

PAN HONG PROPERTY GROUP LIMITED

(Incorporated in Bermuda on 20 December 2005)

(Co. Reg. No: 37749)

1st QUARTER FINANCIAL STATEMENT ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2010

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 30/06/2010 (Unaudited)	3 months ended 30/06/2009 (Unaudited)	
Revenue	88,174	23,837	269.9%
Cost of Sales	(56,253)	(17,647)	218.8%
Gross Profit	31,921	6,190	415.7%
Other income and gains	3,474	13,482	(74.2%)
Selling expenses	(781)	(2,552)	(69.4%)
Administrative expenses	(4,886)	(4,218)	15.8%
Other operating expenses	(6,101)	(23)	26426.1%
Operating profit	23,627	12,879	83.5%
Finance costs	(689)	(1,611)	(57.2%)
Share of loss of a jointly controlled entity	(15)	(280)	(94.6%)
Profit before income tax	22,923	10,988	108.6%
Income tax expense	(9,849)	(763)	1190.8%
Profit for the period	13,074	10,225	27.9%
Other comprehensive income			
Exchange differences on translation of financial statements of foreign operations	1,213	12	10008.3%
Total comprehensive income for the period	14,287	10,237	39.6%
Profit for the period attributable to:			
Owners of the Company	13,044	10,235	27.4%
Minority interests	30	(10)	400.0%
	13,074	10,225	27.9%
Total comprehensive income attributable to:			
Owners of the Company	14,257	10,247	39.1%
Minority interests	30	(10)	400.0%
	14,287	10,237	39.6%
Earnings per share for profit attributable to the owners of the Company during the period (in RMB cents):			
- Basis	2.52	2.09	20.6%
- Diluted	N/A	N/A	NM

NM: Not Meaningful

Note:

RMB'000	Group	
	3 months ended 30/06/2010 (Unaudited)	3 months ended 30/06/2009 (Unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Finance costs wholly repayable within five year		
- Bank loans	3,446	4,921
- Other loans	224	304
Less: amount capitalised in properties held under development	(2,981)	(3,614)
	689	1,611
Cost of properties held for sale recognised as expense	51,795	15,613
Depreciation of property, plant and equipment	179	156
Less: amount capitalised in properties held under development	(67)	(49)
	112	107
Operating lease charge in respect of land and buildings	17	-
Staff costs, including directors' remuneration		
- Wages and salaries	1,637	1,147
- Retirement benefit scheme contributions - defined contribution plans	17	12
Less: amount capitalised in properties held under development	(544)	(466)
	1,110	693
Net fair value loss of financial assets at fair value through profit or loss	5,590	-
and crediting :		
Other income and gains		
Consultancy fee income	-	8,600
Interest income		
- from bank deposits and cash at banks	624	439
- from other receivable and deposits	-	2,869
Net fair value gain of financial assets at fair value through profit or loss	-	1,116
Rental income	2,834	396

Note: There are no non-audit fee incurred during the year under review. (3 months ended 30 June 2009: NIL)



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

	Group		Company	
	30 June 2010 Unaudited	31 March 2010 Audited	30 June 2010 Unaudited	31 March 2010 Audited
RMB'000				
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	8,067	8,201	-	-
Investment properties	59,227	59,227	-	-
Investment properties under construction	49,436	49,436	-	-
Leasehold interest in land	6,818	6,863	-	-
Investments in subsidiaries	-	-	278,608	278,608
Interest in a jointly controlled entity	74,333	134,148	-	-
Interest in an associate	2,931	2,931	-	-
Other receivables	7,000	7,000	-	-
Deferred tax assets	12,040	10,300	-	-
	219,852	278,106	278,608	278,608
Current assets				
Properties held under development	1,128,611	1,118,574	-	-
Properties held for sale	513,206	566,764	-	-
Account receivables	7,620	12,825	-	-
Deposits paid, prepayments and other receivables	186,548	235,131	-	-
Amounts due from related parties	1,256	805	319,643	323,581
Financial assets at fair value through profit or loss	16,975	18,559	-	-
Pledged bank deposits	234,172	233,490	-	-
Cash and bank balances	202,750	71,176	92	92
	2,291,138	2,257,324	319,735	323,673
Current liabilities				
Account payables	31,304	11,408	-	-
Accruals, receipts in advance and other payables	860,918	879,212	16	24
Provision for tax	116,659	128,911	-	-
Amounts due to related parties	2,060	4,002	8,463	7,969
Amount due to an associate	600	9,100	-	-
Bank and other loans	192,141	207,415	-	-
	1,203,682	1,240,048	8,479	7,993
Net current assets	1,087,456	1,017,276	311,256	315,680
Total assets less current liabilities	1,307,308	1,295,382	589,864	594,288
Non-current liabilities				
Bank and other loans	154,632	154,752	-	-
Deferred tax liabilities	8,470	7,545	-	-
	163,102	162,297	-	-
Net assets	1,144,206	1,133,085	589,864	594,288
EQUITY				
Equity attributable to the Company's owners				
Share capital	313,446	313,446	313,446	313,446
Reserves	596,302	585,211	263,773	268,197
Proposed final dividend	12,645	12,645	12,645	12,645
	922,393	911,302	589,864	594,288
Minority interests	221,813	221,783	-	-
Total equity	1,144,206	1,133,085	589,864	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 30/06/2010		As at 31/03/2010	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
192,141	-	207,415	-

Amount repayable after one year

As at 30/06/2010		As at 31/03/2010	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
154,632	-	154,752	-

Details of any collateral

Bank loans of approximately RMB155,117,000 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 June 2010. Bank and other loans of approximately HKD219,110,000 were secured by a deposit of RMB207,500,000 which was classified as "Pledged bank deposits" as at 30 June 2010.

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 30/06/2010 (Unaudited)	3 Months ended 30/06/2009 (Unaudited)
Cash flows from operating activities		
Profit before income tax	22,923	10,988
Adjustments for:		
Interest income	(624)	(3,308)
Interest expense	689	1,611
Depreciation	112	107
Net fair value loss/(gain) of financial assets at fair value through profit or loss	5,590	(1,116)
Share of loss of of a jointly controlled entity	15	280
Operating profit before working capital change	28,705	8,562
Decrease/(increase) in properties held under development and properties held for sale	46,569	(43,262)
Decrease/(increase) in account and other receivables, prepayments and deposits paid	53,788	(6,055)
(Increase)/decrease in amounts due from related parties	(451)	14,164
Increase in account and other payables, accruals and receipts in advance	1,469	275,610
(Decrease)/increase in amounts due to related parties and an associate	(10,442)	53
Increase in pledged bank deposits	(682)	(6,501)
Cash generated from operations	118,956	242,571
Interest received	624	2,240
Income taxes paid	(22,896)	(7,791)
Net cash generated from operating activities	96,684	237,020
Cash flows from investing activities		
Purchases of property, plant and equipment	(94)	(93)
Acquisition of additional interest of a subsidiary from a minority equity holder	-	(9,610)
Repayment/(advance) to a jointly controlled entity	59,800	(40,000)
Acquisition of financial assets at fair value through profit or loss, net	(4,006)	37
Net cash generated from/(used in) investing activities	55,700	(49,666)
Cash flows from financing activities		
Repurchase of shares	(3,166)	-
Repayment of borrowings	(14,089)	(30,216)
Interest paid	(3,537)	(4,008)
Net cash used in financing activities	(20,792)	(34,224)
Net increase in cash and cash equivalents	131,592	153,130
Effect of foreign exchange difference	(18)	3
Cash and cash equivalents at beginning of the period	167,676	120,414
Cash and cash equivalents at end of the period	299,250	273,547
Note:		
Analysis of balances of cash and cash equivalents		
Cash and bank balances	202,750	273,547
Time deposits with maturity of less than three months	96,500	-
Cash and cash equivalents	299,250	273,547

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

Group	Equity attributable to equity holders of the Company										Minority interests	Total equity
	Share capital	Treasury shares	Share premium	Merger reserve	Statutory reserve	Capital reserve	Exchange reserves	Retained earnings	Proposed final dividend	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2009	298,164	-	153,080	(2,243)	4,278	3,838	(7,249)	234,683	-	684,551	60,540	745,091
Additional interest in subsidiary	-	-	-	-	-	-	-	-	-	-	(9,486)	(9,486)
Transactions with owners	298,164	-	153,080	(2,243)	4,278	3,838	(7,249)	234,683	-	684,551	51,054	735,605
Profit for the year	-	-	-	-	-	-	-	10,235	-	10,235	(10)	10,225
Other comprehensive income												
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	12	-	-	12	-	12
Total comprehensive income for the period	-	-	-	-	-	-	12	10,235	-	10,247	(10)	10,237
At 30 June 2009	298,164	-	153,080	(2,243)	4,278	3,838	(7,237)	244,918	-	694,798	51,044	745,842
At 1 April 2010	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)
Transactions with owners	313,446	(6,741)	203,250	(2,243)	25,617	3,838	(13,714)	372,038	12,645	908,136	221,783	1,129,919
Profit for the year	-	-	-	-	-	-	-	13,044	-	13,044	30	13,074
Other comprehensive income												
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	1,213	-	-	1,213	-	1,213
Total comprehensive income for the period	-	-	-	-	-	-	1,213	13,044	-	14,257	30	14,287
At 30 June 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

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 April 2009	298,164	-	153,080	59,579	6,606	-	517,429
Loss for the period	-	-	-	-	(1,167)	-	(1,167)
At 30 June 2009	298,164	-	153,080	59,579	5,439	-	516,262
At 1 April 2010	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)
At 30 June 2010	313,446	(6,741)	203,250	59,579	7,685	12,645	589,864

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 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)
30 June 2010	Balance at end of the	<u>518,855,024</u>	<u>(2,772,000)</u>	<u>313,446</u>	<u>(6,741)</u>

For the 3 months ended 30 June 2010, the Company purchased 2,772,000 (3 months ended 30 June 2009: NIL) of its ordinary shares by way of on-market purchases at share prices ranging from S\$0.495 to S\$0.505 (3 months ended 30 June 2009: NIL) and these shares were held as treasury shares.

WARRANTS

As at 30 June 2010, there were 155,506,206 warrants (30 June 2009: NIL) that may 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 2010 was 518,855,024 (30 June 2009: 490,000,000) of which 2,772,000 (30 June 2009: NIL) shares 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	: 1,292,000 shares
As at 30 June 2010	: 2,772,000 shares

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 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 30/6/2010	3 Months ended 30/6/2009
Earning/(Loss) per ordinary share (in RMB cents):	(Unaudited)	(Unaudited)
(a) Basic	2.52	2.09
(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 RMB13,044,000 for the 3 months ended 30 June 2010 (3 months ended 30 June 2009: RMB10,235,000) divided by weighted average of 516,947,000 ordinary shares (excluding treasury shares) (3 months ended 30 June 2009 : the weighted average of 490,000,000 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 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:**
- current financial period reported on; and**
 - immediately preceding financial year.**

	Group		Company	
	As at 30/06/2010	As at 31/03/2010	As at 30/06/2010	As at 31/03/2010
Net asset value per ordinary share (in RMB cents)	221.71	219.01	114.30	114.87

Note:

The number of ordinary shares of the Company as at 30 June 2010 was 516,083,024 (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:**
- 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**
 - 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 2010 ("1Q2011") COMPARED TO THE PREVIOUS CORRESPONDING QUARTER ENDED 30 JUNE 2009 ("1Q2010")**

	Group	
	3 Month ended 30/6/2010 (Unaudited)	3 Month ended 30/6/2009 (Unaudited)
Revenue (RMB'000)		
Residential	87,925	17,858
Commercial and others	249	5,979
	88,174	23,837

Revenue

Group revenue for 1Q2011 was RMB88.2 million compared to RMB23.8 million in 1Q2010, an increase of 269.9%.

The substantially higher revenue in 1Q2011 was mainly due to higher number of units sold from the Group's property development projects particularly in Hangzhou Liyang Yuan (杭州丽阳苑) and Nanchang Honggu Kaixuan Phase 2 (南昌红谷凯旋二期). The higher number of units sold was due to realization of pre-sold units in previous quarters as units were handed over to the buyers.

For the 3 months ended 30 June 2010, the Group sold 41 of 222 units at Hangzhou Liyang Yuan and 45 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. As a result, revenue and profit for the Group on a quarterly basis will appear lumpy.

Cost of Sales and Gross Profit Margin

In line with the increase in revenue, cost of sales in 1Q2011 increased substantially from RMB17.6 million to RMB56.3 million. Gross profit margin in 1Q2011 improved from 26.0% in 1Q2010 to 36.2%. The lower gross profit margin in 1Q2010 was due mainly to the sale of car park lots at Nanchang Honggu Kaixuan Phase 1 in 1Q2010.

Other Income and Gains

Other income and gains decreased from RMB13.5 million in 1Q2010 to RMB3.5 million in 1Q2011. Other income and gains in 1Q2011 include rental income and interest income. The higher other income and gains in 1Q2010 was due to the consultancy fee income and net fair value gain of financial assets in that quarter.

Selling Expenses

Selling expenses in 1Q2011 amounted to RMB0.8 million compared to RMB2.6 million in 1Q2010, a decrease of 69.4%. Selling expenses for 1Q2011 comprised mainly of sales agency fees. Advertising & promotional (A&P) expenses in 1Q2011 were substantially lower as most of the A&P efforts for the recent launches were completed in previous quarters.

Administrative Expenses

Administrative expenses in 1Q2011 amounted to RMB4.9 million, an increase of 15.8% from RMB4.2 million in 1Q2010, in line with the higher revenue.

Other Operating Expenses

Other operating expenses increased from RMB 23,000 in 1Q2010 to RMB6.1 million in 1Q2011. The increase was due mainly to the net fair value loss of financial assets at fair value through profit or loss and the Group's donation towards relief efforts for the flood in Jiangxi Province.

The Group incurred a fair value loss on financial asset of RMB5.6 million in 1Q2011 compared to a fair value gain of RMB1.1 million in 1Q2010. The fair value loss during 1Q2011 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 as at the end of the financial period under review.

Finance Costs

Finance costs decreased 57.2% from RMB1.6 million in 1Q2010 to RMB0.7 million in 1Q2011 due to decrease in borrowings.

Profit for the Year

Higher revenue and gross profit margin contributed to the Group's profit before tax of RMB22.9 million in 1Q2011, an increase of 108.6% from RMB11.0 million in 1Q2010.

Income tax expense increased from RMB0.8 million in 1Q2010 to RMB9.8 million in 1Q2011. The substantially higher income tax is due to the PRC corporate income tax and Land Appreciation Tax (LAT) provision amounting to RMB 7.7 million and RMB 2.1 million respectively arising from the higher revenue.

As a result, the Group recorded a profit after tax of RMB13.1 million in 1Q2011, an increase of 27.9% from RMB10.2 million in 1Q2010.

(b) Review of Financial Position as at 30 June 2010 and Cash Flow for 1Q2011

Investment Properties

As at 30 June 2010, the Group had investment properties amounting to RMB108.7 million which comprises properties completed at fair value and under construction, maintaining the same value 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 RMB74.3 million as at 30 June 2010 due mainly to the repayment of an advance of RMB59.8 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 June 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 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.

Properties Held Under Development

As at 30 June 2010, the Group's properties held under development increased to RMB1,128.6 million from RMB1,118.6 million as at 31 March 2010. The increase was in tandem with the construction progress of the Group's property projects during the quarter of 1Q2011 which include 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 RMB513.2 million as at 30 June 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

The Group's deposits, prepayments and other receivables decreased from RMB235.1 million as at 31 March 2010 to RMB186.5 million as at 30 June 2010. The decrease was attributable mainly to the decrease of prepayments to contractors for the construction of projects and recovery of consideration receivable from disposal of Jiangman subsidiary during the period.

Accounts Payables, Accruals, Receipts in Advance and Other Payables

Accounts payables increased to RMB31.3 million as at 30 June 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 as at 30 June 2010 decreased to RMB860.9 million 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 June 2010.

Bank and Other Loans

As at 30 June 2010, the Group had total borrowings of RMB346.8 million, a decrease from RMB362.2 million as at 31 March 2009 due mainly to repayment of borrowing. Of these borrowings as at 30 June 2010, a bank loan of HKD219.1 million was secured by a deposit of RMB207.5 million which was classified as "Pledged bank deposit" as at 30 June 2010.

Based on its total equity of RMB1,144.2 million and a deposit collateral of RMB207.5 million, the Group's gearing ratio (total borrowings less deposit collateral / total equity) as at 30 June 2010 was 12.2%, an improvement from 13.7% as at 31 March 2010.

Cash Flow Analysis

During 1Q2011, the Group recorded a cash inflow of RMB96.7 million from its operating activities, as a result of a decrease in properties held under development and properties held for sale, account and other receivables, prepayments and deposits paid.

Net cash generated from investing activities in 1Q2011 amounted to RMB55.7 million due mainly to repayment of the advance to a jointly controlled entity.

Net cash used in financing activities in 1Q2011 amounted to RMB20.8 million due mainly to repayment of borrowings.

As at 30 June 2010, the Group had cash and cash equivalents of RMB299.3 million, comprising cash and bank balances of RMB202.8 million and time deposits with maturity of less than three months of RMB96.5 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 Chinese Central Government continued with its policy to cool the property market in 1Q2011. In April 2010, the State Council issued more stringent new directives resulting in measures such as tightening the mortgage criteria in buying a second and third home for buyers and restricting bank loans for developers.

Property prices and sales volume were adversely affected by these measures, particularly those in Tier 1 cities. Properties in lower tier cities were less affected as buyers are mostly dwellers and not property investors and speculators.

Notwithstanding these measures, the Group believes that urbanization and growing affluence of the population will continue to spur the demand for property in Tier 2 and 3 cities. With clearer macro policies direction and better regulations in place for the mass residential market segment, the overall PRC residential market is expected to stabilize. The Group's strategy is to focus on the lower tier cities that are likely to be less affected by the anti-speculation measures.

Company Update

Property Pre-sales

The pre-sales activity for the Group's projects in Nanchang, Huzhou and Hangzhou cities remained strong. The summary of Property Pre-sale Launches (as at 25 Jul 2010) is shown 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)	36,000 (184 units)
Est. total GFA pre-sold (total units)	104,000 (844 units)	24,500 (222 units)	23,600 (102 units)
Percentage of pre-sold	90%	98%	65%
Pre-sale GFA (units pre-sold) not handed over to buyer as at 25 July 2010 ^	67,300 (569 units)	5,500 (48 units)	23,600 (102 units)
Pre-sale value not handed over to buyer as at 25 July 2010 ^	\$385.7	\$55.7	\$171.3
ASP per sqm*	RMB5,300 to RMB6,000	RMB9,600 to RMB10,300	RMB6,000 to RMB10,600

*: There are several factors affecting the ASP for 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 + New pre-sale during the period – 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:

Project	Est. GFA (pre-sale)	Est. Pre-sales
Huzhou Liyang Jingyuan Phase 2	8,988 sq m	RMB89.3 million

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.

Within this financial year, the Group will commence construction of the following projects:

- Yichun Project Phase I (GFA: 122,341 sqm)
- Fuzhou Project Phase I (GFA: 85,000 sqm)
- Huzhou Runyuan Project Phase I (GFA: 100,000 sqm) <Construction is expected to commence in 2nd half year>
- Nanchang Dingxun Project Phase I (GFA: 200,000 sqm) < Construction is expected to commence in 2nd half year>

Company Outlook

The astute timing of launches of the Group's residential projects has enabled the Group to secure healthy profit margins. Management believes that the Group's plans for more commercial properties launches will benefit from the growth of the non-residential sector. The latter is relatively unaffected by recent government measures.

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/recommendeded, a statement to that effect.

No dividend has been declared or recommended for the financial period ended 30 June 2010.

BY ORDER OF THE BOARD

Wong Lam Ping
Chairman
29 July 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 June 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: 29 July 2010