

PAN HONG PROPERTY GROUP LIMITED

(Incorporated in Bermuda on 20 December 2005)

(Co. Reg. No: 37749)

**1<sup>st</sup> QUARTER FINANCIAL STATEMENT ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2011**

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3), 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		Increase/ (Decrease)
	3 months ended 30/06/2011 (Unaudited)	3 months ended 30/06/2010 (Unaudited)	
Revenue	114,173	88,174	29.5%
Cost of Sales	<u>(51,355)</u>	<u>(56,253)</u>	(8.7%)
<b>Gross Profit</b>	62,818	31,921	96.8%
Other income and gains	4,149	3,474	19.4%
Selling expenses	(1,540)	(781)	97.2%
Administrative expenses	(5,609)	(4,886)	14.8%
Other operating expenses	<u>(925)</u>	<u>(6,101)</u>	(84.8%)
<b>Operating profit</b>	58,893	23,627	149.3%
Finance costs	(724)	(689)	5.1%
Share of result of jointly controlled entity	(173)	(15)	1053.3%
Share of result of associate	<u>(3)</u>	-	NM
<b>Profit before income tax</b>	57,993	22,923	153.0%
Income tax expense	<u>(19,535)</u>	<u>(9,849)</u>	98.3%
<b>Profit for the period</b>	38,458	13,074	194.2%
<b>Other comprehensive income</b>			
Exchange differences on translation of financial statements of foreign operations	<u>1,819</u>	<u>1,213</u>	50.0%
Total comprehensive income for the period	<u>40,277</u>	<u>14,287</u>	181.9%
Profit for the period attributable to:			
Owners of the Company	38,488	13,044	195.1%
Non-controlling interests	<u>(30)</u>	<u>30</u>	(200.0%)
	<u>38,458</u>	<u>13,074</u>	194.2%
Total comprehensive income attributable to:			
Owners of the Company	40,307	14,257	182.7%
Non-controlling interests	<u>(30)</u>	<u>30</u>	(200.0%)
	<u>40,277</u>	<u>14,287</u>	181.9%
<b>Earnings per share for profit attributable to the owners of the Company during the period (in RMB cents):</b>			
- Basic	7.47	2.52	196.4%
- Diluted	N/A	N/A	NM

NM: Not Meaningful

Note:

	Group	
	3 months ended 30/06/2011 (Unaudited)	3 months ended 30/06/2010 (Unaudited)
Profit before income tax is arrived at after charging:		
Interest charges on financial liabilities stated at amortised cost:		
- Bank loans wholly repayable within five year	3,222	3,446
- Other loans wholly repayable within one year	-	224
Less: amount capitalised in properties held under development and investment properties under construction	(2,498)	(2,981)
	724	689
Cost of properties held for sale recognised as expense	45,153	51,795
Depreciation of property, plant and equipment and investment property	296	179
Less: amount capitalised in properties held under development	(93)	(67)
	203	112
Operating lease charge in respect of land and buildings	108	17
Less: amount capitalised in properties held under development	(98)	-
	10	17
Staff costs, including directors' remuneration		
- Wages and salaries	2,759	1,637
- Retirement benefit scheme contributions - defined contribution plans	20	17
Less: amount capitalised in properties held under development	(783)	(544)
	1,996	1,110
Net fair value loss of financial assets at fair value through profit or loss	850	5,590
and crediting :		
Interest income		
- from bank deposits and cash at banks	579	624
- from other deposits	-	-
Rental income	3,327	2,834

Note: The independent auditor received non-audit fee of approximately RMB344,000 (3 months ended 30 June 2010: NIL) for professional services rendered in connection with the financial information of the Group.

Saved as disclosed above, no other non-audit fees were paid to the auditor by the Group or the Company during the financial period presented.

**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	
	30 June 2011 Unaudited	31 March 2011 Audited	30 June 2011 Unaudited	31 March 2011 Audited
<b>RMB'000</b>				
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	14,150	14,313	-	-
Investment properties	105,593	105,593	-	-
Investments in subsidiaries	-	-	278,608	278,608
Interest in a jointly controlled entity	89,077	138,077	-	-
Interest in an associate	-	2,815	-	-
Other receivables	7,000	7,000	-	-
Deferred tax assets	17,956	18,671	-	-
	<b>233,776</b>	<b>286,469</b>	<b>278,608</b>	<b>278,608</b>
<b>Current assets</b>				
Properties held under development	1,473,491	1,440,805	-	-
Properties held for sale	186,668	231,645	-	-
Account receivables	13,507	20,861	-	-
Deposits paid, prepayments and other receivables	132,142	100,580	-	-
Amounts due from related parties	52	16	483,791	483,791
Financial assets at fair value through profit or loss	16,628	17,478	-	-
Pledged bank deposits	178,333	180,786	-	-
Cash and bank balances	196,986	223,069	92	92
	<b>2,197,807</b>	<b>2,215,240</b>	<b>483,883</b>	<b>483,883</b>
<b>Non-current assets held for sale</b>				
Investment properties held for sale	75,430	80,533	-	-
	<b>2,273,237</b>	<b>2,295,773</b>	<b>483,883</b>	<b>483,883</b>
<b>Current liabilities</b>				
Account payables	47,185	13,555	-	-
Accruals, receipts in advance and other payables	634,713	654,599	268	201
Provision for tax	109,252	164,619	-	-
Amounts due to related parties	1,143	1,367	163,510	162,948
Amount due to an associate	-	600	-	-
Bank and other loans	292,723	364,779	-	-
	<b>1,085,016</b>	<b>1,199,519</b>	<b>163,778</b>	<b>163,149</b>
<b>Net current assets</b>	<b>1,188,221</b>	<b>1,096,254</b>	<b>320,105</b>	<b>320,734</b>
<b>Total assets less current liabilities</b>	<b>1,421,997</b>	<b>1,382,723</b>	<b>598,713</b>	<b>599,342</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	20,513	21,516	-	-
<b>Net assets</b>	<b>1,401,484</b>	<b>1,361,207</b>	<b>598,713</b>	<b>599,342</b>
<b>EQUITY</b>				
<b>Equity attributable to the Company's owners</b>				
Share capital	313,446	313,446	313,446	313,446
Reserves	839,450	799,143	258,522	259,151
Proposed final dividend	26,745	26,745	26,745	26,745
	<b>1,179,641</b>	<b>1,139,334</b>	<b>598,713</b>	<b>599,342</b>
<b>Non-controlling interests</b>	<b>221,843</b>	<b>221,873</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>1,401,484</b>	<b>1,361,207</b>	<b>598,713</b>	<b>599,342</b>

**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 30/06/2011		As at 31/03/2011	
Secured	Unsecured	Secured	Unsecured
RMB\$'000	RMB\$'000	RMB\$'000	RMB\$'000
292,723	-	304,779	60,000

**Amount repayable after one year**

As at 30/06/2011		As at 31/03/2011	
Secured	Unsecured	Secured	Unsecured
RMB\$'000	RMB\$'000	RMB\$'000	RMB\$'000
-	-	-	-

**Details of any collateral**

Bank loans of approximately RMB144,514,000 were secured by the Group's land use rights, including the land classified as "properties held under development" and "leasehold interest in land and buildings" as at 30 June 2011. Bank loans of HKD178,500,000 (approximately RMB148,209,000) were secured by a deposit of RMB160,000,000 which was classified as "Pledged bank deposits" as at 30 June 2011.

**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	
	3 Months ended 30/06/2011 (Unaudited)	3 Months ended 30/06/2010 (Unaudited)
<b>Cash flows from operating activities</b>		
Profit before income tax	57,993	22,923
Adjustments for:		
Interest income	(579)	(624)
Interest expense	724	689
Depreciation of property, plant and equipment	203	112
Net fair value loss of financial assets at fair value through profit or loss	850	5,590
Share of result of jointly controlled entity	173	15
Share of result of associate	3	-
<b>Operating profit before working capital changes</b>	<b>59,367</b>	<b>28,705</b>
Decrease in properties held under development and properties held for sale	14,882	46,569
(Increase)/Decrease in account and other receivables, prepayments and deposits paid	(21,996)	53,788
Increase in amount due from related parties	(36)	(451)
Increase in account and other payables, accruals and receipts in advance	18,847	1,469
Decrease in amounts due to related parties	(224)	(10,442)
<b>Cash generated from operations</b>	<b>70,840</b>	<b>119,638</b>
Interest received	579	624
Income taxes paid	(75,098)	(22,896)
<b>Net cash (used in)/generated from operating activities</b>	<b>(3,679)</b>	<b>97,366</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(301)	(94)
Proceeds from disposal of property, plant and equipment	3	-
(Advance to)/Repayment from a jointly controlled entity	(1,173)	59,800
Acquisition of financial assets at fair value through profit or loss	-	(4,006)
Decrease/(Increase) in pledged bank deposits	56,453	(682)
<b>Net cash generated from investing activities</b>	<b>54,982</b>	<b>55,018</b>
<b>Cash flows from financing activities</b>		
Repurchase of shares	-	(3,166)
Repayment of borrowings	(20,086)	(14,089)
Interest paid	(3,222)	(3,537)
<b>Net cash used in from financing activities</b>	<b>(23,308)</b>	<b>(20,792)</b>
<b>Net increase in cash and cash equivalents</b>	<b>27,995</b>	<b>131,592</b>
<b>Effect of foreign exchange difference</b>	<b>(78)</b>	<b>(18)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>223,069</b>	<b>167,676</b>
<b>Cash and cash equivalents at end of the period (note)</b>	<b>250,986</b>	<b>299,250</b>
<b>Note:</b>		
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	196,986	202,750
Time deposits with maturity of less than three months	54,000	96,500
Cash and cash equivalents	250,986	299,250

**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											
	Share capital	Treasury shares	Share premium	Merger reserve	Statutory reserve	Capital reserve	Exchange reserves	Retained earnings	Proposed final dividend	Total	Non - Controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 April 2010 (audited)</b>	313,446	(3,575)	203,250	(2,243)	25,617	3,838	(13,714)	372,038	12,645	911,302	221,783	1,133,085
Purchases of treasury shares	-	(3,166)	-	-	-	-	-	-	-	(3,166)	-	(3,166)
<b>Transactions with owners</b>	-	(3,166)	-	-	-	-	-	-	-	(3,166)	-	(3,166)
Profit for the period	-	-	-	-	-	-	-	13,044	-	13,044	30	13,074
<b>Other comprehensive income</b>												
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	1,213	-	-	1,213	-	1,213
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	1,213	13,044	-	14,257	30	14,287
<b>At 30 June 2010 (unaudited)</b>	313,446	(6,741)	203,250	(2,243)	25,617	3,838	(12,501)	385,082	12,645	922,393	221,813	1,144,206
<b>At 1 April 2011 (audited)</b>	313,446	(8,280)	203,250	(2,243)	47,060	3,838	(3,744)	559,262	26,745	1,139,334	221,873	1,361,207
Profit/(loss) for the period	-	-	-	-	-	-	-	38,488	-	38,488	(30)	38,458
<b>Other comprehensive income</b>												
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	1,819	-	-	1,819	-	1,819
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	1,819	38,488	-	40,307	(30)	40,277
<b>At 30 June 2011 (unaudited)</b>	313,446	(8,280)	203,250	(2,243)	47,060	3,838	(1,925)	597,750	26,745	1,179,641	221,843	1,401,484

Company	Share capital	Treasury shares	Share premium	Contributed surplus	Retained profits	Proposed final dividend	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 April 2010 (audited)</b>	313,446	(3,575)	203,250	59,579	8,943	12,645	594,288
Loss for the period	-	-	-	-	(1,258)	-	(1,258)
Purchases of treasury shares	-	(3,166)	-	-	-	-	(3,166)
<b>At 30 June 2010 (unaudited)</b>	313,446	(6,741)	203,250	59,579	7,685	12,645	589,864
<b>At 1 April 2011 (audited)</b>	313,446	(8,280)	203,250	59,579	4,602	26,745	599,342
Loss for the period	-	-	-	-	(629)	-	(629)
<b>At 30 June 2011 (unaudited)</b>	313,446	(8,280)	203,250	59,579	3,973	26,745	598,713

**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.**

### **SHARE CAPITAL**

Date	Particulars	Number of shares		Amount	
		Issued share capital	Treasury share	Share capital RMB'000	Treasury share RMB'000
01 April 2011 and 30 June 2011	Balance at beginning and the end of the period	518,855,024	(3,460,000)	313,446	(8,280)

### **WARRANTS**

As at 30 June 2011, there were 155,506,206 warrants (31 June 2010: 155,506,206) that might be exercised into ordinary shares. Each warrant will carry the right to subscribe for one (1) new ordinary share in the capital of the Company.

**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.**

The total number of issued ordinary shares as at 30 June 2011 was 518,855,024 (30 June 2010: 518,855,024), of which 3,460,000 (30 June 2010: 2,772,000) were held by the Company as treasury shares.

**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.**

NIL

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

The figures have not been audited or 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.**

Except as disclosed in paragraph 5 below, the Group had applied the same accounting policies and methods of computation in the financial statements for the current reporting period as in those of the audited financial statement for the year ended 31 March 2011.

**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.**

The Group has adopted the new and revised International Financial Reporting Standards (IFRSs) which became effective for financial periods beginning on 1 April 2011. The adoption of these new and amended IFRSs did not give rise to significant change to the financial statements.

**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.**

	3 Months ended 30/06/2011	3 Months ended 30/06/2010
Earnings per ordinary share (in RMB cents):	(Unaudited)	(Unaudited)
(a) Basic	7.47	2.52
(b) Diluted	NA	NA

Note:

The calculation of basic earnings per share was based on the profit attributable to equity holders of the Company of approximately RMB38,488,000 for the 3 months ended 30 June 2011 (3 months ended 30 June 2010: RMB13,044,000) divided by weighted average of 515,395,024 ordinary shares (excluding treasury shares) (3 months ended 30 June 2010 : the weighted average of 516,947,000 ordinary shares) during the period.

Diluted earning per share for the periods are not presented as there is no dilutive potential share (3 month ended 30 June 2010: 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 30/06/2011	As at 31/03/2011	As at 30/06/2011	As at 31/03/2011
<b>Net asset value per ordinary share (in RMB cents)</b>	<b>271.92</b>	<b>264.11</b>	<b>116.17</b>	<b>116.29</b>

Note:

The number of ordinary shares of the Company as at 30 June 2011 was 515,395,024 (excluding treasury shares) (31 March 2011: 515,395,024).



**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 THE QUARTER ENDED 30 JUNE 2011 ("1Q2012") COMPARED TO THE PREVIOUS CORRESPONDING QUARTER ENDED 30 JUNE 2010 ("1Q2011")**

	3 Months ended 30/6/2011	3 Months ended 30/6/2010
Revenue (RMB '000)		
Residential	38,099	87,925
Commercial and others	76,074	249
	114,173	88,174

**Revenue**

Group revenue for 1Q2012 was RMB114.2 million compared to RMB88.2 million in the previous corresponding period, an increase of 29.5%.

Group revenue in 1Q2012 was primarily derived from the delivery of commercial units of Nanchang Honggu Kaixuan (南昌红谷凯旋) and Huzhou Liyang Jiangyuan Phase 2 (湖州麗陽苑二期). In 1Q2011, Group revenue was mainly attributable to the delivery of residential units in Hangzhou Liyang Yuan (杭州丽阳苑) and Nanchang Honggu Kaixuan Phase 2 (南昌红谷凯旋二期).

In 1Q2012, the Group sold 35 commercial units at Nanchang Honggu Kaixuan and 19 commercial units at Huzhou Liyang Jiangyuan Phase 2. The Group also sold 16 units of 184 residential units at Hua Chu Ting Yuan Phase 1 (华萃庭院一期).

As the Group is primarily engaged in property development business, revenue recognition is dependent on the launch of new projects and completion of handover of properties that are sold. Consequently, revenue and profit for the Group looking across quarters will appear irregular.

**Cost of Sales and Gross Profit Margin**

Cost of sales slightly decreased from RMB56.3 million in 1Q2011 to RMB51.4 million in 1Q2012. In 1Q2012, Group revenue was primarily derived from the delivery of commercial units which has a significantly higher gross profit margin compared with residential units. As the proportion of sales recognised from commercial units was higher than that in 1Q2011, cost of sales decreased in 1Q2012. Consequently, gross profit margin improved from 36.2% in 1Q2011 to 55.0% in 1Q2012.

**Other Income and Gains**

Other income and gains increased from 3.5 million in 1Q2011 to 4.1 million in 1Q2012. The increase is mainly attributed to the increase in rental income.

### **Selling Expenses**

Selling expenses increased 97.2% from RMB781,000 in 1Q2011 to RMB1.5 million in 1Q2012. The higher selling expenses in 1Q2012 was due mainly due to the increase in advertising costs and staff salaries in respect of the pre-sale in Fuzhou Hua Cui Ting Yuan Phase 1 (撫洲華萃庭院一期) and Hua Cui Ting Yuan Phase 1.

### **Administrative Expenses**

In line with the growth in revenue, administrative expenses increased 14.8% to RMB5.6 million in 1Q2012 from RMB4.9 million in 1Q2011.

### **Other Operating Expenses**

Other operating expenses decreased 84.8% to RMB925,000 in 1Q2012 from RMB6.1 million in 1Q2011. The decrease was due mainly to the decrease in the net fair value loss of financial assets at fair value through profit or loss. In 1Q2011, the Group incurred a net fair value loss on financial asset of RMB5.6 million compare to RMB850,000 in 1Q2012.

### **Finance Costs**

Finance costs were maintained at about RMB724,000 in 1Q2012, compared to RMB689,000 in 1Q2011.

### **Profit for the Period**

As a cumulative effect of the foregoing factors, the Group had recorded a profit before tax of RMB58.0 million in 1Q2012, an improvement of 153.0% from RMB22.9 million in 1Q2011.

Correspondingly, income tax expense increased from RMB9.8 million in 1Q2011 to RMB19.5 million in 1Q2012.

As a result, profit for the year attributable to shareholders improved 195.1% from RMB13.0 million in 1Q2011 to RMB38.5 million in 1Q2012.

## **(b) REVIEW OF FINANCIAL POSITION AS AT 30 JUNE 2011 AND CASH FLOW FOR 1Q2012**

### **Investment Properties**

As at 30 June 2011, the Group had investment properties of RMB181.0 million comprising properties completed at fair value and held for sale. The Group has announced on 2 November 2010 that its wholly-owned subsidiary, Pinghu Jiahai Warehousing Limited (平湖嘉海倉儲有限公司) ("Jiahai Company") had withdrawn from the development of the warehousing centre in Pinghu City, Dushan Port project (the "Warehousing Project"). The agreed amount of RMB74 million as compensation has not been fully received by the Jiahai Company and the land title has not been transferred. Upon receipt of the full compensation, the land title would be transferred and the Group accounts will be updated accordingly.

### **Interests in a Jointly Controlled Entity**

Interest in a jointly controlled entity decreased from RMB138.1 million as at 31 March 2011 to RMB89.1 million as at 30 June 2011 due mainly to a recover of RMB50.0 million from jointly controlled entity for an advancement to a jointly controlled entity by the Group for the Yichun Project (宜春項目).

### **Interests in an Associates**

The Group has announced on 22 June 2011 the de-registration of an associated company. The Group's interests in associates of RMB2.8 million as at 31 March 2011.

### Properties Held Under Development

As at 30 June 2011, the Group's properties held under development increased to RMB1,473.5 million from RMB1,440.8 million as at 31 March 2011. The increase was in tandem with the construction progress of the Group's property projects in 1Q2012 which included construction cost of the Fuzhou Hua Cui Ting Yuan.

### Properties Held for Sale

Properties held for sale decreased from RMB231.6 million as at 31 March 2011 to RMB186.7 million as at 30 June 2011 due mainly to property units recognized as revenue in 1Q2012 for the projects of Nanchang Honggu Kaixuan and Huzhou Liyang Jiangyuan Phase 2.

### Deposits paid, Prepayments and Other Receivables

As at 30 June 2011, the Group's deposits paid, prepayments and other receivables was RMB132.1 million, compared to RMB100.6 million as at 31 March 2011. The increase was attributable mainly to the increase of prepayments to contractors for the construction of projects.

### Accounts Payables, Accruals, Receipts in Advance and Other Payables

Accounts payables increased to RMB47.2 million as at 30 June 2011 from 13.6 million as at 31 March 2011 due to a higher number of property projects were near completion. The accounts payables comprised mainly of amount payable to suppliers for construction cost incurred in respect of the Group's Properties under development.

Accruals, receipts in advance and other payables comprise mainly of the advance receipts in advance in respect of deposit and prepayments relating to the Group's property pre-sales, and the accrued construction costs and project-related expenses that were based on the progress of project development but were not due for payment as at 30 June 2011.

Accruals, receipts in advance and other payables decreased to RMB634.7 million as at 30 June 2011 from RMB654.6 million as at 31 March 2010 is due mainly to the realization of part of the advance receipts revenue in 1Q2012.

### Bank and Other Loans

As at 30 June 2011, the Group had total borrowings of RMB292.7 million, decrease from RMB364.8 million as at 31 March 2011 due mainly to the repayment of borrowing in 1Q2012.

Of these borrowings as at 30 June 2011, bank loans of about RMB144.5 million were secured by the Group's land use rights, including the land classified as "property held under development" and "leasehold interest in land and buildings". In addition, Bank and other loans of approximately RMB148.2 million were secured by a deposit of RMB160 million which was classified as "Pledged bank deposits" as at 30 June 2011.

Based on its total equity of RMB1,401.5 million and a deposit collateral of RMB160.0 million, the Group's gearing ratio (total borrowings less deposit collateral / total equity) as at 30 June 2010 was 9.5%.

### Cash Flow Analysis

For 1Q2012, the Group had recorded a cash outflow of RMB3.7 million in operating activities, mainly as a result of an increase in tax paid to settle the corporate income tax and land appreciation tax provided in last financial year.

Net cash from investing activities in 1Q2012 amounted to RMB55.0 million due mainly to the decrease in pledged bank deposits.

Net cash used in financing activities in 1Q2012 amounted to RMB23.3 million mainly due to repayment of bank and other loans.

As at 30 June 2011, the Group had cash and cash equivalents of RMB251.0 million, comprising cash and bank balances of RMB197.0 million and time deposits with maturity of less than three months of RMB54.0 million.

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

No forecast or prospect statement has been previously disclosed to shareholders.

**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**

Property prices in the PRC experienced some moderation as market cooling measures and policies kicked in, reported the China Daily on 19 July 2011. PropertyWire reported on 2 August 2011 that measures aimed at cooling China's residential real estate market appear to be working as property prices increased at their slowest pace for 11 months in July 2011.

The PRC State Council had announced in July 2011 its intention to extend restrictions on home purchases from major cities to smaller ones to tackle escalating property prices. Nevertheless, property prices in smaller Chinese cities are holding strong. PropertyWire reported that rising property prices is still prevalent among smaller cities, quoting figures from the National Bureau of Statistics.

The Group believes that while the PRC government intends to cool the market, it also has to be mindful of the need to maintain sustainability as the real estate sector is a major driver of economic growth. The Group believes that the property market in Tier 2 and 3 cities which the Group is targeting at is likely to remain strong, albeit growing at a slower rate.

**Company Update**

**Property Pre-sales**

The pre-sales activity for the Group's projects in Nanchang, Huzhou, and Fuzhou cities remained strong. Results of Property Pre-sale Launches (as at 31 July 2011) are summarized in the tables below:

**Residential Units**

	Nanchang Honggu Kaixuan Phase 2	Hua Cui Ting Yuan Phase 1	Fuzhou Hua Cui Ting Yuan Phase 1
Est. total GFA released for sale (total units)	115,000 sq m (1,003 units)	44,006 sq m (184 units)	68,290 sq m (452 units)
Est. total GFA pre-sold (total units)	112,505 sq m (988 units)	36,801 sq m (149 units)	38,815 sq m (264 units)
Percentage of pre-sold	98%	84%	57%
Pre-sale GFA (units pre-sold) not handed over to buyer as at 30 June 2011 ^	31,863 sq m (345 units)	1,209 sq m (5 units)	38,815 sq m (264 units)
Pre-sale value not handed over to buyer as at 30 June 2011 ^	RMB224.3 m	RMB8.4 m	RMB188.9 m
ASP per sq m*	RMB7,039	RMB6,907	RMB4,867

**Commercial Units**

	Nanchang Honggu Kaixuan Phase 1 and 2
Est. total GFA released for sale	14,385 sq m
Est. total GFA pre-sold	11,030 sq m
Percentage of pre-sold	77%
Pre-sale GFA not handed over to buyer as at 30 June 2011 <sup>^</sup>	6,085 sq m
Pre-sale value not handed over to buyer as at 30 June 2011 <sup>^</sup>	RMB105.2m
ASP per sq m <sup>*</sup>	RMB17,287

\*: Average Sales Price (“ASP”) of the projects is computed as follows: Pre-sale value not handed over to buyer divided by Pre-sale GFA not handed over to buyer.

<sup>^</sup>: Pre-sale value not handed over to buyer is computed as follows: Beginning period pre-sales plus New pre-sales during the period less those handed over to buyers during period (Recognized as sales during period).

**Company Strategies**

The Group intends to quicken its pace of property development in the next few years, having built up its land bank over the past few years.

It will intensify its sales and pre-sales of existing properties, maintain financial prudence and a strong cash and credit position, and continue to seek opportunities to acquire land parcels at low cost through acquisitions or joint ventures.

Management will continue to monitor the property market closely, in particular, any new measures by the PRC government. It will pay particular attention to timing the sales launches of residential and commercial properties well to secure healthy profit margins.

**11. Dividend**

**(a) Current Financial Period Reported On**

NIL

**(b) Corresponding Period of the Immediately Preceding Financial Year**

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

NIL

**(c) Date payable**

Not applicable

**(d) Books closure date**

Not applicable



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

No dividend has been declared or recommended for the financial period ended 30 June 2011.

BY ORDER OF THE BOARD

Wong Lam Ping

Chairman

11 August 2011

**NEGATIVE ASSURANCE CONFIRMATION**

**Statement by Directors pursuant to SGX Listing Rule 705(4)**

We confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of Pan Hong Property Group Limited which may render these interim financial results for the quarter ended 30 June 2011 to be false or misleading in any material aspect.

For and on behalf of the  
Board of Directors of  
Pan Hong Property Group Limited

Wong Lam Ping  
Executive Chairman

Chan Chun Kit  
Executive Director

Date: 11 August 2011