

PAN HONG PROPERTY GROUP LIMITED

(Incorporated in Bermuda on 20 December 2005)

(Co. Reg. No: 37749)

FULL YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2009

Pan Hong Property Group Limited ("Pan Hong" or the "Group") has changed its financial year end from 31 December to 31 March. Accordingly, the current financial year will cover a period of 15 months from 1 January 2008 to 31 March 2009 ("FP2009"). Figures presented in these financial statements for FP2009 are compared with the previous financial year ended 31 December 2007 ("12M2007"). The financial information for FP2009 has not been audited.

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3 & Q4), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

RMB'000	Group		
	Fifteen months ended	Year ended	Increase/
	31 March 2009	31 December 2007	(Decrease)
	(Unaudited)	(Audited)	
Revenue	39,859	564,857	(92.9%)
Cost of Sales	<u>(23,154)</u>	<u>(334,270)</u>	(93.1%)
Gross Profit	16,705	230,587	(92.8%)
Other income and gains	22,837	77,407	(70.5%)
Selling expenses	(9,394)	(6,577)	42.8%
Administrative expenses	(20,867)	(14,164)	47.3%
Other operating expenses	<u>(42,964)</u>	<u>(547)</u>	7754.5%
Operating (loss)/profit	(33,683)	286,706	(111.7%)
Finance costs	(6,949)	(1,412)	392.1%
Share of loss of a jointly controlled entity	(876)	(298)	194.0%
(Loss)/profit before income tax	<u>(41,508)</u>	<u>284,996</u>	(114.6%)
Income tax credit/(expense)	<u>4,289</u>	<u>(99,327)</u>	(104.3%)
(Loss)/profit for the period/year	<u><u>(37,219)</u></u>	<u><u>185,669</u></u>	(120.0%)
Attributable to:			
Equity holders of the Company	(36,985)	184,856	(120.0%)
Minority interests	<u>(234)</u>	<u>813</u>	(128.8%)
	<u><u>(37,219)</u></u>	<u><u>185,669</u></u>	(120.0%)
Dividends	<u><u>-</u></u>	<u><u>9,178</u></u>	(100.0%)
(Loss) / earnings per share for (loss)/profit attributable to the equity holders of the Company during the period/year (in RMB cents):			
- Basis	(7.55)	38.37	(119.7%)
- Diluted	N/A	N/A	NM

NM: Not Meaningful

Note:

RMB'000	Group	
	Fifteen months ended 31 March 2009 (Unaudited)	Year ended 31 December 2007 (Audited)
(Loss)/profit before income tax is arrived at after charging:		
Finance costs wholly repayable within five year		
- Bank loans	16,507	7,347
- Other loans	3,263	1,412
Less: amount capitalised in properties held under development	(12,821)	(7,347)
	6,949	1,412
Cost of properties held for sale recognised as expense	20,850	306,229
Depreciation of property, plant and equipment	1,432	418
Less: amount capitalised in properties held under development	(278)	(103)
	1,154	315
Loss on disposal of property, plant and equipment	44	4
Operating lease charges in respect of land and buildings	134	173
Less: amount capitalised in properties held under development	-	(26)
	134	147
Outgoings in respect of investment properties that generated rental income during the period/year arrangements	497	168
Staff costs, including directors' remuneration		
- wages and salaries	10,934	7,967
- retirement benefit scheme contributions - defined contribution plans	1,070	507
Less: amount capitalised in properties held under development	(1,871)	(978)
	10,133	7,496
Impairment losses of goodwill	6,030	-
Write down of properties held for sales to net realisable value	19,811	-
Net fair value loss for investment properties	16,172	-
Amortisation of leasehold interest in land	181	17
Exchange (gain)/loss, net	(928)	88
and crediting :		
Other income and gains		
Commission income	1,202	18,780
Consultancy fee income	6,395	15,000
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	-	7,479
Net fair value gain of		
- properties held for sale upon transfer to investment properties	-	17,637
- financial assets at fair value through profit or loss	1,144	8,519
Interest income		
- from bank deposits and cash at banks	5,125	5,295
- from other deposits	247	1,115
- from other receivables and amount due from jointly controlled entity	5,410	-
Rental income	2,791	1,932

Note: There are no non-audit fee incurred during the period under review (2007: NIL)

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	31 March 2009 Unaudited	31 December 2007 Audited	31 March 2009 Unaudited	31 December 2007 Audited
RMB'000				
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	8,204	8,312	-	-
Investment properties	67,209	81,013	-	-
Leasehold interest in land	7,067	8,206	-	-
Goodwill	-	6,030	-	-
Investments in subsidiaries	-	-	278,608	278,608
Interest in a jointly controlled entity	91,080	49,702	-	-
Other receivables	-	20,000	-	-
Deposit paid	-	30,000	-	-
Deferred tax assets	10,300	11,000	-	-
	183,860	214,263	278,608	278,608
Current assets				
Properties held under development	730,472	405,914	-	-
Properties held for sale	114,685	125,010	-	-
Account receivables	13,363	57,007	-	-
Deposits paid, prepayments and other receivables	209,439	200,453	169	1,564
Amounts due from related parties	14,978	538	246,182	248,626
Financial assets at fair value through profit or loss	8,468	-	-	-
Pledged bank deposits	105,045	12,805	-	-
Cash and bank balances	120,414	243,906	92	92
	1,316,864	1,045,633	246,443	250,282
Current liabilities				
Account payables	2,478	2,105	-	-
Accruals, receipts in advance and other payables	305,322	161,343	16	-
Provision for tax	91,364	109,048	-	-
Amounts due to related parties	684	91	7,606	6,395
Bank and other loans	244,599	105,563	-	-
	644,447	378,150	7,622	6,395
Net current assets	672,417	667,483	238,821	243,887
Total assets less current liabilities	856,277	881,746	517,429	522,495
Non-current liabilities				
Bank and other loans	105,121	66,140	-	-
Shareholder's loan	-	17,794	-	-
Deferred tax liabilities	6,065	8,495	-	-
	111,186	92,429	-	-
Net assets	745,091	789,317	517,429	522,495
EQUITY				
Equity attributable to the Company's equity holders				
Share capital	298,164	298,164	298,164	298,164
Reserves	386,387	421,201	219,265	215,153
Proposed final dividend	-	9,178	-	9,178
	684,551	728,543	517,429	522,495
Minority Interests	60,540	60,774	-	-
Total equity	745,091	789,317	517,429	522,495

1(b)(ii) Aggregate amount of group's borrowings and debt securities. Amount repayable in one year or less, or on demand

Amount repayable in one year or less, or on demand

As at 31/03/2009		As at 31/12/2007	
Secured	Unsecured	Secured	Unsecured
RMB\$'000	RMB\$'000	RMB\$'000	RMB\$'000
240,199	4,400	75,682	29,881

Amount repayable after one year

As at 31/03/2009		As at 31/12/2007	
Secured	Unsecured	Secured	Unsecured
RMB\$'000	RMB\$'000	RMB\$'000	RMB\$'000
105,121	-	66,140	17,794

Details of any collateral

Bank loans of approximately RMB213,611,000 were secured by the Group's land, including the land classified as properties held under development and leasehold interest in land and building as at 31 March 2009. Bank and other loan of approximately RMB131,709,000 was secured by a deposit of RMB44,000,000 which was classified as "Deposits, prepayments and other receivables" under current assets and RMB95,600,000 which was classified as "Pledged bank deposits" as at 31 March 2009.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

RMB'000	Group	
	Fifteen months ended 31 March 2009	Year ended 31 December 2007
	(Unaudited)	(Audited)
Cash flows from operating activities		
(Loss)/profit before income tax	(41,508)	284,996
Adjustments for:		
Interest income	(10,782)	(6,410)
Interest expense	6,949	1,412
Fair value change of properties held for sale upon transfer to investment properties	-	(17,637)
Depreciation	1,154	315
Amorisation of leasehold interest in land	181	17
Loss on disposal of property, plant and equipment	44	4
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	-	(7,479)
Share of loss of of a jointly controlled entity	876	298
Fair value adjustment on investment properties	16,172	-
Write down of properties held for sales to net realisable value	19,811	-
Impairment losses of goodwill	6,030	-
Operating (loss)/profit before working capital changes	(1,073)	255,516
Increase in properties held under development and properties held for sale	(320,945)	(65,181)
Decrease/(Increase) in account and other receivables, prepayments and deposits paid	30,917	(86,798)
Increase in amounts due from a related parties	(14,440)	(538)
Increase in account and other payables, accruals and receipts in advance	146,558	6,394
Increase in amount due to related parties	593	62
Decrease/(increase) in pledged bank deposits	3,360	(12,805)
Cash (used in)/generated from operations	(155,030)	96,650
Interest received	5,125	5,295
Income taxes paid	(15,125)	(18,521)
Tax refund	-	3,686
Net cash (used in)/generated from operating activities	(165,030)	87,110
Cash flows from investing activities		
Purchases of property, plant and equipment	(2,216)	(3,994)
Proceeds from disposal of property, plant and equipment	582	-
Additions to investment properties	(2,368)	-
Purchases of leasehold interest in land	-	(8,223)
Investment in a jointly controlled entity	-	(50,000)
Acquisition of additional interest in subsidiary from a minority shareholder	-	(2,172)
Acquisition of a subsidiary, net	-	(12,482)
Advance to a jointly controlled entity	(40,000)	-
Acquisition of financial assets at fair value through profit and loss	(7,324)	-
Net cash used in investing activities	(51,326)	(76,871)
Cash flows from financing activities		
Proceeds from Issuance of share capital	-	42,353
Capital contributions made by minority shareholders	-	10,000
Dividend paid	(9,178)	(4,800)
Dividend paid to minority shareholders	-	(1,552)
New borrowings	283,580	111,781
Repayment of borrowings	(105,563)	(50,078)
Interest paid	(19,770)	(7,347)
Decrease/(Increase) in pledged other deposits	36,000	(80,000)
Net cash generated from financing activities	185,069	20,357
Net (decrease)/increase in cash and cash equivalents	(31,287)	30,596
Effect of foreign exchange difference	3,395	(8,046)
Cash and cash equivalents at beginning of period/year	243,906	221,356
Cash and cash equivalents at end of period/year (note)	216,014	243,906

Note:

Analysis of balances of cash and cash equivalents

RMB'000	Group	
	Fifteen months ended 31 March 2009 (Unaudited)	Year ended 31 December 2007 (Audited)
Cash and bank balances	120,414	243,906
Time deposits with maturity of less than three months	95,600	-
Cash and cash equivalents	216,014	243,906

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

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



Company	Share capital	Share premium	Contributed surplus	Retained profits	Proposed final dividend	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007 (Audited)	292,164	116,727	59,579	637	4,800	473,907
Profit for the year	-	-	-	11,035	-	11,035
Total income and expenses recognised during the year	-	-	-	11,035	-	11,035
Issue of shares on placement	6,000	36,353	-	-	-	42,353
2006 dividend paid during the year	-	-	-	-	(4,800)	(4,800)
Final dividend proposed for the year	-	-	-	(9,178)	9,178	-
As at 31 December 2007 (Audited)	298,164	153,080	59,579	2,494	9,178	522,495
Profit for the period	-	-	-	4,112	-	4,112
Total income and expenses recognised during the period	-	-	-	4,112	-	4,112
2007 dividend paid during the period	-	-	-	-	(9,178)	(9,178)
At 31 March 2009 (Unaudited)	298,164	153,080	59,579	6,606	-	517,429

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.**

State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

None.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	As at 31/03/2009	As at 31/12/2007
Total number of issued ordinary shares	490,000,000	490,000,000

There were no treasury share held as at 31 March 2009 and 31 December 2007.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have neither been audited nor reviewed by the Company's auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has adopted the same accounting policies and methods of computations as stated in the audited financial statements for the year ended 31 December 2007, except for the adoption for the new and amended International Financial Reporting Standards (IFRSs) which become effective on 1 January 2008. The adoption of these new and amended IFRSs did not give rise to significant change to the financial statements.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not applicable.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Fifteen months ended 31 March 2009	Year ended 31 December 2007
(Loss) / Earnings per ordinary share (in RMB cents):	(Unaudited)	(Audited)
(a) Basic	(7.55)	38.37
(b) Diluted	NA	NA

Note:

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

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

7. Net asset value (for the issuer and group) per ordinary share based on of the total number of issued shares excluding treasury shares of the issuer at the end of the:

- (a) current financial period reported on; and
 (b) immediately preceding financial year.

	Group		Company	
	As at 31/03/2009	As at 31/12/2007	As at 31/03/2009	As at 31/12/2007
Net asset value per ordinary share (in RMB cents)	152.06	161.09	105.60	106.63

Note:

The number of ordinary shares of the Company as at 31 March 2009 and 31 December 2007 was 490,000,000.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period report on.**

(a) REVIEW OF FINANCIAL RESULTS FOR FP2009 COMPARED TO 12M2007

	Group	
	Fifteen months ended 31 March 2009	Year ended 31 December 2007
Revenue (RMB'000)		
Residential	38,081	557,456
Commercial and others	1,778	7,401
	39,859	564,857

Revenue

Group revenue for FP2009 was RMB 39.9 million compared to RMB 564.9 million in 12M2007. The substantially lower revenue in FP2009 was due primarily to the lower number of residential units available for sale at Phase 1 of the Group's property development, Nanchang Honggu Kaixuan (南昌紅谷凱旋第一期).

In 12M2007, the Group sold and completed the handover of 989 residential units, representing 87.8%, of the total residential units at Nanchang Honggu Kaixuan Phase 1.

In FP2009, the Group sold and delivered a further 57 residential units of Nanchang Honggu Kaixuan Phase 1. These units had a total gross floor area (GFA) of 8,748 square metres (sq m) and generated total revenue of RMB 35.7 million.

The remaining revenue of RMB 4.2 million in FP2009 came primarily from sales of the outstanding residential units and other properties of Huzhou Liyang Jingyuan Phase 1 (湖州麗陽景苑第一期), and Huzhou Zhili Yazhoucheng Phase 2 (湖州織里亞洲城二期).

As at the end of March 2009, the Group sold and completed the handover of 92.8% of the total 1,127 residential units at Nanchang Honggu Kaixuan Phase 1, while close to 99% of the residential units at Huzhou Liyang Jingyuan Phase 1 were sold and delivered.

As the Group is primarily engaged in property development business, revenue recognition is dependent on the launch of new projects and the completion of handover of properties that are sold. Hence, this may result in lumpy revenue and profitability for the Group on a quarterly basis.

The Group launched the pre-sales of three new property projects between July 2008 and January 2009. However, sales from these new projects can only be recognised as revenue upon the handover of the sold units. Please refer to Section 10 for more information.

Cost of Sales and Gross Profit Margin

In line with reduced sales, the Group's cost of sales in FP2009 was substantially lower at RMB 23.2 million when compared to 12M2007. In FP2009, the Group achieved a healthy gross profit margin of 41.9% which was slightly higher than 40.8% in 12M2007. This could be attributable to

the Group's ability to maintain the average selling prices of its projects amid the softer property market in the PRC.

Other Income and Gains

The Group's other income and gains in FP2009 decreased to RMB 22.8 million from RMB 77.4 million in 12M2007, due mainly to lower agency fees and commission, and lower net fair value gain of investments in financial assets.

Selling Expenses

The Group's selling expenses in FP2009 amounted to RMB 9.4 million, compared to RMB 6.6 million in 12M2007. The majority of the selling expenses in FP2009 comprised sales agency fees, and advertising / promotional expenses in respect of the Group's property presale launches as well as for a new property development, Hua Cui Ting Yuan (湖州华萃庭院).

Administrative Expenses

Administrative expenses in FP2009 totalled RMB 20.9 million, an increase of 47.3% from RMB 14.2 million in 12M2007. The increase was attributable to the longer reporting period in FP2009, which covered 15 months as compared to 12 months in 12M2007 as well as legal costs.

Other Operating Expenses

In FP2009, the Group recorded other operating expenses of RMB 43.0 million. As a result of weakened PRC property market conditions during FP2009, the Group made an impairment provision of RMB 16.2 million for its investment properties, as well as RMB 6.0 million for goodwill which arose from the acquisition of Huzhou Hongjin Market Construction & Development Co., Ltd. ("Huzhou Hongjin") in 2006. Huzhou Hongjin is a wholly owned subsidiary of the Group and owns commercial units at the Wuxian Balidian Market property which are held for investment.

In addition, the Group also made a provision for impairment of the net book value of the car park lots at Nanchang Honggu Kaixuan Phase 1. These car park lots were fully constructed at the end of 12M2007. As a consequence of the slowdown in the property market since the development of the car park lots, the realisable average selling price turned out to be lower than anticipated when the Group commenced sales of the car park lots. As such, the Group took a prudent approach by making an impairment provision of RMB 19.8 million to the book value of the car park lots.

Loss for the Period

As a result of the above factors, the Group reported an operating loss of RMB 33.7 million for FP2009. After deducting finance costs and share of loss of a jointly controlled entity, the Group posted a loss after tax of RMB 37.2 million. The income tax credit of RMB 4.3 million for FP2009 included a provision for LAT of approximately RMB 1.2 million.

In contrast, the Group posted a profit after tax of RMB 185.7 million in 12M2007, which was driven primarily by the significantly larger revenue recorded in that financial period.

(b) Review of Financial Position as at 31 March 2009 and Cash Flow for FP2009

Interests in a Jointly Controlled Entity

The Group has a 50% interest in Jiangxi Ganghong Industrial Co. Ltd (“Jiangxi Ganghong”), which is a joint-venture company for its property development project in Yichun city. As a result of a fund transfer to Jiangxi Ganghong through a short-term loan arrangement, the Group’s interests in the jointly controlled entity increased to RMB 91.1 million as at 31 March 2009.

Properties Under Development

As at 31 March 2009, the Group’s properties held under development increased to around RMB 730.5 million, from RMB 405.9 million as at 31 December 2007. The increase was in line with the construction progress of its new property projects, including Hua Cui Ting Yuan Phase 1, Nanchang Honggu Kaixuan Phase 2, Hangzhou Liyang Yuan (杭州丽阳苑) and Huzhou Liyang Jingyuan Phase 2 (湖州丽阳景苑二期).

Properties Held for Sale

Properties held for sale declined to RMB 114.7 million as at 31 March 2009, compared to RMB 125.0 million as at 31 December 2007. The properties held for sale comprised primarily the remaining residential units, commercial spaces and car park at Nanchang Honggu Kaixuan Phase 1.

Accounts Receivables

The Group’s accounts receivables owing from purchasers of property units and banks stood at RMB 13.4 million as at 31 March 2009. This was significantly lower than RMB 57.0 million as at 31 December 2007 due primarily to the relatively substantial revenue that was recognised during October to December 2007, and for which payments had since been received.

Deposits, Prepayments and Other Receivables

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

Pledged Bank Deposits

Pledged bank deposits increased to RMB 105.0 million, from RMB 12.8 million as at 31 December 2007. The pledged bank deposits as at 31 March 2009 comprise primarily RMB 95.6 million of deposits that were used as collateral to secure bank borrowings. The balance of RMB 9.4 million was related mainly to pledged deposits at certain banks which provided mortgage loans to purchasers of the Group’s properties. These pledged deposits, would be released upon the issue of certificates for housing ownership to the property purchasers.

Accounts Payables, Accruals, Advance Receipts and Other Payables

As at 31 March 2009, the Group had accounts payables amounting to RMB 2.5 million. These comprised primarily of amounts owing to suppliers for construction costs incurred in respect of its properties under development. The Group pared down its accounts payables by around RMB 51.9 million when compared to the end of December 2008.

The Group's accruals, advance receipts and other payables surged to RMB 305.3 million as at 31 March 2009, compared to RMB 161.3 million as at 31 December 2007. This was due primarily to the deposits and prepayments that the Group received from the presales of residential units at its property projects.

Bank and Other Loans

The Group had total short-term and long-term borrowings of RMB 349.7 million at the end of March 2009. Of these borrowings, approximately RMB 131.7 million of debt was secured by cash deposits ("deposit collateral") of RMB 139.6 million.

The total borrowings as at 31 March 2009 comprised mainly two 18-month term loans with a bank for a total amount of RMB 108.0 million for the development of Hua Cui Ting Yuan and Hangzhou Liyang Yuan; a 36-month bank loan facility of which the Group has drawn down RMB 100.0 million to finance the development costs of its project in Nanchang; as well as bank and other loans of HKD 149.1 million.

Based on its total equity of RMB 745.1 million and deposit collateral of RMB 139.6 million, the Group had a gearing ratio (total borrowings less deposit collateral / total equity) of 28.2% as at 31 March 2009. On a net of cash and bank balances basis, the Group's net gearing is lowered to 12.0% (total borrowings less deposit collateral and cash and bank balances / total equity).

Cash Flow Analysis

During FP2009, the Group recorded negative cash flow of RMB165.0 million from its operating activities. This was due largely to payments for the construction costs incurred in respect of its properties under development. The receipts in advance from the presales of residential units at its property projects partially offset the cash used in properties under development.

Net cash used in investing activities in FP2009 amounted to RMB 51.3 million due primarily to a fund transfer through short-term loan arrangement to Jiangxi Ganghong. The Group generated net cash of RMB 185.1 million from financing activities as a result of a net increase in borrowings in FP2009. During FP2009, the Group secured new bank loans for the development of its projects in Huzhou and Nanchang cities, as well as borrowings to finance its working capital.

At the end of March 2009, the Group had cash and cash equivalents of RMB 216.0 million, comprising cash and bank balances of RMB 120.4 million and time deposits with maturity of less than three months of RMB 95.6 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The Group's financial results for FP2009 is in line with the profit guidance stated in the last results announcement of 12 November 2008.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Industry Review

China's property market showed an improvement in sales transactions in the first quarter of 2009, triggered largely by favourable government policies, promotional activities by developers and easier access to mortgage financing. According to the National Bureau of Statistics, the aggregate gross floor area sold in the first four months of 2009 rose 17.5% to 176.25 million square metres, compared to the same period in 2008. While property prices for the 70 major cities in China remain about 1.1% lower in April, compared to the same month last year, there appears to be an easing in the price downtrend that began in 2008.

The revival in property transactions is primarily being driven by a recovery in housing demand from owner-occupiers who had largely stayed on the sidelines in 2008. Although the current situation indicates that the sector may have stabilised or bottomed out, the sustainability of any recovery is also subject to the macroeconomic situation in China, government policies, and housing supply situation, among other factors.

Company Update

Property Pre-sales

The pre-sales activity for the Group's projects in Nanchang, Huzhou and Hangzhou cities continued to improve since the beginning of 2009. Driven primarily by owner-occupied demand, the aggregate value of the Group's pre-sales rose to RMB 503.6 million as at 24 May 2009, from RMB 157.5 million as at 9 February 2009. In response to market demand, the Group raised the number of residential units for sale at Nanchang Honggu Kaixuan Phase 2 to 649 from 270 previously. Among these three projects, Hangzhou Liyang Yuan posted the strongest take-up rate of 95%.

Summary of Property Pre-sale Launches (as at 24 May 2009)

Property	Nanchang Honggu Kaixuan Phase 2	Huzhou Liyang Jingyuan Phase 2	Hangzhou Liyang Yuan
Date of pre-sales launch	July 2008	Dec 2008	Jan 2009
Estimated construction completion date*	1 st quarter 2010	3 rd to 4 th quarter 2009	4 th quarter 2009
Total residential units released for sale	649	150	226
Units pre-sold in total (GFA)	310 (38,984 sq m)	131 (13,789 sq m)	215 (23,509 sq m)
Take-up rate	48%	87%	95%
Average selling price [#]	RMB 5,000 per sq m	RMB 5,100 per sq m	RMB 10,100 per sq m
Accumulated pre-sales value**	RMB 194.9 million	RMB 70.3 million	RMB 238.4 million
Aggregate Pre-sales Value = RMB 503.6 million			

*Estimated construction completion dates for the residential component of the respective properties are subject to change.

**Pre-sales can only be recognised as revenue after the completion of handover to buyers.

[#]Subject to variations of around ±RMB 100 per sq m

The Group is also currently in the process of developing the first phase of another property, Hua Cui Ting Yuan, which is located near the scenic Taihu Lake in Huzhou city. This project will feature terrace houses with design elements of the Chinese heritage. As the government has stepped up its efforts to enhance the surroundings of Taihu Lake, the transport infrastructure and accessibility of this area is being improved at the same time. In view of the current developments, the Group intends to launch the pre-sales of Hua Cui Ying Yuan Phase 1 around or after June 2009. The entire project is expected to yield a GFA of 100,000 sq m and the first phase is estimated to have a GFA of 54,000 sq m.

Company Strategies / Plans

With a sound cash position and relatively low net gearing of 12.0%, the Group believes that it has a healthy foundation to withstand challenges and seize market opportunities. In addition, the Group owns interests in land parcels with aggregate GFA of approximately 2.4 million sq m, which it is holding for future property development.

The Group's plans are to increase its emphasis on the sale of its existing property projects and focus on enhancing its cash flow, while keeping a look-out for suitable expansion opportunities selectively. Although property market conditions in recent months have become relatively more positive, the Group intends to remain prudent financially and maintain a close watch on consumer sentiment as well as any market changes. At present, the Group plans to commence construction of the second phase of Hua Cui Ting Yuan, and another project in Yichun city, Jiangxi Province, during the financial year ending 31 March 2010.

In view of the increasingly competitive property market conditions in the PRC, the Group's strategy is to build a stronger brand in the second and third-tier cities to ensure long-term sustainable growth.

In line with this strategy, the Group is presently considering enhancing its competitive position by progressing in the direction of townhouse concept that is similar to its Hua Cui Ting Yuan property, which was conferred the China Classic Villa Award in 2008.

From a competitive standpoint, the Group believes the townhouse concept, which will mainly target more affluent consumers, has certain advantageous features compared to high-rise developments. These include shorter development-to-sales cycle, lower unit cost of construction, product uniqueness as such townhouse projects that integrate the Chinese culture into the architecture are still uncommon in the PRC. The townhouse concept will also enable the Group to strengthen its brand by differentiating its property developments from other private and government-subsidised housing. With its experience developing Hua Cui Ting Yuan, the Group will be looking to replicate this model in other locations, such as the outskirts of urban areas where there is gradual upgrading of living environment and improving transportation system and mobility. Moreover, these areas also offer more opportunities to obtain land parcels at lower cost.

Based on the accumulated pre-sales achieved to-date and the current construction schedule of the respective properties, the Group is cautiously optimistic of its performance for the 12 months ending 31 March 2010, barring any unforeseen circumstances.

11. Dividend

(a) Current Financial Period Reported On

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

A final dividend of HK\$0.02 per ordinary share (tax not applicable), amounting to HK\$9,800,000 (equivalent to RMB9,178,000), was proposed and paid during the period in respect of the financial year ended 31 December 2007.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect.

No dividend has been declared or recommended for the current financial period ended 31 March 2009.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

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



- 14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

None

- 15. A breakdown of sales.**

Not Applicable

- 16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

	31 March 2009	31 December 2007
	RMB'000	RMB'000
Total annual dividend	NIL	9,178

BY ORDER OF THE BOARD

Wong Lam Ping
Chairman
28 May 2009