

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 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 31/12/2011	3 months ended 31/12/2010	Increase/ (Decrease)	9 months ended 31/12/2011	9 months ended 31/12/2010	Increase/ (Decrease)
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Revenue	145,105	400,129	(63.7%)	373,505	603,537	(38.1%)
Cost of Sales	(91,582)	(236,315)	(61.2%)	(197,967)	(372,776)	(46.9%)
Gross Profit	53,523	163,814	(67.3%)	175,538	230,761	(23.9%)
Other income and gains	94,836	12,262	673.4%	101,400	19,711	414.4%
Selling expenses	(1,496)	(2,443)	(38.8%)	(4,677)	(8,212)	(43.0%)
Administrative expenses	(7,521)	(4,185)	79.7%	(32,570)	(12,939)	151.7%
Other operating expenses	(4,001)	(1,463)	173.5%	(5,792)	(2,965)	95.3%
Operating profit	135,341	167,985	(19.4%)	233,899	226,356	3.3%
Finance costs	(865)	(3,621)	(76.1%)	(2,222)	(6,364)	(65.1%)
Share of result of jointly controlled entity	(1,290)	(12)	10,650.0%	(4,470)	(525)	751.4%
Share of result of associate	-	(30)	(100.0%)	(3)	(30)	(90.0%)
Profit before income tax	133,186	164,322	(18.9%)	227,204	219,437	3.5%
Income tax expenses	(27,980)	(38,967)	(28.2%)	(72,319)	(58,056)	24.6%
Profit for the period	105,206	125,355	(16.1%)	154,885	161,381	(4.0%)
Other comprehensive income						
Exchange differences on translation of financial statements of foreign operations	(15)	2,511	(100.6%)	4,215	6,402	(34.2%)
Total comprehensive income for the period	105,191	127,866	(17.7%)	159,100	167,783	(5.2%)
Profit for the period attributable to:						
Owners of the Company	85,342	125,198	(31.8%)	130,621	161,106	(18.9%)
Non-controlling interests	19,864	157	12,552.2%	24,264	275	8,723.3%
	105,206	125,355	(16.1%)	154,885	161,381	(4.0%)
Total comprehensive income attributable to:						
Owners of the Company	85,327	127,709	(33.2%)	134,836	167,508	(19.5%)
Non-controlling interests	19,864	157	12,552.2%	24,264	275	8,723.3%
	105,191	127,866	(17.7%)	159,100	167,783	(5.2%)
Earnings per share for profit attributable to the owners of the Company during the period (in RMB cents):						
- Basic	16.56	24.28	(31.8%)	25.34	31.22	(18.8%)
- Diluted	N/A	N/A	NM	N/A	N/A	NM

NM: Not Meaningful



RMB '000	Group			
	3 months ended 31/12/2011 (Unaudited)	3 months ended 31/12/2010 (Unaudited)	9 months ended 31/12/2011 (Unaudited)	9 months ended 31/12/2010 (Unaudited)
Profit before income tax is arrived at after charging:				
Interest charges on financial liabilities stated at amortised cost				
- Bank loans wholly repayable within five year	7,642	2,231	13,643	9,800
- Other loans wholly repayable within one year	-	4,444	-	4,669
Less: amount capitalised in properties held under development and investment properties under construction	(6,777)	(3,054)	(11,421)	(8,105)
	865	3,621	2,222	6,364
Cost of properties held for sale recognised as expense	82,922	216,728	176,875	342,072
Depreciation of property, plant and equipment and investment property	346	216	838	542
Less: amount capitalised in properties held under development	(84)	(68)	(277)	(203)
	262	148	561	339
Loss on disposal of property, plant and equipment	4	15	4	15
Operating lease charges in respect of land and buildings	64	11	207	58
Less: amount capitalised in properties held under development	(19)	-	(135)	(18)
	45	11	72	40
Staff costs, including directors' remuneration				
- Wages and salaries	3,080	2,160	8,403	5,960
- Retirement benefit scheme contributions - defined contribution plans	14	17	49	50
Less: amount capitalised in properties held under development	(512)	(888)	(1,862)	(1,896)
	2,582	1,289	6,590	4,114
Net fair value loss of financial assets at fair value through profit or loss	3,445	-	4,777	-
and crediting:				
Gain on disposal of properties held under development	90,377	-	90,377	-
Consultancy fee income	-	1,741	-	1,741
Interest income				
- from bank deposits and cash at banks	4,137	184	6,915	4,455
- from other receivable and deposits	-	1,148	-	1,148
Exchange gain	-	-	-	24
Net fair value gain for				
- financial assets at fair value through profit or loss	-	7,505	-	7,505
- investment properties	-	155	-	318
Rental income	134	1,428	3,673	4,418

Note:

The independent auditor received non-audit fee of approximately RMB: NIL for the 3 months ended 31 December 2011 (3 months ended 31 December 2010: RMB430,000) and RMB676,000 for the 9 months ended 31 December 2011 (9 months ended 31 December 2010: RMB430,000) 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	
	31 December 2011 Unaudited	31 March 2011 Audited	31 December 2011 Unaudited	31 March 2011 Audited
RMB'000				
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	15,235	14,313	-	-
Investment properties	105,593	105,593	-	-
Investments in subsidiaries	-	-	564,060	278,608
Interest in a jointly controlled entity	94,399	138,077	-	-
Interest in an associate	-	2,815	-	-
Other receivables	-	7,000	-	-
Deferred tax assets	17,921	18,671	-	-
	233,148	286,469	564,060	278,608
Current assets				
Properties held under development	1,315,551	1,440,805	-	-
Properties held for sale	239,459	231,645	-	-
Account receivables	3,783	20,861	-	-
Deposits paid, prepayments and other receivables	484,439	100,580	2	-
Amounts due from related parties	58	16	198,339	483,791
Financial assets at fair value through profit or loss	6,168	17,478	-	-
Pledged bank deposits	58,248	180,786	-	-
Cash and bank balances	195,437	223,069	92	92
	2,303,143	2,215,240	198,433	483,883
Non-current assets held for sale				
Investment properties held for sale	-	80,533	-	-
	2,303,143	2,295,773	198,433	483,883
Current liabilities				
Account payables	37,692	13,555	-	-
Accruals, receipts in advance and other payables	533,572	654,599	513	201
Provision for tax	141,311	164,619	-	-
Amounts due to related parties	10,987	1,367	192,387	162,948
Amount due to an associate	-	600	-	-
Bank and other loans	41,065	364,779	-	-
	764,627	1,199,519	192,900	163,149
Net current assets	1,538,516	1,096,254	5,533	320,734
Total assets less current liabilities	1,771,664	1,382,723	569,593	599,342
Non-current liabilities				
Deferred tax liabilities	15,629	21,516	-	-
	15,629	21,516	-	-
Net assets	1,756,035	1,361,207	569,593	599,342
EQUITY				
Equity attributable to the Company's owners				
Share capital	313,446	313,446	313,446	313,446
Reserves	1,006,222	799,143	256,147	259,151
Proposed final dividend	-	26,745	-	26,745
	1,319,668	1,139,334	569,593	599,342
Non-controlling interests	436,367	221,873	-	-
Total equity	1,756,035	1,361,207	569,593	599,342

**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 31/12/2011		As at 31/03/2011	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
41,065	-	304,779	60,000

Amount repayable after one year

As at 31/12/2011		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 RMB4,273,000 was secured by the Group's land use rights which was classified as "leasehold interest in land and building" as at 31 December 2011. Bank and other loans of HKD40,000,000 (approximately RMB36,792,000) was secured by a deposit of RMB38,000,000 which was classified as "Pledged bank deposits" as at 31 December 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 31/12/2011 (Unaudited)	3 Months ended 31/12/2010 (Unaudited)	9 Months ended 31/12/2011 (Unaudited)	9 Months ended 31/12/2010 (Unaudited)
Cash flows from operating activities				
Profit before income tax	133,186	164,322	227,204	219,437
Adjustments for:				
Interest income	(4,137)	(1,332)	(6,915)	(5,603)
Interest expense	865	3,621	2,222	6,364
Depreciation of property, plant and equipment	262	351	561	542
Net fair value loss/(gain) of financial assets at fair value through profit or loss	3,445	(8,076)	4,777	(7,505)
Fair value adjustment of investment property	-	(155)	-	(318)
Loss on disposal of property, plant and equipment	4	15	4	15
Gain on disposal of properties held under development	(90,377)	-	(90,377)	-
Property, plant and equipment written off	14	-	14	-
Share of loss of jointly controlled entity	3,823	12	7,003	525
Share of result of associate	4,467	30	4,470	30
Operating profit before working capital changes	51,552	158,788	148,963	213,487
(Increase)/Decrease in properties held under development and properties held for sale	(48,420)	85,464	5,070	22,403
Decrease/(Increase) in account and other receivables, prepayments and deposits paid	4,712	(56,610)	(125,387)	150,176
Increase in amounts due from related parties	(2)	(7)	(42)	(42)
Decrease in account and other payables, accruals and receipts in advance	(51,346)	(135,133)	(76,278)	(208,469)
Increase/(Decrease) in amounts due to related parties	9,270	172	9,020	(10,256)
Cash (used in)/generated from operations	(34,234)	52,674	(38,654)	167,299
Interest received	4,137	1,332	6,915	5,603
Income taxes paid	(2,773)	(7,598)	(100,658)	(51,363)
Net cash (used in)/generated from operating activities	(32,870)	46,408	(132,397)	121,539
Cash flows from investing activities				
Purchases of property, plant and equipment	(477)	(596)	(2,143)	(725)
Proceeds from disposal of property, plant and equipment	2	17	5	17
Proceeds from disposal of investment properties held for sale	-	715	35,533	1,859
Advance to a jointly controlled entity	(3,474)	(63,758)	(10,792)	(5,704)
Disposal/(Acquisition) of financial assets at fair value through profit or loss	17,534	(497)	6,533	(4,502)
(Increase)/Decrease in pledged bank deposits with original maturity over three months	(38,726)	(193,688)	122,538	(73,502)
Net cash (used in)/generated from investing activities	(25,141)	(257,807)	151,674	(82,557)
Cash flows from financing activities				
Net proceeds from deemed disposal of subsidiaries	-	-	262,473	-
Repurchase of shares	-	-	-	(4,105)
Dividend paid	-	-	(26,745)	(12,989)
New borrowings	37,094	217,654	37,094	217,654
Repayment of borrowings	(238,073)	(165,243)	(307,426)	(213,187)
Interest paid	(7,391)	(6,705)	(13,392)	(14,315)
Net cash (used in)/generated from financing activities	(208,370)	45,706	(47,996)	(26,942)
Net (decrease)/increase in cash and cash equivalents	(266,381)	(165,693)	(28,719)	12,040
Effect of foreign exchange difference	563	6,389	1,087	6,623
Cash and cash equivalents at beginning of the period	461,255	345,643	223,069	167,676
Cash and cash equivalents at end of the period (note)	195,437	186,339	195,437	186,339
Note:				
Analysis of balances of cash and cash equivalents				
Cash and cash equivalents	195,437	186,339	195,437	186,339



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	Total		
At 1 October 2010 (unaudited)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the period	313,446	(7,680)	203,250	(2,243)	25,617	3,838	-	(9,823)	407,602	934,007	221,901	1,155,908
Other comprehensive income	-	-	-	-	-	-	-	-	125,198	125,198	157	125,355
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 (unaudited)	313,446	(7,680)	203,250	(2,243)	25,617	3,838	-	(7,312)	532,800	1,061,716	222,058	1,283,774
At 1 October 2011 (unaudited)	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
Profit for the period	-	-	-	-	-	-	-	-	85,342	85,342	19,864	105,206
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	(15)	-	(15)	-	(15)
Total comprehensive income for the period	-	-	-	-	-	-	-	(15)	85,342	85,327	19,864	105,191
At 31 December 2011 (unaudited)	313,446	(8,280)	203,250	(2,243)	39,805	3,838	82,217	(2,248)	689,883	1,319,668	436,367	1,756,035

Company	Share capital	Treasury shares	Share premium	Contributed surplus	Retained earnings	Total
At 1 October 2010 (unaudited)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loss for the period	313,446	(7,680)	203,250	59,579	6,745	575,340
At 31 December 2010 (unaudited)	-	-	-	-	(514)	(514)
At 31 December 2010 (unaudited)	313,446	(7,680)	203,250	59,579	6,231	574,826
At 1 October 2011 (unaudited)	313,446	(8,280)	203,250	59,579	2,045	570,040
Loss for the period	-	-	-	-	(447)	(447)
At 31 December 2011 (unaudited)	313,446	(8,280)	203,250	59,579	1,598	569,593

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

WARRANTS

As at 31 December 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 31 December 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 31/12/2011	3 Months ended 31/12/2010	9 Months ended 31/12/2011	9 Months ended 31/12/2010
Earnings per ordinary share (in RMB cents):	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(a) Basic	16.56	24.28	25.34	31.22
(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 RMB85,342,000 for the 3 months ended 31 December 2011 (3 months ended 31 December 2010: RMB125,198,000) and RMB130,621,000 for the 9 months ended 31 December 2011 (9 months ended 31 December 2010 : RMB161,106,000) divided by weighted average of 515,395,024 ordinary shares (excluding treasury shares) for the 3 months ended 31 December 2011 (3 months ended 31 December 2010 : 515,672,000) and weighted average of 515,395,024 ordinary share (excluding treasury shares) for the 9 months ended 31 December 2011 (9 months ended 31 December 2010 : 516,100,000).

Diluted earning per share for the periods are not presented as there is no dilutive potential share (9 month ended 31 December 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 31/12/2011	As at 31/03/2011	As at 31/12/2011	As at 31/03/2011
Net asset value per ordinary share (in RMB cents)	340.72	264.11	110.52	116.29

Note:

The number of ordinary shares of the Company as at 31 December 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 31 DECEMBER 2011 ("3Q2012") COMPARED TO THE PREVIOUS CORRESPONDING QUARTER ENDED 31 DECEMBER 2010 ("3Q2011")

	Group		Group	
	3 Months ended 31/12/2011 (Unaudited)	3 Months ended 31/12/2010 (Unaudited)	9 Months ended 31/12/2011 (Unaudited)	9 Months ended 31/12/2010 (Unaudited)
Revenue (RMB'000)				
Residential	136,620	333,951	226,900	527,679
Commercial and others	8,485	66,178	146,605	75,858
	145,105	400,129	373,505	603,537

Revenue

The Group's revenue for 3Q2012 was RMB145.1 million compared to RMB400.1 million in 3Q2011, a decrease of 63.7%.

The significantly higher revenue in 3Q2011 was due mainly to more residential units sold in Nanchang Honggu Kaixuan Phase 2 (南昌红谷凯旋二期), Huzhou Hua Cui Ting Yuan Phase 1 (湖州华萃庭院一期) and Hangzhou Liyang Yuan (杭州丽阳苑) and commercial units sold in Huzhou Liyang Jingyuan Phase 2 (湖州麗陽景苑二期) and Nanchang Honggu Kaixuan handed over to the buyers.

The revenue in 3Q2012 comprised mainly of residential units sold in Nanchang Honggu Kaixuan Phase 2 handed over to the buyers. In 3Q2012, the Group sold had 204 units of 997 residential units at Nanchang Honggu Kaixuan Phase 2.

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

Cost of Sales and Gross Profit Margin

In line with the decrease in revenue, cost of sales had decreased substantially by 61.2% from RMB236.3 million in 3Q2011 to RMB91.6 million in 3Q2012.

Commercial property has a much higher gross profit margin compared with residential property. As the proportion of sales recognized from commercial units in 3Q2011 was significantly higher than that in 3Q2012, the Group's gross profit margin had declined to 36.9% in 3Q2012 from 40.9% in 3Q2011.

Other Income and Gains

Other income and gains increased from RMB12.3 million in 3Q2011 to RMB94.8 million due mainly to the gain on disposal of Hailian Project (海联项目) of RMB90.4 million in 3Q2012. The Group announced on 28 November 2011 that its subsidiary, Huzhou Jiangnan Hailian Construction Co., Ltd (湖州江南海联建设有限公司) had entered into a Letter of Intent to dispose Hailian Project at a consideration of RMB234.4 million. Further to the announcements, the Group had executed the agreement to complete the sale and transfer of Hailian Project.

Selling Expenses

Selling expenses had decreased by 38.8% to RMB1.5 million in 3Q2012 from RMB2.4 million in 3Q2011. Higher selling expenses in 3Q2011 were mainly due to the advertising and promotional expenses incurred in the launch of Fuzhou Hua Cui Ting Yuan Phase 1 (抚洲华萃庭院一期).

Administrative Expenses

Administrative expenses in 3Q2012 had increased 79.7% to RMB7.5 million in 3Q2012 from RMB4.2 million in 3Q2011. The higher administrative expenses in 3Q2012 was due mainly to an increase in salary expenses, maintenance expenses as well as rental expenses for new office in Huzhou City.

Other Operating Expenses

Other operating expenses had increased 173.5% from RMB1.5 million in 3Q2011 to RMB4.0 million in 3Q2012. This increase was mainly due to the increase in net fair value loss of financial assets at fair value through profit or loss. The financial assets at fair value through profit or loss included listed equity securities in Hong Kong and PRC. The financial assets are measured at fair value at the reporting date of the financial period. Due to market fluctuation, the market value of the listed equity securities held by the Group had decreased.

Finance Cost

In line with the decreased in bank and other loans, financial costs in 3Q2012 had decreased RMB2.8 million from RMB3.6 million in 3Q2011 to RMB865,000 in 3Q2012.

Share of result of jointly controlled entity

Share of result of jointly controlled entity had increased from RMB12,000 in 3Q2011 to RMB1.3 million in 3Q2012. The increase was mainly attributed to the higher promotional expenses incurred by the jointly controlled in the launch of *Yichun Royal Lake City (宜春御湖城). Pre-sales for the Yichun Royal Lake City Phase 1 had commenced during the Lunar New Year.

Profit for the period

As a cumulative effect of the foregoing factors, the profit before income tax in 3Q2012 was RMB133.2 million, compared to RMB164.3 million in 3Q2011.

Due to the decline in revenue, income tax expenses had decreased from RMB39.0 million in 3Q2011 to RMB28.0 million in 3Q2012.

The Group posted a profit after tax of RMB105.2 million in 3Q2012, a decrease of 16.1% from RMB125.4 million in 3Q2011.

* Formerly known as Yichun Project (宜春项目)

(b) REVIEW OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 AND CASH FLOW FOR 3Q2012

Investment Properties

As at 31 December 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 handover of investment properties held for sale to the buyers.

Interests in a Jointly Controlled Entity

Interests in a jointly controlled entity had decreased from RMB138.1 million as at 31 March 2011 to RMB94.4 million as at 31 December 2011 due mainly to a repayment of RMB50.0 million, which was an advancement to a jointly controlled entity by the Group for the Yichun Royal Lake City.

Interests in Associates

On 22 June 2011, the Group announced the de-registration of an associated company. As at 31 December 2011, the Group did not hold any interests in an associate.

Properties Held Under Development

As at 31 December 2011, the Group's properties held under development had decreased to RMB1.32 billion from RMB1.44 billion as at 31 March 2011. The decrease was mainly due to disposal of Hailian Project in 3Q2012.

Properties Held for Sale

As at 31 December 2011, the Group's properties held for sale had slightly increased from RMB231.6 million as at 31 March 2011 to RMB239.5 million as at 31 December 2011.

Deposits, Prepayments and Other Receivables

The Group's deposits, prepayments and other receivables increased from RMB100.6 million as at 31 March 2011 to RMB484.4 million as at 31 December 2011. The increase, of which RMB234.4 million was attributable to the receivable from the disposal of Hailian Project classified as Other Receivable as well as an increase in the of prepayments to contractors for the construction of Nanchang Honggu Kaixuan and Fuzhou Hua Cui Ting Yuan.

Account Payables, Accruals, Receipts in Advance and Other Payables

Account payables had increased to RMB37.7 million as at 31 December 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 RMB533.6 million as at 31 December 2011 from RMB654.6 million as at 31 March 2011. Accruals, receipts in advance and other payables comprise mainly of the receipts 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 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 3Q2012.

Bank and Other Loans

As at 31 December 2011, the Group had total borrowings of RMB41.1 million, a significant decrease from RMB364.8 million as at 31 March 2011 due mainly to the repayment of borrowing during the financial period.

Of these borrowings as at 31 December 2011, a bank loan of HKD40.0 million was secured by a deposit of RMB38.0 million which was classified as "Pledged bank deposit" as at 31 December 2011.

After the repayment of borrowings during the financial period, the Group's financial position remains sound. Based on its total equity of RMB1.76 billion and a deposit collateral of RMB38.0 million, the Group's recorded a low gearing ratio (total borrowings less deposit collateral / total equity) of only 0.2% as at 31 December 2011, an improvement from 15.0% as at 31 March 2011.

Cash Flow Analysis

For 3Q2012, the Group recorded a cash used in operating activities of RMB32.9 million mainly as a result of an increase in properties held under development and properties held for sale as well as a decrease in receipts in advance.

Net cash used in investing activities in 3Q2012 amounted to RMB25.1 million due mainly to an increase in pledged bank deposits with original maturity over three months to secure a new bank loan.

Net cash used in financing activities in 3Q2012 amounted to RMB208.4 million. The Group repaid RMB238.1 million in borrowings, which was offset by proceeds of RMB37.1 million from new bank borrowings.

As at 31 December 2011, the Group had cash and cash equivalents of RMB195.4 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 government continues to maintain regulation policies to cool property prices. The pace of decline has slowed down in recent months, indicating that property prices are softening at a steady pace. (Wall Street Journal, Feb 01, 2012) Data released earlier in January also revealed that Chinese house prices fell for three consecutive months as of December, and property developers are bracing for a tough year ahead.

Despite the slowdown in growth, it is believed that the property market is still a positive driver for the Chinese economy. In fact, the Chinese government has pledged to build 7 million units of public housing in 2012 after an estimated 10 million in 2011. This could result in a shortage of supply in 2013, hence bringing a rebound in prices. (Reuters, Jan 17 and 18, 2012)

But until the property market cools down to reasonable levels, the Chinese government stays determined and it would not lift the curbs. Such determination has been reinforced by Premier Wen Jiabao's in his recent talks. Lending will remain tight in the coming year. (Market Watch, Feb 03, 2012)

Nonetheless, most people believe prices are not in a free fall. The correction is slow and deliberate, so as to avoid an exploding housing bubble. (Forbes, Dec 20, 2011 and Feb 02 2012)

Faced with these challenges posed by the macro-economic environment, the Group will keep a close watch over the government's policies while building on the Group's core competencies and improve on the design and quality of the Group's projects. The Group's properties are mainly based in Zhejiang province which has the fourth highest GDP growth rate among all the provinces in China, with a growth of 9% compared to last year, according to preliminary statistics by the National Bureau of Statistics.

At company level, the Group has maintained a healthy balance sheet despite uncertain market conditions. Pre-sales for the Yichun Royal Lake City Phase 1 had commenced during the Lunar New Year. As at 31 January 2012, the Group had pre-sold 40% — 66 out of 172 units — of this development, which testifies to the Group's ability to weather market slowdown.

Company Update

Property Pre-sale

The pre-sales activity for the Group's projects in Nanchang, Fuzhou, Yichun, and Huzhou cities remained strong. Results of Property Pre-sale Launches (as at 31 January 2012) 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	Yichun Royal Lake City Phase 1*
Est. total GFA released for sale (total units)	116,248 sqm (1,007 units)	44,006 sqm (184 units)	81,165 sqm (581 units)	15,900 sqm (172 units)
Est. total GFA pre-sold (total units)	113,749 sqm (997 units)	37,025 sqm (150 units)	52,105 sqm (369 units)	6,320 sqm (66 units)
Percentage of pre-sold	98%	84%	64%	40%
Pre-sale GFA (units pre-sold) not handed over to buyer as at 31 January 2012 [^]	8,089 sqm (94 units)	579 sqm (2 units)	52,105 sqm (369 units)	6,320 sqm (66 units)
Pre-sale value not handed over to buyer as at 31 January 2012 [^]	RMB58.4 m	RMB4.1 m	RMB249.8 m	RMB26.9 m
ASP per sq m*	RMB7,216	RMB7,029	RMB4,795	RMB4,259

Commercial Units

	Nanchang Honggu Kaixuan Phase 1 and 2
Est. total GFA released for sale	16,246 sqm
Est. total GFA pre-sold	13,110 sqm
Percentage of pre-sold	81%
Pre-sale GFA not handed over to buyer as at 31 January 2012 [^]	8,166 sqm
Pre-sale value not handed over to buyer as at 31 January 2012 [^]	RMB171.4 m
ASP per sq m [*]	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.

[^]: 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 31 January 2012.

※: The Group owns a 50% interest Jiangxi Ganghong Industrial Co. Ltd., which is a joint-venture company to develop Yichun Royal Lake City.

Company Strategies

The Group maintains its strategy to proceed with its pipeline of property launches and development in addition to focusing on sales and pre-sales of existing properties. At the end of 3Q2012, the Group’s gearing ratio further improved to 0.2%, an unparalleled position among its peers. Maintaining such strong financial prudence and cash and credit position will continue to be the Group’s goal in the future.

The current land bank prices in the PRC are at a relatively much lower level compared to previous years as a result of the property market being at a price-correction stage. Given the Group’s sufficient funding, it will continue to seek opportunities to acquire land parcels at low cost, and pursue its longtime strategy of targeting second- to third-tier cities. Such cities, like Yichun which the Group has developments in, continue to benefit from growing employment, improving quality, standards of living and hence sustain demands for residential properties. The Group believes that these cities are relatively less affected by the government’s anti-speculation policies.

At present, the Group has no plans 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 top management is in serious discussion to start environmental-friendly developments. They are currently in talks with relevant government entities to research the feasibility of such projects. As stated in the previous quarter, the Group 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. Going forward, the Group will consider investing in projects that are culturally innovative, sustainable and environmental-friendly, which are 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 31 December 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
13 February 2012

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 31 December 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: 13 February 2012