

PAN HONG PROPERTY GROUP LIMITED

(Incorporated in Bermuda on 20 December 2005)

(Co. Reg. No: 37749)

2<sup>nd</sup> QUARTER FINANCIAL STATEMENT ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

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

1(a) A income statement and statement of comprehensive income or 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 30/9/2011	3 months ended 30/9/2010	Increase/ (Decrease)	6 months ended 30/9/2011	6 months ended 30/9/2010	Increase/ (Decrease)
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Revenue	114,227	115,234	(0.9%)	228,400	203,408	12.3%
Cost of Sales	(55,030)	(80,208)	(31.4%)	(106,385)	(136,461)	(22.0%)
<b>Gross Profit</b>	<b>59,197</b>	<b>35,026</b>	<b>69.0%</b>	<b>122,015</b>	<b>66,947</b>	<b>82.3%</b>
Other income and gains	2,415	8,994	(73.1%)	6,564	7,449	(11.9%)
Selling expenses	(1,641)	(4,988)	(67.1%)	(3,181)	(5,769)	(44.9%)
Administrative expenses	(19,440)	(3,868)	402.6%	(25,049)	(8,754)	186.1%
Other operating expenses	(866)	(420)	106.2%	(1,791)	(1,502)	19.2%
<b>Operating profit</b>	<b>39,665</b>	<b>34,744</b>	<b>14.2%</b>	<b>98,558</b>	<b>58,371</b>	<b>68.8%</b>
Finance costs	(633)	(2,054)	(69.2%)	(1,357)	(2,743)	(50.5%)
Share of result of jointly controlled entity	(3,007)	(498)	503.8%	(3,180)	(513)	519.9%
Share of result of associate	-	-	NM	(3)	-	NM
<b>Profit before income tax</b>	<b>36,025</b>	<b>32,192</b>	<b>11.9%</b>	<b>94,018</b>	<b>55,115</b>	<b>70.6%</b>
Income tax expenses	(24,804)	(9,240)	168.4%	(44,339)	(19,089)	132.3%
<b>Profit for the period</b>	<b>11,221</b>	<b>22,952</b>	<b>(51.1%)</b>	<b>49,679</b>	<b>36,026</b>	<b>37.9%</b>
<b>Other comprehensive income</b>						
Exchange differences on translation of financial statements of foreign operations	2,411	2,678	(10.0%)	4,230	3,891	8.7%
<b>Total comprehensive income for the period</b>	<b>13,632</b>	<b>25,630</b>	<b>(46.8%)</b>	<b>53,909</b>	<b>39,917</b>	<b>35.1%</b>
<b>Profit for the period attributable to:</b>						
Owners of the Company	6,791	22,864	(70.3%)	45,279	35,908	26.1%
Non-controlling interests	4,430	88	4,934.1%	4,400	118	3,628.8%
	<b>11,221</b>	<b>22,952</b>	<b>(51.1%)</b>	<b>49,679</b>	<b>36,026</b>	<b>37.9%</b>
<b>Total comprehensive income attributable to:</b>						
Owners of the Company	9,202	25,542	(64.0%)	49,509	39,799	24.4%
Non-controlling interests	4,430	88	4,934.1%	4,400	118	3,628.8%
	<b>13,632</b>	<b>25,630</b>	<b>(46.8%)</b>	<b>53,909</b>	<b>39,917</b>	<b>35.1%</b>
<b>Earnings per share for profit attributable to the owners of the Company during the period (in RMB cents):</b>						
-Basic	1.32	4.43	(70.2%)	8.79	6.95	26.5%
-Diluted	N/A	N/A	NM	N/A	N/A	NM

NM: Not Meaningful

RMB '000	Group			
	3 months ended	3 months ended	6 months ended	6 months ended
	30/09/2011	30/09/2010	30/09/2011	30/09/2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit before income tax is arrived at after charging:				
Interest charges on financial liabilities stated at amortised cost				
- Bank loans wholly repayable within five year	2,779	4,123	6,001	7,569
- Other loans wholly repayable within one year	-	1	-	225
Less: amount capitalised in properties held under development and investment properties under construction	(2,146)	(2,070)	(4,644)	(5,051)
	633	2,054	1,357	2,743
Cost of properties held for sale recognised as expense	48,800	73,549	93,953	125,344
Depreciation of property, plant and equipment and investment property	196	147	492	326
Less: amount capitalised in properties held under development	(100)	(68)	(193)	(135)
	96	79	299	191
Operating lease charges in respect of land and buildings	35	30	143	47
Less: amount capitalised in properties held under development	(18)	(18)	(116)	(18)
	17	12	27	29
Staff costs, including directors' remuneration				
- Wages and salaries	2,564	2,163	5,323	3,800
- Retirement benefit scheme contributions - defined contribution plans	15	16	35	33
Less: amount capitalised in properties held under development	(567)	(464)	(1,350)	(1,008)
	2,012	1,715	4,008	2,825
Net fair value loss of financial assets at fair value through profit or loss	482	-	1,332	571
and crediting:				
Interest income				
- from bank deposits and cash at banks	2,199	3,647	2,778	4,271
Exchange gain	-	24	-	24
Net fair value gain for				
- financial assets at fair value through profit or loss	-	5,019	-	-
- investment properties	-	163	-	163
Rental income	212	156	3,539	2,990

Note:

The independent auditor received non-audit fee of approximately RMB332,000 for the 3 months ended 30 September 2011 (3 months ended 30 September 2010: NIL) and RMB676,000 for the 6 months ended 30 September 2011 (6 months ended 30 September 2010: NIL) for professional services rendered in connection with the financial information of the Group.

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



**1(b)(i) A 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 2011 Unaudited	31 March 2011 Audited	30 September 2011 Unaudited	31 March 2011 Audited
<b>RMB'000</b>				
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	15,154	14,313	-	-
Investment properties	105,593	105,593	-	-
Investments in subsidiaries	-	-	564,060	278,608
Interest in a jointly controlled entity	92,215	138,077	-	-
Interest in an associate	-	2,815	-	-
Other receivables	-	7,000	-	-
Deferred tax assets	17,921	18,671	-	-
	<b>230,883</b>	<b>286,469</b>	<b>564,060</b>	<b>278,608</b>
<b>Current assets</b>				
Properties held under development	1,354,827	1,440,805	-	-
Properties held for sale	268,970	231,645	-	-
Account receivables	7,058	20,861	-	-
Deposits paid, prepayments and other receivables	253,694	100,580	2	-
Amounts due from related parties	56	16	198,339	483,791
Financial assets at fair value through profit or loss	27,147	17,478	-	-
Pledged bank deposits	125,522	180,786	-	-
Cash and bank balances	355,255	223,069	92	92
	<b>2,392,529</b>	<b>2,215,240</b>	<b>198,433</b>	<b>483,883</b>
<b>Non-current assets held for sale</b>				
Investment properties held for sale	-	80,533	-	-
	<b>2,392,529</b>	<b>2,295,773</b>	<b>198,433</b>	<b>483,883</b>
<b>Current liabilities</b>				
Account payables	44,702	13,555	-	-
Accruals, receipts in advance and other payables	553,520	654,599	514	201
Provision for tax	116,128	164,619	-	-
Amounts due to related parties	1,117	1,367	191,939	162,948
Amount due to an associate	-	600	-	-
Bank and other loans	241,505	364,779	-	-
	<b>956,972</b>	<b>1,199,519</b>	<b>192,453</b>	<b>163,149</b>
<b>Net current assets</b>	<b>1,435,557</b>	<b>1,096,254</b>	<b>5,980</b>	<b>320,734</b>
<b>Total assets less current liabilities</b>	<b>1,666,440</b>	<b>1,382,723</b>	<b>570,040</b>	<b>599,342</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	15,596	21,516	-	-
	<b>15,596</b>	<b>21,516</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>1,650,844</b>	<b>1,361,207</b>	<b>570,040</b>	<b>599,342</b>
<b>EQUITY</b>				
<b>Equity attributable to the Company's owners</b>				
Share capital	313,446	313,446	313,446	313,446
Reserves	920,895	799,143	256,594	259,151
Proposed final dividend	-	26,745	-	26,745
	<b>1,234,341</b>	<b>1,139,334</b>	<b>570,040</b>	<b>599,342</b>
<b>Non-controlling interests</b>	<b>416,503</b>	<b>221,873</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>1,650,844</b>	<b>1,361,207</b>	<b>570,040</b>	<b>599,342</b>



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

**Amount repayable in one year or less, or on demand**

As at 30/09/2011		As at 31/03/2011	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
241,505	-	304,779	60,000

**Amount repayable after one year**

As at 30/09/2011		As at 31/03/2011	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

**Details of any collateral**

Bank loans of approximately RMB144,371,000 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 2011. Bank and other loans of HKD118,500,000 (approximately RMB97,134,000) were secured by a deposit of RMB106,000,000 which was classified as "Pledged bank deposits" as at 30 September 2011.



**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 30/09/2011 (Unaudited)	3 Months ended 30/09/2010 (Unaudited)	6 Months ended 30/09/2011 (Unaudited)	6 Months ended 30/09/2010 (Unaudited)
<b>Cash flows from operating activities</b>				
Profit before income tax	36,025	32,192	94,018	55,115
Adjustments for:				
Interest income	(2,199)	(3,647)	(2,778)	(4,271)
Interest expense	633	2,054	1,357	2,743
Depreciation of property, plant and equipment	96	79	299	191
Net fair value loss/(gain) of financial assets at fair value through profit or loss	482	(5,019)	1,332	571
Fair value adjustment of investment property	-	(163)	-	(163)
Share of loss of jointly controlled entity	3,007	498	3,180	513
Share of result of associate	-	-	3	-
<b>Operating profit before working capital changes</b>	<b>38,044</b>	<b>25,994</b>	<b>97,411</b>	<b>54,699</b>
Decrease /(Increase) in properties held under development and properties held for sale	38,608	(109,630)	53,490	(63,061)
(Increase)/Decrease in account and other receivables, prepayments and deposits paid	(108,103)	152,998	(130,099)	206,786
(Increase)/Decrease in amounts due from related parties	(4)	416	(40)	(35)
Decrease in account and other payables, accruals and receipts in advance	(43,779)	(74,805)	(24,932)	(73,336)
(Decrease)/Increase in amounts due to related parties	(26)	14	(250)	(10,428)
<b>Cash (used in)/generated from operations</b>	<b>(75,260)</b>	<b>(5,013)</b>	<b>(4,420)</b>	<b>114,625</b>
Interest received	2,199	3,647	2,778	4,271
Income taxes paid	(22,787)	(20,869)	(97,885)	(43,765)
<b>Net cash (used in)/generated from operating activities</b>	<b>(95,848)</b>	<b>(22,235)</b>	<b>(99,527)</b>	<b>75,131</b>
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment	(1,365)	(35)	(1,666)	(129)
Proceeds from disposal of property, plant and equipment	-	-	3	-
Proceeds from disposal of investment properties	35,533	1,144	35,533	1,144
(Advance to)/Repayment from a jointly controlled entity	(6,145)	(1,746)	(7,318)	58,054
Acquisition of financial assets at fair value through profit or loss	(11,001)	1	(11,001)	(4,005)
Decrease in pledged bank deposits with original maturity over three months	104,811	120,868	161,264	120,186
<b>Net cash generated from investing activities</b>	<b>121,833</b>	<b>120,232</b>	<b>176,815</b>	<b>175,250</b>
<b>Cash flows from financing activities</b>				
Net proceeds from deemed disposal of subsidiaries	262,473	-	262,473	-
Repurchase of shares	-	(939)	-	(4,105)
Dividend paid	(26,745)	(12,989)	(26,745)	(12,989)
Repayment of borrowings	(49,267)	(33,855)	(69,353)	(47,944)
Interest paid	(2,779)	(4,073)	(6,001)	(7,610)
<b>Net cash generated from/(used in) financing activities</b>	<b>183,682</b>	<b>(51,856)</b>	<b>160,374</b>	<b>(72,648)</b>
<b>Net increase in cash and cash equivalents</b>	<b>209,667</b>	<b>46,141</b>	<b>237,662</b>	<b>177,733</b>
<b>Effect of foreign exchange difference</b>	<b>602</b>	<b>252</b>	<b>524</b>	<b>234</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>250,986</b>	<b>299,250</b>	<b>223,069</b>	<b>167,676</b>
<b>Cash and cash equivalents at end of the period (note)</b>	<b>461,255</b>	<b>345,643</b>	<b>461,255</b>	<b>345,643</b>
<b>Note:</b>				
<b>Analysis of balances of cash and cash equivalents</b>				
Cash and bank balances	355,255	180,643	355,255	180,643
Time deposits with maturity of less than three months	106,000	165,000	106,000	165,000
Cash and cash equivalents	461,255	345,643	461,255	345,643



**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	Other reserve	Exchange reserves	Retained earnings	Proposed final dividend	Total		
<b>At 1 July 2010 (unaudited)</b>	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	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
Purchases of treasury shares	-	(939)	-	-	-	-	-	-	-	-	(939)	-	(939)
Dividend paid	-	-	-	-	-	-	-	-	-	(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	-	-	-
<b>Transactions with owners</b>	-	(939)	-	-	-	-	-	-	(344)	(12,645)	(13,928)	-	(13,928)
Profit for the period	-	-	-	-	-	-	-	-	22,864	-	22,864	88	22,952
<b>Other comprehensive income</b>													
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	2,678	-	-	2,678	-	2,678
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	2,678	22,864	-	25,542	88	25,630
<b>At 30 September 2010 (unaudited)</b>	313,446	(7,680)	203,250	(2,243)	25,617	3,838	-	(9,823)	407,602	-	934,007	221,901	1,155,908
<b>At 1 July 2011 (unaudited)</b>	313,446	(8,280)	203,250	(2,243)	47,060	3,838	-	(1,925)	597,750	26,745	1,179,641	221,843	1,401,484
Dividend paid	-	-	-	-	-	-	-	-	-	(26,745)	(26,745)	-	(26,745)
Deemed disposal of subsidiaries	-	-	-	-	(7,255)	-	82,217	(2,719)	-	-	72,243	190,230	262,473
<b>Transactions with owners</b>	-	-	-	-	(7,255)	-	82,217	(2,719)	-	(26,745)	45,498	190,230	235,728
Profit for the period	-	-	-	-	-	-	-	-	6,791	-	6,791	4,430	11,221
<b>Other comprehensive income</b>													
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	2,411	-	-	2,411	-	2,411
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	2,411	6,791	-	9,202	4,430	13,632
<b>At 30 September 2011 (unaudited)</b>	313,446	(8,280)	203,250	(2,243)	39,805	3,838	82,217	(2,233)	604,541	-	1,234,341	416,503	1,650,844

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
<b>At 1 July 2010 (unaudited)</b>	313,446	(6,741)	203,250	59,579	7,685	12,645	589,864
Loss for the period	-	-	-	-	(596)	-	(596)
Purchases of treasury shares	-	(939)	-	-	-	-	(939)
Dividend paid	-	-	-	-	-	(12,989)	(12,989)
Reduction in dividends paid due to purchased treasury shares	-	-	-	-	42	(42)	-
Currency effects of dividends proposed and paid	-	-	-	-	(386)	386	-
<b>At 30 September 2010 (unaudited)</b>	313,446	(7,680)	203,250	59,579	6,745	-	575,340
<b>At 1 July 2011 (unaudited)</b>	313,446	(8,280)	203,250	59,579	3,973	26,745	598,713
Dividend paid	-	-	-	-	-	(26,745)	(26,745)
Loss for the period	-	-	-	-	(1,928)	-	(1,928)
<b>At 30 September 2011 (unaudited)</b>	313,446	(8,280)	203,250	59,579	2,045	-	570,040

- 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 2011 and 30 September 2011	Balance at beginning and the end of the period	518,855,024	(3,460,000)	313,446	(8,280)

### **WARRANTS**

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

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

The total number of issued ordinary shares as at 30 September 2011 was 518,855,024 (31 March 2011: 518,855,024), of which 3,460,000 (31 March 2011: 3,460,000) were held by the Company as treasury shares.

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

NIL

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

The figures have not been audited or reviewed by the Company's auditors.

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

Not applicable.

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

Except as disclosed in paragraph 5 below, the Group 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 statements for the year ended 31 March 2011.

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

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

6. **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	3 Months ended	6 Months ended	6 Months ended
	30/9/2011	30/9/2010	30/9/2011	30/9/2010
Earnings per ordinary share (in RMB cents):	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
(a) Basic	1.32	4.43	8.79	6.95
(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 RMB6,791,000 for the 3 months ended 30 September 2011 (3 months ended 30 September 2010: RMB22,864,000) and RMB45,279,000 for the 6 months ended 30 September 2011 (6 months ended 30 September 2010 : RMB35,908,000) divided by weighted average of 515,395,024 ordinary shares (excluding treasury shares) for the 3 months ended 30 September 2011 (3 months ended 30 September 2010 : 515,690,000) and weighted average of 515,395,024 ordinary share (excluding treasury shares) for the 6 months ended 30 September 2011 (6 months ended 30 September 2010 : 516,315,000).

Diluted earning per share for the periods are not presented as there is no dilutive potential share (6 month ended 30 September 2010: Nil).

7. **Net asset value (for the issuer and group) per ordinary share based on of the total number of issued shares excluding treasury shares of the issuer at the end of the:**  
**(a) current financial period reported on; and**  
**(b) immediately preceding financial year.**

	Group		Company	
	As at 30/09/2011	As at 31/03/2011	As at 30/09/2011	As at 31/03/2011
Net asset value per ordinary share (in RMB cents)	320.31	264.11	110.60	116.29

Note:

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



8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
  - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period report on.

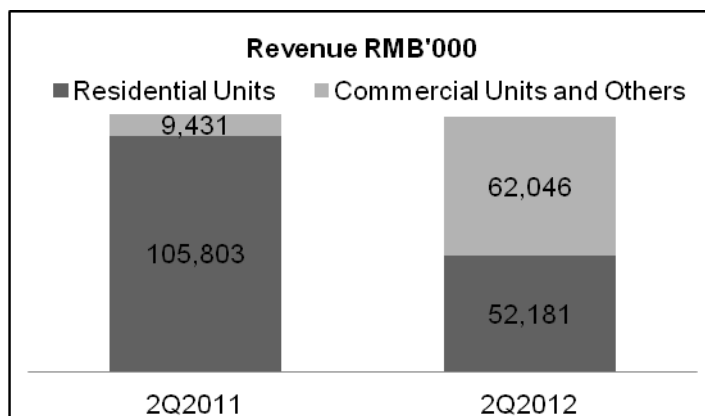
(a) REVIEW OF FINANCIAL RESULTS FOR THE QUARTER ENDED 30 SEPTEMBER 2011 ("2Q2012") COMPARED TO THE PREVIOUS CORRESPONDING QUARTER ENDED 30 SEPTEMBER 2010 ("2Q2011")

	Group		Group	
	3 Month ended 30/9/2011 (Unaudited)	3 Month ended 30/9/2010 (Unaudited)	6 Month ended 30/9/2011 (Unaudited)	6 Month ended 30/9/2010 (Unaudited)
<b>Revenue (RMB'000)</b>				
Residential	52,181	105,803	90,280	193,728
Commercial and others	62,046	9,431	138,120	9,680
	114,227	115,234	228,400	203,408

**Revenue**

The Group's revenue for 2Q2012 was RMB114.2 million compared to RMB115.2 million in 2Q2011, an decrease of 0.9%.

Sale of residential property in 2Q2012 was RMB52.2 million compared to RMB105.8 million in 2Q2011. But sales of commercial and other units increased to RMB62.0 million compared to RMB9.4 million in 2Q2011.

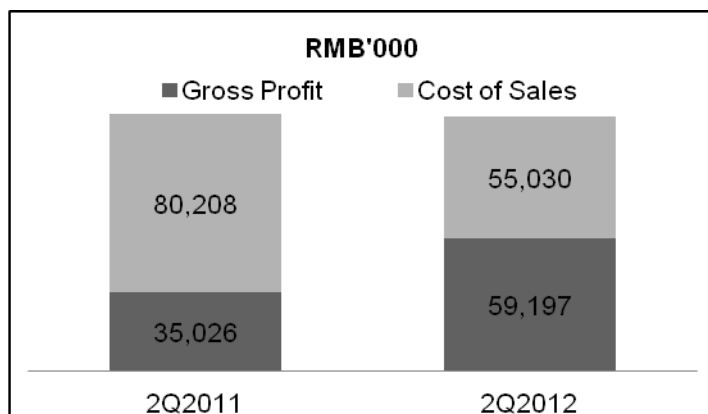


The revenue in 2Q2012 was primarily derived from the delivery of both residential and commercial units of Nanchang Honggu Kaixuan (南昌红谷凯旋), as well as the car park lots in this project. In 2Q2012, the Group's revenue of approximately RMB110.0 million derived from the delivery of residential units and commercial units as well as car park lots in Nanchang Honggu Kaixuan.

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

Commercial property has a much higher gross profit margin compared with residential property. As the proportion of sales recognised from commercial units in 2Q2012 was significantly higher than that in 2Q2011, cost of sales decreased 31.4% to RMB55.0 million from 2Q2011's RMB80.2 million, resulting in a 69.0% increase of gross profit to RMB59.2 million from 2Q2011's RMB35.0 million. Hence gross profit margin improved to 51.8% in 2Q2012 from 30.4% in 2Q2011.



### Other Income and Gains

Other income and gains decreased 73.1% from RMB9.0 million in 2Q2011 to RMB2.4 million in 2Q2012. The decrease was mainly due to the higher other and income and gain in 2Q2011 as the Group recorded a fair value gain on financial assets in 2Q2011 compared to record a fair value loss on financial assets in 2Q2012.

### Selling Expenses

In 2Q2012, selling expenses had decreased 67.1% to RMB1.6 million from 2Q2011's RMB5.0 million. Higher selling expenses in 2Q2011 was mainly due to the increase in advertising cost and staff salaries in respect of the pre-sale of \*Huzhou Hua Cui Ting Yuan Phase 1 (湖州华萃庭院1期) and the expenses incurred to set up a show room at Fuzhou Hua Cui Ting Yuan Phase 1 (抚洲华萃庭院1期).

### Administrative Expenses

Administrative expenses in 2Q2012 had increased 402.6% to RMB19.4 million from 2Q2011's RMB3.9 million. The increase was mainly due to a IPO listing expenses incurred. On 22 July 2011, the Group had successfully spun off its subsidiaries and listed on the main board of the Hong Kong Stock Exchange.

### Other Operating Expenses

Other operating expenses had increased 106.2% from 2Q2011's RMB420,000 to RMB866,000 in 2Q2012. This increase was due to the increase in net fair value loss of financial assets at fair value through profit or loss.

### Finance Costs

In line with the decreased in bank and other loans, finance costs in 2Q2012 had decreased 69.2% to RMB633,000 from 2Q2011's RMB2.1 million.

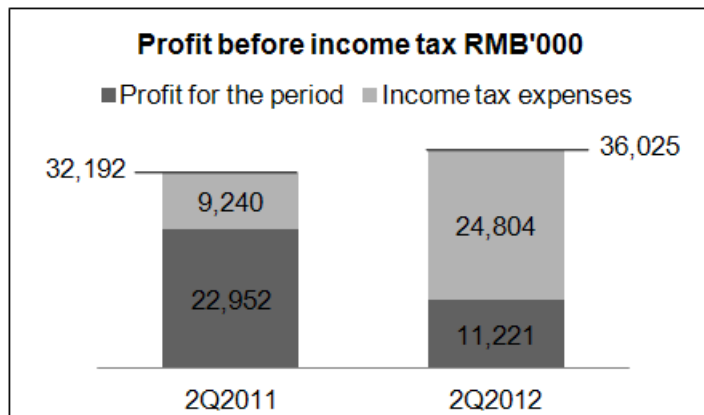
\* Formerly known as Hua Cui Ting Yuan Phase 1 (华萃庭院1期)

### Profit for the Period

As a cumulative effect of the foregoing factors, the profit before income tax in 2Q2012 was RMB36.0 million, compared to 2Q2011's RMB32.2 million.

Income tax expense had increased from RMB9.2 million in 2Q2011 to RMB24.8 million in 2Q2012. The substantially higher income tax was due to an increase in Land Appreciation Tax as a difference components of properties handover.

The higher tax resulted in a lower profit of RMB11.2 million for 2Q2012, a dip of 51.1% from RMB23.0 million in 2Q2011.



## (b) REVIEW OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2011 AND CASH FLOW FOR 2Q2012

### Investment Properties

As at 30 September 2011, the Group had investment properties at fair value of RMB105.6 million, compared to RMB186.1 million comprising investment properties completed at fair value and held for sale as at 31 March 2011. The decrease was due to the investment properties held for sale handover to the buyers.

### Interests in a Jointly Controlled Entity

Interest in a jointly controlled entity had decreased from RMB138.1 million as at 31 March 2011 to RMB92.2 million as at 30 September 2011 due mainly to a repayment of RMB50.0 million being an advancement to a jointly controlled entity by the Group for the Yichun Project (宜春項目).

### Interests in Associates

On 22 June 2011, the Group had announced the de-registration of an associated company. As at 30 September 2011, the Group does not hold any interests in an associate.

### Properties Held Under Development

As at 30 September 2011, the Group's properties held under development had slightly decreased to RMB1.35 billion from RMB1.44 billion as at 31 March 2011. The decrease was due to the property units of Nanchang Honggu Kaixuan which were previously under development had been completed in the 2Q2012.

### Properties Held for Sale

Properties held for sale had increased from RMB231.6 million as at 31 March 2011 to RMB269.0 million as at 30 September 2011 due mainly to increase in completed property units in 2Q2012.

### **Deposits paid, Prepayments and Other Receivables**

As at 30 September 2011, the Group's deposits paid, prepayments and other receivables was RMB253.7 million compared to RMB100.6 million at 31 March 2011. The increase was mainly attributable to the increase of prepayments to contractors for the construction of projects.

### **Account Payables, Accruals, Receipts in Advance and Other Payables**

Account payables increased to RMB44.7 million as at 30 September 2011 from RMB13.6 million as at 31 March 2011 due to higher number of property projects which 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 RMB553.5 million as at 30 September 2011 from RMB654.6 million as at 31 March 2011. Accruals, receipts in advance and other payables comprise mainly of the received 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 2011.

Decrease in accruals, receipts in advance and other payables was due mainly to the realization of part of the advance receipts in revenue in 2Q2012.

### **Bank and Other Loans**

As at 30 September 2011, the Group had total borrowings of RMB241.5 million, a decrease from RMB364.8 million as at 31 March 2011 due mainly to the repayment of borrowing in 2Q2012.

Of these borrowings as at 30 September 2011, a bank loan of HKD118.5 million was secured by a deposit of RMB106.0 million which was classified as "Pledged bank deposit" as at 30 September 2011.

Based on its total equity of RMB1.65 billion and a deposit collateral of RMB106.0 million, the Group's gearing ratio (total borrowings less deposit collateral / total equity) as at 30 September 2011 was 8.2%, an improvement from 15.0% as at 31 March 2011.

### **Cash Flow Analysis**

For 2Q2012, the Group's net cash used in operating activities amounted to RMB95.8 million, which was due mainly to an increase in prepayments to contractors for the construction of projects.

Net cash generated from investing activities in 2Q2012 amounted to RMB121.8 million due mainly to a decrease in pledged bank deposits to secure a bank loan repayment in 2Q2012.

Net cash generated from financing activities in 2Q2012 amounted to RMB183.7 million due mainly to net proceeds from listing the Group's subsidiary, Sino Harbour Group Property Limited, on the main board of the Hong Kong Stock Exchange.

As at 30 September 2011, the Group had cash and cash equivalents of RMB461.3 million, comprising cash and bank balances of RMB355.3 million and time deposits with maturity of less than three months of RMB106.0 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**

Due to the government's cooling measures and policies, the overall Chinese property market is in a lukewarm condition. The latest data published by The National Bureau of Statistics in China showed that new home prices in first-tier cities including Beijing, Shanghai, Guangzhou and Shenzhen, had stopped rising for two consecutive months—July and August (The Straits Times, 18<sup>th</sup> September 2011). Developers are experiencing tightening credit after the central bank raised banks' reserve requirement ratio to a record 21.5 percent.

However, demand in third- and fourth-tier cities remains stable as a result of sustained high rate of urbanization (Forbes, 16<sup>th</sup> August 2011). China is beyond just major international cities such as Beijing and Shanghai. General conclusions drawn about the country's property market by looking only at the markets of these major population centers would not accurately reflect conditions of the smaller cities and their outlook.

First-tier cities are bearing the brunt of the cooling measures. Transactions in 20 major cities had slipped by an average 32 percent compared to a year earlier during the "golden week" National Day Holiday week (The Business Times, 11<sup>th</sup> Oct 2011). Property analysts are expecting further downside for both property prices and transaction volumes for the rest of the year. The Group will keep a close watch over government policies while maintaining its views that the property market in the second- and third-tier cities which the Group is targeting is likely to remain stable.

**Company Update**

**Property Pre-sale**

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

**Residential Units**

	Nanchang Honggu Kaixuan Phase 2	Huzhou Hua Cui Ting Yuan Phase 1	Fuzhou Hua Cui Ting Yuan Phase 1
Est. total GFA released for sale (total units)	115,000 sqm (1,003 units)	44,006 sqm (184 units)	84,980 sqm (593 units)
Est. total GFA pre-sold (total units)	113,829 sqm (997 units)	37,025 sqm (150 units)	48,650 sqm (345 units)
Percentage of pre-sold	99%	84%	57%
Pre-sale GFA (units pre-sold) not handed over to buyer as at 30 September 2011 <sup>^</sup>	26,732 sqm (298 units)	1,062 sqm (4 units)	48,650 sqm (345 units)
Pre-sale value not handed over to buyer as at 30 September 2011 <sup>^</sup>	RMB231.5 m	RMB7.3 m	RMB231.1 m
ASP per sq m*	RMB8,659	RMB6,855	RMB4,750

### Commercial Units

	Nanchang Honggu Kaixuan Phase 1 and 2
Est. total GFA released for sale	14,385 sqm
Est. total GFA pre-sold	13,110 sqm
Percentage of pre-sold	91%
Pre-sale GFA not handed over to buyer as at 30 September 2011 <sup>^</sup>	8,166 sqm
Pre-sale value not handed over to buyer as at 30 September 2011 <sup>^</sup>	RMB171.4 m
ASP per sq m <sup>*</sup>	RMB20,994

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

<sup>^</sup>: Pre-sale value not handed over to buyer is computed as follows: Beginning period pre-sales plus New pre-sales during the period less those handed over to buyers as at 30 September 2011.

### **Company Strategies**

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

The Group will intensify its sales and pre-sales of existing properties, maintain financial prudence and a strong cash and credit position. Through acquisitions or joint ventures, the Group will also continue to seek opportunities to acquire land parcels at low cost, and pursue its longtime strategy of targeting second- to third-tier cities. These cities will continue to benefit from growing employment, improving quality, standards of living and hence sustain demands for residential properties and are relatively less affected by speculative activities and the government’s anti-speculation policies.

At present, the Group does not intend to adjust the pricing of its properties. The Group will pay close attention to government policies, focusing on finding high growth opportunities and improving the quality of the Group’s projects.

The Group’s Yichun project features elderly facilities, supported by the government is a testament to Management’s far-sighted strategy. The Group is also in consideration of developing projects that are environmental-friendly, sustainable, and low carbon. Management favours projects that align with the expectation of both the government and residents, sustaining the well-being of the Group by delivering quality projects and garnering good-will. In the future, the Group will consider investing in projects which is favoured by the government and the community.

## **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 September 2011.

**13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Company is not required to obtain a general mandate from its shareholders for IPTs.

BY ORDER OF THE BOARD

Wong Lam Ping  
Executive Chairman  
14 November 2011

**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 2011 to be false or misleading in any material aspect.

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

Wong Lam Ping  
Executive Chairman

Chan Chun Kit  
Executive Director

Date: 14 November 2011