

PAN HONG PROPERTY GROUP LIMITED

(Incorporated in Bermuda on 20 December 2005)

(Co. Reg. No: 37749)

2nd QUARTER FINANCIAL STATEMENT ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

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

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

RMB'000	Group					
	3 months ended	3 months ended	Increase/	6 months ended	6 months ended	Increase/
	30/9/2010	30/9/2009	(Decrease)	30/9/2010	30/9/2009	(Decrease)
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Revenue	115,234	12,580	816.0%	203,408	36,417	458.6%
Cost of Sales	(80,208)	(7,199)	1014.2%	(136,461)	(24,846)	449.2%
Gross Profit	35,026	5,381	550.9%	66,947	11,571	478.6%
Other income and gains	8,994	25,232	(64.4%)	7,449	38,714	(80.8%)
Selling expenses	(4,988)	(1,233)	304.5%	(5,769)	(3,785)	52.4%
Administrative expenses	(3,868)	(3,078)	25.7%	(8,754)	(7,296)	20.0%
Other operating expenses	(420)	(202)	107.9%	(1,502)	(225)	567.6%
Operating profit	34,744	26,100	33.1%	58,371	38,979	49.7%
Finance costs	(2,054)	(761)	169.9%	(2,743)	(2,372)	15.6%
Share of result of jointly controlled entity	(498)	65	(866.2%)	(513)	(215)	138.6%
Profit before income tax	32,192	25,404	26.7%	55,115	36,392	51.4%
Income tax expenses	(9,240)	(1,599)	477.9%	(19,089)	(2,362)	708.2%
Profit for the period	22,952	23,805	(3.6%)	36,026	34,030	5.9%
Other comprehensive income/(loss)						
Exchange differences on translation of financial statements of foreign operations	2,678	(3,492)	176.7%	3,891	(3,480)	211.8%
Total comprehensive income for the period	<u>25,630</u>	<u>20,313</u>	26.2%	<u>39,917</u>	<u>30,550</u>	30.7%
Profit for the period attributable to:						
Owners of the Company	22,864	23,678	(3.4%)	35,908	33,913	5.9%
Minority interests	88	127	(30.7%)	118	117	0.9%
	<u>22,952</u>	<u>23,805</u>	(3.6%)	<u>36,026</u>	<u>34,030</u>	5.9%
Total comprehensive income attributable to:						
Owners of the Company	25,542	20,186	26.5%	39,799	30,433	30.8%
Minority interests	88	127	(30.7%)	118	117	0.9%
	<u>25,630</u>	<u>20,313</u>	26.2%	<u>39,917</u>	<u>30,550</u>	30.7%
Earnings per share for profit attributable to the owners of the Company during the period (in RMB cents):						
- Basis	4.43	4.74	(6.5%)	6.95	6.85	1.5%
- Diluted	N/A	N/A	NM	N/A	N/A	NM

NM: Not Meaningful

RMB'000	Group			
	3 months ended 30/09/2010 (Unaudited)	3 months ended 30/09/2009 (Unaudited)	6 months ended 30/09/2010 (Unaudited)	6 months ended 30/09/2009 (Unaudited)
Profit before income tax is arrived at after charging/(crediting):				
Finance costs wholly repayable within five year				
- Bank loans	4,123	3,132	7,569	8,053
- Other loans	1	383	225	687
Less: amount capitalised in properties held under development	(2,070)	(2,754)	(5,051)	(6,368)
	2,054	761	2,743	2,372
Cost of properties held for sale recognised as expense	73,549	6,597	125,344	22,210
Depreciation of property, plant and equipment	147	179	326	335
Less: amount capitalised in properties held under development	(68)	(44)	(135)	(93)
	79	135	191	242
Operating lease charges in respect of land and buildings	30	-	47	-
Less: amount capitalised in properties held under development	(18)	-	(18)	-
	12	-	29	-
Staff costs, including directors' remuneration				
- Wages and salaries	2,163	2,160	3,800	3,307
- Retirement benefit scheme contributions - defined contribution plans	16	15	33	27
Less: amount capitalised in properties held under development	(464)	(536)	(1,008)	(1,002)
	1,715	1,639	2,825	2,332
Net fair value loss of financial assets at fair value through profit or loss	-	-	571	-
and crediting :				
Consultancy fee income	-	-	-	8,600
Compensation income	-	7,000	-	7,000
Government grants	-	7,461	-	7,461
Interest income				
- from bank deposits and cash at banks	3,647	1,755	4,271	2,194
- from other receivable and deposits	-	4,951	-	7,820
Exchange gain	24	-	24	-
Net fair value gain for				
- financial assets at fair value through profit or loss	5,019	3,350	-	4,466
- investment properties	163	-	163	-
Rental income	156	776	2,990	1,172

Note: No fee was paid to the independent auditors for non-audit services during the period under review (2010: NIL)



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

	Group		Company	
	30 September 2010	31 March 2010	30 September 2010	31 March 2010
RMB'000	Unaudited	Audited	Unaudited	Audited
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	7,860	8,201	-	-
Investment properties	58,080	59,227	-	-
Investment properties under construction	49,660	49,436	-	-
Leasehold interest in land	6,730	6,863	-	-
Investments in subsidiaries	-	-	278,608	278,608
Interest in a jointly controlled entity	75,581	134,148	-	-
Interest in an associate	2,931	2,931	-	-
Other receivables	7,000	7,000	-	-
Deferred tax assets	12,177	10,300	-	-
	220,019	278,106	278,608	278,608
Current assets				
Properties held under development	1,300,546	1,118,574	-	-
Properties held for sale	453,039	566,764	-	-
Account receivables	7,710	12,825	-	-
Deposits paid, prepayments and other receivables	33,460	235,131	-	-
Amounts due from related parties	840	805	305,147	323,581
Financial assets at fair value through profit or loss	21,993	18,559	-	-
Pledged bank deposits	181,804	233,490	-	-
Cash and bank balances	180,643	71,176	92	92
	2,180,035	2,257,324	305,239	323,673
Current liabilities				
Account payables	28,341	11,408	-	-
Accruals, receipts in advance and other payables	789,185	879,212	-	24
Provision for tax	106,033	128,911	-	-
Amounts due to related parties	2,074	4,002	8,507	7,969
Amount due to an associate	600	9,100	-	-
Bank and other loans	155,891	207,415	-	-
	1,082,124	1,240,048	8,507	7,993
Net current assets	1,097,911	1,017,276	296,732	315,680
Total assets less current liabilities	1,317,930	1,295,382	575,340	594,288
Non-current liabilities				
Bank and other loans	154,484	154,752	-	-
Deferred tax liabilities	7,538	7,545	-	-
	162,022	162,297	-	-
Net assets	1,155,908	1,133,085	575,340	594,288
EQUITY				
Equity attributable to the Company's owners				
Share capital	313,446	313,446	313,446	313,446
Reserves	620,561	585,211	261,894	268,197
Proposed final dividend	-	12,645	-	12,645
	934,007	911,302	575,340	594,288
Minority interests	221,901	221,783	-	-
Total equity	1,155,908	1,133,085	575,340	594,288



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 30/09/2010		As at 31/03/2010	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
155,891	-	207,415	-

Amount repayable after one year

As at 30/09/2010		As at 31/03/2010	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
154,484	-	154,752	-

Details of any collateral

Bank loans of approximately RMB154,963,000 were secured by the Group's land use rights, including the land classified as "properties held under development" and "leasehold interest in land and building" as at 30 September 2010. Bank and other loans of HKD180,000,000 were secured by a deposit of RMB165,000,000 which was classified as "Pledged bank deposits" as at 30 September 2010.

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

RMB'000	Group			
	3 Months ended	3 Months ended	6 Months ended	6 Months ended
	30/09/2010 (Unaudited)	30/09/2009 (Unaudited)	30/09/2010 (Unaudited)	30/09/2009 (Unaudited)
Cash flows from operating activities				
Profit before income tax	32,192	25,404	55,115	36,392
Adjustments for:				
Interest income	(3,647)	(6,706)	(4,271)	(10,014)
Interest expense	2,054	761	2,743	2,372
Depreciation	79	135	191	242
Net fair value (gain)/loss of financial assets at fair value through profit or loss	(5,019)	(3,350)	571	(4,466)
Fair value adjustment of investment property	(163)	-	(163)	-
Share of loss/(profit) of jointly controlled entity	498	(65)	513	215
Operating profit before working capital change	25,994	16,179	54,699	24,741
(Increase)/Decrease in properties held under development and properties held for sale	(109,630)	(65,537)	(63,061)	(108,799)
Decrease/(Increase) in account and other receivables, prepayments and deposits paid	152,998	(9,960)	206,786	(16,015)
Decrease/(Increase) in amounts due from related parties	416	1	(35)	14,165
(Decrease)/Increase in account and other payables, accruals and receipts in advance	(74,805)	156,824	(73,336)	432,434
Increase/(Decrease) in amounts due to related parties	14	(5)	(10,428)	48
Decrease/(Increase) in pledged bank deposits with original maturity over three months	120,868	(3,472)	120,186	(9,973)
Cash generated from operations	115,855	94,030	234,811	336,601
Interest received	3,647	5,824	4,271	8,064
Income taxes paid	(20,869)	(7,470)	(43,765)	(15,261)
Net cash generated from operating activities	98,633	92,384	195,317	329,404
Cash flows from investing activities				
Purchases of property, plant and equipment	(35)	(777)	(129)	(870)
Additions to investment properties	-	(49,221)	-	(49,221)
Proceeds from disposal of investment properties	1,144	-	1,144	-
Acquisition of subsidiary, net	-	21	-	21
Acquisition of additional interest of a subsidiary from a minority equity holder	-	-	-	(9,610)
Advance to/(Repayment from) a jointly controlled entity	(1,746)	-	58,054	(40,000)
Acquisition of financial assets at fair value through profit or loss	1	(63,747)	(4,005)	(63,710)
Net cash (used in)/generated from investing activities	(636)	(113,724)	55,064	(163,390)
Cash flows from financing activities				
Proceeds from issuance of share capital	-	56,330	-	56,330
Share issue expenses	-	(563)	-	(563)
Repurchase of shares	(939)	(675)	(4,105)	(675)
Dividend paid	(12,989)	-	(12,989)	-
Repayment of borrowings	(33,855)	(62,354)	(47,944)	(92,570)
Interest paid	(4,073)	(4,630)	(7,610)	(8,638)
Net cash used in financing activities	(51,856)	(11,892)	(72,648)	(46,116)
Net increase/(decrease) in cash and cash equivalents	46,141	(33,232)	177,733	119,898
Effect of foreign exchange difference	252	(3,649)	234	(3,646)
Cash and cash equivalents at beginning of the period	299,250	369,147	167,676	216,014
Cash and cash equivalents at end of the period (note)	345,643	332,266	345,643	332,266
Note:				
Analysis of balances of cash and cash equivalents				
Cash and bank balances	180,643	236,666	180,643	236,666
Time deposits with maturity of less than three months	165,000	95,600	165,000	95,600
Cash and cash equivalents	345,643	332,266	345,643	332,266



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											Total equity
	Share capital	Treasury shares	Share premium	Merger reserve	Statutory reserve	Capital reserve	Exchange reserves	Retained earnings	Proposed final dividend	Total	Minority interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 July 2009	298,164	-	153,080	(2,243)	4,278	3,838	(7,237)	244,918	-	694,798	51,044	745,842
Issue of shares on placement	12,607	-	43,160	-	-	-	-	-	-	55,767	-	55,767
Acquisition of a subsidiary	-	-	9,483	-	-	-	-	-	-	9,483	-	9,483
Purchase of treasury shares	-	(675)	-	-	-	-	-	-	-	(675)	-	(675)
Transactions with owners	12,607	(675)	52,643	-	-	-	-	-	-	64,575	-	64,575
Profit for the period	-	-	-	-	-	-	-	23,678	-	23,678	127	23,805
Other comprehensive income												
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	(3,492)	-	-	(3,492)	-	(3,492)
Total comprehensive income for the period	-	-	-	-	-	-	(3,492)	23,678	-	20,186	127	20,313
At 30 September 2009	310,771	(675)	205,723	(2,243)	4,278	3,838	(10,729)	268,596	-	779,559	51,171	830,730
At 1 July 2010	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
Purchase of treasury shares	-	(939)	-	-	-	-	-	-	-	(939)	-	(939)
2010 dividend paid during the period	-	-	-	-	-	-	-	-	(12,989)	(12,989)	-	(12,989)
Reduction in dividends paid due to purchased treasury shares	-	-	-	-	-	-	-	42	(42)	-	-	-
Currency effects of dividends proposed and paid	-	-	-	-	-	-	-	(386)	386	-	-	-
Transactions with owners	-	(939)	-	-	-	-	-	(344)	(12,645)	(13,928)	-	(13,928)
Profit for the period	-	-	-	-	-	-	-	22,864	-	22,864	88	22,952
Other comprehensive income												
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	2,678	-	-	2,678	-	2,678
Total comprehensive income for the period	-	-	-	-	-	-	2,678	22,864	-	25,542	88	25,630
At 30 September 2010	313,446	(7,680)	203,250	(2,243)	25,617	3,838	(9,823)	407,602	-	934,007	221,901	1,155,908

Company	Share capital	Treasury shares	Share premium	Contributed surplus	Retained earnings	Proposed final dividend	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 July 2009	298,164	-	153,080	59,579	5,439	-	516,262
Loss for the period	-	-	-	-	(855)	-	(855)
Issue of shares on placement	12,607	-	43,160	-	-	-	55,767
Acquisition of a subsidiary	-	-	9,483	-	-	-	9,483
Purchase of treasury shares	-	(675)	-	-	-	-	(675)
At 30 September 2009	310,771	(675)	205,723	59,579	4,584	-	579,982
At 1 July 2010	313,446	(6,741)	203,250	59,579	7,685	12,645	589,864
Loss for the period	-	-	-	-	(596)	-	(596)
Purchase of treasury shares	-	(939)	-	-	-	-	(939)
2010 dividend paid during the period	-	-	-	-	-	(12,989)	(12,989)
Reduction in dividends paid due to purchased treasury shares	-	-	-	-	42	(42)	-
Currency effects of dividends proposed and paid	-	-	-	-	(386)	386	-
At 30 September 2010	313,446	(7,680)	203,250	59,579	6,745	-	575,340

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.

Date	Particulars	Number of shares		Amount	
		Issued share capital	Treasury share	Share capital RMB'000	Treasury share RMB'000
01 April 2010	Balance at beginning of the period	518,855,024	(1,480,000)	313,446	(3,575)
27 May 2010	Share buy back - held as treasury	-	(413,000)	-	(1,013)
31 May 2010	Share buy back - held as treasury	-	(300,000)	-	(741)
01 June 2010	Share buy back - held as treasury	-	(239,000)	-	(589)
02 June 2010	Share buy back - held as treasury	-	(70,000)	-	(171)
04 June 2010	Share buy back - held as treasury	-	(240,000)	-	(578)
21 June 2010	Share buy back - held as treasury	-	(30,000)	-	(74)
02 July 2010	Share buy back - held as treasury	-	(140,000)	-	(311)
06 July 2010	Share buy back - held as treasury	-	(156,000)	-	(361)
07 July 2010	Share buy back - held as treasury	-	(85,000)	-	(197)
09 July 2010	Share buy back - held as treasury	-	(30,000)	-	(70)
30 September 2010	Balance at end of the period	<u>518,855,024</u>	<u>(3,183,000)</u>	<u>313,446</u>	<u>(7,680)</u>

During the financial period, the Company purchased 1,703,000 (6 months ended 30 September 2009: 361,000) of its issued ordinary shares by way of on-market purchases at share prices ranging from S\$0.505 to S\$0.450 (6 months ended 30 September 2009: S\$0.385 to S\$0.395).

WARRANTS

As at 30 September 2010, there were 155,506,206 warrants (30 September 2009: NIL) 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 September 2010 was 518,855,024 (31 March 2010: 518,855,024), of which 3,183,000 (31 March 2010: 1,480,000) 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.

The movement of treasury shares is as follows:

As at 01 April 2010	: 1,480,000 shares
Purchase of treasury shares	: 1,703,000 shares
As at 30 September 2010	: 3,183,000 shares

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.

Except as disclosed in paragraph 5 below, the Group has 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 period ended 31 March 2010.

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 2010. The adoption of these new and amended IFRSs did not give rise to significant change to the financial statements.

6. Profit 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.

	Group			
	3 Months ended 30/9/2010	3 Months ended 30/9/2009	6 Months ended 30/9/2010	6 Months ended 30/9/2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit per ordinary share (in RMB cents):				
(a) Basic	4.43	4.74	6.95	6.85
(b) Diluted	NA	NA	NA	NA

Note:

The calculation of basic earnings per share was based on the profit attributable to equity holders of the Company of approximately RMB22,864,000 for the 3 months ended 30 September 2010 (3 months ended 30 September 2009: RMB23,678,000) and RMB35,908,000 for the 6 months ended 30 September 2009 (6 months ended 30 September 2009 : RMB33,913,000) divided by weighted average of 515,690,000 ordinary shares (excluding treasury shares) for the 3 months ended 30 September 2009 (3 months ended 30 September 2009 : 499,560,000) and weighted average of 516,315,000 ordinary share (excluding treasury shares) for the 6 months ended 30 September 2010 (6 months ended 30 September 2009 : 494,806,000).

Diluted earning per share for the periods are not presented as there is no dilutive potential share (6 month ended 30 June 2009: 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 30/09/2010	As at 31/03/2010	As at 30/09/2010	As at 31/03/2010
Net asset value per ordinary share (in RMB cents)	224.16	219.01	111.57	114.87

Note:

The number of ordinary shares of the Company as at 30 September 2010 was 515,672,024 (excluding treasury shares) (31 March 2010: 517,375,024).

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 SEPTEMBER 2010 ("2Q2011") COMPARED TO THE PREVIOUS CORRESPONDING QUARTER ENDED 30 SEPTEMBER 2010 ("2Q2010")

	Group		Group	
	3 Month ended 30/9/2010	3 Month ended 30/9/2009	6 Month ended 30/9/2010	6 Month ended 30/9/2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue (RMB'000)				
Residential	105,803	9,530	193,728	27,388
Commercial and others	9,431	3,050	9,680	9,029
	115,234	12,580	203,408	36,417

Revenue

Group revenue for the three months ended 30 September 2010 ("2Q2011") was RMB115.2 million compared to RMB12.6 million in the previous corresponding period ("2Q2010"), an increase of 816.0%.

The substantially higher revenue in 2Q2011 was due mainly to the sales of a higher number of residential units and car part lots in Hangzhou Liyang Yuan (杭州兩陽苑) and residential units of Nanchang Honggu Kaixuan Phase 2 (南昌紅谷凱旋二期). These higher number of units sold were realized from the pre-sold units in previous quarters as and when units were handed over to the buyers.

For the 3 months ended 30 September 2010, the Group sold 44 of 222 units at Hangzhou Liyang Yuan and 99 of 844 units at Nanchang Honggu Kaixuan Phase 2.

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

In line with revenue growth, cost of sales increased substantially from RMB7.2 million in 2Q2010 to RMB80.2 million in 2Q2011. Gross profit margin in 2Q2011 was 30.4% while gross profit margin in 2Q2010 was 42.8%. The lower gross profit margin in 2Q2011 was due mainly to the sale of car park lots at Hangzhou Liyang Yuan which affected gross margin.

Other Income and Gains

Other income and gains decreased 64.4% from RMB25.2 million in 2Q2010 to RMB9.0 million in 2Q2011. The higher other income and gains in 2Q2010 was due to the compensation income and government grants received in that period. The Group recorded a fair value gain on financial assets of RMB5.0 million in 2Q2011. This fair value gain was due mainly to the revaluation of the A Shares in the PRC in which the Group has invested. The Group's investment in the A Shares is subject to revaluation. Any gain or loss is dependent on the movement of the share price of the shares determined at the end of each financial period under review.

Selling Expenses

Selling expenses increased 304.5% from RMB1.2 million in 2Q2010 to RMB5.0 million in 2Q2011. This increase was mainly attributed to the higher sales agency fees and advertising & promotional (A&P) expenses in the launches that were completed in previous quarters.

Administrative Expenses

In line with the growth in revenue, administrative expenses increased from RMB3.1 million in 2Q2010 to RMB3.9 million

Other Operating Expenses

Other operating expenses increased from RMB0.2 million in 2Q2010 to RMB0.4 million in 2Q2011. The increase was due mainly to the Group's donation in Jiangxi Province.

Finance Costs

Finance costs increased from RMB0.8 million in 2Q2010 to RMB2.1 million in 2Q2011 due to the increase in borrowings.

Profit for the Year

Higher revenue contributed to the Group's profit before tax of RMB32.2 million in 2Q2011, an improvement of 26.7% from RMB25.4 million in 2Q2010.

Income tax expense increased from RMB1.6 million in 2Q2010 to RMB9.2 million in 2Q2011. The substantially higher income tax is due to the PRC corporate income tax and Land Appreciation Tax (LAT) provision arising from the higher revenue.

The higher tax resulted in a lower profit after income tax of RMB23.0 million in 2Q2011, a dip of 3.6% from RMB23.8 million in 2Q2010.

(b) Review of Financial Position as at 30 September 2010 and Cash Flow for 2Q2011

Investment Properties

As at 30 September 2010, the Group had investment properties of RMB107.7 million comprising properties completed at fair value and under construction, maintaining a similar level as at 31 March 2010.

Interests in a Jointly Controlled Entity

Interest in a jointly controlled entity decreased from RMB134.1 million as at 31 March 2010 to RMB75.6 million as at 30 September 2010 due mainly to the repayment of an advance of RMB58.1 million from the jointly controlled entity to the Group.

Interests in Associates

The Group's interests in associates of RMB2.9 million as at 30 September 2010 remain unchanged compared 31 March 2010. These interests were the Group's capital injection in an associated company, Pinghu City Pan Hong Port Limited, which is held by the Group's subsidiary Pinghu Jiahai Warehousing Limited ("Jiahai Company") and Pinghu City Dushan Port Investments Limited (a wholly state-owned enterprise in the PRC) in the ratio of 30% and 70% respectively. This was announced via SGXNET on 30 June 2009.

Jiahai Company has signed an Agreement on 01 November 2010 with Pinghu City Dushan Port Development Management Committee to withdraw from the Warehousing Project. Pursuant to the Agreement, Jiahai Company would return the warehousing land parcels previously acquired from the PRC government and in return, Jiahai Company would be compensated with an amount of RMB 74.0 million. This compensation amount includes the cost incurred by the Group in the purchase of the warehousing land parcels. Details of this withdrawal from the Warehousing Project were announced via SGXNET on 2 November 2010.

Properties Held Under Development

As at 30 September 2010, the Group's properties held under development increased to RMB1.3 billion from RMB1.1 billion as at 31 March 2010. The increase was in tandem with the construction progress of the Group's property projects during the six months ended 30 September 2010 ("1H2011") which include land cost of the Fuzhou project and commercial units of Nanchang Honggu Kaixuan Phase 2.

Properties Held for Sale

Properties held for sale decreased from RMB566.8 million as at 31 March 2010 to RMB453.0 million as at 30 September 2010 due mainly to property units recognized as revenue during the quarter for the projects of Nanchang Honggu Kaixuan Phase 2 and Hangzhou Liyang Yuan.

Deposits, Prepayments and Other Receivables

As at 31 March 2010, the Group's deposits, prepayments and other receivables was RMB235.1 million, compared to RMB33.5 million as at 30 September 2010. The property cost of the land parcel of Fuzhou project was previously classified under prepayment as the Fuzhou project has not received the Land Certificate. Now that the Land Certificate has been obtained, the land cost of Fuzhou project is reclassified as property held under development.

Accounts Payables, Accruals, Receipts in Advance and Other Payables

Accounts payables increased to RMB28.3 million as at 30 September 2010 from RMB11.4 million as at 31 March 2010 due to higher number of property projects which were nearing completion. The accounts payables comprised mainly of amounts payable to suppliers for construction cost incurred in respect of the Group's properties under development.

Accruals, receipts in advance and other payables decreased to RMB789.2 million as at 30 September 2010 from RMB879.2 million as at 31 March 2010. Accruals, receipts in advance and other payables comprise mainly of the advance receipts in advance from 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 September 2010.

Bank and Other Loans

As at 30 September 2010, the Group had total borrowings of RMB310.4 million, a decrease from RMB362.2 million as at 31 March 2010 due mainly to repayment of borrowing. Of these borrowings as at 30 September 2010, a bank loan of HKD180.0 million was secured by a deposit of RMB165.0 million which was classified as "Pledged bank deposit" as at 30 September 2010.

Based on its total equity of RMB1,155.9 million and a deposit collateral of RMB165.0 million, the Group's gearing ratio (total borrowings less deposit collateral / total equity) as at 30 June 2010 was 12.6%, an improvement from 13.7% as at 31 March 2010.

Cash Flow Analysis

During 2Q2011, the Group recorded a cash inflow of RMB98.6 million from its operating activities, as a result of a decrease in pledged bank deposits with original maturity over three months.

Net cash used in investing activities in 2Q2011 amounted to RMB0.6 million due mainly to repayment of the advance to a jointly controlled entity.

Net cash used in financing activities in 2Q2011 amounted to RMB51.9 million due mainly to repayment of borrowings.

As at 30 September 2010, the Group had cash and cash equivalents of RMB345.6 million, comprising cash and bank balances of RMB180.6 million and time deposits with maturity of less than three months of RMB165.0 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

The PRC Central Government continued its effort to curb property price growth. On 25 October 2010 during the General Conference of the State Council, PRC Prime Minister Wen Jiabao reiterated the Central Government's priorities and emphasis in ensuring the stability of the property market, preventing runaway property price growth, and increasing social housing construction.

The Group believes that the impact of such property market cooling measures would be more psychological rather than financial. Supported by concrete demand of housing from the urbanization of Tier 2 and 3 cities, property markets in these cities are less affected by such measures.

The Group continued its strategy to focus on these lower tier cities and shifted its attention towards commercial property development and sales early in this financial year. The Group expects residential property market to remain subdued till early CY2011.

Company Update

Property Pre-sales

The pre-sales activity for the Group's projects in Nanchang, Huzhou and Hangzhou cities remained strong. Results of Property Pre-sale Launches (as at 31 Oct 2010) are summarized in the table below:

	Nanchang Honggu Kaixuan Phase 2	Hangzhou Liyang Yuan	Hua Cui Ting Yuan Phase 1
Est. completion date	1QCY 2010	1QCY 2010	3QCY 2010
Est. total GFA released for sale (total units)	115,000 sq m (1,003 units)	25,000 sq m (226 units)	42,600 sq m (178 units)
Est. total GFA pre-sold (total units)	108,451 (939 units)	24,461 (222 units)	24,256 (103 units)
Percentage of pre-sold	94%	98%	57%
Pre-sale GFA (units pre-sold) not handed over to buyer as at 31 Oct 2010 ^	60,801 sq m (565 units)	528 sq m (4 units)	24,256 sq m (103 units)
Pre-sale value not handed over to buyer as at 31 Oct 2010 ^	RMB 368.7 m	RMB 4.9 m	RMB 173.2 m
ASP per sqm*	RMB5,300 to RMB6,000	RMB9,600 to RMB10,300	RMB6,000 to RMB10,600

*: There are several factors affecting the Average Sales Price ("ASP") of the projects, for example, the height of the unit, the direction the unit is facing, the size of the unit and the time of launch of the unit. The range of ASP for Hua Cui Ting Yuan Phase 1 is wide because there are different types of units in this project, such as terrace houses and courtyard houses.

^: 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).

The table below summarizes the pre-sales figures for the current period for commercial properties:

Project	Est. GFA (pre-sale)	Est. Pre-sales
Huzhou Liyang Jingyuan Phase 2	9,755 sq m	RMB95.8 m
Nanchang Honggu Kaixuan Phase 1 and Phase 2	3,880 sq m	RMB95.1 m

Note: GFA figures above are estimated. During pre-sale, the GFA figure can only be estimated. The actual GFA figures are computed by surveyors only after units are handed over to buyers.

Company Strategies

The Group will continue to seek strategic land parcels at low cost through acquisitions or joint ventures to further strengthen its land bank. The Group will also intensify the sales and pre-sales of existing properties, maintain financial prudence and a strong cash and credit position. In the short term, the Group will focus on sale of commercial property.

In the first half of this financial year, the Group has commenced construction on Yichun Project Phase I with an estimated GFA of 122,341 sq m and Fuzhou Project Phase I with an estimated GFA of 85,000 sq m.

By end-CY2010, the Group expects to launch about 10,000 sq m of penthouses and apartments of the Fuzhou Project Phase 1.

In the second half of this financial year, the Group plans to commence construction on Huzhou Runyuan Project Phase I with an estimated GFA of 100,000 sq m and Nanchang Dingxun Project Phase I with an estimated GFA of 200,000 sq m.

Company outlook

Astute timing of the launch of most of the Group's residential properties in the early part of CY2011 has enabled the Group to secure healthy profit margins for its residential projects. The Management's present focus on the sale of commercial units rides on the strength of the demand for such properties. Management will continue to monitor market developments and strategise carefully amid a very challenging operating environment.

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 September 2010.

BY ORDER OF THE BOARD

Wong Lam Ping
Chairman
09 November 2010

NEGATIVE ASSURANCE CONFIRMATION

Statement by Directors pursuant to SGX Listing Rule 705(5)

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 September 2010 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 Heung Ling
Deputy Chairman

Date: 09 November 2010