 or Hua Cui.

Initiate with NEUTRAL with target price of S$0.25. While we remain confident of China's medium-long term real estate fundamentals, especially within its lower tier cities, we admit that the sector's near-term outlook is plagued with unfettered challenges and uncertainties. The credit crisis and macroeconomic slowdown have now spread their claws over countries worldwide, and given the intrinsic linkage of the property sector to these two key elements, it is certainly not music to the ears for most real estate developers. Interestingly, home buyers in China are also analysing developers with a high potential for bankruptcy or in distressed situations, with the hope of snapping their properties at firesale prices. In view of the above, we have taken on a rather conservative stance in deriving our base case RNAV for Pan Hong, assuming a further 5% decline in selling prices for the remaining of 2008, and 20% dive in 2009, with a slight recovery of 2% in 2010 and steady growth of 4% p.a. for the subsequent three years. Applying a 50% trough discount, we arrive at our RNAV-pegged fair value for Pan Hong at S$0.25. Initiate with NEUTRAL. Catalyst in share price would come from further expansionary policies in China and recovery of worldwide and Chinese real estate sector, which it should be well-positioned to benefit given its substantial landbank.

Statement of Profit & Loss (FY Ending Mar) (RMB m)	FY05*	FY06*	FY07*	FY08/ 09F**	FY10F
Revenue	**288.0**	**151.3**	**564.9**	**76.8**	**791.0**
COGS	(194.8)	(93.9)	(334.3)	(46.1)	(474.6)
Gross Profit	**93.2**	**57.4**	**230.6**	**30.7**	**316.4**
Other Operating Expenses / Income	(4.1)	(13.5)	16.5	1.4	10.3
Operating Income from Continuing Operations	**89.1**	**43.9**	**247.1**	**32.2**	**326.7**
Non-Operating Expenses / Income	(0.1)	(0.2)	(0.1)	0.0	0.0
Adjusted EBITDA	**89.0**	**43.7**	**247.0**	**32.2**	**326.7**
Depreciation & Amortization	(0.3)	(0.4)	(0.3)	(0.5)	(0.6)
Operating Profit (EBIT) ex. Share of Profit of Asc / JCEs	**88.7**	**43.3**	**246.7**	**31.7**	**326.1**
Share of Profits / (Losses) of Asc / JCEs	(0.2)	(0.1)	(0.3)	(0.3)	(0.3)
Operating Profit (EBIT) incl. Share of Profit of Asc / JCEs	**88.5**	**43.3**	**246.4**	**31.4**	**325.9**
Finance Costs	(0.9)	0.0	(1.4)	(2.2)	(1.9)
Interest Income	0.1	2.3	6.4	7.1	4.1
Recurring (Pre-Tax) Income from Continuing Operations	**87.7**	**45.6**	**251.4**	**36.2**	**328.0**
Fair Value Gains / (Losses)	0.0	21.5	33.6	0.0	0.0
PBT	**87.7**	**67.1**	**285.0**	**36.2**	**328.0**
Income Tax Expenses	(29.2)	(17.5)	(99.3)	(9.1)	(82.0)
Net Profit After Tax (NPAT)	**58.5**	**49.6**	**185.7**	**27.2**	**246.0**
Minority Interests	(0.8)	0.1	0.8	0.5	1.0
PATMI	**59.3**	**49.4**	**184.9**	**26.7**	**245.0**

Profitability Ratios	FY05*	FY06*	FY07*	FY08/ 09F**	FY10F
YoY Change In Revenue	-	-47.5%	273.4%	-86.4%	929.4%
YoY Change In Net Profit	-	-16.6%	273.9%	-85.6%	818.1%
Gross Margin	32.4%	37.9%	40.8%	40.0%	40.0%
Operating Income from Continuing Operations Margin	30.9%	29.0%	43.7%	41.9%	41.3%
EBITDA Margin	30.9%	28.9%	43.7%	41.9%	41.3%
EBIT ex. Share of Profit of Asc / JCEs Margin	30.8%	28.7%	43.7%	41.2%	41.2%
EBIT incl. Share of Profit of Asc / JCEs Margin	30.7%	28.6%	43.6%	40.8%	41.2%
Recurring Income Margin	30.5%	30.1%	44.5%	47.2%	41.5%
PBT Margin	30.5%	44.3%	50.5%	47.2%	41.5%
NPAT Margin	20.3%	32.8%	32.9%	35.4%	31.1%
PATMI Margin	20.6%	32.7%	32.7%	34.7%	31.0%
Interest Income as a % of Previous Year's Cash	-	15.1%	2.9%	2.9%	2.9%
ROE	61.5%	9.0%	23.4%	3.3%	23.6%
ROA	15.4%	6.7%	14.7%	1.8%	15.9%

Balance Sheet (FY Ending Mar) (RMB m)	FY05*	FY06*	FY07*	FY08/ 09F**	FY10F
P, P & E	2	5	8	9	10
Investment Properties	0	35	81	81	81
Goodwill	0	6	6	6	6
Assoc. / JCEs / Subsidiaries	22	0	50	73	73
Other Non-Current Assets	0	30	69	68	68
Total Non-Current Assets	**24**	**76**	**214**	**238**	**238**
Properties Held Under Development & For Sale	299	334	531	794	780
Accounts Receivables	18	51	57	27	79
Deposits Paid, Prepayments & Other Receivables	4	52	200	135	129
Cash & Cash Equivalents	15	221	244	141	187
Other Current Assets	25	0	13	124	124
Total Current Assets	**361**	**659**	**1,046**	**1,221**	**1,299**
Trade & Other Payables	54	33	163	209	107
Current Debt	22	0	106	116	110
Other Current Liabilities	19	21	109	109	109
Total Current Liabilities	**95**	**54**	**378**	**434**	**327**
Long Term Debt	0	110	66	183	147
Other Non-Current Liabilities	194	24	26	26	26
Total Non-Current Liabilities	**194**	**134**	**92**	**210**	**173**
Share Capital & Reserves					
Share Capital	219	409	451	451	451
Reserves	(158)	106	277	303	523
Shareholders' Equity	**61**	**515**	**729**	**754**	**974**
Minority Interests	35	33	61	62	63
Total Equity	**96**	**548**	**789**	**815**	**1,037**

Leverage Ratios	FY05*	FY06*	FY07*	FY08/ 09F**	FY10F
Debt to Equity Ratio (x)	2.24	0.23	0.24	0.39	0.26
Net Gearing (x)	2.08	(0.17)	(0.07)	0.22	0.08
Current Ratio (x)	3.81	12.29	2.77	2.81	3.97
NAV per Share (RMB)	0.27	1.14	1.61	1.66	2.12

Statement of Cash Flow (FY Ending Mar) (RMB m)

	FY05*	FY06*	FY07*	FY08/ 09F**	FY10F
Profit Before Tax	**88**	**67**	**285**	**36**	**328**
Depreciation/Amortization	0	0	0	0	1
Income / (Loss) from Assoc. & JCEs	0	0	0	0	0
Net Interest	1	(2)	(5)	(5)	(2)
Other Non-Cash Items	0	(22)	(25)	0	0
Change in WC	(213)	(73)	(159)	(124)	(133)
Taxes Paid	(7)	(13)	(10)	(2)	(78)
Net Operating Cash Flow	**(131)**	**(43)**	**87**	**(94)**	**116**
Capex (net)	(1)	(0)	(4)	(2)	(1)
Increase in Assoc. & JCEs	(19)	(31)	(65)	(24)	0
Other Investing CF	0	2	(8)	1	0
Net Investing Cash Flow	**(19)**	**(29)**	**(77)**	**(24)**	**(1)**
Share Issuance	0	190	42	0	0
Debt Finance	125	93	62	128	(42)
Dividends Paid	0	0	(6)	(1)	(25)
Other Financing Cash Flow	18	(6)	(77)	(111)	(2)
Net Financing Cash Flow	**143**	**276**	**20**	**15**	**(69)**
Net Cash Flow	**(8)**	**204**	**31**	**(103)**	**46**
Cash Flow (Beginning)	**20**	**15**	**221**	**244**	**141**
Exchange Rate Changes	3	2	(8)	0	0
Cash Flow (End)	**15**	**221**	**244**	**141**	**187**

**FY ending Dec.*
**For 15-month period from Jan 08 to Mar 09. FY was changed from Dec to Mar wef 2008.*

RNAV Derivation Table	Capital Value (RMB m)	Share Value (RMB m)	Gross Asset Value (%)
RESIDENTIAL			
Projects under Development			
Jiangxi Province	228	0.46	13.2%
Zhejiang Province	361	0.74	20.9%
Landbank			
Jiangxi Province	252	0.51	14.6%
Zhejiang Province	121	0.25	7.0%
Guangdong Province	29	0.06	1.7%
Sub-Total	**990**	**2.02**	**57.4%**
COMMERCIAL			
Investment Properties	137	0.28	7.9%
Projects under Development	129	0.26	7.5%
Sub-Total	**267**	**0.54**	**15.4%**
OTHER ASSETS			
Trade & Other Receivables	155	0.32	9.0%
Cash	112	0.23	6.5%
Other ST Assets	133	0.27	7.7%
Other LT Assets	71	0.14	4.1%
Sub-Total	**470**	**0.96**	**27.2%**
GROSS ASSET VALUE	**1,726**	**3.52**	**100.0%**
Less: Total Liabilities	**(578)**	**(1.18)**	
Minorities	**(61)**	**(0.12)**	
RNAV (RMB)	**1,088**	**2.22**	
RNAV @ RMB-SGD = 0.2238 (S$)	**243**	**0.50**	
RNAV @ 50% Discount (S$)	**122**	**0.25**	
No. of Outstanding Shares	490,000,000		

DMG & Partners Research Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months
Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral: Share price may fall within the range of +/- 10% over the next 12 months
Take Profit: Target price has been attained. Look to accumulate at lower levels
Sell: Share price may fall by more than 10% over the next 12 months
Not Rated: Stock is not within regular research coverage

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