

PAN HONG PROPERTY GROUP LIMITED

(Incorporated in Bermuda on 20 December 2005)

(Co. Reg. No: 37749)

2nd QUARTER FINANCIAL STATEMENT ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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/ (Decrease) | 6 months ended | 6 months ended | Increase/ (Decrease) |
| | 30/9/2009 | 30/9/2008 | | 30/9/2009 | 30/9/2008 | |
| | (Unaudited) | (Unaudited) | | (Unaudited) | (Unaudited) | |
| Revenue | 12,580 | 3,492 | 260.3% | 36,417 | 21,039 | 73.1% |
| Cost of Sales | (7,199) | (1,730) | 316.1% | (24,846) | (11,657) | 113.1% |
| Gross Profit | 5,381 | 1,762 | 205.4% | 11,571 | 9,382 | 23.3% |
| Other income and gains | 25,232 | 3,154 | 700.0% | 38,714 | 6,368 | 507.9% |
| Selling expenses | (1,233) | (3,600) | (65.8%) | (3,785) | (5,052) | (25.1%) |
| Administrative expenses | (3,078) | (6,136) | (49.8%) | (7,296) | (9,336) | (21.9%) |
| Other operating expenses | (202) | (202) | 0.0% | (225) | (905) | (75.1%) |
| Operating profit/(loss) | 26,100 | (5,022) | 619.7% | 38,979 | 457 | 8,429.3% |
| Finance costs | (761) | (1,440) | (47.2%) | (2,372) | (2,437) | (2.7%) |
| Share of profit/(loss) of a jointly controlled entity | 65 | (14) | 564.3% | (215) | (270) | (20.4%) |
| Profit/(loss) before income tax | 25,404 | (6,476) | 492.3% | 36,392 | (2,250) | 1,717.4% |
| Income tax expenses | (1,599) | (2,490) | (35.8%) | (2,362) | (2,879) | (18.0%) |
| Profit/(loss) for the period | 23,805 | (8,966) | 365.5% | 34,030 | (5,129) | 763.5% |
| Other comprehensive income/(loss) | | | | | | |
| Exchange differences on translating foreign operations | (3,504) | 3,246 | (207.9%) | (3,492) | 4,421 | (179.0%) |
| Total comprehensive income/(loss) for the period | <u>20,301</u> | <u>(5,720)</u> | 454.9% | <u>30,538</u> | <u>(708)</u> | 4,413.3% |
| Profit/(loss) attributable to: | | | | | | |
| Equity holders of the Company | 23,678 | (8,931) | 365.1% | 33,913 | (5,174) | 755.5% |
| Minority interests | 127 | (35) | 462.9% | 117 | 45 | 160.0% |
| | <u>23,805</u> | <u>(8,966)</u> | 365.5% | <u>34,030</u> | <u>(5,129)</u> | 763.5% |
| Total comprehensive income/(loss) attributable to: | | | | | | |
| Equity holders of the Company | 20,174 | (5,685) | 454.9% | 30,421 | (753) | 4,140.0% |
| Minority interests | 127 | (35) | 462.9% | 117 | 45 | 160.0% |
| | <u>20,301</u> | <u>(5,720)</u> | 454.9% | <u>30,538</u> | <u>(708)</u> | 4,413.3% |



| RMB'000 | Group | | | | | |
|--|--|--|-------------------------|--|--|-------------------------|
| | 3 months ended 30/9/2009 (Unaudited) | 3 months ended 30/9/2008 (Unaudited) | Increase/ (Decrease) | 6 months ended 30/9/2009 (Unaudited) | 6 months ended 30/9/2008 (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 | 4.74 | (1.82) | 360.4% | 6.85 | (1.06) | 746.2% |
| - Diluted | N/A | N/A | NM | N/A | N/A | NM |

NM: Not Meaningful

| RMB'000 | Group | | | |
|--|----------------|----------------|----------------|----------------|
| | 3 months ended | 3 months ended | 6 months ended | 6 months ended |
| | 30/09/2009 | 30/09/2008 | 30/09/2009 | 30/09/2008 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Profit/(loss) before income tax is arrived at after charging: | | | | |
| Finance costs wholly repayable within five year | | | | |
| - Bank loans | 3,132 | 5,165 | 8,053 | 6,975 |
| - Other loans | 383 | 468 | 687 | 1,412 |
| Less: amount capitalised in properties held under development | (2,754) | (4,193) | (6,368) | (5,950) |
| | 761 | 1,440 | 2,372 | 2,437 |
| Cost of properties held for sale recognised as expense | 6,597 | 1,555 | 22,210 | 10,588 |
| Depreciation of property, plant and equipment | 179 | 121 | 335 | 199 |
| Less: amount capitalised in properties held under development | (44) | (54) | (93) | (109) |
| | 135 | 67 | 242 | 90 |
| Fair value loss for financial assets at fair value through profit or loss | - | 191 | - | 113 |
| Operating lease charges in respect of land and buildings | - | 4 | - | - |
| Less: amount capitalised in properties held under development | - | - | - | - |
| | - | 4 | - | - |
| Staff costs, including directors' remuneration | | | | |
| - Wages and salaries | 2,160 | 1,547 | 3,307 | 3,144 |
| - Retirement benefit scheme contributions - defined contribution plans | 15 | 8 | 27 | 29 |
| Less: amount capitalised in properties held under development | (536) | (501) | (1,002) | (966) |
| | 1,639 | 1,054 | 2,332 | 2,207 |
| and crediting : | | | | |
| Consultancy fee income | - | - | 8,600 | - |
| Interest income | | | | |
| - From bank deposits and cash at banks | 1,755 | 1,753 | 2,194 | 2,101 |
| - From other receivable and deposits | 4,951 | - | 7,820 | - |
| Exchange gain | - | 986 | - | 994 |
| Net fair value gain of financial assets at fair value through profit or loss | 3,350 | - | 4,466 | - |
| Rental income | 776 | - | 1,172 | - |
| Compensation income | 7,000 | - | 7,000 | - |
| Government grants | 7,461 | - | 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 | |
|--|-------------------------|-----------------------|-------------------------|-----------------------|
| | 30/09/2009 Unaudited | 31/03/2009 Audited | 30/09/2009 Unaudited | 31/03/2009 Audited |
| ASSETS AND LIABILITIES | | | | |
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | 8,736 | 8,204 | - | - |
| Investment properties | 120,114 | 67,209 | - | - |
| Leasehold interest in land | 7,059 | 7,067 | - | - |
| Goodwill | 124 | - | - | - |
| Investments in subsidiaries | - | - | 288,091 | 278,608 |
| Interests in a jointly controlled entity | 132,815 | 91,080 | - | - |
| Deferred tax assets | 10,300 | 10,300 | - | - |
| | 279,148 | 183,860 | 288,091 | 278,608 |
| CURRENT ASSETS | | | | |
| Properties held under development | 868,129 | 730,472 | - | - |
| Properties held for sale | 88,580 | 114,685 | - | - |
| Account receivables | 11,472 | 13,363 | - | - |
| Deposits, prepayments and other receivables | 236,833 | 209,439 | 169 | 169 |
| Amounts due from related parties | 814 | 14,978 | 299,679 | 246,182 |
| Financial assets at fair value through profit or loss | 76,644 | 8,468 | - | - |
| Pledged bank deposits | 115,018 | 105,045 | - | - |
| Cash and bank balances | 236,666 | 120,414 | 92 | 92 |
| | 1,634,156 | 1,316,864 | 299,940 | 246,443 |
| CURRENT LIABILITIES | | | | |
| Account payables | 2,359 | 2,478 | - | - |
| Accruals, receipts in advance and other payables | 738,219 | 305,322 | 305 | 16 |
| Provision for tax | 78,183 | 91,364 | - | - |
| Amount due to related parties | 759 | 684 | 7,744 | 7,606 |
| Bank and other loans | 152,049 | 244,599 | - | - |
| | 971,569 | 644,447 | 8,049 | 7,622 |
| NET CURRENT ASSETS | 662,587 | 672,417 | 291,891 | 238,821 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 941,735 | 856,277 | 579,982 | 517,429 |
| NON-CURRENT LIABILITIES | | | | |
| Bank and other loans | 104,940 | 105,121 | - | - |
| Deferred tax liabilities | 6,065 | 6,065 | - | - |
| | 111,005 | 111,186 | - | - |
| NET ASSETS | 830,730 | 745,091 | 579,982 | 517,429 |
| EQUITY | | | | |
| Share capital | 310,771 | 298,164 | 310,771 | 298,164 |
| Reserves | 468,788 | 386,387 | 269,211 | 219,265 |
| EQUITY ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS | | | | |
| | 779,559 | 684,551 | 579,982 | 517,429 |
| MINORITY INTERESTS | 51,171 | 60,540 | - | - |
| TOTAL EQUITY | 830,730 | 745,091 | 579,982 | 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 30/09/2009 | | As at 31/03/2009 | |
|------------------|-----------|------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| 152,049 | - | 240,199 | 4,400 |

Amount repayable after one year

| As at 30/09/2009 | | As at 31/03/2009 | |
|------------------|-----------|------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| 104,940 | - | 105,121 | - |

Details of any collateral

Bank loans of approximately RMB125,429,000 were secured by the Group's land use rights, including the land classified as "properties held under development" and "leasehold interest in land and building" as at 30 September 2009. Bank and other loans of approximately RMB131,560,000 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 September 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 | 3 Months ended | 6 Months ended | 6 Months ended |
| | 30/09/2009 (Unaudited) | 30/09/2008 (Unaudited) | 30/09/2009 (Unaudited) | 30/09/2008 (Unaudited) |
| Cash flows from operating activities | | | | |
| Profit/(loss) before income tax | 25,404 | (6,476) | 36,392 | (2,250) |
| Adjustments for: | | | | |
| Interest income | (6,706) | (1,753) | (10,014) | (2,101) |
| Interest expense | 761 | 1,440 | 2,372 | 2,437 |
| Depreciation | 135 | 67 | 242 | 90 |
| Net fair value (gain)/loss of financial assets at fair value through profit or loss | (3,350) | 191 | (4,466) | 113 |
| Share of (profit)/loss of a jointly controlled entity | (65) | 14 | 215 | 270 |
| Operating cash flow before working capital change | <u>16,179</u> | <u>(6,517)</u> | <u>24,741</u> | <u>(1,441)</u> |
| Increase in properties held under development and properties held for sales | (65,537) | (82,366) | (108,799) | (87,361) |
| (Increase)/Decrease in account and other receivables, prepayments and deposits paid | (9,960) | 25,294 | (16,015) | 88,396 |
| Increase in financial assets at fair value through profit or loss | - | (421) | - | (421) |
| Decrease/(Increase) in amount due from a related parties, including jointly controlled entity | 1 | (25,104) | 14,165 | (24,613) |
| Increase/(Decrease) in account and other payables, accruals and receipts in advance | 156,824 | (3,375) | 432,434 | (105,218) |
| (Decrease)/Increase in amount due to related parties | (5) | (8) | 48 | (20) |
| (Increase)/Decrease in pledged bank deposits | (3,472) | 11,989 | (9,973) | (116,786) |
| Cash generated from/(used in) operations | <u>94,030</u> | <u>(80,508)</u> | <u>336,601</u> | <u>(247,464)</u> |
| Interest received | 5,824 | 1,753 | 8,064 | 2,101 |
| Income taxes paid | (7,470) | (80) | (15,261) | (3,659) |
| Net cash generated from/(used in) operating activities | <u>92,384</u> | <u>(78,835)</u> | <u>329,404</u> | <u>(249,022)</u> |
| Cash flows from investing activities | | | | |
| Purchases of property, plant and equipment | (777) | (1,177) | (870) | (1,271) |
| Additions to investment properties | (49,221) | - | (49,221) | - |
| Acquisition of subsidiary, net | 21 | - | 21 | - |
| Acquisition of additional interest in subsidiary from minority shareholder | - | - | (9,610) | - |
| Advance to a jointly controlled entity | - | - | (40,000) | - |
| Acquisitions of financial assets at fair value through profit or loss, net | (63,747) | - | (63,710) | (8,593) |
| Net cash used in investing activities | <u>(113,724)</u> | <u>(1,177)</u> | <u>(163,390)</u> | <u>(9,864)</u> |
| Cash flows from financing activities | | | | |
| Proceeds from issuance of share capital | 56,330 | - | 56,330 | - |
| Share issue expenses | (563) | - | (563) | - |
| Purchase of treasury share | (675) | - | (675) | - |
| New borrowings | - | 94,374 | - | 331,343 |
| Repayment of borrowings | (62,354) | (62,971) | (92,570) | (66,273) |
| Dividend paid | - | - | - | (9,178) |
| Interest paid | (4,630) | (4,334) | (8,638) | (7,088) |
| Net cash (used in)/from financing activities | <u>(11,892)</u> | <u>27,069</u> | <u>(46,116)</u> | <u>248,804</u> |
| Net (decrease)/increase in cash and cash equivalents | <u>(33,232)</u> | <u>(52,943)</u> | <u>119,898</u> | <u>(10,082)</u> |
| Effect of foreign exchange difference | <u>(3,649)</u> | <u>2,130</u> | <u>(3,646)</u> | <u>979</u> |
| Cash and cash equivalents at beginning of period | <u>273,547</u> | <u>162,733</u> | <u>120,414</u> | <u>121,023</u> |
| Cash and cash equivalents at end of period | <u>236,666</u> | <u>111,920</u> | <u>236,666</u> | <u>111,920</u> |



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 | RMB'000 |
| At 1 July 2008 | 298,164 | - | 153,080 | (2,243) | 4,257 | 3,838 | (12,313) | 274,550 | 719,333 | 60,771 | 780,104 |
| Total comprehensive income for the period | - | - | - | - | - | - | 3,246 | (8,931) | (5,685) | (35) | (5,720) |
| At 30 September 2008 | 298,164 | - | 153,080 | (2,243) | 4,257 | 3,838 | (9,067) | 265,619 | 713,648 | 60,736 | 774,384 |
| At 1 July 2009 | 298,164 | - | 153,080 | (2,243) | 4,278 | 3,838 | (7,237) | 244,918 | 694,798 | 51,044 | 745,842 |
| Total comprehensive income for the period | - | - | - | - | - | - | (3,492) | 23,678 | 20,186 | 127 | 20,313 |
| Issue of shares on placement | 12,607 | - | 43,160 | - | - | - | - | - | 55,767 | - | 55,767 |
| Acquisition of a subsidiary | - | - | 9,483 | - | - | - | - | - | 9,483 | - | 9,483 |
| Purchase of treasury shares | - | (675) | - | - | - | - | - | - | (675) | - | (675) |
| At 30 September 2009 | 310,771 | (675) | 205,723 | (2,243) | 4,278 | 3,838 | (10,729) | 268,596 | 779,559 | 51,171 | 830,730 |

| 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 July 2008 | 298,164 | - | 153,080 | 59,579 | 759 | 511,582 |
| Loss for the period | - | - | - | - | (1,706) | (1,706) |
| At 30 September 2008 | 298,164 | - | 153,080 | 59,579 | (947) | 509,876 |
| At 1 July 2009 | 298,164 | - | 153,080 | 59,579 | 5,439 | 516,262 |
| Loss for the period | - | - | - | - | (855) | (855) |
| Issue of shares on placement | 12,607 | - | 43,160 | - | - | 55,767 |
| Acquisition of a subsidiary | - | - | 9,483 | - | - | 9,483 |
| Purchase of treasury shares | - | (675) | - | - | - | (675) |
| At 30 September 2009 | 310,771 | (675) | 205,723 | 59,579 | 4,584 | 579,982 |

- 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 |
| 31 March 2009 | Balance at beginning of the period | 490,000,000 | - | 298,164 | - |
| 24 July 2009 | Share buy back - held as treasury | - | (361,000) | - | (675) |
| 24 August 2009 | Placement of 23,800,000 ordinary share of HK\$0.6 each at S\$0.50 per placement share | 23,800,000 | - | 12,607 | - |
| 30 September 2009 | Balance at end of the period | <u>513,800,000</u> | <u>(361,000)</u> | <u>310,771</u> | <u>(675)</u> |

During the financial period, the Company purchased 361,000 (6 months ended 30 September 2008: NIL) of its ordinary shares by way of on-market purchases at share prices ranging from S\$0.385 to S\$0.395 (6 months ended 30 September 2008: N/A).

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

The total number of issued ordinary shares as at 30 September 2009 was 513,800,000 (31 March 2009: 490,000,000), of which 361,000 (31 March 2009: NIL) 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.**

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 | 3 Months | 6 Months | 6 Months |
| | ended 30/9/2009 | ended 30/9/2008 | ended 30/9/2009 | ended 30/9/2008 |
| Profit/(Loss) per ordinary share (in RMB cents) (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| (a) Basic | 4.74 | (1.82) | 6.85 | (1.06) |
| (b) Diluted | NA | NA | NA | NA |

Note:

The calculation of basic earnings / (loss) per share is based on the profit / (loss) attributable to equity holders of the Company of approximately RMB23,678,000 for 3 months ended 30 September 2009 (3 months ended 30 September 2008: Loss of RMB8,931,000) and RMB33,913,000 for the 6 months ended 30 September 2009 (6 months ended 30 September 2008 : Loss of RMB5,174,000) divided by weighted average of 499,560,000 ordinary shares (excluding treasury shares) for the 3 months ended 30 September 2009 (3 months ended 30 September 2008 : 490,000,000) and weighted average of 494,806,000 ordinary shares (excluding treasury shares) for the 6 months ended 30 September 2009 (6 months ended 30 September 2008 : 490,000,000).

Diluted earning per share for the periods are not presented as there is no dilutive potential share (6 month ended 30 September 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:
(a) current financial period reported on; and
(b) immediately preceding financial year.

| | Group | | Company | |
|---|---------------------|---------------------|---------------------|---------------------|
| | As at 30/09/2009 | As at 31/03/2009 | As at 30/09/2009 | As at 31/03/2009 |
| Net asset value per ordinary share (in RMB cents) | 161.80 | 152.06 | 112.96 | 105.60 |

Note:

The number of ordinary shares of the Company as at 30 September 2009 was 513,439,000 (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:

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period report on.

(a) REVIEW OF FINANCIAL RESULTS FOR THE QUARTER ENDED 30 SEPTEMBER 2009 ("2Q2010") COMPARED TO THE PREVIOUS CORRESPONDING QUARTER ENDED 30 SEPTEMBER 2008 ("2Q2009")

| | Group | | Group | |
|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 3 Month ended 30/9/2009 | 3 Month ended 30/9/2008 | 6 Month ended 30/9/2009 | 6 Month ended 30/9/2008 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Revenue (RMB'000) | | | | |
| Residential | 9,530 | 3,492 | 27,388 | 19,562 |
| Commercial and others | 3,050 | - | 9,029 | 1,477 |
| | 12,580 | 3,492 | 36,417 | 21,039 |

Revenue

The Group recorded revenue of RMB 12.6 million for the three months ended 30 September 2009 ("2Q2010"). This was an increase of 260.3% from RMB 3.5 million in the previous corresponding period ("2Q2009") when property market conditions in the PRC were relatively soft.

Group revenue in 2Q2010 was derived mainly from the continuing sales of the remaining residential units for sale at the Group's property development, Nanchang Honggu Kaixuan Phase 1 (南昌红谷凯旋第一期), as well as the remaining residential and commercial units of another development, Huzhou Zhili Yazhoucheng Phase 2 (湖州织里亚洲城第二期).

The Group sold a total of 45 residential units of Nanchang Honggu Kaixuan Phase 1 during the six months ended 30 September 2009 ("1H2010"). Of the total 1,127 residential units at this property development, 96.8% had been sold and delivered with 36 residential units remaining for sale as at the end of September 2009.

In 1H2010, Group revenue gained 73.1% to RMB 36.4 million in comparison with RMB 21.0 million in the same period last year ("1H2009"). The total gross floor area (GFA) sold in 1H2010 and 1H2009 were approximately 8,700 square metres (sq m) and 4,200 sq m respectively.

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 – Nanchang Honggu Kaixuan Phase 2 (南昌红谷凯旋第二期), Huzhou Liyang Jingyuan Phase 2 (湖州丽阳景苑二期), Hangzhou Liyang Yuan (杭州丽阳苑) and Hua Cui Ting Yuan Phase 1 (华萃庭院第一期) – 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 2Q2010 increased 316.1% year-on-year to RMB 7.2 million in tandem with higher sales. The Group registered a gross profit margin (GPM) of 42.8% in 2Q2010, which was

lower than 50.5% in 2Q2009 due to the variation in the property projects that were sold in the respective quarters. However, GPM in 2Q2010 was higher when compared with 26.0% in 1Q2010. The lower GPM in 1Q2010 was attributed primarily to the sales of car park lots at Nanchang Honggu Kaixuan Phase 1.

Other Income and Gains

The Group's other income and gains surged to RMB 25.2 million in 2Q2010, from RMB 3.2 million in 2Q2009. The increase was boosted primarily by interest income from other receivables and deposits of RMB 5.0 million, net fair value gain of financial assets of RMB 3.4 million, compensation income of RMB 7.0 million and government grants related to income of RMB 7.5 million. The interest income from other receivables and deposits was derived mainly from the Group's cash deposits that were pledged against bank and other loans.

The above-mentioned compensation income of RMB 7.0 million comprised of RMB 4.0 million and RMB 3.0 million payable to the Group from the PRC local authorities for the delay in handover of land parcels in Fuzhou and Huzhou cities respectively.

The aforesaid government grant of RMB 7.5 million was in relation to the Group's future project in Dushan port district, Pinghu city. In 2Q2010, the Group acquired land parcels in Dushan port district, Pinghu city for the development of warehousing facilities. The Group has since made full payment of the purchase consideration of RMB 47.5 million for these land parcels. As this project is expected to contribute positively to the future development of the Dushan port district, the PRC local government granted the Group an unconditional subsidy of RMB 7.5 million for the Group's contribution to Dushan port district.

Selling Expenses

The Group's selling expenses in 2Q2010 declined to RMB 1.2 million, compared with RMB 3.6 million in 2Q2009, due to lower promotional and advertisement expenses for its presales activities.

Administrative Expenses

Administrative expenses in 2Q2010 were also reduced to RMB 3.1 million, from RMB 6.1 million in 2Q2009. The higher administrative expenses in the previous financial period were due to handling fees for bank loans and legal costs.

Profit for the Period

As a result of higher sales and other income and gains, the Group recorded an operating profit of RMB 26.1 million in 2Q2010, compared to a loss of RMB 5.0 million in 2Q2009. After taking into finance costs of RMB 0.8 million, the Group's profit after tax in 2Q2010 was RMB 23.8 million, compared to a loss of RMB 9.0 million in the previous corresponding financial quarter.

For 1H2010, the Group registered profit after tax of RMB 34.0 million as compared to a loss after tax of RMB 5.1 million in 1H2009.

(b) REVIEW OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2009 AND CASH FLOW FOR 2Q2010

Investment Properties

As at 30 September 2009, the Group's investment properties rose to RMB 120.1 million, which was an increase of RMB 52.9 million from 31 March 2009. This was due mainly to the inclusion of acquired land parcels in Pinghu city, as well as 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 132.8 million as at 30 September 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

At the end of September 2009, the Group's properties held under development rose to RMB 868.1 million, 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, Huzhou Liyang Jingyuan Phase 2, and Hua Cui Ting Yuan Phase 1.

Properties Held for Sale

Properties held for sale declined to RMB 88.6 million as at 30 September 2009, from RMB 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 September 2009 comprised mainly of the remaining residential units, commercial spaces and car park lots at Nanchang Honggu Kaixuan Phase 1 and Huzhou Zhili Yazhoucheng Phase 2.

Accounts Receivables

The Group's accounts receivables owing from purchasers of property units decreased to RMB 11.5 million as at 30 September 2009, compared to RMB 13.4 million as at 31 March 2009.

Deposits, Prepayments and Other Receivables

As at 30 September 2009, the Group's deposits, prepayments and other receivables stood at RMB 236.8 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 September 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, and deposit of RMB 18.0 million for acquisition of land in Huzhou city. The remaining amount of RMB 74.8 million 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 115.0 million at the end of September, from RMB 105.0 million as at 31 March 2009. These pledged bank deposits comprised primarily RMB 95.6 million of deposits that were used as collateral to secure bank borrowings.

The balance of RMB 19.4 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 1H2010 was in tandem with the increase in the Group's property presales.

Accounts Payables, Accruals, Receipts in Advance and Other Payables

As at 30 September 2009, the Group's accounts payables amounted to RMB 2.4 million, which was comparable to 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, receipts in advance and other payables increased significantly by RMB 432.9 million during 1H2010 to RMB 738.2 million as at 30 September 2009. A substantial portion of this amount was related to advance receipts from the deposits and prepayments relating to the Group's

property presales. 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 September 2009.

Bank and Other Loans

As at 30 September 2009, the Group had total short-term and long-term borrowings of RMB 257.0 million. This was a decrease of RMB 62.4 million and RMB 92.6 million from the balances as at 30 June 2009 and 31 March 2009 respectively. Of these borrowings at the end of 2Q2010, approximately RMB 131.6 million of debt was secured by cash deposits (“deposit collateral”) of RMB 139.6 million.

During 1H2010, the Group repaid borrowings of RMB 92.6 million in total. The repayments include primarily RMB 88.0 million of bank loans that were secured against the Group’s land parcels in Huzhou and Hangzhou cities, and RMB 4.4 million of other borrowings. At the end of September 2009, the outstanding borrowings comprised mainly RMB 20 million bank loan that was secured against the Group’s land parcels in Hangzhou, a 36-month bank loan facility of which RMB 100 million has been drawn down to finance the development costs of the Group’s project in Nanchang, and bank and other loans of HKD 155.2 million. The HKD 155.2 million of loans are secured against cash deposits and the Group’s office property in Hong Kong.

Based on its total equity of RMB 830.7 million and deposit collateral of RMB 139.6 million, the Group had a gearing ratio (total borrowings less deposit collateral / total equity) of 14.1% as at 30 September 2009. Including cash and bank balances of RMB 236.7 million as at 30 September 2009, the Group ended the financial period under review with a net cash position of RMB 119.3 million ({cash and bank balances, and deposit collateral} less total borrowings).

Cash Flow Analysis

In 2Q2010, the Group generated net cash of RMB 92.4 million from operating activities, attributed primarily to the increase in advance receipts from the presales of residential units of its property projects. Net cash used in investing activities in 2Q2010 amounted to RMB 113.7 million, due mainly to the acquisition of land parcels in Pinghu city, and investments in financial assets.

Net cash used in financing activities was RMB 11.9 million. During 2Q2010, the Group repaid RMB 62.4 million of borrowings using internal funds. In the same period, the Group also raised RMB 56.3 million of proceeds from the issue of 23.8 million new shares to BOCOM International group (a subsidiary of Bank of Communications Co., Ltd.) through a share placement exercise (refer to Group’s announcement dated 17 August 2009). The placement proceeds will be used to finance the Group’s working capital needs.

As at 30 September 2009, the Group had healthy cash and cash equivalents of RMB 236.7 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 12 August 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 sold rose 44.8% year-on-year to 583.7 million sq m in the first nine months of 2009. Total property sales value in the January-to-September period jumped 73.4% to RMB 2,753.2 billion. Property prices in China’s 70 major cities in the month of September 2009 rose 2.8% year-on-year and 0.7% from the prices in August 2009.

Property transactions in the third quarter of 2009 have generally risen slightly in comparison with the second quarter of 2009. Sales transactions in the property markets of the second and third-tier cities, which are the Group's primary focus, are still driven mainly by homebuyers.

In the near term, China's property market may enter into a corrective phase following the strong sales and price increases in October 2009, due to the possibility of revisions to the favourable government policies that were introduced late last year to stimulate the property market. Notwithstanding this, the longer term outlook for China's property market remains positive as demand for private housing is expected to be supported by growth in per capita income and rising affluence.

The Group will continue to closely monitor the market situation and maintain a steady and prudent approach in its business and financial management.

Company Update

(i) Property Pre-sales

The Group presently has launched pre-sales of four projects in Nanchang, Huzhou and Hangzhou cities. Almost all of the residential units at two of these projects – Huzhou Liyang Jingyuan Phase 2 and Hangzhou Liyang Yuan – have already been pre-sold.

The Group's Chinese-style townhouse development near Taihu Lake resort in Huzhou city, Hua Cui Ting Yuan Phase 1, has received enthusiastic response since its launch in June 2009. As such, the Group increased the number of residential units for sale from the initial 30 terrace houses to 103 terrace and courtyard houses. At the end of October 2009, the take-up rate for the 103 residential units was approximately 85%. The Group intends to align its sales strategy for its Hua Cui Ting Yuan project with the progress of the developments currently being carried out at the Taihu Lake resort.

The residential pre-sales of Nanchang Honggu Kaixuan Phase 2 has also continued to show good progress. At the end of October 2009, around 94% of the 649 residential units released for pre-sale have been taken up.

The Group recorded total presales of RMB 883.6 million from the four projects as at 31 October 2009.

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

| Property | <i>Nanchang Honggu Kaixuan Phase 2</i> | <i>Huzhou Liyang Jingyuan Phase 2</i> | <i>Hangzhou Liyang Yuan</i> | <i>Hua Cui Ting Yuan Phase 1</i> |
|--|--|---------------------------------------|------------------------------|----------------------------------|
| Date of pre-sales launch | July 2008 | Dec 2008 | Jan 2009 | June 2009 |
| Estimated construction completion date ¹ | 1 st quarter 2010 | 4 th quarter 2009 | 4 th quarter 2009 | 2 nd quarter 2010 |
| Total residential units released for sale | 649 | 150 | 226 | 103 |
| Units pre-sold in total (GFA) | 612 (76,460 sq m) | 149 (18,179 sq m) | 222 (24,464 sq m) | 88 (20,015 sq m) |
| Take-up rate | 94% | 99% | 98% | 85% |
| Average selling price ³ (RMB per sq m) | RMB 5,000 | RMB 5,000 | RMB 10,100 | RMB 8,000 ⁴ |
| Accumulated pre-sales value ² | RMB 386.1 million | RMB 91.3 million | RMB 247.1 million | RMB 159.1 million |
| Aggregate Pre-sales Value = RMB 883.6 million | | | | |

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

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

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

⁴ Average selling prices of terrace and courtyard houses are approximately RMB 8,700 and RMB 7,700 per sq m respectively.

(ii) Company Strategies and Plans

- a) Unlaunched properties
- At present, the Group has not commenced sales for the following properties:

| Projects | Status |
|--|-------------------|
| Residential properties | |
| Nanchang Honggu Kaixuan Phase 2 (354 units) | Under development |
| Hua Cui Ting Yuan Phase 1 (81 units) | Under development |
| Commercial properties | |
| Nanchang Honggu Kaixuan Phase 1 | Completed |
| Nanchang Honggu Kaixuan Phase 2 | Under development |
| Huzhou Liyang Jingyuan Phase 2 | Under development |
| Hangzhou Liyang Yuan | Under development |
| Hua Cui Ting Yuan Phase 1 | Under development |

- The Group currently plans to launch the sale of the above residential properties in 2010, subject to changes in company strategy and/or market conditions
 - The Group intends to assess the investment potential of the above commercial properties to determine whether to sell or retain the properties for rental income.
- b) Future developments
- The Group has interests in relatively sizeable land parcels that will provide a steady pipeline of property developments in the future
 - At present, the Group plans to progressively commence construction of its new property developments in Yichun, Fuzhou and Huzhou cities in 2010, subject to changes in company strategy and/or market conditions
- c) 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
- d) Continue to seek suitable and attractive land acquisition opportunities for property development, with a primary focus on second and third-tier cities
- e) 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. With a sound financial position, the Group believes it is positioned to withstand a slower market environment and capitalise on business opportunities.

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 September 2009.

BY ORDER OF THE BOARD

Wong Lam Ping
Chairman
09 November 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 September 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: 09 November 2009