

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 2009

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 30/06/2009 (Unaudited) | 3 months ended 30/06/2008 (Unaudited) | |
| Revenue | 23,837 | 17,547 | 35.8% |
| Cost of Sales | (17,647) | (9,927) | 77.8% |
| Gross Profit | 6,190 | 7,620 | (18.8%) |
| Other income and gains | 13,482 | 3,214 | 319.5% |
| Selling expenses | (2,552) | (1,452) | 75.8% |
| Administrative expenses | (4,218) | (3,200) | 31.8% |
| Other operating expenses | (23) | (703) | (96.7%) |
| Operating profit | 12,879 | 5,479 | 135.1% |
| Finance costs | (1,611) | (997) | 61.6% |
| Share of loss of a jointly controlled entity | (280) | (256) | 9.4% |
| Profit before taxation | 10,988 | 4,226 | 160.0% |
| Income tax expenses | (763) | (389) | 96.1% |
| Profit for the period | 10,225 | 3,837 | 166.5% |
| Other comprehensive income | | | |
| Exchange differences on translating foreign operations | 12 | 1,175 | (99.0%) |
| Total comprehensive income for the period | 10,237 | 5,012 | 104.2% |
| Profit attributable to: | | | |
| Equity holders of the Company | 10,235 | 3,757 | 172.4% |
| Minority interests | (10) | 80 | (112.5%) |
| | 10,225 | 3,837 | 166.5% |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Company | 10,247 | 4,932 | 107.8% |
| Minority interests | (10) | 80 | (112.5%) |
| | 10,237 | 5,012 | 104.2% |

| RMB'000 | Group | | Increase/ (Decrease) |
|--|--|--|-------------------------|
| | 3 months ended 30/06/2009 (Unaudited) | 3 months ended 30/06/2008 (Unaudited) | |
| Earnings per share for profit attributable to the equity holders of the Company during the year (in RMB cents): | | | |
| - Basis | 2.09 | 0.77 | 171.4% |
| - Diluted | N/A | N/A | NM |

NM: Not Meaningful

Note:

| | Group | |
|--|--|--|
| | 3 months ended 30/06/2009 (Unaudited) | 3 months ended 30/06/2008 (Unaudited) |
| RMB'000 | | |
| Profit before taxation is arrived at after charging: | | |
| Finance costs wholly repayable within five year | | |
| - Bank loans | 4,921 | 1,810 |
| - Other loans | 304 | 944 |
| Less: amount capitalised in properties held under development | (3,614) | (1,757) |
| | 1,611 | 997 |
| Cost of properties held for sale recognised as expense | 15,613 | 9,033 |
| Depreciation of property, plant and equipment | 156 | 78 |
| Less: amount capitalised in properties held under development | (49) | (55) |
| | 107 | 23 |
| Staff costs, including directors' remuneration | | |
| - wages and salaries | 1,147 | 1,597 |
| - retirement benefit scheme contributions - defined contribution plans | 12 | 21 |
| Less: amount capitalised in properties held under development | (466) | (465) |
| | 693 | 1,153 |
| and crediting : | | |
| Other income and gains | | |
| Consultancy fee income | 8,600 | - |
| Interest income | | |
| - from bank deposits and cash at banks | 439 | 348 |
| - from other receivable and deposits | 2,869 | - |
| Exchange gain | - | 8 |
| Net fair value gain of financial assets at fair value through profit or loss | 1,116 | 78 |
| Rental income | 396 | - |

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

| RMB'000 | Group | | Company | |
|--|-------------------------|-----------------------|-------------------------|-----------------------|
| | 30/06/2009 Unaudited | 31/03/2009 Audited | 30/06/2009 Unaudited | 31/03/2009 Audited |
| ASSETS AND LIABILITIES | | | | |
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | 8,138 | 8,204 | - | - |
| Investment properties | 71,395 | 67,209 | - | - |
| Leasehold interest in land | 7,067 | 7,067 | - | - |
| Goodwill | 124 | - | - | - |
| Interests in subsidiaries | - | - | 278,608 | 278,608 |
| Interests in a jointly controlled entity | 130,795 | 91,080 | - | - |
| Deferred tax assets | 10,300 | 10,300 | - | - |
| | 227,819 | 183,860 | 278,608 | 278,608 |
| CURRENT ASSETS | | | | |
| Properties held under development | 796,279 | 730,472 | - | - |
| Properties held for sale | 91,617 | 114,685 | - | - |
| Account receivables | 15,503 | 13,363 | - | - |
| Deposits, prepayments and other receivables | 214,422 | 209,439 | 169 | 169 |
| Amounts due from related parties | 814 | 14,978 | 245,114 | 246,182 |
| Financial assets at fair value through profit or loss | 9,547 | 8,468 | - | - |
| Pledged bank deposits | 111,546 | 105,045 | - | - |
| Cash and bank balances | 273,547 | 120,414 | 92 | 92 |
| | 1,513,275 | 1,316,864 | 245,375 | 246,443 |
| CURRENT LIABILITIES | | | | |
| Account payables | 1,949 | 2,478 | - | - |
| Accruals, receipts in advance and other payables | 582,921 | 305,322 | 478 | 16 |
| Provision for tax | 84,093 | 91,364 | - | - |
| Amount due to related parties | 737 | 684 | 7,243 | 7,606 |
| Bank and other loans | 214,454 | 244,599 | - | - |
| | 884,154 | 644,447 | 7,721 | 7,622 |
| NET CURRENT ASSETS | 629,121 | 672,417 | 237,654 | 238,821 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 856,940 | 856,277 | 516,262 | 517,429 |
| NON-CURRENT LIABILITIES | | | | |
| Bank and other loans | 105,033 | 105,121 | - | - |
| Deferred tax liabilities | 6,065 | 6,065 | - | - |
| | 111,098 | 111,186 | - | - |
| NET ASSETS | 745,842 | 745,091 | 516,262 | 517,429 |
| EQUITY | | | | |
| Share capital | 298,164 | 298,164 | 298,164 | 298,164 |
| Reserves | 396,634 | 386,387 | 218,098 | 219,265 |
| EQUITY ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS | 694,798 | 684,551 | 516,262 | 517,429 |
| MINORITY INTERESTS | 51,044 | 60,540 | - | - |
| TOTAL EQUITY | 745,842 | 745,091 | 516,262 | 517,429 |



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 30/06/2009 | | As at 31/03/2009 | |
|------------------|-----------|------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| 210,055 | 4,399 | 240,199 | 4,400 |

Amount repayable after one year

| As at 30/06/2009 | | As at 31/03/2009 | |
|------------------|-----------|------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| 105,033 | - | 105,121 | - |

Details of any collateral

Bank loans of approximately RMB183,394,000 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 2009. Bank and other loans of approximately RMB131,694,000 were secured by a deposit of RMB44,000,000 which was classified as "Deposits, prepayments and other receivables" under current assets and RMB95,600,000 which was classified as "Pledged bank deposits" as at 30 June 2009.

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 30/06/2009 (Unaudited) | 3 Months ended 30/06/2008 (Unaudited) |
| Cash flows from operating activities | | |
| Profit before taxation | 10,988 | 4,226 |
| Adjustments for: | | |
| Interest income | (3,308) | (348) |
| Interest expense | 1,611 | 997 |
| Depreciation | 107 | 23 |
| Net fair value gain of financial assets at fair value through profit or loss | (1,116) | (78) |
| Share of loss of of a jointly controlled entity | 280 | 256 |
| Operating cash flow before working capital change | 8,562 | 5,076 |
| Increase in properties held under development & for sales | (43,262) | (4,995) |
| (Increase)/Decrease in account and other receivables, prepayments and deposits paid | (6,055) | 63,102 |
| Decrease in amount due from a related parties, including jointly controlled entity | 14,164 | 491 |
| Increase/(Decrease) in account and other payables, accruals and receipts in advance | 275,610 | (101,843) |
| Increase/(Decrease) in amount due to related parties | 53 | (12) |
| Increase in pledged bank deposits | (6,501) | (128,775) |
| Cash generated from/(used in) operations | 242,571 | (166,956) |
| Interest received | 2,240 | 348 |
| Income taxes paid | (7,791) | (3,579) |
| Net cash generated from/(used in) operating activities | 237,020 | (170,187) |
| Cash flows from-investing activities | | |
| Purchases of property, plant and equipment | (93) | (94) |
| Acquisition of additional interest in subsidiary from minority shareholder | (9,610) | - |
| Advance to a jointly controlled entity | (40,000) | - |
| Purchases/(Disposal of) financial assets at fair value through profit or loss, net | 37 | (8,593) |
| Net cash used in investing activities | (49,666) | (8,687) |
| Cash flows from financing-activities | | |
| New borrowings | - | 236,969 |
| Repayment of borrowings | (30,216) | (3,302) |
| Dividend paid | - | (9,178) |
| Interest paid | (4,008) | (2,754) |
| Net cash (used in)/from financing activities | (34,224) | 221,735 |
| Net increase in cash and cash equivalents | 153,130 | 42,861 |
| Effect of foreign exchange difference | 3 | (1,151) |
| Cash and cash equivalents at beginning of period | 120,414 | 121,023 |
| Cash and cash equivalents at end of period | 273,547 | 162,733 |

Note:

Analysis of balances of cash and cash equivalents

RMB'000

| | | |
|---|----------------|----------------|
| Cash and bank balances | 273,547 | 162,733 |
| Time deposits with maturity of less than three months | - | - |
| Cash and cash equivalents | 273,547 | 162,733 |



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

| Group | Equity attributable to equity holders of the Company | | | | | | | | | | Total equity |
|--|--|---------------|----------------|-------------------|-----------------|-------------------|-------------------|-------------------------|---------|--------------------|--------------|
| | Share capital | Share premium | Merger reserve | Statutory reserve | Capital reserve | Exchange reserves | Retained earnings | Proposed final dividend | Total | Minority interests | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | |
| At 1 April 2008 | 298,164 | 153,080 | (2,243) | 4,257 | 3,838 | (13,488) | 270,793 | 9,178 | 723,579 | 60,691 | 784,270 |
| Total comprehensive income for the period | - | - | - | - | - | 1,175 | 3,757 | - | 4,932 | 80 | 5,012 |
| Payment of dividend | - | - | - | - | - | - | - | (9,178) | (9,178) | - | (9,178) |
| At 30 June 2008 | 298,164 | 153,080 | (2,243) | 4,257 | 3,838 | (12,313) | 274,550 | - | 719,333 | 60,771 | 780,104 |
| At 1 April 2009 | 298,164 | 153,080 | (2,243) | 4,278 | 3,838 | (7,249) | 234,683 | - | 684,551 | 60,540 | 745,091 |
| Total comprehensive income for the period | - | - | - | - | - | 12 | 10,235 | - | 10,247 | (10) | 10,237 |
| Acquisition of additional interest in a subsidiary from minority shareholder | - | - | - | - | - | - | - | - | - | (9,486) | (9,486) |
| At 30 June 2009 | 298,164 | 153,080 | (2,243) | 4,278 | 3,838 | (7,237) | 244,918 | - | 694,798 | 51,044 | 745,842 |

| Company | Share capital | Share premium | Contributed surplus | Retained earnings | Proposed final dividend | Total |
|------------------------|------------------------|---------------|---------------------|-------------------|-------------------------|---------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | At 1 April 2008 | 298,164 | 153,080 | 59,579 | 1,266 | 9,178 |
| Loss for the period | - | - | - | (507) | - | (507) |
| Payment of dividend | - | - | - | - | (9,178) | (9,178) |
| At 30 June 2008 | 298,164 | 153,080 | 59,579 | 759 | - | 511,582 |
| At 1 April 2009 | 298,164 | 153,080 | 59,579 | 6,606 | - | 517,429 |
| Loss for the period | - | - | - | (1,167) | - | (1,167) |
| Payment of dividend | - | - | - | - | - | - |
| At 30 June 2009 | 298,164 | 153,080 | 59,579 | 5,439 | - | 516,262 |

- 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.

None.

- 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.**

| | As at 30/06/2009 | As at 31/03/2009 |
|--|---------------------|---------------------|
| Total number of issued ordinary shares | 490,000,000 | 490,000,000 |

There were no treasury shares held as at 30 June 2009 and 31 March 2009.

- 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.**

Not applicable.

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

The figures have neither been audited nor reviewed by the Company's auditors.

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

Not applicable.

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

Except as disclosed in paragraph 5 below, the Group had applied the same accounting policies and methods of computation in the financial statements for the current reporting period as in those of the audited financial statement for the period ended 31 March 2009.

- 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 2009. 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 30/6/2009 | 3 Months ended 30/6/2008 |
| Profit per ordinary share (in RMB cents): | (Unaudited) | (Unaudited) |
| (a) Basic | 2.09 | 0.77 |
| (b) Diluted | NA | NA |

Note:

The calculation of basic profit per share is based on the profit attributable to equity holders of the Company of approximately RMB10,235,000 for the 3 months ended 30 June 2009 (3 months ended 30 June 2008 : RMB3,757,000) divided by 490,000,000 (3 months ended 30 June 2008 : 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 2008: 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 30/06/2009 | As at 31/03/2009 | As at 30/06/2009 | As at 31/03/2009 |
| Net asset value per ordinary share (in RMB cents) | 152.21 | 152.06 | 105.36 | 105.60 |

Note:

The number of ordinary shares of the Company as at 30 June 2009 was 490,000,000 (31 March 2009: 490,000,000).

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 JUNE 2009 ("1Q2010") COMPARED TO THE PREVIOUS CORRESPONDING QUARTER ENDED 30 JUNE 2008 ("1Q2009")

| | Group | |
|--------------------------|--|--|
| | 3 Month ended 30/6/2009 (Unaudited) | 3 Month ended 30/6/2008 (Unaudited) |
| Revenue (RMB'000) | | |
| Residential | 17,858 | 16,070 |
| Commercial and others | 5,979 | 1,477 |
| | 23,837 | 17,547 |

Revenue

Group revenue for the three months ended 30 June 2009 ("1Q2010") rose to RMB 23.8 million, an increase of 35.8% from RMB 17.5 million for the three months ended 30 June 2008 ("1Q2009"). The revenue increase was driven primarily by continuing sales of the remaining residential units for sale and car parks at Phase 1 of the Group's property development, Nanchang Honggu Kaixuan (南昌红谷凯旋第一期).

In 1Q2010, the Group sold and delivered 35 residential units of Nanchang Honggu Kaixuan Phase 1. These units had a total gross floor area (GFA) of 3,656 square metres (sq m) and generated total revenue of RMB 13.4 million. The Group had also sold 82 car park lots at this property for total revenue of RMB 6.0 million.

The remaining revenue of RMB 4.3 million in 1Q2010 came primarily from sales of the outstanding residential units of Huzhou Liyang Jingyuan Phase 1 (湖州丽阳景苑第一期).

As at 30 June 2009, the Group had sold and completed the handover of 95.9% of the total 1,127 residential units at Nanchang Honggu Kaixuan Phase 1, while 99.6% of the residential units at Huzhou Liyang Jingyuan Phase 1 had been sold and delivered.

As the Group is primarily engaged in the property development business, revenue recognition is dependent on the launch of new projects and the completion of handover of properties that are sold. Hence, this may result in lumpy revenue and profitability for the Group on a quarterly basis.

The Group launched the pre-sales of four new property projects between July 2008 and June 2009. However, sales from these new projects can only be recognised as revenue upon the handover of the sold units. Please refer to Section 10 for more information.

Cost of Sales and Gross Profit Margin

The Group's cost of sales in 1Q2010 increased 77.8% year-on-year to RMB 17.6 million in tandem with higher sales. The Group's gross profit margin declined to 26.0% in 1Q2010, from 43.4% in 1Q2009, due primarily to the sales of car park lots at Nanchang Honggu Kaixuan Phase 1. Excluding sales of the car park lots, the Group maintained a healthy gross profit margin of approximately 41.2% for the residential properties sold in 1Q2010.

Other Income and Gains

The Group's other income and gains in 1Q2010 increased by 319.5% to RMB 13.5 million, from RMB 3.2 million in 1Q2009. This increase was boosted by consultancy fee income of RMB 8.6 million, net fair value gain of investments in financial assets of RMB 1.1 million, as well as interest income from other receivables and deposits of RMB 2.9 million. During 1Q2010, the Group received interest income amounting to HKD 2.0 million for the deposit in relation to the acquisition of shareholding in Ever Sure Industries Limited, which had been recovered in full.

Selling Expenses

The Group's selling expenses in 1Q2010 increased to RMB 2.6 million, compared with RMB 1.5 million in 1Q2009, due mainly to higher promotional and advertisement expenses.

Administrative Expenses

Administrative expenses in 1Q2010 totalled RMB 4.2 million, an increase of 31.8% from RMB 3.2 million in 1Q2009. The increase of RMB 1.0 million was attributable mainly to legal cost.

Profit for the Period

The Group's operating profit rose 135.1% year-on-year to RMB 12.9 million in 1Q2010, driven mainly by the substantial increase in other income and gains. After deducting finance costs, share of loss of a jointly controlled entity and income tax expenses, the Group posted a profit after tax of RMB 10.2 million in 1Q2010, up 166.5% from RMB 3.8 million in 1Q2009.

(b) REVIEW OF FINANCIAL POSITION AS AT 30 JUNE 2009 AND CASH FLOW FOR 1Q2010

Investment Properties

As at 30 June 2009, the Group's investment properties rose by RMB 4.1 million to RMB 71.3 million. This was due to an addition to the cost of the commercial property at Huzhou Xinya Jiayuan property which the Group had earlier retained for rental income.

Interests in a Jointly Controlled Entity

The Group has a 50% interest in Jiangxi Ganghong Industrial Co. Ltd ("Jiangxi Ganghong"), which is a joint-venture company that was established to develop residential and commercial properties in Yichun city, Jiangxi Province. The Group's interests in this jointly-controlled entity increased to RMB 130.8 million at the end of June 2009, from RMB 91.1 million at the end of March 2009. This increase was due primarily to a fund transfer from the Group to Jiangxi Ganghong in 1Q2010, through a short-term loan of RMB 40 million, to finance the construction costs of the aforesaid property development.

Properties Held Under Development

The Group's properties held under development rose to RMB 796.3 million at the end of 1Q2010, from RMB 730.5 million as at 31 March 2009. The increase was in tandem with the construction progress of its new property projects, including Nanchang Honggu Kaixuan Phase 2, Hangzhou Liyang Yuan (杭州丽阳苑), Huzhou Liyang Jingyuan Phase 2 (湖州丽阳景苑二期), and Hua Cui Ting Yuan Phase 1.

Properties Held for Sale

Properties held for sale declined to RMB 91.7 million, from 114.7 million as at 31 March 2009, due to the continuing sale of the remaining residential units and car park lots of its completed property developments. The properties held for sale as at 30 June 2009 comprised mainly of the outstanding residential units, commercial spaces and car park lots at Nanchang Kaixuan Phase 1.

Accounts Receivables

The Group's accounts receivables owing from purchasers of property units increased only marginally to RMB 15.5 million as at 30 June 2009, compared to RMB 13.4 million as at 31 March 2009.

Deposits, Prepayments and Other Receivables

As at 30 June 2009, the Group had deposits, prepayments and other receivables of RMB 214.4 million, compared to RMB 209.4 million at the end of March 2009. The deposit of RMB 30.0 million related to the acquisition of shareholding in Ever Sure Industries Limited had been refunded to the Group on 18 June 2009.

The deposits, prepayments and other receivables at the end of 1Q2010 comprised primarily deposits of RMB 44.0 million as collateral for borrowings, and deposit of RMB 90.0 million for acquisition of land in Fuzhou city. The remaining amount consisted mainly of prepayments to contractors for the construction costs in respect of the properties currently under development, and other receivables.

Pledged Bank Deposits

Pledged bank deposits increased to RMB 111.5 million, from RMB 105.0 million as at 31 March 2009. The pledged bank deposits as at 30 June 2009 comprised primarily RMB 95.6 million of deposits that were used as collateral to secure bank borrowings.

The balance of RMB 15.9 million was related mainly to pledged deposits at certain banks which provided mortgage loans to purchasers of the Group's properties. These pledged deposits, would be released upon the issue of certificates for housing ownership to the property purchasers. The increase in the amount of pledged deposits at banks for the purpose of mortgage loans during 1Q2010 was in tandem with the increase in the Group's property presales.

Accounts Payables, Accruals, Advance Receipts and Other Payables

As at 30 June 2009, the Group's accounts payables amounted to RMB 1.9 million, a decrease of RMB 0.6 million from RMB 2.5 million as at 31 March 2009. These comprised primarily of amounts payable to suppliers for construction costs incurred in respect of its properties under development.

The Group's accruals, advance receipts and other payables increased significantly by RMB 277.6 million in 1Q2010 to RMB 582.9 as at 30 June 2009. A substantial portion of the RMB 582.9 million were advance receipts which came from the deposits and prepayments that the Group received from the presales of residential units of its property projects. The remaining portion comprised primarily accrued construction costs and project-related expenses that were based on the progress of project development but not due for payment as at 30 June 2009.

Bank and Other Loans

In total, the Group had short-term and long-term borrowings of RMB 319.4 million as at 30 June 2009, a decrease of RMB 30.2 million from RMB 349.7 million as at 31 March 2009. Of these borrowings, approximately RMB 131.7 million of debt was secured by cash deposits ("deposit collateral") of RMB 139.6 million.

The total borrowings as at 30 June 2009 comprised mainly two term loans totalling RMB 78.0 million which were pledged against the Group's interests in the land parcels used for the development of Hua Cui Ting Yuan and Hangzhou Liyang Yuan projects; a 36-month bank loan facility of which RMB 100.0 million has already been drawn down to finance the development costs of its project in Nanchang and bank and other loans of HKD 149.1 million.

Based on its total equity of RMB 745.8 million and deposit collateral of RMB 139.6 million, the Group had a gearing ratio (total borrowings less deposit collateral / total equity) of 24.0% as at 30 June 2009. Including cash and bank balances as at 30 June 2009, the Group ended the financial period under review with a net cash position of RMB 93.7 million ((cash and bank balances, and deposit collateral) less total borrowings).

Cash Flow Analysis

During 1Q2010, the Group generated net cash of RMB 237.0 million from operating activities, due primarily to the increase in advance receipts from the presales of residential units of its property projects. Net cash used in investing activities in 1Q2010 amounted to RMB 50.0 million, attributed mainly to the fund transfer to Jiangxi Ganghong. Net cash used in financing activities was RMB 34.2 million, due to the repayment of borrowings.

As at 30 June 2009, the Group had healthy cash and cash equivalents of RMB 273.5 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The Group's financial results for the period under review are in line with the previous results announcement made on 28 May 2009.

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

According to the National Bureau of Statistics, property sales in China by GFA rose 31.7% to 341.09 million sq m on aggregate in the first six months of 2009, compared to the same period last year. Total property sales value in the January-to-June period jumped 53.0% to RMB 1,580 billion. The property prices in China's 70 major cities in the month of June 2009 rose 0.2% year-on-year, and were 0.8% higher when compared against prices in May 2009.

Following the recovery in the property market during the first half of 2009, which resulted in sharp price increases for prime locations in some first-tier cities, local authorities in certain cities of China have started tightening bank lending policy for second-home mortgage by raising the percentage of downpayment required and mortgage rates. Industry players believe that this recent move is aimed at ensuring sustainable growth and to moderate the rate of price increases, and the government remains supportive of the property market. To-date, property sales volume has shown good year-on-year growth and is generally expected to remain resilient in the second half of 2009.

The Group does not expect tighter lending policy to have a major effect on the property market in the longer term due to the recovering global economy. In addition, the Group believes that the authorities are unlikely to introduce excessively strict policies before a full economic recovery takes place as the property sector plays an important role in stimulating domestic consumption. Moreover, consumer inflation is also expected to rise in tandem with the economic recovery. As such, the Group maintains a cautiously optimistic outlook for the property market.

Given the rise in recent property sales, growth in real estate investments and increase in recent land sales, the Group is of the view that sales transactions in the property industry may continue to rise gradually with minor fluctuations and at a narrowing pace of growth in the second half of 2009. Nevertheless, the property market continues to be subject to the macro-economic situation, government policies, housing supply situation, among other factors.

Company Update

Property Pre-sales

The Group presently has launched pre-sales of four projects in Nanchang, Huzhou and Hangzhou cities. The latest project launched on 14 June 2009 was the Phase 1 of the Hua Cui Ting Yuan project, which is a Chinese-style townhouse development situated near the Taihu Lake resort in Huzhou city.

The average selling price of the residential units at Hua Cui Ting Yuan Phase 1 has risen gradually since the launch of the first batch of 30 units. The Group plans to release a second batch of residential units for sale at the end of August or in early September 2009. The Group intends to align its sales strategy for its Hua Cui Ting Yuan project with the progress of the current developments at the Taihu Lake resort.

As at 9 August 2009, the Group has almost completely pre-sold the residential units of Huzhou Liyang Jingyuan Phase 2 and Hangzhou Liyang Yuan.

Table 1: Change in aggregate pre-sales value in 2009

| | <i>As at 9 August 2009</i> | <i>As at 15 July 2009</i> | <i>As at 24 May 2009</i> | <i>As at 9 February 2009</i> |
|--------------------------------|----------------------------|---------------------------|--------------------------|------------------------------|
| Aggregate value of pre-sales** | RMB 722.4 million | RMB 678.4 million | RMB 503.6 million | RMB 157.7 million |

Table 2: Summary of Property Pre-sale Launches (as at 9 August 2009)

| Property | Nanchang Honggu Kaixuan Phase 2 | Huzhou Liyang Jingyuan Phase 2 | Hangzhou Liyang Yuan | Hua Cui Ting Yuan Phase 1 |
|--|---------------------------------|--------------------------------|------------------------------|------------------------------|
| Date of pre-sales launch | July 2008 | Dec 2008 | Jan 2009 | June 2009 |
| Estimated construction completion date* | 1 st quarter 2010 | 4 th quarter 2009 | 4 th quarter 2009 | 1 st quarter 2010 |
| Total residential units released for sale | 649 | 150 | 226 | 30 |
| Units pre-sold in total (GFA) | 550 (68,120 sq m) | 149 (18,179 sq m) | 222 (24,464 sq m) | 25 (5,093 sq m) |
| Take-up rate | 85% | 99% | 98% | 83% |
| Average selling price# (RMB per sq m) | RMB 5,000 | RMB 5,000 | RMB 10,100 | RMB 8,400 |
| Accumulated pre-sales value** | RMB 341.2 million | RMB 91.3 million | RMB 247.1 million | RMB 42.8 million |
| Aggregate Pre-sales Value = RMB 722.4 million | | | | |

*Estimated construction completion dates for the residential component of the respective properties are subject to change.

**Pre-sales can only be recognised as revenue after the completion of handover to buyers.

#Subject to variations of around \pm RMB 100 per sq m

Company Strategies / Plans

- (i) Construction plans
 - The Group plans to commence construction of its new projects in Yichun, Fuzhou and Huzhou, Jiangmen cities in FY2010
 - The Group may also start construction of the second phase of Hua Cui Ting Yuan project towards the end of FY2010 or FY2011.
- (ii) Strengthen brand to enhance market position amid increasingly competitive landscape
 - The Group's aim is to strengthen its brand and reputation in second and third-tier cities
 - The Group believes there is potential to replicate Hua Cui Ting Yuan townhouse concept in other locations which would differentiate the Group from its competitors
- (iii) Continue to seek suitable and attractive land acquisition opportunities for property development, with a primary focus on second and third-tier cities
- (iv) Expand portfolio of investment properties to build more stable revenue streams in the long term
 - The Group will assess the investment potential of commercial properties at Nanchang Honggu Kaixuan, Huzhou Liyang Jingyuan Phase 2, and Hangzhou Liyang Yuan, to determine whether to sell or retain the properties for rental income
 - The Group will also apply the same consideration to commercial properties of future developments, such as the Fuzhou project.

Backed by a net cash position, the Group is well-placed to withstand any market challenges and seize market opportunities. The Group will continue to maintain a steady and prudent approach in its business expansion and financial management, while keeping a close watch on consumer sentiment and any market changes.

Based on the accumulated pre-sales achieved to-date and the current construction schedule of the respective properties, and barring any unforeseen circumstances, the Group remains positive of its performance in FY2010.

11. Dividend

(a) Current Financial Period Reported On

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(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 2009.

BY ORDER OF THE BOARD

Wong Lam Ping
Chairman
12 August 2009

NEGATIVE ASSURANCE CONFIRMATION

Statement by Directors pursuant to SGX Listing Rule 705(4)

We confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of Pan Hong Property Group Limited which may render these interim financial results for the quarter ended 30 June 2009 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: 12 August 2009