

**PAN HONG PROPERTY GROUP LIMITED**

(Incorporated in Bermuda on 20 December 2005)

(Co. Reg. No: 37749)

**1<sup>st</sup> QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2012**

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3), HALF-YEAR AND FULL YEAR RESULTS**

**1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

RMB'000	Group		Increase/ (Decrease)
	3 months ended 30 June 2012	3 months ended 30 June 2011	
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	
Revenue	167,241	114,173	46.5%
Cost of sales	(86,520)	(51,355)	68.5%
<b>Gross profit</b>	<b>80,721</b>	<b>62,818</b>	<b>28.5%</b>
Other income and gains	3,658	4,149	(11.8%)
Selling and distribution expenses	(2,011)	(1,540)	30.6%
Administrative expenses	(7,938)	(5,609)	41.5%
Other operating expenses	(204)	(925)	(77.9%)
<b>Operating profit</b>	<b>74,226</b>	<b>58,893</b>	<b>26.0%</b>
Finance costs	(383)	(724)	(47.1%)
Share of result of a jointly controlled entity	-	(173)	(100.0%)
Share of result of an associate	-	(3)	(100.0%)
<b>Profit before income tax</b>	<b>73,843</b>	<b>57,993</b>	<b>27.3%</b>
Income tax expense	(21,331)	(19,535)	9.2%
<b>Profit for the period</b>	<b>52,512</b>	<b>38,458</b>	<b>36.5%</b>
<b>Other comprehensive income</b>			
Exchange differences on translation of financial statements of foreign operations	547	1,819	(69.9%)
<b>Total comprehensive income for the period</b>	<b>53,059</b>	<b>40,277</b>	<b>31.7%</b>
<b>Profit for the period attributable to:</b>			
Owners of the Company	52,752	38,488	37.1%
Non-controlling interests	(240)	(30)	700.0%
	<b>52,512</b>	<b>38,458</b>	<b>36.5%</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	53,299	40,307	32.2%
Non-controlling interests	(240)	(30)	700.0%
	<b>53,059</b>	<b>40,277</b>	<b>31.7%</b>
<b>Earnings per share for profit attributable to the owners of the Company during the period (in RMB cents)</b>			
- Basic and Diluted	10.24	7.47	37.1%

Note:

	Group	
	3 months ended 30 June 2012	3 months ended 30 June 2011
RMB '000	(Unaudited)	(Unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Interest charges on financial liabilities stated at amortised cost		
- Bank loans wholly repayable within five years	1,734	3,222
Less: amount capitalised in properties held under development	(1,351)	(2,498)
	383	724
Depreciation of property, plant and equipment	359	296
Less: amount capitalised in properties held under development	(103)	(93)
	256	203
Cost of properties held for sale recognised as expense	77,218	45,153
Operating lease charge in respect of land and buildings	101	108
Less: amount capitalised in properties held under development	(2)	(98)
	99	10
Staff costs, including directors' remuneration		
- Wages and salaries	3,732	2,759
- Retirement benefit scheme contributions - defined contribution plans	46	20
Less: amount capitalised in properties held under development	(1,002)	(783)
	2,776	1,996
Net fair value loss of financial assets at fair value through profit or loss	195	850
and crediting:		
Interest income from bank deposits and cash at banks	235	579
Rental income	3,422	3,327

Note:

No non-audit fee was paid to BDO Limited and BDO LLP ("Joint Auditors") for professional service rendered in connection with the financial information of the Group for the 3 months ended 30 June 2012. The appointment of BDO LLP, to act jointly with BDO Limited, was approved by the shareholders at the Annual General Meeting of the Company held on 30 July 2012.

Non-audit fee of RMB344,000 was paid to BDO Limited for the professional service rendered in connection with the financial information of the Group for the 3 months ended 30 June 2011.



**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 June 2012 Unaudited	31 March 2012 Unaudited (Restated)	30 June 2012 Unaudited	31 March 2012 Audited
<b>RMB'000</b>				
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	14,312	14,587	-	-
Investment properties	119,601	119,601	-	-
Investments in subsidiaries	-	-	564,060	564,060
Interest in a joint venture	104,420	95,149	-	-
Deferred tax assets	25,015	26,451	-	-
	<b>263,348</b>	<b>255,788</b>	<b>564,060</b>	<b>564,060</b>
<b>Current assets</b>				
Properties held under development	1,389,544	1,344,697	-	-
Properties held for sale	341,810	418,998	-	-
Account receivables	1,522	1,628	-	-
Prepayments and other receivables	399,349	379,993	4	4
Amounts due from related parties	502	-	228,338	228,338
Financial assets at fair value through profit or loss	5,207	5,418	-	-
Pledged deposits	65,015	62,825	-	-
Cash and bank balances	104,702	154,918	92	92
	<b>2,307,651</b>	<b>2,368,477</b>	<b>228,434</b>	<b>228,434</b>
<b>Current liabilities</b>				
Account payables	47,168	29,247	-	-
Accruals, receipts in advance and other payables	377,016	488,772	516	518
Provision for tax	177,065	188,532	-	-
Amounts due to related parties	1,026	1,090	194,319	193,613
Bank and other loans	119,746	120,743	-	-
	<b>722,021</b>	<b>828,384</b>	<b>194,835</b>	<b>194,131</b>
<b>Net current assets</b>	<b>1,585,630</b>	<b>1,540,093</b>	<b>33,599</b>	<b>34,303</b>
<b>Total assets less current liabilities</b>	<b>1,848,978</b>	<b>1,795,881</b>	<b>597,659</b>	<b>598,363</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	19,096	19,058	-	-
<b>Net assets</b>	<b>1,829,882</b>	<b>1,776,823</b>	<b>597,659</b>	<b>598,363</b>
<b>EQUITY</b>				
<b>Equity attributable to the Company's owners</b>				
Share capital	313,446	313,446	313,446	313,446
Reserves	1,047,911	994,612	258,339	259,043
Proposed final dividend	25,874	25,874	25,874	25,874
	<b>1,387,231</b>	<b>1,333,932</b>	<b>597,659</b>	<b>598,363</b>
<b>Non-controlling interests</b>	<b>442,651</b>	<b>442,891</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>1,829,882</b>	<b>1,776,823</b>	<b>597,659</b>	<b>598,363</b>



**1(b)(ii) Aggregate amount of group's borrowings and debt securities. Amount repayable in one year or less, or on demand**

**Amount repayable in one year or less, or on demand**

As at 30/06/2012		As at 31/03/2012 (Restated)	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
119,746	-	120,743	-

**Amount repayable after one year**

As at 30/06/2012		As at 31/03/2012	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

**Details of any collateral**

Bank loans of approximately RMB83,084,000 were secured by the Group's land use rights which were classified as "Leasehold interest in land and buildings" and "Properties held under development" as at 30 June 2012. Bank loan of HKD45,000,000 (approximately RMB36,662,000) was secured by a deposit of RMB38,000,000 which was classified as "Pledged deposits" as at 30 June 2012.



**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 June 2012	3 months ended 30 June 2011
	(Unaudited)	(Unaudited)
<b>Cash flows from operating activities</b>		
Profit before income tax	73,844	57,993
Adjustments for:		
Interest income	(235)	(579)
Interest expense	383	724
Depreciation of property, plant and equipment	256	203
Share of result of a jointly controlled entity	-	173
Share of result of an associate	-	3
<b>Operating profit before working capital changes</b>	<b>74,248</b>	<b>58,517</b>
Decrease in properties held under development and properties held for sale	33,795	14,882
Increase in account and other receivables and prepayments	(19,250)	(21,996)
Decrease in financial assets at fair value through profit or loss	211	850
(Decrease)/Increase in account and other payables, accruals and receipts in advance	(93,835)	18,847
Increase in amounts due from/to related parties	(566)	(260)
<b>Cash (used in)/generated from operations</b>	<b>(5,397)</b>	<b>70,840</b>
Interest received	235	579
Income taxes paid	(31,334)	(75,098)
<b>Net cash used in operating activities</b>	<b>(36,496)</b>	<b>(3,679)</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(64)	(301)
Proceeds from disposal of property, plant and equipment	-	3
Advance to a joint venture	(9,271)	(1,173)
(Increase)/Decrease in pledged deposits with original maturity over three months	(2,190)	56,453
<b>Net cash (used in)/generated from investing activities</b>	<b>(11,525)</b>	<b>54,982</b>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(1,087)	(20,086)
Interest paid	(1,734)	(3,222)
<b>Net cash used in financing activities</b>	<b>(2,821)</b>	<b>(23,308)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(50,842)</b>	<b>27,995</b>
<b>Effect of foreign exchange difference</b>	<b>626</b>	<b>(78)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>154,918</b>	<b>223,069</b>
<b>Cash and cash equivalents at end of the period (note)</b>	<b>104,702</b>	<b>250,986</b>
<b>Note:</b>		
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and cash balances	104,702	196,986
Deposits with original maturity of less than three months	-	54,000
<b>Cash and cash equivalents</b>	<b>104,702</b>	<b>250,986</b>



**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	Proposed final dividend			Total
<b>At 1 April 2011 (audited)</b>	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit/(loss) for the period	313,446	(8,280)	203,250	(2,243)	47,060	3,838	-	(3,744)	559,262	26,745	1,139,334	221,873	1,361,207
<b>Other comprehensive income</b>													
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	1,819	-	-	1,819	-	1,819
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	1,819	38,488	-	40,307	(30)	40,277
<b>At 30 June 2011 (unaudited)</b>	313,446	(8,280)	203,250	(2,243)	47,060	3,838	-	(1,925)	597,750	26,745	1,179,641	221,843	1,401,484
<b>At 1 April 2012 (audited)</b>	313,446	(8,280)	203,250	(2,243)	58,739	3,838	82,217	(4,199)	661,290	25,874	1,333,932	442,891	1,776,823
Profit/(loss) for the period	-	-	-	-	-	-	-	-	52,752	-	52,752	(240)	52,512
<b>Other comprehensive income</b>													
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	547	-	-	547	-	547
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	547	52,752	-	53,299	(240)	53,059
<b>At 30 June 2012 (unaudited)</b>	313,446	(8,280)	203,250	(2,243)	58,739	3,838	82,217	(3,652)	714,042	25,874	1,387,231	442,651	1,829,882

Company	Share capital	Treasury shares	Share premium	Contributed surplus	Retained earnings	Proposed final dividend	Total
<b>At 1 April 2011 (audited)</b>	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loss for the period	313,446	(8,280)	203,250	59,579	4,602	26,745	599,342
<b>At 30 June 2011 (unaudited)</b>	313,446	(8,280)	203,250	59,579	3,973	26,745	598,713
<b>At 1 April 2012 (audited)</b>	313,446	(8,280)	203,250	59,579	4,494	25,874	598,363
Loss for the period	-	-	-	-	(704)	-	(704)
<b>At 30 June 2012 (unaudited)</b>	313,446	(8,280)	203,250	59,579	3,790	25,874	597,659

- 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 April 2012 and 30 June 2012	Balance at beginning and the end of the period	518,855,024	(3,460,000)	313,446	(8,280)

### **WARRANTS**

As at 30 June 2012, there were 155,506,206 warrants (31 March 2012: 155,506,206) that might be exercised into ordinary shares. Each warrant will carry the right to subscribe for one (1) new ordinary share in the capital of the Company.

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

The total number of issued ordinary shares as at 30 June 2012 was 518,855,024 (31 March 2012: 518,855,024), of which 3,460,000 (31 March 2012: 3,460,000) were held by the Company as treasury shares.

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

NIL

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

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

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

Not applicable.

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

The Group has adopted the same accounting policies and methods of computations as stated in the audited financial statements of the Group for the year ended 31 March 2012, except for the adoption of the new and amended International Financial Reporting Standards ("IFRSs") which become effective on 1 April 2012 and the early adoption of the new and amended IFRS 10, IFRS 11, IFRS12, IAS 27 (2011) and IAS 28 (2011) before their mandatory effective date. The effects on adoption of these new and amended IFRSs give rise to the changes in the financial statements are stated in paragraph 5 below.

**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 adoption of the new or revised standards, which became effective on 1 April 2012, does not have any material impact on the accounting policies of the Group or financial impact on the Group's quarterly results.

The five new or revised standards, which had been adopted earlier, are mandatorily effective for annual periods beginning on or after 1 January 2013 and should be applied in accordance with respective transition requirements. Early application is permitted so long as all of the five new or revised standards are applied early.

The adoption of IFRS 12, IAS 27 (2011) and IAS 28 (2011) does not have any material impact on the accounting policies of the Group or financial impact on the Group's quarterly results. Upon the adoption of IFRS 10 and IFRS 11, the Group has changed its accounting policies on subsidiaries and joint arrangement. Under the new policies, the Group has reassessed the classification of its jointly controlled entity, together with the effect on the designated operating agreement signed between the Group and its joint venture party. The jointly controlled entity has been separated into two activities, i.e. a joint venture project control with two parties ("Joint Venture") and a project with ring-fenced assets and liabilities unilaterally controlled by the Group ("Deemed Separate Entity"). The Group's accounting for its interest in Joint Venture includes in the consolidated financial statements using equity method in accordance with IFRS 11 and consolidates the financial figures of its interest in Deemed Separate Entity in the consolidated financial statements in accordance with IFRS 10.

Prior to the financial year ending 31 March 2013, the Group's interest in its jointly controlled entity was accounted for as "Interest in a jointly controlled entity" and was included in the consolidated financial statements by equity method.

The financial impact on the effect of adoption of IFRS 10 and IFRS 11 are shown below:

Increase/(decrease)	<b>Group</b>	
	<b>30 June 2012</b>	<b>31 March 2012</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Assets:</b>		
Property, plant and equipment	333	380
Investment in a joint venture	(147,698)	(81,500)
Properties held under development	280,806	264,178
Prepayments and other receivables	15,750	11,892
Pledged deposits	2,234	1,070
Cash and bank balances	18,901	10,132
	<b>170,326</b>	<b>206,152</b>
<b>Liabilities:</b>		
Account payables	11,945	11,113
Accruals, receipts in advance and other payables	80,241	115,165
Provision for tax	(860)	(126)
Bank and other loans	79,000	80,000
	<b>170,326</b>	<b>206,152</b>



The following presents the effect of adopting IFRS 10 and IFRS 11 on the consolidated statement of comprehensive income comparing the restated prior year (year ended 31 March 2012) amounts to the amounts previously reported, and the current period (three months ended 30 June 2012) recorded amounts to what would have been reported had the Group not adopted IFRS 11 for the three months ended 30 June 2012 early:

	<u>Group</u>	
	3 months ended 30 June 2012 RMB'000	Year ended 31 March 2012 RMB'000
Increase in other income	12	2
Increase in selling and distribution expenses	(869)	(420)
Increase in administrative expenses	(793)	(3,063)
Decrease in share of result of a joint venture	1,650	3,481
<b>Total effect in net profit/ total comprehensive income</b>	-	-

**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.**

	<u>Group</u>	
	3 months ended 30 June 2012	3 months ended 30 June 2011
Earnings per ordinary share (in RMB cents):	(Unaudited)	(Unaudited)
- Basic and Diluted	10.24	7.47

Note:

The calculation of basic earnings per share was based on the profit attributable to equity holders of the Company of approximately RMB52,752,000 for the 3 months ended 30 June 2012 (3 months ended 30 June 2011: RMB38,488,000) divided by weighted average of 515,395,024 ordinary shares (excluding treasury shares) (3 months ended 30 June 2011: the weighted average of 515,395,024) during the period.

Diluted earnings per share for the period is the same as the basic earnings per share as there is no dilutive potential share (3 months ended 30 June 2011: 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 30/06/2012	As at 31/03/2012	As at 30/06/2012	As at 31/03/2012
<b>Net asset value per ordinary share (in RMB cents)</b>	<b>355.04</b>	<b>344.75</b>	<b>115.96</b>	<b>116.10</b>

Note:

The number of ordinary shares of the Company as at 30 June 2012 was 515,395,024 (excluding treasury shares) (31 March 2012: 515,395,024).

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**
- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**  
 (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period report on.**
- (a) **REVIEW OF FINANCIAL RESULTS FOR THE QUARTER ENDED 30 JUNE 2012 ("1Q2013") COMPARED TO THE PREVIOUS CORRESPONDING QUARTER ENDED 30 JUNE 2011 ("1Q2012")**

	3 months ended 30 June 2012	3 months ended 30 June 2011
Revenue (RMB '000)		
Residential	97,971	38,099
Commercial and others	69,270	76,074
	<b>167,241</b>	<b>114,173</b>

### Revenue

The Group's revenue in 1Q2013 was RMB167.2 million compared to RMB114.2 million in 1Q2012, an increase of 46.5%. The increase was attributable mainly to the delivery of residential units in Fuzhou Hua Cui Ting Yuan Phase 1 (抚洲华萃庭院一期) and delivery of commercial units in Nanchang Honggu Kaixuan (南昌红谷凯旋). In 1Q2012, revenue was mainly attributable to the delivery of commercial units in Nanchang Honggu Kaixuan and Huzhou Liyang Jiangyuan (湖州丽阳景苑二期) as well as residential units in Huzhou Hua Cui Ting Yuan Phase 1 (湖州华萃庭院一期).

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

### **Cost of Sales and Gross Profit Margin**

In line with the increase in revenue, cost of sales increased 68.5% from RMB51.4 million in 1Q2012 to RMB86.5 million in 1Q2013.

Commercial property has a much higher gross profit margin compared with residential property. As the proportion of sales recognised from commercial units in 1Q2012 was higher than that in 1Q2013, the Group's gross profit margin decreased from 55.0% in 1Q2012 to 48.3% in 1Q2013.

### **Other Income and Gains**

Other income and gains decreased from RMB4.1 million in 1Q2012 to RMB3.7 million in 1Q2013, a decrease of 11.8%. The decrease was attributable mainly to the decrease in interest income in 1Q2013 in line with the decrease in bank balances.

### **Selling and Distribution Expenses**

Selling and distribution expenses comprised mainly salaries and commission expenses of salespersons, agency fee and advertising expenses. Selling and distribution expenses increased 30.6% from RMB1.5 million in 1Q2012 to RMB2.0 million in 1Q2013. The higher selling expenses in 1Q2013 was due mainly to the higher advertising and promotional expenses incurred as a result the launch of Yichun Royal Lake City (宜春御湖城).

### **Administrative Expenses**

Administrative expenses increased 41.5% to RMB7.9 million in 1Q2013 from RMB5.6 million in 1Q2012. The increase was due mainly to the increase in staff costs and professional and consultancy expenses in line with the Group's business development.

### **Other Operating Expenses**

Other operating expenses decreased 77.9% from RMB925,000 in 1Q2012 to RMB204,000 in 1Q2013 due mainly to lower net fair value loss of financial assets at fair value through profit or loss. The financial assets at fair value through profit or loss included listed equity securities in Hong Kong and the PRC. The financial assets are measured at fair value at the reporting date of the financial period.

### **Finance Costs**

Finance costs in 1Q2013 decreased RMB341,000 from RMB724,000 in 1Q2012 to RMB383,000 in 1Q2013. The lower finance cost was due mainly to a decrease in bank and other loans of which the borrowing cost was not capitalised as part of the construction cost.

### **Income Tax Expense**

In line with the increase in profit for the period, income tax expense increased 9.2% from RMB19.5 million in 1Q2012 to RMB21.3 million in 1Q2013.

### **Profit for the Period**

As a cumulative effect of the foregoing factors, the profit after income tax in 1Q2013 increased 36.5% to RMB52.5 million, compared to RMB38.5 million in 1Q2012.

**(b) REVIEW OF FINANCIAL POSITION AS AT 30 JUNE 2012 AND CASH FLOW FOR 1Q2013**

**Interest in a Jointly Controlled Entity**

Interest in a jointly controlled entity increased from RMB95.1 million as at 31 March 2012 (restated) to RMB104.4 million as at 30 June 2012. The increase was attributable to an increase in the Group's investment in a jointly controlled entity.

**Properties held under Development**

As at 30 June 2012, the Group's properties held under development increased RMB44.8 million from RMB1.34 billion as at 31 March 2012 (restated) to RMB1.39 billion as at 30 June 2012. The increase was due mainly to in tandem with the construction progress of the Group's property projects in 1Q2013 which included construction cost of Fuzhou Hua Cui Ting Yuan Phase 2.

**Properties held for Sale**

Properties held for sale decreased to RMB341.8 million as at 30 June 2012, from RMB419.0 million as at 31 March 2012 due mainly to property units recognised as cost of sales for the completion of the handover of sold properties of Fuzhou Hua Cui Ting Yuan Phase 1 to the buyers.

**Prepayments and Other Receivables**

Prepayments and other receivables increased from RMB380.0 million as at 31 March 2012 (restated) to RMB399.3 million as at 30 June 2012. Prepayments and other receivables comprised mainly of RMB234.4 million receivable from the disposal of Hailian Project and the prepayments to contractors for the construction of the project. The increase was due mainly to an increase in the prepayments to contractors for the construction of Fuzhou Hua Cui Ting Yuan Phase 2 and Yichun Royal Lake City.

**Financial Assets at Fair Value Through Profit or Loss**

Financial assets at fair value through profit or loss included listed equity securities in Hong Kong and the PRC. Financial assets at fair value through profit or loss slightly decreased to RMB5.2 million as at 30 June 2012 from RMB5.4 million as at 31 March 2012.

**Pledged Deposits**

Pledged deposits increased from RMB62.8 million as at 31 March 2012 (restated) to RMB65.0 million as at 30 June 2012. The increase was due mainly to the increase in deposit pledged against mortgage loan granted to the buyers of properties from the Group.

**Account Payables, Accruals, Receipts in Advance and Other Payables**

Account payables increased to RMB47.2 million as at 30 June 2012 from RMB29.2 million as at 31 March 2012 (restated) due to a higher number of property projects, which were nearing completion. The account payables comprised mainly of amounts payable to suppliers for construction cost incurred in respect of the Group's properties held under development.

Accruals, receipts in advance and other payables decreased to RMB377.0 million as at 30 June 2012 from RMB488.8 million as at 31 March 2012 (restated). Accruals, receipts in advance and other payables comprised mainly receipts from deposit and prepayments relating to 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 at 30 June 2012. The decrease in accruals, receipts in advance and other payables was due mainly to realisation of part of the advance receipts in revenue in 1Q2013.

### Bank and Other Loans

As at 30 June 2012, the Group had total borrowings of RMB119.7 million, a decrease from RMB120.7 million as at 31 March 2012 (restated) due mainly to repayment of borrowings in 1Q2013.

Of these borrowings, a bank loan of HKD45.0 million (RMB36.7 million equivalent) was secured by a deposit of RMB38.0 million which was classified as “Pledged deposits” as at 30 June 2012.

Based on the Group’s total equity of RMB1.83 billion and a deposit collateral of RMB38.0 million, the Group recorded a low gearing ratio (total borrowings less deposit collateral / total equity) of only 4.47% as at 30 June 2012, compared to 4.66% as at 31 March 2012 (restated).

### Cash Flow Analysis

In 1Q2013, the Group recorded RMB36.5 million of cash used in operating activities which was attributable mainly to the decrease in receipts in advance as well as increase in prepayments in 1Q2013.

Net cash used in investing activities in 1Q2013 amounted to RMB11.5 million was due mainly to the advance to a jointly controlled entity.

Net cash used in financing activities in 1Q2013 amounted to RMB2.8 million was due mainly to the repayment of borrowings.

As at 30 June 2012, the Group had cash and cash equivalents of RMB104.7 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 performance for 1Q2013 is in line with the previous results announcement made.

**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 Outlook

Although home prices in China started to stabilise in the first half of the year (Xinhua, 3 May 2012), China’s central government continued to enforce strict property cooling measures despite calls to ease measures to counter slowing economic growth (Business Times, 21 June 2012). As such, the country’s 2Q2012 gross domestic product (“GDP”) growth fell to 7.6%, partly dragged down by the property sector. (Xinhua, 14 July 2012).

Notwithstanding the Chinese government’s ongoing regulations and policies to cool property prices, the buying sentiment has improved slightly. Official data from the National Bureau of Statistics (“NBS”) indicated that 25 out of 70 cities saw higher new home prices in June, compared to only 6 out of 70 cities in May (Xinhua, 18 July 2012). However, new home prices remained on a downward trend on a year-on-year basis in 57 out of 70 cities.

Faced with the challenges posed by the macro-economic environment, the Group will pay close attention over the government’s policies while building on the Group’s core competencies and improve on the design and quality of the Group’s projects.

## Company Update

### Property Pre-sales

The property pre-sales activities for the Group's projects in Nanchang, Fuzhou and Yichun cities remained strong. Results of property pre-sale launches (as at 28 July 2012) are summarised in the tables below:

#### Residential Units

	Nanchang Honggu Kaixuan Phase 2	Fuzhou Hua Cui Ting Yuan Phase 1	Yichun Royal Lake City Phase 1
Est. total GFA released for sale (total units)	116,214 sqm (1,007 units)	81,165 sqm (581 units)	33,078 sqm (358 units)
Est. total GFA pre-sold (total units)	113,830 sqm (998 units)	71,816 sqm (520 units)	24,544 sqm (264 units)
Percentage of pre-sold	98%	88%	74%
Pre-sale GFA (units pre-sold) not handed over to buyers as at 30 June 2012 <sup>^</sup>	1,148 sqm (11 units)	25,846 sqm (171 units)	24,544 sqm (264 units)
Pre-sale value not handed over to buyers as at 30 June 2012 <sup>^</sup>	RMB8.36 m	RMB128.05 m	RMB102.16 m
ASP per sq m*	RMB7,283	RMB4,954	RMB4,162

#### Commercial Units

	Nanchang Honggu Kaixuan Phase 1 and 2
Est. total GFA released for sale	16,215 sqm
Est. total GFA pre-sold	13,785 sqm
Percentage of pre-sold	85%
Pre-sale GFA not handed over to buyers as at 30 June 2012 <sup>^</sup>	4,303 sqm
Pre-sale value not handed over to buyers as at 30 June 2012 <sup>^</sup>	RMB56.2 m
ASP per sq m*	RMB13,056

\*: 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.

<sup>^</sup>: 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 June 2012.

### Company Strategies

Focusing on sales and pre-sales of existing properties will continue to be the key strategy of the Group. In addition to the planned launches and developments in Zhejiang and Jiangxi provinces, the Group will seek opportunities to gradually diversify its investments in the future in a responsible and prudent manner.

Given sufficient funding and the current low level of land bank prices, the Group will continue to acquire land parcels at low cost and focus on building properties in second- to third-tier cities. Cities in Zhejiang and Jiangxi Province are still the key target of the Group's plan.

At current stage, the Group focuses primarily on developing high-end residential and commercial properties. The Group is still exploring the feasibility of environmental-friendly developments and culturally-innovative developments that will benefit both the government and the community with the relevant local governments.

The Group will closely monitor the Chinese government's policies and time the launches of its properties in accordance with market demand. The Group will also continue to expand its land bank since land price is at its relatively low level at the current price-correction stage.

While the Group still believes in long term potential of the PRC real estate sector which is driven by a strong domestic economy, it has begun exploring opportunities to grow its core property development business in overseas potential markets such as South Africa. The Group believes that the expansion into overseas markets would diversify its investments and broaden revenue base.

**11. Dividend**

**(a) Current Financial Period Reported On**

NIL

**(b) Corresponding Period of the Immediately Preceding Financial Year**

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

NIL

**(c) Date payable**

Not applicable

**(d) Books closure date**

Not applicable

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

No dividend has been declared or recommended for the financial period ended 30 June 2012.

**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 is not required to obtain a general mandate from its shareholders for IPTs.

BY ORDER OF THE BOARD

Wong Lam Ping  
Chairman  
13 August 2012

**NEGATIVE ASSURANCE CONFIRMATION**

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

We confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of Pan Hong Property Group Limited which may render these interim financial results for the quarter ended 30 June 2012 to be false or misleading in any material aspect.

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

Wong Lam Ping  
Executive Chairman

Chan Chun Kit  
Executive Director

Date: 13 August 2012