



PAN HONG HOLDINGS GROUP LIMITED

(Incorporated in Bermuda on 20 December 2005)

(Co. Reg. No: 37749)

2nd QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

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 corresponding period of the immediately preceding financial year.

Group						
RMB'000	3 months ended 30 September 2017	3 months ended 30 September 2016	Increase/ (Decrease)	6 months ended 30 September 2017	6 months ended 30 September 2016	Increase/ (Decrease)
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Revenue	52,691	230,057	(77.1%)	447,738	507,285	(11.7%)
Cost of Sales	(34,429)	(191,926)	(82.1%)	(365,446)	(400,054)	(8.7%)
Gross profit	18,262	38,131	(52.1%)	82,292	107,231	(23.3%)
Other income and other gains and losses	11,390	3,079	269.9%	21,980	13,075	68.1%
Selling and distribution expenses	(4,054)	(5,778)	(29.8%)	(7,968)	(12,074)	(34.0%)
Administrative expenses	(15,915)	(13,010)	22.3%	(29,797)	(25,379)	17.4%
Operating profit	9,683	22,422	(56.8%)	66,507	82,853	(19.7%)
Finance costs	(686)	(576)	19.1%	(1,477)	(1,160)	27.3%
Profit before income tax	8,997	21,846	(58.8%)	65,030	81,693	(20.4%)
Income tax expenses	(150)	(13,477)	(98.9%)	(21,567)	(22,634)	(4.7%)
Profit for the period	8,847	8,369	5.7%	43,463	59,059	(26.4%)
Other comprehensive income, net of tax Item that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of financial statements of foreign operations	844	(1,810)	146.6%	2,286	(4,773)	147.9%
Other comprehensive income for the period	844	(1,810)	146.6%	2,286	(4,773)	147.9%
Total comprehensive income for the period	9,691	6,559	47.8%	45,749	54,286	(15.7%)
Profit for the period attributable to:						
Owners of the Company	10,017	1,341	647.0%	45,066	12,368	264.4%
Non-controlling interests	(1,170)	7,028	(116.6%)	(1,603)	46,691	(103.4%)
	8,847	8,369	5.7%	43,463	59,059	(26.4%)
Total comprehensive income attributable to:						
Owners of the Company	10,659	(488)	2,284.2%	47,275	7,570	524.5%
Non-controlling interests	(968)	7,047	(113.7%)	(1,526)	46,716	(103.3%)
	9,691	6,559	47.8%	45,749	54,286	(15.7%)
Earnings per share for profit attributable to the owners of the Company during the period (in RMB cents)						
- Basic and Diluted	1.96	0.26	653.8%	8.80	2.41	265.1%

Note:

RMB '000	Group			
	3 months ended	3 months ended	6 months ended	6 months ended
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit before income tax is arrived at after charging/(crediting):				
Interest charges on financial liabilities stated at amortised cost				
- Bank and other loans wholly repayable within five years	9,238	13,632	31,402	30,394
Less: amount capitalised in properties held under development	(8,552)	(13,056)	(29,925)	(29,234)
	686	576	1,477	1,160
Cost of properties held for sale recognised as expense	25,269	181,424	340,735	373,870
Depreciation of property, plant and equipment	634	571	1,275	1,729
Less: amount capitalised in properties held under development	(90)	(55)	(128)	(137)
	544	516	1,147	1,592
Operating lease charge in respect of land and buildings	245	83	271	176
Less: amount capitalised in properties held under development	-	(17)	(24)	(39)
	245	66	247	137
Staff costs, including directors' remuneration				
- Wages and salaries	7,756	7,003	14,466	14,544
- Retirement benefit scheme contributions - defined contribution plans	349	478	1,033	910
Less: amount capitalised in properties held under development	(1,342)	(1,307)	(2,552)	(3,532)
	6,763	6,174	12,947	11,922
and crediting/(charging):				
Interest income from bank deposits and other receivables	5,646	1,156	8,962	2,502
Exchange gain	353	-	353	3
Net fair value loss for financial assets at fair value through profit or loss	(13)	(1)	(2,337)	(230)
Rental income	1,696	1,919	9,574	9,794
Government grant	2,674	1	3,674	401
Sundry income	1,034	4	1,754	605

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.

	Group		Company	
	30 September 2017 (Unaudited)	31 March 2017 (Audited)	30 September 2017 (Unaudited)	31 March 2017 (Audited)
RMB'000				
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	76,397	76,533	-	-
Investment properties	557,247	557,247	-	-
Investments in subsidiaries	-	-	564,060	564,060
Interests in joint ventures	184,764	184,764	-	-
Interests in associates	5,673	5,673	-	-
Other financial assets	27,127	28,627	20,000	20,000
Financial assets at fair value through profit or loss	7,070	7,070	-	-
Long-term pledged deposits	5,500	5,500	-	-
Deferred tax assets	22,810	22,810	-	-
	886,588	888,224	584,060	584,060
Current assets				
Properties held under development	2,093,988	1,721,126	-	-
Properties held for sale	450,149	790,884	-	-
Accounts receivable	13,890	3,077	-	-
Prepayments and other receivables	246,817	405,928	114	116
Amounts due from subsidiaries	-	-	328,892	328,892
Financial assets at fair value through profit or loss	9,002	11,327	-	-
Tax recoverable	36,552	25,647	-	-
Structured bank balances	-	120,100	-	-
Pledged deposits	368,844	373,488	-	-
Cash and bank balances	590,621	288,122	131	131
	3,809,863	3,739,699	329,137	329,139
Current liabilities				
Accounts payables	123,342	92,172	-	-
Accruals, receipts in advance and other payables	836,229	1,090,430	60	276
Provision for tax	161,090	171,837	-	-
Amounts due to related parties	11,360	33,006	323,947	312,922
Bank and other loans	387,525	332,253	-	-
	1,519,546	1,719,698	324,007	313,198
Net current assets	2,290,317	2,020,001	5,130	15,941
Total assets less current liabilities	3,176,905	2,908,225	589,190	600,001
Non-current liabilities				
Bank and other loans	858,593	604,565	-	-
Deferred tax liabilities	83,690	83,697	-	-
	942,283	688,262	-	-
Net assets	2,234,622	2,219,963	589,190	600,001
EQUITY				
Equity attributable to the Company's owners				
Share capital	313,446	313,446	313,446	313,446
Reserves	1,341,285	1,319,212	275,744	286,555
	1,654,731	1,632,658	589,190	600,001
Non-controlling interests	579,891	587,305	-	-
Total equity	2,234,622	2,219,963	589,190	600,001

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 September 2017		As at 31 March 2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
387,525	-	332,253	-

Amount repayable after one year

As at 30 September 2017		As at 31 March 2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
858,593	-	604,565	-

Details of any collateral

Bank loans of approximately RMB 973,561,000 were secured by the Group's properties and land use rights which were classified as "Leasehold interest in land and buildings", "Investment properties", "Properties held under development" as well as "Properties held for sale" as at 30 September 2017. Bank loans of approximately RMB 272,557,000 were mainly secured by deposits of RMB263,148,000 which were classified as "Pledged deposits" as at 30 September 2017.

1(c) A statement of cash flow (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 September 2017 (Unaudited)	3 months ended 30 September 2016 (Unaudited)	6 months ended 30 September 2017 (Unaudited)	6 months ended 30 September 2016 (Unaudited)
Cash flows from operating activities				
Profit before income tax	8,997	21,846	65,030	81,693
Adjustments for:				
Interest income	(5,646)	(1,156)	(8,962)	(2,502)
Interest expense	686	576	1,477	1,160
Depreciation of property, plant and equipment	544	516	1,147	1,592
Net fair value loss for financial assets at fair value through profit and loss	13	1	2,337	230
Operating profit before working capital changes	4,594	21,783	61,029	82,173
(Increase)/decrease in properties held under development and properties held for sale	(18,824)	156,816	276,472	244,316
(Increase)/decrease in accounts and other receivables and prepayments	(51,315)	124,790	(69,138)	133,916
Decrease/(increase) in financial assets at fair value through profit or loss	-	147	-	(10)
Increase/(decrease) in accounts and other payables, accruals and receipts in advance	134,544	(101,279)	(287,641)	(84,633)
Cash generated from/(used in) operations	68,999	202,257	(19,278)	375,762
Interest received	5,646	1,156	8,962	2,502
Income taxes paid	(27,337)	(39,838)	(43,219)	(66,987)
Net cash generated from/(used in) operating activities	47,308	163,575	(53,535)	311,277
Cash flows from investing activities				
Purchases of property, plant and equipment	-	(2)	(1,240)	(414)
Investments in other financial assets	-	(5,250)	-	(5,250)
Disposal of other financial assets	1,500	-	1,500	-
(Increase)/decrease in pledged deposits with original maturity over three months	(18,844)	(24,457)	4,644	(25,445)
Decrease in Structured bank deposits	-	-	120,100	-
Net cash (used in)/generated from investing activities	(17,344)	(29,709)	125,004	(31,109)
Cash flows from financing activities				
(Repayment to)/advance from a related company	(3)	4,400	(21,646)	3,500
Dividend paid to non-controlling interest of a subsidiary	(5,888)	(14,324)	(5,888)	(14,324)
Dividend paid to owners of the Company	(25,202)	(37,552)	(25,202)	(37,552)
New borrowings	227,893	246,362	387,720	246,362
Repayment of borrowings	(51,916)	(237,128)	(73,139)	(395,308)
Interest paid	(9,238)	(13,632)	(31,402)	(30,394)
Net cash generated from/(used in) financing activities	135,646	(51,874)	230,443	(227,716)
Net increase in cash and cash equivalents	165,610	81,992	301,912	52,452
Effect of foreign exchange difference	489	35	587	172
Cash and cash equivalents at beginning of the period	424,522	192,350	288,122	221,753
Cash and cash equivalents at end of the period	590,621	274,377	590,621	274,377

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										Non-Controlling interests	Total equity
	Share capital	Treasury shares	Share premium	Merger reserve	Statutory reserve	Capital reserve	Other reserve	Exchange reserve	Retained earnings	Total		
	RMB'000	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 2016 (unaudited)	313,446	(12,817)	203,250	(2,243)	88,385	3,838	87,128	(15,549)	943,332	1,608,770	624,497	2,233,267
Profit for the period	-	-	-	-	-	-	-	-	1,341	1,341	7,028	8,369
Other comprehensive income												
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	(1,829)	-	(1,829)	19	(1,810)
Total comprehensive income for the period	-	-	-	-	-	-	-	(1,829)	1,341	(488)	7,047	6,559
Dividend paid to owners of the Company	-	-	-	-	-	-	-	-	(37,552)	(37,552)	-	(37,552)
Dividend paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	(14,324)	(14,324)
At 30 September 2016 (unaudited)	313,446	(12,817)	203,250	(2,243)	88,385	3,838	87,128	(17,378)	907,121	1,570,730	617,220	2,187,950
At 1 July 2017 (unaudited)	313,446	(12,817)	203,250	(2,243)	100,529	3,838	87,128	(17,747)	993,890	1,669,274	586,747	2,256,021
Profit for the period	-	-	-	-	-	-	-	-	10,017	10,017	(1,170)	8,847
Other comprehensive income												
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	642	-	642	202	844
Total comprehensive income for the period	-	-	-	-	-	-	-	642	10,017	10,659	(968)	9,691
Dividend paid to owners of the Company	-	-	-	-	-	-	-	-	(25,202)	(25,202)	-	(25,202)
Dividend paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	(5,888)	(5,888)
At 30 September 2017 (unaudited)	313,446	(12,817)	203,250	(2,243)	100,529	3,838	87,128	(17,105)	978,705	1,654,731	579,891	2,234,622

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 2016 (unaudited)	313,446	(12,817)	203,250	59,579	30,821	594,279
Dividend paid to owners of the Company	-	-	-	-	(37,552)	(37,552)
Profit for the period	-	-	-	-	39,461	39,461
At 30 September 2016 (unaudited)	313,446	(12,817)	203,250	59,579	32,730	596,188
At 1 July 2017 (unaudited)	313,446	(12,817)	203,250	59,579	36,026	599,484
Dividend paid to owners of the Company	-	-	-	-	(25,202)	(25,202)
Profit for the period	-	-	-	-	14,908	14,908
At 30 September 2017 (unaudited)	313,446	(12,817)	203,250	59,579	25,732	589,190

- 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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		% of Issued share capital
		Issued share capital shares	Treasury share shares	Share Capital RMB'000	Treasury share RMB'000	Treasury share %
01 April 2017 and 30 September 2017	Balance at beginning and the end of the period	518,855,024	(6,544,000)	313,446	(12,817)	1.26%

- 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 2017 was 518,855,024 (31 March 2017: 518,855,024), of which 6,544,000 (31 March 2017: 6,544,000) were held by the Company as treasury shares.

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

NIL

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current period reported on.**

NIL

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

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

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

Not applicable.

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

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 year ended 31 March 2017.

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 2017. The adoption of these new and amended IFRSs did not give rise to significant change to the financial statements.

6. Earning 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 September 2017 (Unaudited)	3 months ended 30 September 2016 (Unaudited)	6 months ended 30 September 2017 (Unaudited)	6 months ended 30 September 2016 (Unaudited)
Profit for the period attributable to the owners of the Company (RMB'000)	10,071	1,341	45,066	12,368
Weighted average number of ordinary share (excluding treasury shares) for the purposes of calculating basic earnings per share ('000 shares)	512,311	512,311	512,311	512,311
Earnings per ordinary share (in RMB cents):				
- Basic and Diluted	1.96	0.26	8.80	2.41

Note:

The calculation of basic earnings per share was based on the profit attributable to equity holders of the Company divided by weighted average of ordinary shares (excluding treasury shares)

Diluted earnings per share for the 3 months and 6 months ended 30 September 2017 are the same as the basic earnings per share as there are no dilutive potential share (3 months and 6 months ended 30 September 2016: 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 September 2017	As at 31 March 2017	As at 30 September 2017	As at 31 March 2017
Net asset value per ordinary share (in RMB cents)	436.18	433.32	115.01	117.12

Notes:

- (1) The number of ordinary shares of the Company as at 30 September 2017 was 512,311,024 (excluding treasury shares) (31 March 2017: 512,311,024).
- (2) For information purposes, the net asset value attributable to the Company's owners of the Group (excluding non-controlling interests) as at 30 September 2017 was RMB322.99 cents (31 March 2017: RMB318.68 cents).

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 2017 ("2Q2018") COMPARED TO THE PREVIOUS CORRESPONDING QUARTER ENDED 30 SEPTEMBER 2016 ("2Q2017")

Revenue

	Group			
	3 months ended 30 September 2017	3 months ended 30 September 2016	6 months ended 30 September 2017	6 months ended 30 September 2016
(RMB'000)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Residential	38,120	220,774	412,736	496,132
Commercial and others	14,571	9,283	35,002	11,153
	52,691	230,057	447,738	507,285

The Group's revenue in 2Q2018 was RMB 52.7 million compared to RMB 230.1 million in 2Q2017, a decrease of 77.1%.

The revenue in 2Q2018 comprised mainly the sales of residential units of Huzhou Hua Cui Ting Yuan (湖州华萃庭院) Phase 2. In 2Q2017, the revenue was mainly derived from the handover of residential units sold under Nanchang Sino Harbour Kaixuan City (南昌汉港凯旋城) Zone 3 and Fuzhou Hua Cui Ting Yuan (抚州华萃庭院) Phase 3.

As the Group is primarily engaged in property development business, revenue is recognised upon the handover of significant risks and rewards of ownership of properties held for sale to the purchasers. Consequently, revenue and profit for the Group looking across quarters will appear fluctuate.

Cost of Sales and Gross Profit Margin

Following the decrease in revenue, cost of sales decreased from RMB 191.9 million in 2Q2017 to RMB 34.4 million in 2Q2018, which is the net effect of the decrease of cost of handover of residential units and the increase of cost of handover of residential units.

In 2Q2018, more than half of the Group's revenue was attributable to the handover of the residential units of Huzhou Hua Cui Ting Yuan Phase 2, which had a higher profit margin compared to the residential units from Nanchang Sino Harbour Kaixuan City Zone 3 and Fuzhou Hua Cui Ting Yuan Phase 3 which were sold in 2Q2017. Consequently, gross profit margin increased from 16.6% in 2Q2017 to 34.7% in 2Q2018.

Other Income and Other Gains and losses

Other income and other gains and losses mainly consists (i) interest income from bank deposits and other receivables, (ii) net fair value change on financial assets at fair value through profit or loss and (iii) government grant. Other income and other gains and losses increased from RMB 3.1 million in 2Q2017 to RMB 11.4 million in 2Q2018. The increase was mainly attributable to an increase in interest income as well as a government grant.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 29.8% from RMB 5.8 million in 2Q2017 to RMB 4.1 million in 2Q2018. The lower selling expenses in 2Q2018 was mainly due to a decrease in advertising and promotion costs in respect of Yichun Royal Lake City.

Administrative Expenses

Administrative expenses increased by 22.3% from RMB 13.0 million in 2Q2017 to RMB 15.9 million in 2Q2018 mainly due to an increase in pre-operating expense in development of Huzhou Runhe (湖州润和) project .

Finance Costs

Finance costs increased by 19.1% from RMB 576,000 in 2Q2017 to RMB 686,000 in 2Q2018 mainly due to an increase in bank and other loans.

Income Tax Expense

Income tax expense decreased from RMB13.5 million in 2Q2017 to RMB 150,000 in 2Q2018. The decrease was attributable mainly to a decrease in corporate income tax provision in line with a decrease in profit in 2Q2018.

Profit for the Period

As a cumulative effect of the foregoing factors, the Group recorded a profit after tax of RMB 8.8 million in 2Q2018, an increase of 5.7% from RMB 8.4 million in 2Q2017.

Exchange Differences on Translation of Financial Statements of Foreign Operations

Most of the Group's transactions are carried out in RMB which is the functional currency of the Company and most of its operating subsidiaries. Exchange differences mainly arose from certain of the Group's cash and bank balances which are denominated in Hong Kong Dollar ("HKD") and United States Dollars ("US\$").

Exchange differences adversely change from an exchange loss of RMB 1.8 million in 2Q2017 to an exchange gain of RMB 844,000 in 2Q2018. It was due to exchange gain of the Group's subsidiaries denominated in HKD as a result of the appreciation of RMB against HKD in 2Q2018 compared to in 2Q2017.

Total Comprehensive Income for the Period

As a cumulative effect of the above factors, the Group recorded a total comprehensive income of RMB 9.7 million in 2Q2018, an increase of 47.8% from RMB 6.6 million in 2Q2017.

(b) REVIEW OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017 AND CASH FLOW FOR 2Q2018

Properties Held Under Development

The Group's properties held under development increased by RMB 372.8 million from RMB 1,721.1 million as at 31 March 2017 to RMB 2,093.9 million as at 30 September 2017. The increase was mainly attributable to the construction progress of property projects such as Han Zhi Yun Commercial Centre (汉之韵商业中心), Pan Hong Run Yuan (泛港润园) Phase 2 and Huzhou Runhe project during the financial period.

Properties Held For Sale

Properties held for sale decreased from RMB 790.9 million as at 31 March 2017 to RMB 450.1 million as at 30 September 2017, mainly due to the handover of property units in Pan Hong Run Yuan Phase 1 to the buyers.

Accounts Receivable

Accounts receivable increased from RMB 3.1 million as at 31 March 2017 to RMB 13.9 million as at 30 September 2017, mainly due to receivable for the handover of residential units.

Prepayments and Other Receivables

The Group's prepayments and other receivables decreased from RMB 405.9 million as at 31 March 2017 to RMB 246.8 million as at 30 September 2017. The decrease of RMB 159.1 million was mainly due to the net effect of the re-classification of the prepaid land use rights of Huzhou Runhe project which amounted to RMB 217.4 million to property held under development and the prepayments to the contractors for the construction of the Group's projects.

Tax Recoverable

Tax recoverable increased from approximately RMB 25.6 million as at 31 March 2017 to approximately RMB 36.6 million as at 30 September 2017 mainly due to an increase in prepayment of Enterprise Income Tax ("EIT") and Land Appreciation Tax ("LAT").

Accounts Payable, Accruals, Receipts in Advance and Other Payables

Accounts payable increased to RMB 123.3 million as at 30 September 2017 from RMB 92.2 million as at 31 March 2017 due to an increase in the amount payable to suppliers for construction costs incurred in respect of the Group's properties held under development.

Accruals, receipts in advance and other payables decreased from RMB 1,090.4 million as at 31 March 2017 to RMB 836.2 million as at 30 September 2017.

Accruals, receipts in advance and other payables comprised mainly of advance receipts from customers in respect of the Group's property pre-sales, accrued construction costs and project-related expenses that were based on the progress of the project development but were not due for payment as well as guarantee deposit by the subcontractor as at 30 September 2017.

The decrease in accruals, receipts in advance and other payables was mainly due to the net effect of the (i) the increase in advance receipts from the customers of Pan Hong Run Yuan Phase 2 and (ii) decrease in advance receipts from the customers of Pan Hong Run Yuan Phase 1 and Huzhou Hua Cui Ting Yuan Phase 2 upon the handover and recognition of sale of properties.

Bank and Other Loans

As at 30 September 2017, the Group had bank loans of RMB 1,246.1 million, increased from RMB 936.8 million as at 31 March 2017, mainly due to new borrowing during the period.

Bank loans of approximately RMB 973.6 million were secured by the Group's properties and land use rights which were classified as "Leasehold interest in land and buildings", "Investment properties", "Properties held under development" as well as "Properties held for sale" as at 30 September 2017. Bank loans of approximately RMB 272.6 million were mainly secured by deposits of RMB 263.1 million which were classified as "Pledged deposits" as at 30 September 2017.

Based on the Group's total equity of RMB 2,234.6 million and deposit collateral of RMB 263.1 million, the Group recorded a net gearing ratio (bank loans less deposit collateral / total equity) of 44.0% as at 30 September 2017, compared to 30.4% as at 31 March 2017.

Cash Flow Analysis

In 2Q2018, the Group recorded RMB 47.3 million of net cash generated from operating activities which was attributable mainly to the advance receipts from pre-sales of properties during the financial period.

Net cash used in investing activities in 2Q2018 amounted to RMB 17.3 million, mainly due to an increase in pledged deposits.

Net cash generated from financing activities in 2Q2018 amounted to RMB 135.6 million, mainly due to new bank borrowing net off with the dividends paid during the financial period.

As at 30 September 2017, the Group had cash and cash equivalents of RMB 590.6 million.

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

The second quarter financial results for the six months ended 30 September 2017 is in line with the statement made in Paragraph 10 disclosed in its previous results announcement. There was no forecast or prospect statement previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Company Update

Property Pre-sales

The property pre-sales activity for the Group's projects in Huzhou, Nanchang, Fuzhou and Yichun cities remained strong. Results of Property Pre-sale Launches (as at 1 November 2017) are summarised in the tables below:

Residential Units

	Pan Hong Run Yuan Phase 2	Nanchang Sino Harbour Kaixuan City — Zone 2, Part B	Fuzhou Hua Cui Ting Yuan Phase 3	Yichun Royal Lake City Phase 2
Est. total GFA released for sale (total units)	96,720 sq.m. (750 units)	27,885 sq.m. (156 units)	117,177 sq.m. (1,127 units)	104,739 sq.m. (1,097 units)
Est. total GFA pre-sold (total units)	83,998 sq.m. (652 units)	16,300 sq.m. (94 units)	117,065 sq.m. (1,126 units)	102,317 sq.m. (1,071 units)
Percentage of pre-sold	87%	58%	99%	98%
Pre-sale GFA (units pre-sold) not handed over to buyers as at 30 September 2017 ^	83,998 sq.m. (652 units)	16,300 sq.m. (94 units)	3,137 sq.m. (29 units)	6,655 sq.m. (63 units)
Pre-sale value not handed over to buyers as at 30 September 2017 ^ (RMB)	725.3 million	219.9 million	15.2 million	28.5 million
ASP per sq m*	RMB 8,635	RMB 13,493	RMB 4,845	RMB 4,282
Expected completion date	CY2019 Q2	CY2018 Q2	Completed	Completed

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

^: Pre-sale value not handed over to buyer is computed as follows: Beginning period pre-sales plus New pre-sales during

the period less those handed over to buyers as at 30 September 2017.

Company Strategies

Focusing on pre-sales and quickening its pace of property development will continue to be the key strategies of the Group. The Group will continue seeking opportunities to acquire land parcels in second- to third-tier cities and consider expanding its property investments portfolio to provide more stable returns in the longer term.

Through our subsidiary, Sino Harbour Holdings Group Limited (“Sino Harbour”), the Group expects to expand its revenue base and grasp new opportunities to enhance its profitability. Looking ahead, the Group is examining further opportunities to diversify its business, while maintaining its core business operation.

Industry Outlook

1. Real Estate industry

The real estate market growth in the PRC has been moderating gradually as evidenced by official data published by the National Bureau of Statistics. 70 major PRC cities new home prices index indicated that, 67 and 44 out of 70 major PRC cities recorded month-on-month increase in August and September 2017 respectively. On a year-on-year basis, 67 out of the 70 cities recorded higher prices in September 2017.

In recent months, the PRC Central government has emphasised on the use of residential properties for owner occupation rather than investment purposes. The local governments have also continued to control housing prices to prevent the formation of bubbles and to cut excess real estate inventories concurrently. Due to such policy headwinds, the Group believes that a negative impact on the overall real estate industry is inevitable in the short term but it should be positive from a long-term macro perspective.

2. Stem cell and Pharmaceutical inspection industries

Besides property development being the Group’s current principal business, the Group’s subsidiary, Sino Harbour, has gradually entered into the stem cell and pharmaceutical inspection industries since 2016.

2.1 Stem cell industry

According to the data from research carried out by international research institutes, the global stem cells market size reached US\$ 50.0 billion in 2014, and is expected to exceed US\$ 100.0 billion in 2018. In the PRC, the domestic stem cell market size has shown an impressive compound annual growth rate of over 50% in recent years. Experts predict that the PRC stem cell market size will grow to US\$ 30.0 billion in the next 5 years.

In addition, the PRC government implemented the universal two-child policy in 2016. This policy will not only increase the birth rate in the PRC, but also largely increase the stem cell market size. In view of the rapid development of stem cells industry and a huge market demand, the Group has begun its stem cell business in Guangxi Zhuang Autonomous Region where the penetration rate of stem cell business is relatively low, since early 2017. The Group provides stem cell storage consultation and referral services via its subsidiary Guangxi Gangrun Bio Technology Limited, by setting up perinatal stem cell storage information desks in hospital compounds of The Maternal and Child Health Hospital of Guangxi Zhuang Autonomous Region.

2.2 Pharmaceutical inspection industry

In order to improve the quality of generic drugs produced in the PRC, the PRC government launched the quality consistency evaluation for generic drugs in 2016, as an effort to urge and guide pharmaceutical manufacturers on improving their quality of pharmaceutical research. According to the market estimate, the market value of the quality consistency evaluation will be approximately RMB 17.0 billion in 2018.

In view of the market potential, the Group set up Zhejiang IPS Pharmaceutical Technology Co. Ltd. ("Zhejiang IPS") in 2017, which has one of the very few third-party laboratories in the PRC that is directly invested and managed by a member of the United States Pharmacopeia Advisory Panel and an advisor of the U.S. Food and Drug Administration. With the advanced equipment and international standard technologies in its laboratories, Zhejiang IPS is capable and ready to capture the rapidly growing market of quality consistency evaluation for generic drugs.

11. Dividend

(a) Current Financial Period Reported On

On 25 August 2017, the Company announced its proposal to distribute to the shareholders of the Company (the "**Shareholders**") all the ordinary shares in the issued share capital of Sino Harbour Holdings Group Limited (the "**Sino Harbour Shares**") held by the Company (the "**Proposed Distribution**") as at a books closure date to be determined by the board of directors of the Company for the purpose of determining the entitlement of the Shareholders (the "**Books Closure Date**").

Subject to Shareholders' approval and satisfaction of all regulatory approvals, the Proposed Distribution will be effected by way of a dividend *in specie* to the Shareholders in proportion to their respective shareholdings in the Company, on the basis of 3.51349 Sino Harbour Shares for each ordinary share in the issued share capital of the Company (a "**Pan Hong Share**") held by Shareholders as at the Books Closure Date.

Please refer to the announcement dated 25 August 2017 for details regarding the Proposed Distribution. A circular to Shareholders in relation to the Proposed Distribution (the "**Circular**"), together with a notice of the special general meeting of the Company to be convened, will be despatched to Shareholders in due course. Further details, including tax treatment of the Proposed Distribution, will be set out in the Circular.

- 1) Name of proposed dividend:
Dividend *in specie*
- 2) Proposed dividend type:
Sino Harbour Shares listed on the Main Board of the Stock Exchange of Hong Kong (stock code: 1663.hk)
- 3) Proposed dividend per share:
3.51349 Sino Harbour Shares per Pan Hong Share.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Name of dividend: Interim
Dividend Type: Cash
Dividend amount per share: S\$0.01 per ordinary share (tax not applicable)
Par value per share: HK\$0.60
Tax rate: Tax not applicable

(c) Date payable

The Proposed Distribution is subject to Shareholders' approval and satisfaction of all regulatory approvals. Please refer to the announcement dated 25 August 2017 for details regarding the Proposed Distribution. Further announcements will also be made in due course.

(d) Books closure date

As mentioned in the announcement dated 25 August 2017, the board of directors of the

Company will determine the Books Closure Date and announce the same via SGXNET in due course.

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

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

The Group does not have any general mandate from its shareholders for IPTs.

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1) of the SGX-ST Listing Manual

The Company confirms that the undertakings under Rule 720(1) of the Listing Manual have been obtained from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the SGX-ST Listing Manual.

BY ORDER OF THE BOARD

Wong Lam Ping
Chairman
13 November 2017



NEGATIVE ASSURANCE CONFIRMATION

Statement by Directors pursuant to SGX Listing Rule 705(5)

We confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of Pan Hong Holdings Group Limited which may render these interim financial results for the quarter ended 30 September 2017 to be false or misleading in any material aspect.

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

Wong Lam Ping
Executive Chairman

Wang Cuiping
Executive Director

Date: 13 November 2017