

PAN HONG PROPERTY GROUP LIMITED

(Incorporated in Bermuda on 20 December 2005)

(Co. Reg. No: 37749)

3rd QUARTER FINANCIAL STATEMENT ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 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 31/12/2010	3 months ended 31/12/2009	Increase/ (Decrease)	9 months ended 31/12/2010	9 months ended 31/12/2009	Increase/ (Decrease)
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Revenue	400,129	86,954	360.2%	603,537	123,371	389.2%
Cost of Sales	(236,315)	(52,900)	346.7%	(372,776)	(77,746)	379.5%
Gross Profit	163,814	34,054	381.0%	230,761	45,625	405.8%
Other income and gains	12,262	42,423	(71.1%)	19,711	81,137	(75.7%)
Selling expenses	(2,443)	(1,266)	93.0%	(8,212)	(5,051)	62.6%
Administrative expenses	(4,185)	(4,719)	(11.3%)	(12,939)	(12,015)	7.7%
Other operating expenses	(1,463)	(1,541)	(5.1%)	(2,965)	(1,766)	67.9%
Operating profit	167,985	68,951	143.6%	226,356	107,930	109.7%
Finance costs	(3,621)	(1,198)	202.3%	(6,364)	(3,570)	78.3%
Share of result of jointly controlled entity	(12)	(180)	(93.3%)	(525)	(395)	32.9%
Share of result of associate	(30)	(14)	114.3%	(30)	(14)	114.3%
Profit before income tax	164,322	67,559	143.2%	219,437	103,951	111.1%
Income tax expenses	(38,967)	(10,275)	279.2%	(58,056)	(12,637)	359.4%
Profit for the period	125,355	57,284	118.8%	161,381	91,314	76.7%
Other comprehensive income						
Exchange differences on translation of financial statements of foreign operations	2,511	(2,301)	209.1%	6,402	(5,781)	210.7%
Total comprehensive income for the period	<u>127,866</u>	<u>54,983</u>	132.6%	<u>167,783</u>	<u>85,533</u>	96.2%
Profit for the period attributable to:						
Owners of the Company	125,198	56,779	120.5%	161,106	90,692	77.6%
Minority interests	157	505	(68.9%)	275	622	(55.8%)
	<u>125,355</u>	<u>57,284</u>	118.8%	<u>161,381</u>	<u>91,314</u>	76.7%
Total comprehensive income attributable to:						
Owners of the Company	127,709	54,478	134.4%	167,508	84,911	97.3%
Minority interests	157	505	(68.9%)	275	622	(55.8%)
	<u>127,866</u>	<u>54,983</u>	132.6%	<u>167,783</u>	<u>85,533</u>	96.2%
Earnings per share for profit attributable to the owners of the Company during the period (in RMB cents):						
- Basis	24.28	10.98	121.1%	31.22	18.06	72.9%
- Diluted	N/A	N/A	NM	N/A	N/A	NM

NM: Not Meaningful

RMB'000	Group			
	3 months ended	3 months ended	9 months ended	9 months ended
	31/12/2010 (Unaudited)	31/12/2009 (Unaudited)	31/12/2010 (Unaudited)	31/12/2009 (Unaudited)
Profit before income tax is arrived at after charging/(crediting):				
Finance costs wholly repayable within five year				
- Bank loans	2,231	3,150	9,800	11,203
- Other loans	4,444	297	4,669	984
Less: amount capitalised in properties held under development	(3,054)	(2,249)	(8,105)	(8,617)
	3,621	1,198	6,364	3,570
Cost of properties held for sale recognised as expense	216,728	48,877	342,072	71,087
Depreciation of property, plant and equipment	216	278	542	613
Less: amount capitalised in properties held under development	(68)	(42)	(203)	(135)
	148	236	339	478
Property, plant and equipment written off	-	11	-	11
Loss on disposal of property, plant and equipment	15	-	15	-
Fair value loss for investment properties	-	1,530	-	1,530
Operating lease charges in respect of land and buildings	11	-	58	-
Less: amount capitalised in properties held under development	-	-	(18)	-
	11	-	40	-
Staff costs, including directors' remuneration				
- Wages and salaries	2,160	1,783	5,960	5,090
- Retirement benefit scheme contributions - defined contribution plans	17	15	50	42
Less: amount capitalised in properties held under development	(888)	(327)	(1,896)	(1,329)
	1,289	1,471	4,114	3,803
and crediting:				
Consultancy fee income	1,741	6,970	1,741	15,570
Interest income				
- from bank deposits and cash at banks	184	1,132	4,455	3,326
- from other receivable and deposits	1,148	1,316	1,148	9,136
Exchange gain	-	3,182	24	3,182
Net fair value gain for				
- financial assets at fair value through profit or loss	7,505	2,910	7,505	7,376
- investment properties	155	-	318	-
Gain on disposal of property, plant and equipment	-	63	-	63
Rental income	1,428	2,373	4,418	3,545
Compensation income	-	24,271	-	31,271
Government grants	-	-	-	7,461

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	
	31 December 2010 Unaudited RMB'000	31 March 2010 Unaudited RMB'000 (Restated)	31 December 2010 Unaudited RMB'000	31 March 2010 Unaudited RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	8,094	8,201	-	-
Investment properties	68,232	59,227	-	-
Investment properties under construction	-	49,436	-	-
Leasehold interest in land	6,623	6,863	-	-
Investments in subsidiaries	-	-	278,608	278,608
Interest in a jointly controlled entity	139,327	134,148	-	-
Interest in an associate	2,901	2,931	-	-
Other receivables	7,000	7,000	-	-
Deferred tax assets	14,158	10,300	-	-
	246,335	278,106	278,608	278,608
Current assets				
Investment properties under construction	49,660	-	-	-
Properties held under development	1,344,998	1,118,574	-	-
Properties held for sale	315,366	566,764	-	-
Account receivables	3,705	12,825	-	-
Deposits paid, prepayments and other receivables	94,075	235,131	2,272	-
Amounts due from related parties	847	805	302,131	323,581
Financial assets at fair value through profit or loss	30,566	18,559	-	-
Pledged bank deposits	210,492	233,490	-	-
Cash and bank balances	186,339	71,176	92	92
	2,236,048	2,257,324	304,495	323,673
Current liabilities				
Account payables	71,709	11,408	-	-
Accruals, receipts in advance and other payables	610,690	879,212	-	24
Provision for tax	137,107	128,911	-	-
Amounts due to related parties	2,246	4,002	8,277	7,969
Amount due to an associate	600	9,100	-	-
Bank and other loans	366,449	362,167	-	-
	1,188,801	1,394,800	8,277	7,993
Net current assets	1,047,247	862,524	296,218	315,680
Total assets less current liabilities	1,293,582	1,140,630	574,826	594,288
Non-current liabilities				
Deferred tax liabilities	9,808	7,545	-	-
	1,283,774	1,133,085	574,826	594,288
EQUITY				
Equity attributable to the Company's owners				
Share capital	313,446	313,446	313,446	313,446
Reserves	748,270	585,211	261,380	268,197
Proposed final dividend	-	12,645	-	12,645
	1,061,716	911,302	574,826	594,288
Minority interests	222,058	221,783	-	-
Total equity	1,283,774	1,133,085	574,826	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 31/12/2010		As at 31/03/2010	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000 (Restated)	RMB'000
306,449	60,000	362,167	-

Amount repayable after one year

As at 31/12/2010		As at 31/03/2010	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000 (Restated)	RMB'000
-	-	-	-

Details of any collateral

Bank loans of approximately RMB154,796,000 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 31 December 2010. Bank and other loans of approximately RMB151,653,000 were secured by a deposit of RMB160,000,000 which was classified as "Pledged bank deposits" as at 31 December 2010.



1(c) A statement of cash flow (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	9 Months ended	9 Months ended
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash flows from operating activities				
Profit before income tax	164,322	67,559	219,437	103,951
Adjustments for:				
Interest income	(1,332)	(2,448)	(5,603)	(12,462)
Interest expense	3,621	1,198	6,364	3,570
Depreciation	351	236	542	478
Net fair value gain of financial assets at fair value through profit or loss	(8,076)	(2,910)	(7,505)	(7,376)
Fair value adjustment on investment properties	(155)	1,530	(318)	1,530
Loss/(Gain) on disposal of property, plant and equipment	15	(63)	15	(63)
Property, plant and equipment written off	-	11	-	11
Share of loss of jointly controlled entity	12	180	525	395
Share of loss of associates	30	14	30	14
Operating profit/(loss) before working capital change	158,788	65,307	213,487	90,048
Decrease/(Increase) in properties held under development and properties held for sales	85,464	(227,618)	22,403	(336,417)
(Increase)/Decrease in account and other receivables, prepayments and deposits paid	(56,610)	(64,317)	150,176	(80,332)
(Increase)/Decrease in amount due from a related parties, including jointly controlled entity	(7)	-	(42)	14,165
(Decrease)/Increase in account and other payables, accruals and receipts in advance	(135,133)	78,920	(208,469)	511,354
Increase/(Decrease) in amounts due to related parties, including associates	172	8,598	(10,256)	8,646
Increase in pledged bank deposits with original maturity over three months	(193,688)	(9,108)	(73,502)	(19,081)
Cash (used in)/generated from operations	(141,014)	(148,218)	93,797	188,383
Interest received	1,332	1,259	5,603	9,323
Income taxes paid	(7,598)	(6,200)	(51,363)	(21,461)
Net cash (used in)/generated from operating activities	(147,280)	(153,159)	48,037	176,245
Cash flows from investing activities				
Purchases of property, plant and equipment	(596)	(695)	(725)	(1,565)
Additions to investment properties	-	(4,209)	-	(53,430)
Proceeds from disposal of				
- property, plant and equipment	17	100	17	100
- investment properties	715	14,300	1,859	14,300
Acquisition of subsidiary, net	-	-	-	21
Acquisition of additional interest in subsidiary from minority equity holder	-	-	-	(9,610)
Investment in an associate	-	(3,000)	-	(3,000)
Advance to a jointly controlled entity	(63,758)	-	(5,704)	(40,000)
Acquisitions of financial assets at fair value through profit or loss	(497)	60,238	(4,502)	(3,472)
Net cash (used in)/generated from investing activities	(64,119)	66,734	(9,055)	(96,656)
Cash flows from financing activities				
Proceeds from issuance of share capital, net of share issue expenses	-	-	-	55,767
Repurchase of share	-	(3,694)	(4,105)	(4,369)
Proceeds from disposal of treasury shares	-	4,572	-	4,572
New borrowings	217,654	247,660	217,654	247,660
Repayment of borrowings	(165,243)	(142,129)	(213,187)	(234,699)
Dividend paid	-	-	(12,989)	-
Interest paid	(6,705)	(8)	(14,315)	(8,646)
Increase in pledged bank deposits	-	(79,244)	-	(79,244)
Net cash (used in)/generated from financing activities	45,706	27,157	(26,942)	(18,959)
Net (decrease)/increase in cash and cash equivalents	(165,693)	(59,268)	12,040	60,630
Effect of foreign exchange difference	6,389	(2,478)	6,623	(6,124)
Cash and cash equivalents at beginning of the period	345,643	236,666	167,676	120,414
Cash and cash equivalents at end of the period	186,339	174,920	186,339	174,920
Note:				
Analysis of balances of cash and cash equivalents				
Cash and bank balances	186,339	174,920	186,339	174,920

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	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
At 1 October 2009	310,771	(675)	205,723	(2,243)	4,278	3,838	(10,729)	268,596	779,559	51,171	830,730
Issue of shares on acquisition of a subsidiary	2,675	-	(2,675)	-	-	-	-	-	-	-	-
Purchases of treasury shares	-	(3,694)	-	-	-	-	-	-	(3,694)	-	(3,694)
Disposal of treasury shares	-	4,369	203	-	-	-	-	-	4,572	-	4,572
Transactions with owners	2,675	675	(2,472)	-	-	-	-	-	878	-	878
Profit for the period	-	-	-	-	-	-	-	56,779	56,779	505	57,284
Other comprehensive income											
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	(2,301)	-	(2,301)	-	(2,301)
Total comprehensive income for the period	-	-	-	-	-	-	(2,301)	56,779	54,478	505	54,983
At 31 December 2009	313,446	-	203,251	(2,243)	4,278	3,838	(13,030)	325,375	834,915	51,676	886,591
At 1 October 2010	313,446	(7,680)	203,250	(2,243)	25,617	3,838	(9,823)	407,602	934,007	221,901	1,155,908
Profit for the period	-	-	-	-	-	-	-	125,198	125,198	157	125,355
Other comprehensive income											
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	2,511	-	2,511	-	2,511
Total comprehensive income for the period	-	-	-	-	-	-	2,511	125,198	127,709	157	127,866
At 31 December 2010	313,446	(7,680)	203,250	(2,243)	25,617	3,838	(7,312)	532,800	1,061,716	222,058	1,283,774

Company	Share capital	Treasury shares	Share premium	Contributed surplus	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 October 2009	310,771	(675)	205,723	59,579	4,584	579,982
Loss for the period	-	-	-	-	(1,031)	(1,031)
Issue of shares on acquisition of a subsidiary	2,675	-	(2,675)	-	-	-
Purchase of treasury shares	-	(3,694)	-	-	-	(3,694)
Disposal of treasury shares	-	4,369	203	-	-	4,572
At 31 December 2009	313,446	-	203,251	59,579	3,553	579,829
At 1 October 2010	313,446	(7,680)	203,250	59,579	6,745	575,340
Loss for the period	-	-	-	-	(514)	(514)
At 31 December 2010	313,446	(7,680)	203,250	59,579	6,231	574,826

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)
31 December 2010	Balance at end of the period	518,855,024	(3,183,000)	313,446	(7,680)

During the financial period, the Company purchased 1,703,000 (9 months ended 31 December 2009: 1,700,000) of its issued ordinary shares by way of on-market purchases at share prices ranging from S\$0.450 to S\$0.505 (9 months ended 31 December 2009: S\$0.385 to S\$0.560).

WARRANTS

As at 31 December 2010, there were 155,506,206 warrants (31 December 2009: 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 31 December 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 31 December 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 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 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 International Financial Reporting Standard Interpretation Committee (the "IFRIC") at its meeting in November 2010 confirmed its conclusion that a liability, which may be callable by the lender at any time without cause (an overriding right of demand), must be classified as a current liability in accordance with paragraph 69(d) of IAS 1 irrespective of the probability that the lender will invoke the clause without cause. In light of the above conclusion of IFRIC meeting, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the statement of financial position. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future. The directors of the Company decided that it is more appropriate to account for and present term loans with this new accounting policy.

The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 April 2009, with consequential reclassification adjustments to comparatives for the year ended 31 March 2010. The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any period presented.

The adoption of these other 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 31/12/2010	3 Months ended 31/12/2009	9 Months ended 31/12/2010	9 Months ended 31/12/2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit per ordinary share (in RMB cents):				
(a) Basic	24.28	10.98	31.22	18.06
(b) Diluted	N/A	N/A	N/A	N/A

Note:

The calculation of basic earnings per share was based on the profit attributable to equity holders of the Company of approximately RMB125,198,000 for the 3 months ended 31 December 2010 (3 months ended 31 December 2009: RMB56,779,000) and RMB161,106,000 for the 9 months ended 31 December 2010 (9 months ended 31 December 2009 : RMB90,692,000) divided by weighted average of 515,672,000 ordinary shares (excluding treasury shares) for the 3 months ended 31 December 2010 (3 months ended 31 December 2009 : 517,228,000) and weighted average of 516,100,000 ordinary share (excluding treasury shares) for the 9 months ended 31 December 2010 (9 months ended 31 December 2009 : 502,307,000).

Diluted earning per share for the periods are not presented as there is no dilutive potential share (9 month ended 31 December 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 31/12/2010	As at 31/03/2010	As at 31/12/2010	As at 31/03/2010
Net asset value per ordinary share (in RMB cents)	248.95	219.01	111.47	114.87

Note:

The number of ordinary shares of the Company as at 31 December 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 31 DECEMBER 2010 ("3Q2011") COMPARED TO THE PREVIOUS CORRESPONDING QUARTER ENDED 31 DECEMBER 2009 ("3Q2010")

	Group		Group	
	3 Month ended 31/12/2010	3 Month ended 31/12/2009	9 Month ended 31/12/2010	9 Month ended 31/12/2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue (RMB'000)				
Residential	333,951	86,188	527,679	113,576
Commercial and others	66,178	766	75,858	9,795
	400,129	86,954	603,537	123,371

Revenue

Group revenue for the three months ended 31 December 2010 ("3Q2011") was RMB400.1 million compared to RMB87.0 million in the previous corresponding period ("3Q2010"), an increase of 360.2%.

The significantly higher revenue in 3Q2011 was due mainly to more residential units sold in Nanchang Honggu Kaixuan Phase 2 (南昌紅谷凱旋二期), Hua Cui Ting Yuan Phase 1 (華萃庭院一期) and Hangzhou Liyang Yuan (杭州麗陽苑) and commercial units sold in Huzhou Liyang Jingyuan Phase 2 (湖州麗陽景苑二期) and Nanchang Honggu Kaixuan. The increase in units sold were realized from the pre-sold units in previous quarters as and when these units were handed over to the buyers.

For the 3 months ended 31 December 2010, the Group sold 222 units of 969 residential units at Nanchang Honggu Kaixuan Phase 2 and 108 units of 148 residential units at Hua Cui Ting Yuan Phase 1. The Group also sold 49 units of 107 commercial units at Huzhou Liyang Jingyuan 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 the increase in revenue, cost of sales increased substantially from RMB52.9 million in 3Q2010 to RMB236.3 million in 3Q2011. Gross profit margin improved from 39.2% in 3Q2010 to 40.9% in 3Q2011. The improvement in gross profit margin was due mainly to the different mix of units sold in 3QFY2011 which comprised proportionately more of commercial units which are of higher gross margin.

Other Income and Gains

Other income and gains decreased 71.1% from RMB42.4 million in 3Q2010 to RMB12.3 million in 3Q2011. The higher other income and gains in 3Q2010 was due to a compensation income of RMB24.3 million during that quarter.

Selling Expenses

Selling expenses increased 93.0% from RMB1.3 million in 3Q2010 to RMB2.4 million in 3Q2011 mainly due to the advertising and promotional expenses incurred in the launch of Fuzhou Hua Cui Ting Yuan Phase 1 (抚州華萃庭院一期).

Administrative Expenses

Administrative expenses decrease 11.3% to RMB 4.2 million in 3Q2011 from 4.7 million 3Q2010. The higher administrative expenses in 3Q2010 was due mainly to legal fee paid during that quarter.

Other Operating Expenses

Other operating expenses maintained at about RMB1.5 million in 3Q2011.

Finance Costs

Finance costs increased from RMB1.2 million in 3Q2010 to RMB3.6 million in 3Q2011 because the interest expenses due to new loans were not capitalized yet.

Profit for the Year

Higher revenue contributed to the Group's profit before tax of RMB164.3 million in 3Q2011, an improvement of 143.2% from RMB67.6 million in 3Q2010.

Income tax expense increased from RMB10.3 million in 3Q2010 to RMB39.0 million in 3Q2011. The substantially higher income tax is due to the higher profit before tax.

Higher revenue contributed to higher profit after income tax, an improvement of 118.8% to RMB125.4 million in 3Q2011 from RMB57.3 million in 3Q2010.

(b) REVIEW OF FINANCIAL POSITION AS AT 31 DECEMBER 2010 AND CASH FLOW FOR 3Q2011

Investment Properties

As at 31 December 2010, the Group had investment properties of RMB117.8 million comprising properties completed at fair value and under construction, an increase of RMB9.2 million compared to that as at 31 March 2010. The increase was due primarily to the inclusion of investment property at Nanchang Honggu Kaixuan, which was partially offset by the sale of certain commercial units at Wuxing Balidian Market (吳興區八里店社區綜合市場).

The Investment property under construction as at 31 December 2010 of RMB49.7 million comprises mainly the project of Jiahai Company. The Group has announced on 2 November 2010 that Jiahai Company will withdraw from the project and will be compensated with an amount of RMB 74.0 million. Jiahai Company has not fully received this compensation amount and the land title has not been transferred yet. When the land title is transferred and the compensation amount fully received, the Group accounts will be updated accordingly.

Interests in a Jointly Controlled Entity

Interest in a jointly controlled entity increased from RMB134.1 million as at 31 March 2010 to RMB139.3 million as at 31 December 2010 due mainly to an advancement of RMB80.0 million to a jointly controlled entity to the Group for the Yichun Project (宜春項目).

Interests in Associates

The Group's interests in associates of RMB2.9 million as at 31 December 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. The Group has also announced on 2 November 2010 on the withdrawal of this project and the agreed compensation amount that Jiahai Company would receive.

Properties Held Under Development

As at 31 December 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 nine months ended 31 December 2010 ("9M2011") which included the land and construction cost of the Fuzhou Hua Cui Ting Yuan Phase 1 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 RMB315.4 million as at 31 December 2010 due mainly to property units recognized as revenue during the quarter under review for the projects of Nanchang Honggu Kaixuan Phase 2, Hua Cui Ting Yuan 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 RMB94.1 million as at 31 December 2010. The cost of the land parcel of Fuzhou Hua Cui Ting Yuan project was previously classified under prepayment as the company had not received the Land Certificate.

Accounts Payables, Accruals, Receipts in Advance and Other Payables

Accounts payables increased to RMB71.7 million as at 31 December 2010 from RMB11.4 million as at 31 March 2010 due to a higher number of property projects were near 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 RMB610.7 million as at 31 December 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 31 December 2010. The decrease in receipts in advance is because part of this amount is realized as sales.

Bank and Other Loans

As at 31 December 2010, the Group had total borrowings of RMB366.4 million, a small increase from RMB362.2 million as at 31 March 2010. Of these borrowings as at 31 December 2010, bank loans totalled about RMB154.8 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 building". In addition, Bank and other loans of approximately RMB151.7 million were secured by a deposit of RMB160 million which was classified as "Pledged bank deposits" as at 31 December 2010.

Based on its total equity of RMB1,283.8 million and a deposit collateral of RMB160.0 million, the Group's gearing ratio (total borrowings less deposit collateral / total equity) as at 31 December 2010 was 16.1%, which is higher than 13.7% as at 31 March 2010. This increase was due to increase in unsecured other loan.

Cash Flow Analysis

During 3Q2011, the Group recorded a cash outflow of RMB147.3 million from its operating activities, mainly as a result of a decrease in receipts in advance as part of this amount is realized as sales as well as decrease in pledged bank deposits with original maturity over three months as the pledged bank deposits for new bank loan is maturity over three months.

Net cash used in investing activities in 3Q2011 amounted to RMB64.1 million due mainly to the advance to a jointly controlled entity.

Net cash generated from financing activities in 3Q2011 amounted to RMB45.7 million. The Group repaid RMB 165.2 million in borrowings, which was offset by proceeds of RMB 217.7 million from new bank borrowings. Approximately RMB 160.0 million was pledged as deposits with banks in 3Q2011 to secure the borrowings.

As at 31 December 2010, the Group had cash and cash equivalents of RMB186.3 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 government continues its effort to cool the property market with its recent eight-point measures, one of which is to introduce a property tax. Another measure is to increase the minimum down payment for second home loans to 60% from the current 50%. The central government has also set mortgage rates for second-home purchases at no less than 110 percent of the national benchmark rates. The State Council has urged regional governments to implement the policies on property purchases and to ban local residents who own two properties from further purchases.

After the announcement of the market cooling measures, Shanghai and Chongqing announced that they would start levying property tax. Shanghai is imposing a property tax of about 0.5% to 0.6% while Chongqing City's property tax is about 0.5% to 1.2%.

The Group believes that imposing a tax on property holdings is unlikely to deter those who are buying for owner occupation. The new property tax measures have also yet to be implemented in the Tier 2 and 3 cities which are the Group's target markets.

The Group observes that most buyers at its property launches are already paying 50% or more in cash. Hence, the requirement for 60% down payment should not significantly affect the demand to purchase its property. Moreover, bank deposit interest rates are low and hence the public is less motivated to keep their savings in the bank and are more inclined to buy their own homes if they can afford it.

Company Update

Property Pre-sales

The pre-sales activity for the Group's projects in Nanchang, Huzhou, Hangzhou and Fuzhou cities remained strong. Results of Property Pre-sale Launches (as at 22 January 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)	26,564 sq m (172 units)
Est. total GFA pre-sold (total units)	110,837 sq m (969 units)	36,447 sq m (148 units)	18,660 sq m (114 units)
Percentage of pre-sold	96%	83%	70%
Pre-sale GFA (units pre-sold) not handed over to buyer as at 31 Dec 2010 ^	35,877 sq m (373 units)	10,720 sq m (40 units)	18,660 sq m (114 units)
Pre-sale value not handed over to buyer as at 31 Dec 2010 ^	RMB244.6 m	RMB81.6 m	RMB96.6 m
ASP per sq m*	RMB5,400 to RMB6,100	RMB6,800 to RMB10,600	RMB5,000 to RMB7,000

Commercial Units

	Nanchang Honggu Kaixuan Phase 1 and 2	Huzhou Liyang Jiangyuan Phase 2
Est. total GFA released for sale (total units)	14,773 sq m	10,590 sq m
Est. total GFA pre-sold (total units)	5,335 sq m	9,824 sq m
Percentage of pre-sold	36%	93%
Pre-sale GFA (units pre-sold) not handed over to buyer as at 31 Dec 2010 ^	4,441 sq m	5,585 sq m
Pre-sale value not handed over to buyer as at 31 Dec 2010 ^	RMB115.6m	RMB58.8m
ASP per sq m	RMB20,000 to RMB50,000	RMB7,000 to RMB30,000

*: 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).

GFA figures are computed by surveyors only after units are handed over to buyers.

Company Strategies

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

The Group will focus its launching of the new project, Fuzhou Hua Cui Ting Yuan Phase 1.

Company Outlook

The management will monitor the property market closely in respect of the PRC government continued efforts in cooling the market. The Group will stay nimble and astute in timing its launches of sales of residential and commercial properties 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 31 December 2010.

BY ORDER OF THE BOARD

Wong Lam Ping
Chairman
28 January 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 31 December 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: 28 January 2011