

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 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					
	3 months ended	3 months ended	Increase/	9 months ended	9 months ended	Increase/
	31/12/2009	31/12/2008	(Decrease)	31/12/2009	31/12/2008	(Decrease)
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Revenue	86,954	4,299	1922.7%	123,371	25,338	386.9%
Cost of Sales	(52,900)	(2,478)	2034.8%	(77,746)	(14,135)	450.0%
Gross Profit	34,054	1,821	1770.1%	45,625	11,203	307.3%
Other income and gains	42,423	5,317	697.9%	81,137	11,798	587.7%
Selling expenses	(1,266)	(948)	33.5%	(5,051)	(6,000)	(15.8%)
Administrative expenses	(4,719)	(3,469)	36.0%	(12,015)	(12,805)	(6.2%)
Other operating expenses	(1,541)	(3,214)	(52.1%)	(1,766)	(4,232)	(58.3%)
Operating profit/(loss)	68,951	(493)	14086.0%	107,930	(36)	299905.6%
Finance costs	(1,198)	(1,385)	(13.5%)	(3,570)	(3,822)	(6.6%)
Share of loss of						
- a jointly controlled entity	(180)	(1,670)	(89.2%)	(395)	(1,940)	(79.6%)
- associates	(14)	-	NM	(14)	-	NM
Profit/(loss) before income tax	67,559	(3,548)	2004.1%	103,951	(5,798)	1892.9%
Income tax expenses	(10,275)	(94)	10830.9%	(12,637)	(2,973)	325.1%
Profit/(loss) for the period	57,284	(3,642)	1672.9%	91,314	(8,771)	1141.1%
Other comprehensive (loss)/income						
Exchange differences on translating foreign operations	(2,301)	(487)	372.5%	(5,781)	3,934	(246.9%)
Total comprehensive income/(loss) for the period	<u>54,983</u>	<u>(4,129)</u>	1431.6%	<u>85,533</u>	<u>(4,837)</u>	1868.3%
Profit/(loss) attributable to:						
Equity holders of the Company	56,779	(3,566)	1692.2%	90,692	(8,740)	1137.7%
Minority interests	505	(76)	764.5%	622	(31)	2106.5%
	<u>57,284</u>	<u>(3,642)</u>	1672.9%	<u>91,314</u>	<u>(8,771)</u>	1141.1%
Total comprehensive income/(loss) attributable to:						
Equity holders of the Company	54,478	(4,053)	1444.1%	84,911	(4,806)	1866.8%
Minority interests	505	(76)	764.5%	622	(31)	2106.5%
	<u>54,983</u>	<u>(4,129)</u>	1431.6%	<u>85,533</u>	<u>(4,837)</u>	1868.3%



RMB'000	Group					
	3 months ended 31/12/2009 (Unaudited)	3 months ended 31/12/2008 (Unaudited)	Increase/ (Decrease)	9 months ended 31/12/2009 (Unaudited)	9 months ended 31/12/2008 (Unaudited)	Increase/ (Decrease)
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company during the period (in RMB cents):						
- Basis	10.98	(0.73)	1604.1%	18.06	(1.78)	1114.6%
- Diluted	N/A	N/A	NM	N/A	N/A	NM

NM: Not Meaningful

RMB'000	Group			
	3 months ended	3 months ended	9 months ended	9 months ended
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Prof it/(loss) before income tax is arrived at after charging:				
Finance costs wholly repayable within five year				
- Bank loans	3,150	3,545	11,203	10,520
- Other loans	297	256	984	1,668
Less: amount capitalised in properties held under development	(2,249)	(2,416)	(8,617)	(8,366)
	1,198	1,385	3,570	3,822
Cost of properties held for sale recognised as expense	48,877	2,260	71,087	12,848
Depreciation of property, plant and equipment	278	114	613	313
Less: amount capitalised in properties held under development	(42)	(55)	(135)	(164)
	236	59	478	149
Loss on disposal of property, plant and equipment	-	44	-	44
Property, plant and equipment written off	11	3	11	3
Fair value loss for				
- financial assets at fair value through profit or loss	-	3,169	-	3,282
- investment properties	1,530	-	1,530	-
Outgoings in respect of properties under operating lease arrangement	26	57	241	131
Staff costs, including directors' remuneration				
- Wages and salaries	1,783	1,610	5,090	4,754
- Retirement benefit scheme contributions - defined contribution plans	15	15	42	44
Less: amount capitalised in properties held under development	(327)	(496)	(1,329)	(1,462)
	1,471	1,129	3,803	3,336
and crediting :				
Commission income	-	1,004	-	1,004
Consultancy fee income	6,970	-	15,570	4,471
Interest income				
- From bank deposits and cash at banks	1,132	2,092	3,326	4,193
- From other receivable and deposits	1,316	2,137	9,136	2,137
Exchange gain	3,182	3	3,182	997
Net fair value gain of financial assets at fair value through profit or loss	2,910	-	7,376	-
Gain on disposal of property, plant and equipment	63	-	63	-
Rental income	2,373	469	3,545	469
Compensation income	24,271	-	31,271	-
Government grants	-	-	7,461	-

Note: No fee was paid to the independent auditors for non-audit services during the period under review (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	
	31/12/2009 Unaudited	31/03/2009 Audited	31/12/2009 Unaudited	31/03/2009 Audited
ASSETS AND LIABILITIES				
NON-CURRENT ASSETS				
Property, plant and equipment	9,172	8,204	-	-
Investment properties	97,009	67,209	-	-
Leasehold interest in land	7,054	7,067	-	-
Goodwill	124	-	-	-
Investments in subsidiaries	-	-	288,091	278,608
Interests in a jointly controlled entity	133,824	91,080	-	-
Interests in associates	2,986	-	-	-
Deferred tax assets	10,300	10,300	-	-
	260,469	183,860	288,091	278,608
CURRENT ASSETS				
Properties held under development	1,060,827	730,472	-	-
Properties held for sale	126,384	114,685	-	-
Account receivables	8,393	13,363	-	-
Deposits, prepayments and other receivables	312,029	209,439	170	169
Amounts due from related parties	814	14,978	299,041	246,182
Financial assets at fair value through profit or loss	19,316	8,468	-	-
Pledged bank deposits	203,370	105,045	-	-
Cash and bank balances	174,920	120,414	92	92
	1,906,053	1,316,864	299,303	246,443
CURRENT LIABILITIES				
Account payables	45,626	2,478	-	-
Accruals, receipts in advance and other payables	774,197	305,322	418	16
Provision for tax	82,262	91,364	-	-
Amount due to related parties	757	684	7,147	7,606
Amount due to associates	8,600	-	-	-
Bank and other loans	207,577	244,599	-	-
	1,119,019	644,447	7,565	7,622
NET CURRENT ASSETS	787,034	672,417	291,738	238,821
TOTAL ASSETS LESS CURRENT LIABILITIES	1,047,503	856,277	579,829	517,429
NON-CURRENT LIABILITIES				
Bank and other loans	154,847	105,121	-	-
Deferred tax liabilities	6,065	6,065	-	-
	160,912	111,186	-	-
NET ASSETS	886,591	745,091	579,829	517,429
EQUITY				
Share capital	313,446	298,164	313,446	298,164
Reserves	521,469	386,387	266,383	219,265
EQUITY ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS				
	834,915	684,551	579,829	517,429
MINORITY INTERESTS	51,676	60,540	-	-
TOTAL EQUITY	886,591	745,091	579,829	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 31/12/2009		As at 31/03/2009	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
207,577	-	240,199	4,400

Amount repayable after one year

As at 31/12/2009		As at 31/03/2009	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
154,847	-	105,121	-

Details of any collateral

Bank loans of approximately RMB175,337,000 were secured by the Group's land use rights, including the land classified as "properties held under development" and "leasehold interest in land and building" as at 31 December 2009. Bank and other loans of approximately RMB187,087,000 were secured by a deposit of RMB44,000,000 which was classified as "Deposits, prepayments and other receivables" under current assets and RMB172,894,000 which was classified as "Pledged bank deposits" as at 31 December 2009. The deposit of RMB 44,000,000 was secured against a loan of HK\$50,000,000, of which HK\$25,000,000 had been repaid at the end of December 2009. Correspondingly, the Group has received part of the RMB 44,000,000 deposit in January 2010.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

RMB'000	Group			
	3 Months ended 31/12/2009 (Unaudited)	3 Months ended 31/12/2008 (Unaudited)	9 Months ended 31/12/2009 (Unaudited)	9 Months ended 31/12/2008 (Unaudited)
Cash flows from operating activities				
Profit/(loss) before income tax	67,559	(3,548)	103,951	(5,798)
Adjustments for:				
Interest income	(2,448)	(4,229)	(12,462)	(6,330)
Interest expense	1,198	1,385	3,570	3,822
Depreciation	236	59	478	149
Net fair value (gain)/loss of financial assets at fair value through profit or loss	(2,910)	3,169	(7,376)	3,282
Fair value adjustment on investment properties	1,530	-	1,530	-
(Gain)/Loss on disposal of property, plant and equipment	(63)	44	(63)	44
Property, plant and equipment written off	11	3	11	3
Share of loss of				
- a jointly controlled entity	180	1,670	395	1,940
- associates	14	-	14	-
Operating cash flow before working capital change	65,307	(1,447)	90,048	(2,888)
Increase in properties held under development and properties held for sale	(227,618)	(62,333)	(336,417)	(149,212)
Increase in account and other receivables, prepayments and deposits	(64,317)	(73,267)	(80,332)	(28,660)
(Increase)/Decrease in amount due from a related parties, including jointly controlled entity	-	(1,920)	14,165	(26,533)
Increase/(Decrease) in account and other payables, accruals and receipts in advance	78,920	69,158	511,354	(36,060)
Increase in amount due to related parties, including associates	8,598	889	8,646	869
(Increase)/Decrease in pledged bank deposits	(9,108)	11,338	(19,081)	(1,848)
Cash generated (used in)/from operations	(148,218)	(57,582)	188,383	(244,332)
Tax refund	-	167	-	167
Interest received	1,259	279	9,323	2,380
Income taxes paid	(6,200)	(3,079)	(21,461)	(6,738)
Net cash generated (used in)/from operating activities	(153,159)	(60,215)	176,245	(248,523)
Cash flows from investing activities				
Purchases of property, plant and equipment	(695)	(119)	(1,565)	(1,390)
Additions to investment properties	(4,209)	-	(53,430)	-
Proceeds from disposal of				
- property, plant and equipment	100	37	100	37
- investment properties	14,300	-	14,300	-
Acquisition of subsidiary, net	-	-	21	-
Acquisition of additional interest in subsidiary from minority shareholder	-	-	(9,610)	-
Investment in associates	(3,000)	-	(3,000)	-
Advance to a jointly controlled entity	-	-	(40,000)	-
Acquisitions of financial assets at fair value through profit or loss, net	60,238	-	(3,472)	(1,225)
Net cash from/(used in) investing activities	66,734	(82)	(96,656)	(2,578)
Cash flows from financing activities				
Proceeds from issuance of share capital	-	-	56,330	-
Share issue expenses	-	-	(563)	-
Purchase of treasury share	(3,694)	-	(4,369)	-
Sale of treasury shares	4,572	-	4,572	-
New borrowings	247,660	460	247,660	331,803
Repayment of borrowings	(142,129)	(443)	(234,699)	(66,716)
Dividend paid	-	-	-	(9,178)
Interest paid	(8)	(3,532)	(8,646)	(11,102)
Increase in pledged other deposits	-	-	-	28,000
Increase in pledged bank deposits	(79,244)	-	(79,244)	(95,600)
Net cash from/(used in) financing activities	27,157	(3,515)	(18,959)	177,207
Net (decrease)/increase in cash and cash equivalents	(59,268)	(63,812)	60,630	(73,894)
Effect of foreign exchange difference	(2,478)	(402)	(6,124)	577
Cash and cash equivalents at beginning of period	236,666	111,920	120,414	121,023
Cash and cash equivalents at end of period	174,920	47,706	174,920	47,706

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

Group	Equity attributable to equity holders of the Company										Total equity
	Share capital	Treasury shares	Share premium	Merger reserve	Statutory reserve	Capital reserve	Exchange reserves	Retained earnings	Total	Minority interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 October 2008	298,164	-	153,080	(2,243)	4,257	3,838	(9,067)	265,619	713,648	60,736	774,384
Total comprehensive income for the period	-	-	-	-	-	-	(487)	(3,566)	(4,053)	(76)	(4,129)
At 31 December 2008	298,164	-	153,080	(2,243)	4,257	3,838	(9,554)	262,053	709,595	60,660	770,255
At 1 October 2009	310,771	(675)	205,723	(2,243)	4,278	3,838	(10,729)	268,596	779,559	51,171	830,730
Total comprehensive income for the period	-	-	-	-	-	-	(2,301)	56,779	54,478	505	54,983
Issue of shares on acquisition of a subsidiary	2,675	-	(2,675)	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	(3,694)	-	-	-	-	-	-	(3,694)	-	(3,694)
Disposal of treasury shares	-	4,369	203	-	-	-	-	-	4,572	-	4,572
At 31 December 2009	313,446	-	203,251	(2,243)	4,278	3,838	(13,030)	325,375	834,915	51,676	886,591

Company	Share capital	Treasury shares	Share premium	Contributed surplus	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	At 1 October 2008	298,164	-	153,080	59,579	(947)
Loss for the period	-	-	-	-	(1,032)	(1,032)
At 31 December 2008	298,164	-	153,080	59,579	(1,979)	508,844
At 1 October 2009	310,771	(675)	205,723	59,579	4,584	579,982
Loss for the period	-	-	-	-	(1,031)	(1,031)
Issue of shares on acquisition of a subsidiary	2,675	-	(2,675)	-	-	-
Purchase of treasury shares	-	(3,694)	-	-	-	(3,694)
Disposal of treasury shares	-	4,369	203	-	-	4,572
At 31 December 2009	313,446	-	203,251	59,579	3,553	579,829

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.

State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

SHARE CAPITAL

Date	Particulars	Number of shares		Amount	
		Issued share capital	Treasury share	Share capital RMB'000	Treasury share RMB'000
01 October 2009	Balance at beginning of the period	513,800,000	(361,000)	310,771	(675)
21 October 2009	Listing and quotation of the 5,055,024 ordinary share of HK\$0.6 each at S\$0.4209 per share	5,055,024	-	2,675	-
13 November 2009	Share buy back - held as treasury	-	(391,000)	-	(1,075)
16 November 2009	Share buy back - held as treasury	-	(93,000)	-	(258)
17 November 2009	Share buy back - held as treasury	-	(310,000)	-	(862)
24 November 2009	Share buy back - held as treasury	-	(95,000)	-	(252)
02 December 2009	Share buy back - held as treasury	-	(450,000)	-	(1,247)
09 December 2009	Sale of treasury shares	-	1,700,000	-	4,369
31 December 2009	Balance at end of the period	518,855,024	-	313,446	-

For the three months ended 31 December 2009 ("3Q2010"), the Company purchased 1,339,000 (3 months ended 31 December 2008: NIL) of its ordinary shares by way of on-market purchases at share prices ranging from S\$0.535 to S\$0.560 (3 months ended 31 December 2008: N/A) held as treasury shares.

The Company sold 1,700,000 (3 months ended 31 December 2008: NIL) of treasury shares during the financial period at share price S\$0.55 (3 months ended 31 December 2008: N/A) to finance the development of the Company's projects in the PRC.

WARRANTS

As at 31 December 2009, there were 155,506,206 warrants (31 December 2008: NIL) that may be exercised into ordinary shares. Each warrant will carry the right to subscribe for one (1) new ordinary share in the capital of the Company

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

The total number of issued ordinary shares as at 31 December 2009 was 518,855,024 (31 March 2009: 490,000,000). There were no treasury share held as at 31 December 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.

The movement of treasury shares is as follows:

As at 1 April 2009	: Nil
Purchase of treasury shares	: 1,700,000 shares
Sale of treasury shares	: 1,700,000 shares
As at 31 December 2009	: Nil

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	3 Months	9 Months	9 Months
	ended	ended	ended	ended
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Profit/(Loss) per ordinary share (in RMB cents) (Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(a) Basic	10.98	(0.73)	18.06	(1.78)
(b) Diluted	NA	NA	NA	NA

Note:

The calculation of basic earnings / (loss) per share was based on the profit / (loss) attributable to equity holders of the Company of approximately RMB56,779,000 for the 3 months ended 31 December 2009 (3 months ended 31 December 2008: Loss of RMB3,566,000) and RMB90,692,000 for the 9 months ended 31 December 2009 (9 months ended 31 December 2008 : Loss of RMB8,740,000) divided by weighted average of 517,228,000 ordinary shares (excluding treasury shares) for the 3 months ended 31 December 2009 (3 months ended 31 December 2008 : 490,000,000) and weighted average of 502,307,000 ordinary shares (excluding treasury shares) for the 9 months ended 31 December 2009 (9 months ended 31 December 2008 : 490,000,000).

Diluted earning per share for the periods were not presented as there was no dilutive potential share (9 month ended 31 December 2008: Nil).

7. **Net asset value (for the issuer and group) per ordinary share based on 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 31/12/2009	As at 31/03/2009	As at 31/12/2009	As at 31/03/2009
Net asset value per ordinary share (in RMB cents)	170.87	152.06	111.75	105.60

Note:

The number of ordinary shares of the Company as at 31 December 2009 was 518,855,024 (excluding treasury shares) (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:**
- any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period report on.**
- (a) **REVIEW OF FINANCIAL RESULTS FOR THE QUARTER ENDED 31 DECEMBER 2009 ("3Q2010") COMPARED TO THE PREVIOUS CORRESPONDING QUARTER ENDED 31 DECEMBER 2008 ("3Q2009")**

	Group		Group	
	3 Month ended 31/12/2009 (Unaudited)	3 Month ended 31/12/2008 (Unaudited)	9 Month ended 31/12/2009 (Unaudited)	9 Month ended 31/12/2008 (Unaudited)
Revenue (RMB'000)				
Residential	86,188	4,188	113,576	23,750
Commercial and others	766	111	9,795	1,588
	86,954	4,299	123,371	25,338

Revenue

Group revenue for 3Q2010 increased to RMB 87.0 million, from RMB 4.3 million in the previous corresponding period ("3Q2009"). The substantial increase in revenue was driven primarily by the delivery of pre-sold residential units of the Group's property development Huzhou Liyang Jingyuan Phase 2 (湖州丽阳景苑二期) to buyers. In 3Q2010, the Group transferred a total of 134 residential units, which represented approximately 89% of the 150 residential units that were already pre-sold as at 31 December 2009.

During the quarter under review, the Group gained approximately RMB 9.1 million from the sale of the remaining residential units of Nanchang Honggu Kaixuan Phase 1 (南昌红谷凯旋第一期). Of the total 1,127 residential units at this property development, 97.4% had been sold and delivered with 29 units remaining as at 31 December 2009.

For the nine months ended 31 December 2009 ("9M2010"), Group revenue increased 386.9% to RMB 123.4 million when compared to RMB 25.3 million in the same period last year (9M2009). Approximately RMB 81.1 million or 70% of Group revenue in 9M2010 came from the sales of residential properties from the Huzhou Liyang Jingyuan project. The aggregate GFA sold in 9M2010 was 25,624 sq m, while the Group sold a total GFA of 5,203 sq m in 9M2009.

As the Group is primarily engaged in 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.

Cost of Sales and Gross Profit Margin

The Group's cost of sales in 3Q2010 increased to RMB 52.9 million, from RMB 2.5 million in 3Q2009, which was in line with the significant increase in sales. As a result, the Group achieved gross profit of RMB 34.1 million in 3Q2010, compared with RMB 1.8 million in 3Q2009.

Gross profit margin (GPM) for the quarter under review was approximately 39.2%, which was lower than 42.4% in 3Q2009 due to the variation in the property projects that were sold in the respective quarters. Group revenue in 3Q2010 was driven by sale of residential units at Huzhou Liyang Jingyuan Phase 2 while revenue in 3Q2009 was derived mainly from sale of residential units at Nanchang Honggu Kaixuan Phase 1.

The GPM for 9M2010 was approximately 37.0%, compared with 44.2% in 9M2009. This was attributed primarily to the variation in projects sold in the respective financial periods, as well as the sale of car park lots at Nanchang Honggu Kaixuan Phase 1 which affected GPM in 1Q2010.

Other Income and Gains

The Group's other income and gains increased to RMB 42.4 million in 3Q2010, from RMB 5.3 million in 3Q2009. The increase was attributed primarily to the receipt of ex-gratia payment of HK\$27.5 million on 21 December 2009 as settlement for the Group's acquisition of a 90% stake in Ever Sure Industries Limited. Other income and gains in 3Q2010 was also attributed to consultancy fee income of RMB 7.0 million and exchange gain of RMB 3.2 million.

The Group also recorded a net fair value gain of financial assets (comprising primarily listed equity securities in the PRC) of RMB 2.9 million in 3Q2010. The Group ensures its investments in financial assets are based on prudent return and risk assessment. At the end of December 2009, the Group's investment in financial assets stood at RMB 19.3 million or only 0.9% of total assets at the end of December 2009.

Selling Expenses

The Group's selling expenses in 3Q2010 increased slightly by RMB 0.3 million to RMB 1.3 million. The increase in selling expenses was due primarily to sales agency fees and promotional and advertisement expenses.

Administrative Expenses

Administrative expenses in 3Q2010 also increased marginally by RMB 1.2 million to RMB 4.7 million, attributed mainly to increase in staff salaries and legal fees.

Profit for the Period

As a result of stronger sales, gross profit as well as higher other income and gains, the Group achieved a profit before tax of RMB 67.6 million in 3Q2010, reversing the loss before tax of RMB 3.5 million in 3Q2009. Income tax expenses for 3Q2010 were higher at RMB 10.3 million due to increased sales and profits. Consequently, the Group recorded a profit after tax of RMB 57.3 million in 3Q2010, compared to a loss of RMB 3.6 million in 3Q2009.

For 9M2010, the Group registered profit after tax of RMB 91.3 million as compared to a loss after tax of RMB 8.8 million in 9M2009.

(b) REVIEW OF FINANCIAL POSITION AS AT 31 DECEMBER 2009 AND CASH FLOW FOR 3Q2010

Investment Properties

As at 31 December 2009, the Group had investment properties of RMB 97.0 million, which was an increase of RMB 29.8 million from 31 March 2009. The increase was due primarily to the inclusion of acquired land parcels in Pinghu city, which was partially offset by the sale of certain commercial units at Huzhou Xinya Jiayuan property that the Group had earlier retained as investment properties.

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 133.8 million as at 31 December 2009, from RMB 91.1 million as at 31 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.

Interests in Associates

The Group’s interests in associates amounted to RMB 3.0 million as at 31 December 2009. This amount represented the Group’s capital injection in an associated company, Pinghu City Pan Hong Port Limited, which is held by the Group’s subsidiary Pinghu Jiahai Warehousing Limited and Pinghu City Dushan Port Investments Limited (a wholly state-owned enterprise in the PRC) in the ratio of 30% and 70% respectively.

Properties Held Under Development

As at 31 December 2009, the Group’s properties held under development increased to RMB 1,060.8 million from RMB 730.5 million as at 31 March 2009.

The significant growth was in tandem with the construction progress of the Group’s new property projects, including Nanchang Honggu Kaixuan Phase 2, Hangzhou Liyang Yuan, and Hua Cui Ting Yuan Phase 1. Properties held under development also include the cost of new land parcels in Huzhou city (Zhejiang Province) which will be used for the development of the Group’s future residential-cum-commercial project, Huzhou Runyuan property.

Properties Held for Sale

Properties held for sale increased to RMB 126.4 million as at 31 December 2009, from RMB 114.7 million as at 31 March 2009 due mainly to the transfer of completed properties at Huzhou Liyang Jingyuan Phase 2 from properties held under development during 3Q2010. As at 31 December 2009, the properties held for sale comprised mainly of the remaining residential units, commercial spaces and car park lots at Nanchang Honggu Kaixuan Phase 1, Huzhou Zhili Yazhoucheng Phase 2 and Huzhou Liyang Jingyuan Phase 2.

Accounts Receivables

The Group’s accounts receivables owing from purchasers of property units decreased to RMB 8.4 million as at 31 December 2009, compared to RMB 13.4 million as at 31 March 2009.

Deposits, Prepayments and Other Receivables

As at 31 December 2009, the Group’s deposits, prepayments and other receivables increased to RMB 312.0 million, compared to RMB 209.4 million as at 31 March 2009. The increase of RMB 102.6 million was attributed mainly to prepayments to contractors for the construction costs in respect of the properties currently under development.

The deposits, prepayments and other receivables as at 31 December 2009 comprised primarily deposits of RMB 44.0 million as collateral for borrowings, deposit of RMB 100.0 million for acquisition of land in Fuzhou city. The remaining amount of RMB 168.0 million consisted mainly of prepayments to contractors.

Pledged Bank Deposits

Pledged bank deposits increased to RMB 203.4 million as at 31 December 2009, from RMB 105.0 million as at 31 March 2009. This was attributed primarily to an increase in deposits that were used as collateral to secure new bank borrowings. At the end of 31 December 2009, the deposit collateral totalled RMB172.9 million, compared to RMB 95.6 million previously. During 3Q2010, the Group raised its bank borrowings to finance the construction of new property projects.

The balance of RMB 30.5 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 over 9M2010 was in tandem with the growth in the Group's property presales.

Accounts Payables, Accruals, Receipts in Advance and Other Payables

The Group's accounts payables increased to RMB 45.6 million as at 31 December 2009, from RMB 2.5 million as at 31 March 2009, due to a higher number of property projects nearing completion at the end of 2009. The accounts payables comprised mainly of amounts payable to suppliers for construction costs incurred in respect of the Group's properties under development.

The Group's accruals, receipts in advance and other payables increased significantly by RMB 468.9 million during 9M2010 to RMB 774.2 million as at 31 December 2009. The majority of this amount was related to advance receipts from deposits and prepayments relating to the Group's property pre-sales.

Accruals, receipts in advance and other payables also comprised accrued construction costs and project-related expenses that were based on the progress of project development but not due for payment as at 31 December 2009.

Bank and Other Loans

As at 31 December 2009, the Group had total borrowings of RMB 362.4 million, an increase of RMB 12.7 million from RMB 349.7 million as at 31 March 2009. Approximately RMB 187.1 million of the borrowings as at 31 December 2009 were secured by cash deposits of RMB 216.9 million ("deposit collateral). The deposit collateral includes a sum of RMB 44 million, which was to secure a loan of HK\$50 million. While the Group had made a partial repayment of HK\$25 million for this HK\$50 million loan before 31 December 2009, a portion of the RMB 44 million deposit collateral was returned to the Group only in January 2010.

As at 31 December 2009, the outstanding borrowings comprised mainly bank loan of RMB 20 million that was secured against the Group's land parcels in Pinghu city, bank loan of RMB 150 million that was secured against the Group's land parcels in Nanchang, as well as bank and other loans of HKD 218.2 million. The loans of HKD 218.2 million were secured against cash deposits and the Group's office property in Hong Kong.

Based on its total equity of RMB 886.6 million and deposit collateral of RMB 216.9 million, the Group had a gearing ratio (total borrowings less deposit collateral / total equity) of 16.4% as at 31 December 2009.

Including cash and bank balances of RMB 174.9 million as at 31 December 2009, the Group ended 3Q2010 with a net cash position of RMB 29.4 million ({cash and bank balances, and deposit collateral} less total borrowings).

Cash Flow Analysis

In 3Q2010, net cash used in operating activities amounted to RMB 153.2 million, due primarily to significant increase in properties held under development as a result of payments for construction of properties and acquisition of new land parcels. Net cash generated from investing activities amounted to RMB 66.7 million, driven mainly by the proceeds from sale of investment properties and financial assets.

Net cash generated from financing activities in 3Q2010 was RMB 27.2 million. The Group repaid RMB 142.1 million in borrowings, which was offset by proceeds of RMB 247.7 million from new bank borrowings. Approximately RMB 79.2 million was pledged as deposits with banks in 3Q2010 to secure new borrowings.

As at 31 December 2009, the Group maintained a healthy financial position comprising cash and cash equivalents of RMB 174.9 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 were in line with the previous results announcement made on 9 November 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 area rose 42.1% y-o-y to 937.13 million sq m in 2009. Total property sales value in the January-to-December period jumped 75.5% to RMB 4,399.5 billion. In December, property prices in China's 70 major cities rose 7.8% y-o-y and 1.5% q-o-q from November 2009. Property transactions continued to rise in the fourth quarter of 2009 compared to the preceding quarter, due partly to an increase in home purchases ahead of an expected tightening of government policies.

In response to the rapid increase in housing prices in some cities, the Chinese government recently announced various measures such as reintroduction of sales tax on residences that are resold within five years of purchase, and 40% down payment on purchase of second residential property, to curb investment and speculative purchases and to ensure healthy development of the real estate sector. China's central bank has also raised the reserve requirement for commercial lenders in an effort to control property-related loans to buyers and property developers.

Against this backdrop, properties sales in China may be inhibited as buyers take a wait-and-see approach. Tighter credit measures are also more likely to affect purchases from second time homebuyers and property investors. In comparison to first-tier cities, demand in property markets in second and third-tier cities tends to be driven by a higher proportion of owner-occupiers. This may provide relatively more stability to the price trend in second and third-tier cities.

Nonetheless, the general outlook for China's property market remains positive as demand for private housing is expected to be supported by rising urbanisation and affluence. The Group believes that it has a sound financial position to support its development and expansion plans, and withstand any slowdown in the market environment. The Group will also continue to employ a steady and prudent approach in its business and financial management. In 2009 and January 2010, the Group capitalised on attractive opportunities to expand its land reserves through acquisitions in Pinghu, Huzhou and Nanchang cities to ensure a steady pipeline of future developments.

Company Plans and Strategies

(i) Current projects

The Group completed the residential portion of its Huzhou Liyang Jingyuan Phase 2 project in December 2009. As at 31 December 2009, there are 16 residential units which have been pre-sold but not transferred to buyers.

As at 31 December 2009, the Group achieved a total of RMB 808.9 million from the pre-sales of residential units from three current projects in Nanchang, Huzhou and Hangzhou cities. Construction of the projects in Nanchang and Hangzhou are close to completion while the townhouse development in Huzhou is estimated to be completed in the middle of 2010.

Table 1: Summary of Property Pre-sale Launches (as at 31 December 2009)

Property	Nanchang Honggu Kaixuan Phase 2	Hangzhou Liyang Yuan	Hua Cui Ting Yuan Phase 1
Date of pre-sales launch	July 2008	Jan 2009	June 2009
Estimated construction completion date ¹	1 st quarter 2010	1 st quarter 2010	2 nd quarter 2010
Total residential units released for sale	649	226	103
Units pre-sold in total (GFA)	631 (78,602 sq m)	222 (24,464 sq m)	89 (20,225 sq m)
Take-up rate	97%	98%	86%
Average selling price ³ (RMB per sq m)	RMB 5,000	RMB 10,100	RMB 8,000
Accumulated pre-sales value ²	RMB 400.0 million	RMB 248.0 million	RMB 160.9 million
Units transferred to buyers	N.A.	N.A.	N.A.
Contribution to Group revenue	N.A.	N.A.	N.A.

¹Estimated construction completion dates for the residential component of the respective properties are subject to change.

²Pre-sales can only be recognised as revenue after the completion of handover to buyers.

³Subject to variations of around \pm RMB 100 per sq m.

(ii) Commercial properties

The four projects above also comprise development of commercial properties as outlined below:

Projects	Estimated GFA of commercial properties	Status
Nanchang Honggu Kaixuan Phase 1	6,654 sq m	Completed
Nanchang Honggu Kaixuan Phase 2	45,511 sq m	Under development
Huzhou Liyang Jingyuan Phase 2	10,700 sq m	Under development
Hangzhou Liyang Yuan	2,372 sq m	Under development
Hua Cui Ting Yuan Phase 1	5,882 sq m	Under development

The Group has entered into an agreement with Agricultural Bank of China, Jiangxi Province branch office in January 2010 for the sale of commercial units at Nanchang Honggu Kaixuan for RMB 24.7 million. The GFA of these commercial units is approximately 1,479 sq m. Other than this transaction, the Group has not sold any of the commercial properties at the above four projects as it continues to assess the investment potential of these commercial properties to determine whether to sell or retain the properties for rental income.

(iii) Pre-sales plans in 2010

The Group plans to launch pre-sales of the remaining 354 residential units at Nanchang Honggu Kaixuan Phase 2 and 81 residential units at Hua Cui Ting Yuan Phase 1 in 2010, subject to market conditions and changes in the Group's strategy.

(iv) New project construction plans in 2010

Following the successful entry into Nanchang city's property market with its award-winning Nanchang Honggu Kaixuan property development, the Group recently purchased new land parcels in Nanchang through the acquisition of a 55% stake in Nanchang Dingxun Co., Ltd. These new land parcels, which are zoned for residential and commercial property development, have a site area and GFA of 768,000 sq m and 1,050,000 sq m respectively. The Group believes it can leverage on its established reputation and experience in Nanchang to build new developments there and strengthen its brand as well as market position. This acquisition has also expanded the Group's land bank in the PRC to over 3 million sq m in GFA (including wholly-owned and jointly-owned land parcels), thereby providing a pipeline of developments in the future.

The Group intends to commence construction of four new projects in 2010, namely the Huzhou Runyuan project (Huzhou city, Zhejiang Province), Nanchang Dingxun project (Nanchang city, Jiangxi Province), Yichun project (Yichun city, Jiangxi Province) and Fuzhou project (Fuzhou city, Jiangxi Province). Depending on the construction progress and market sentiment, the Group may commence pre-sales of these new property development projects between 2010 and 2011.

Table 2: New projects that are planned for construction in 2010

New Projects	Group's Equity Interests	Planned Development GFA
Yichun Project Phase 1	50%	122,341 sq m
Fuzhou Project Phase 1	100%	85,000 sq m
Nanchang Dingxun Phase 1	55%	200,000 sq m
Huzhou Runyuan Phase 1	100%	100,000 sq m

(v) Company Strategies

- a) Strengthen brand to enhance market position amid increasingly competitive landscape
 - The Group aims to strengthen its brand and reputation in second and third-tier cities
 - The Group believes there is potential to replicate its Hua Cui Ting Yuan townhouse concept in other locations which would differentiate the Group from its competitors
- b) Continue to seek suitable and attractive land acquisition opportunities for property development, with a primary focus on second and third-tier cities
- c) Expand portfolio of investment properties to build more stable revenue streams in the long term

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 31 December 2009.

BY ORDER OF THE BOARD

Wong Lam Ping
Chairman
9 February 2010

NEGATIVE ASSURANCE CONFIRMATION

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

We confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of Pan Hong Property Group Limited which may render these interim financial results for the quarter ended 31 December 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: 9 February 2010