

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 2012

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

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

RMB'000	Group					
	3 months ended 30/09/2012	3 months ended 30/09/2011	Increase/ (Decrease)	6 months ended 30/09/2012	6 months ended 30/09/2011	Increase/ (Decrease)
	(Unaudited)	(Unaudited and Restated)		(Unaudited)	(Unaudited and Restated)	
Revenue	55,099	114,227	(51.8%)	222,340	228,400	(2.7%)
Cost of Sales	(36,788)	(55,030)	(33.1%)	(123,308)	(106,385)	15.9%
Gross Profit	18,311	59,197	(69.1%)	99,032	122,015	(18.8%)
Other income and gains	1,454	2,417	(39.8%)	5,112	6,566	(22.1%)
Selling and distribution expenses	(2,409)	(1,872)	28.7%	(4,420)	(3,412)	29.5%
Administrative expenses	(6,590)	(22,391)	(70.6%)	(14,528)	(28,000)	(48.1%)
Other operating expenses	(7)	(866)	(99.2%)	(211)	(1,791)	(88.2%)
Operating profit	10,759	36,485	(70.5%)	84,985	95,378	(10.9%)
Finance costs	(378)	(633)	(40.3%)	(761)	(1,357)	(43.9%)
Share of result of a jointly controlled entity	-	173	(100.0%)	-	-	NM
Share of result of an associate	-	-	NM	-	(3)	(100.0%)
Profit before income tax	10,381	36,025	(71.2%)	84,224	94,018	(10.4%)
Income tax expense	(5,150)	(24,804)	(79.2%)	(26,481)	(44,339)	(40.3%)
Profit for the period	5,231	11,221	(53.4%)	57,743	49,679	16.2%
Other comprehensive income						
Exchange differences on translation of financial statements of foreign operations	(2,322)	2,411	(196.3%)	(1,775)	4,230	(142.0%)
Total comprehensive income for the period	2,909	13,632	(78.7%)	55,968	53,909	3.8%
Profit for the period attributable to:						
Owners of the Company	3,581	6,791	(47.3%)	43,233	45,279	(4.5%)
Non-controlling interests	1,650	4,430	(62.8%)	14,510	4,400	229.8%
	5,231	11,221	(53.4%)	57,743	49,679	16.2%
Total comprehensive income attributable to:						
Owners of the Company	1,259	9,202	(86.3%)	41,458	49,509	(16.3%)
Non-controlling interests	1,650	4,430	(62.8%)	14,510	4,400	229.8%
	2,909	13,632	(78.7%)	55,968	53,909	3.8%
Earnings per share for profit attributable to the owners of the Company during the period (in RMB cents):						
- Basic and Diluted	0.69	1.32	(47.7%)	8.39	8.79	(4.6%)

NM: Not Meaningful

RMB '000	Group			
	3 months ended 30/09/2012	3 months ended 30/09/2011	6 months ended 30/09/2012	6 months ended 30/09/2011
	(Unaudited)	(Unaudited and Restated)	(Unaudited)	(Unaudited and Restated)
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	1,714	2,779	3,448	6,001
Less: amount capitalised in properties held under development	(1,336)	(2,146)	(2,687)	(4,644)
	378	633	761	1,357
Cost of properties held for sale recognised as expense	33,717	48,800	110,935	93,953
Depreciation of property, plant and equipment	345	196	704	492
Less: amount capitalised in properties held under development	(101)	(100)	(204)	(193)
	244	96	500	299
Operating lease charge in respect of land and buildings	79	35	180	143
Less: amount capitalised in properties held under development	(66)	(18)	(68)	(116)
	13	17	112	27
Staff costs, including directors' remuneration				
- Wages and salaries	3,212	2,564	6,944	5,323
- Retirement benefit scheme contributions - defined contribution plans	36	15	82	35
Less: amount capitalised in properties held under development	(1,346)	(567)	(2,348)	(1,350)
	1,902	2,012	4,678	4,008
Net fair value loss of financial assets at fair value through profit or loss	-	482	-	1,332
and crediting:				
Interest income				
- from bank deposits and cash at banks	863	2,201	1,098	2,780
Exchange gain, net	37	-	37	-
Net fair value gain on financial assets at fair value through profit or loss	281	-	86	-
Rental income	469	212	3,891	3,539

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 September 2012 and 6 months ended 30 September 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 RMB332,000 and RMB676,000 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 September 2011 and 6 months ended 30 September 2011 respectively.

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 2012 Unaudited	31 March 2012 Unaudited (Restated)	30 September 2012 Unaudited	31 March 2012 Audited
RMB'000				
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	14,027	14,587	-	-
Investment properties	119,601	119,601	-	-
Investments in subsidiaries	-	-	564,060	564,060
Interest in a joint venture	104,420	95,149	-	-
Investment in an associate	6,000	-	-	-
Deferred tax assets	25,015	26,451	-	-
	269,063	255,788	564,060	564,060
Current assets				
Properties held under development	1,418,763	1,344,697	-	-
Properties held for sale	308,119	418,998	-	-
Account receivables	1,844	1,628	-	-
Prepayments and other receivables	421,103	379,993	2	4
Amounts due from related parties	2	-	228,338	228,338
Financial assets at fair value through profit or loss	497	5,418	-	-
Pledged deposits	64,463	62,825	-	-
Cash and bank balances	99,089	154,918	92	92
	2,313,880	2,368,477	228,432	228,434
Current liabilities				
Account payables	25,418	29,247	-	-
Accruals, receipts in advance and other payables	444,382	488,772	722	518
Provision for tax	178,821	188,532	-	-
Amounts due to related parties	1,052	1,090	221,154	193,613
Bank and other loans	117,663	120,743	-	-
	767,336	828,384	221,876	194,131
Net current assets	1,546,544	1,540,093	6,556	34,303
Total assets less current liabilities	1,815,607	1,795,881	570,616	598,363
Non-current liabilities				
Deferred tax liabilities	19,098	19,058	-	-
Net assets	1,796,509	1,776,823	570,616	598,363
EQUITY				
Equity attributable to the Company's owners				
Share capital	313,446	313,446	313,446	313,446
Reserves	1,036,070	994,612	257,170	259,043
Proposed final dividend	-	25,874	-	25,874
	1,349,516	1,333,932	570,616	598,363
Non-controlling interests	446,993	442,891	-	-
Total equity	1,796,509	1,776,823	570,616	598,363

**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 30/09/2012		As at 31/03/2012 (Restated)	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
117,663	-	120,743	-

Amount repayable after one year

As at 30/09/2012		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 RMB80,997,000 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 September 2012. Bank loan of HKD45,000,000 (approximately RMB36,666,000) was secured by a deposit of RMB38,000,000 which was classified as "Pledged deposits" as at 30 September 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 30/09/2012 (Unaudited)	3 months ended 30/09/2011 (Unaudited and Restated)	6 months ended 30/09/2012 (Unaudited)	6 months ended 30/09/2011 (Unaudited and Restated)
Cash flows from operating activities				
Profit before income tax	10,381	36,025	84,224	94,018
Adjustments for:				
Interest income	(863)	(2,201)	(1,098)	(2,780)
Interest expense	378	633	761	1,357
Depreciation of property, plant and equipment	244	96	500	299
Share of result of a jointly controlled entity	-	3,007	-	3,180
Share of result of an associate	-	-	-	3
Operating profit before working capital changes	10,140	37,560	84,387	96,077
Decrease in properties held under development and properties held for sale	5,909	38,608	39,704	53,490
Increase in account and other receivables and prepayments	(22,076)	(108,103)	(41,326)	(130,099)
Decrease/(Increase) financial assets at fair value through profit or loss	4,710	(10,519)	4,921	(9,669)
Decrease/(Increase) in amounts due from/(to) related parties	526	(30)	(40)	(290)
Increase/(Decrease) in account and other payables, accruals and receipts in advance	45,615	(43,779)	(48,219)	(24,932)
Cash generated from/(used in) operations	44,824	(86,263)	39,427	(15,423)
Interest received	863	2,201	1,098	2,780
Income taxes paid	(3,390)	(22,787)	(34,724)	(97,885)
Net cash generated from/(used in) operating activities	42,297	(106,849)	5,801	(110,528)
Cash flows from investing activities				
Purchases of property, plant and equipment	(66)	(1,365)	(130)	(1,666)
Proceeds from disposal of property, plant and equipment	-	-	-	3
Proceeds from disposal of investment properties	-	35,533	-	35,533
Advance to a jointly controlled entity	-	(6,145)	(9,271)	(7,318)
Acquisition of an associate	(6,000)	-	(6,000)	-
Decrease/(Increase) in pledged deposits with original maturity over three months	552	104,811	(1,638)	161,264
Net cash (used in)/generated from investing activities	(5,514)	132,834	(17,039)	187,816
Cash flows from financing activities				
Proceeds from shares issued to non-controlling interests by subsidiary companies	-	262,473	-	262,473
Dividend paid	(25,874)	(26,745)	(25,874)	(26,745)
Dividend paid to non-controlling interests of subsidiaries	(10,408)	-	(10,408)	-
Repayment of borrowings	(2,088)	(49,267)	(3,175)	(69,353)
Interest paid	(1,714)	(2,779)	(3,448)	(6,001)
Net cash (used in)/generated from financing activities	(40,084)	183,682	(42,905)	160,374
Net (decrease)/increase in cash and cash equivalents	(3,301)	209,667	(54,143)	237,662
Effect of foreign exchange difference	(2,312)	602	(1,686)	524
Cash and cash equivalents at beginning of the period	104,702	250,986	154,918	223,069
Cash and cash equivalents at end of the period (note)	99,089	461,255	99,089	461,255
Note:				
Analysis of balances of cash and cash equivalents				
Cash and bank balances	99,089	355,255	99,089	355,255
Time deposits with original maturity of less than three months	-	106,000	-	106,000
Cash and cash equivalents	99,089	461,255	99,089	461,255



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
	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
At 1 July 2011 (unaudited)	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
Dividend paid	-	-	-	-	-	-	-	-	-	(26,745)	(26,745)	-	(26,745)
Deemed disposal of subsidiaries	-	-	-	-	(7,255)	-	82,217	(2,719)	-	-	72,243	190,230	262,473
Transactions with owners	-	-	-	-	(7,255)	-	82,217	(2,719)	-	(26,745)	45,498	190,230	235,728
Profit for the period	-	-	-	-	-	-	-	-	6,791	-	6,791	4,430	11,221
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	2,411	-	-	2,411	-	2,411
Total comprehensive income for the period	-	-	-	-	-	-	-	2,411	6,791	-	9,202	4,430	13,632
At 30 September 2011 (unaudited)	313,446	(8,280)	203,250	(2,243)	39,805	3,838	82,217	(2,233)	604,541	-	1,234,341	416,503	1,650,844
At 1 July 2012 (unaudited)	313,446	(8,280)	203,250	(2,243)	58,739	3,838	82,217	(3,652)	700,942	25,874	1,374,131	455,751	1,829,882
Dividend paid	-	-	-	-	-	-	-	-	-	(25,874)	(25,874)	-	(25,874)
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(10,408)	(10,408)
Transactions with owners	-	-	-	-	-	-	-	-	-	(25,874)	(25,874)	(10,408)	(36,282)
Profit for the period	-	-	-	-	-	-	-	-	3,581	-	3,581	1,650	5,231
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	(2,322)	-	-	(2,322)	-	(2,322)
Total comprehensive income for the period	-	-	-	-	-	-	-	(2,322)	3,581	-	1,259	1,650	2,909
Transfer from statutory reserves	-	-	-	-	(583)	-	-	-	583	-	-	-	-
At 30 September 2012 (unaudited)	313,446	(8,280)	203,250	(2,243)	58,156	3,838	82,217	(5,974)	705,106	-	1,349,516	446,993	1,796,509

Company	Share capital	Treasury shares	Share premium	Contributed surplus	Retained earnings	Proposed final dividend	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 July 2011 (unaudited)	313,446	(8,280)	203,250	59,579	3,973	26,745	598,713
Dividend paid	-	-	-	-	-	(26,745)	(26,745)
Loss for the period	-	-	-	-	(1,928)	-	(1,928)
At 30 September 2011 (unaudited)	313,446	(8,280)	203,250	59,579	2,045	-	570,040
At 1 July 2012 (unaudited)	313,446	(8,280)	203,250	59,579	3,790	25,874	597,659
Dividend paid	-	-	-	-	-	(25,874)	(25,874)
Loss for the period	-	-	-	-	(1,169)	-	(1,169)
At 30 September 2012 (unaudited)	313,446	(8,280)	203,250	59,579	2,621	-	570,616

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

WARRANTS

As at 30 September 2012, there were 155,506,206 warrants (31 March 2012: 155,506,206) that might be exercised into ordinary shares. Each warrant carried the right to subscribe for one (1) new ordinary share in the capital of the Company. These warrants expired on 25 October 2012 and none had been exercised.

- 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 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)	Group 30 September 2012 RMB'000	31 March 2012 RMB'000
Assets:		
Property, plant and equipment	296	380
Investment in a joint venture	(119,044)	(81,500)
Properties held under development	259,517	264,178
Prepayments and other receivables	29,690	11,892
Pledged deposits	3,361	1,070
Cash and bank balances	20,004	10,132
	193,824	206,152
Liabilities:		
Account payables	9,897	11,113
Accruals, receipts in advance and other payables	108,580	115,165
Provision for tax	(1,653)	(126)
Bank and other loans	77,000	80,000
	193,824	206,152

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 (six months ended 30 September 2012) recorded amounts to what would have been reported had the Group not adopted IFRS 11 for the six months ended 30 September 2012 early:

	<u>Group</u>	
	6 months ended 30 September 2012 RMB'000	6 months ended 30 September 2011 RMB'000
Increase in other income	37	2
Increase in selling and distribution expenses	(1,732)	(231)
Increase in administrative expenses	(1,273)	(2,951)
Decrease in share of result of a joint venture	2,968	3,180
Total effect in net profit/ total comprehensive income	-	-

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 September 2012 (Unaudited)	3 months ended 30 September 2011 (Unaudited)	6 months ended 30 September 2012 (Unaudited)	6 months ended 30 September 2011 (Unaudited)
Earnings per ordinary share (in RMB cents):				
- Basic and Diluted	0.69	1.32	8.39	8.79

Note:

The calculation of basic earnings per share was based on the profit attributable to equity holders of the Company of approximately RMB3,581,000 for the 3 months ended 30 September 2012 (3 months ended 30 September 2011: RMB6,791,000) and RMB43,233,000 for the 6 months ended 30 September 2012 (6 months ended 30 September 2011: RMB45,279,000) divided by weighted average of 515,395,024 ordinary shares (excluding treasury shares) for the 3 months ended 30 September 2012 (3 months ended 30 September 2011: the weighted average of 515,395,024) and weighted average of 515,395,024 ordinary share (excluding treasury shares) for the 6 months ended 30 September 2012 (6 months ended 30 September 2011: the weighted average of 515,395,024).

Diluted earnings per share for the 3 months ended 30 September 2012 and 6 months ended 30 September 2012 are the same as the basic earnings per share as there are no dilutive potential share (3 months and 6 months ended 30 September 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 30/09/2012	As at 31/03/2012	As at 30/09/2012	As at 31/03/2012
Net asset value per ordinary share (in RMB cents)	348.57	344.75	110.71	116.10

Note:

The number of ordinary shares of the Company as at 30 September 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 SEPTEMBER 2012 ("2Q2013") COMPARED TO THE PREVIOUS CORRESPONDING QUARTER ENDED 30 SEPTEMBER 2011 ("2Q2012")**

	Group			
	3 months ended 30 September 2012	3 months ended 30 September 2011	6 months ended 30 September 2012	6 months ended 30 September 2011
Revenue (RMB'000):	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Residential	50,371	52,181	148,342	90,280
Commercial and others	4,728	62,046	73,998	138,120
	55,099	114,227	222,340	228,400

Revenue

The Group's revenue in 2Q2013 was RMB55.1 million compared to RMB114.2 million in 2Q2012, a decrease of 51.8%. The decrease was attributable mainly to lower delivery of residential and commercial units as well as the car park lots of Nanchang Honggu Kaixuan (南昌红谷凯旋).

The revenue in 2Q2013 was primarily derived from the delivery of residential units in Fuzhou Hua Cui Ting Yuan Phase 1 (抚洲华萃庭院一期). In 2Q2012, the revenue was mainly derived from the delivery of both residential and commercial units of Nanchang Honggu Kaixuan, as well as the car park lots of this project.

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 properties that are sold. Consequently, revenue and profit for the Group looking across quarters will appear irregular.

Cost of Sales and Gross Profit Margin

In line with decrease in revenue, cost of sales decreased 33.1% from RMB55.0 million in 2Q2012 to RMB36.8 million in 2Q2013.

Commercial property has a much higher gross profit margin compared with residential property. As the proportion of sales recognised from commercial units in 2Q2013 was significantly lower than that in 2Q2012, gross profit margin decreased to 33.2% in 2Q2013 from 51.8% in 2Q2012.

Other Income and Gains

Other income and gains decreased 39.8% from RMB2.4 million in 2Q2012 (restated) to RMB1.5 million in 2Q2013. The decrease was due mainly to higher other income and gains in 2Q2012 as the Group recorded a higher interest income in line with higher bank and cash balances in 2Q2012.

Selling and Distribution Expenses

Selling and distribution expenses increased 28.7% from RMB1.9 million in 2Q2012 (restated) to RMB2.4 million in 2Q2013. The higher selling and distribution expenses in 2Q2013 was due mainly to the increase in marketing expenses from Yichun Royal Lake City (宜春御湖城).

Administrative Expenses

Administrative expenses decreased from RMB22.4 million in 2Q2012 (restated) to RMB6.6 million in 2Q2013. Higher administrative expenses in 2Q2012 was attributable mainly to the IPO listing expenses incurred for the listing of Sino Harbour Property Group Limited ("Sino Harbour"), a wholly-owned subsidiary of the Company. On 22 July 2011, the Group had successfully spun off Sino Harbour and its subsidiaries and Sino Harbour had been listed on the main board of The Hong Kong Stock Exchange Limited.

Other Operating Expenses

Other operating expenses decreased 99.2% from RMB886,000 in 2Q2012 to RMB7,000 in 2Q2013 due to higher other operating expenses in 2Q2012. The other operating expense in 2Q2012 was due mainly to the net fair value loss of financial assets at fair value through profit or loss.

Finance Costs

In line with the decrease in bank and other loans, finance costs in 2Q2013 had decreased 40.3% from RMB633,000 in 2Q2012 to RMB378,000 in 2Q2013.

Income Tax Expense

Income tax expense had decreased from RMB24.8 million in 2Q2012 to RMB5.2 million in 2Q2013. The decrease was attributable mainly to the decrease in income tax in line with the decrease in revenue in 2Q2013 and Land Appreciation Tax ("LAT") as a difference in component of properties handover. According to the Provisional Regulations of the PRC on LAT and the relevant implementation rules, certain exemptions of LAT are available for sales of ordinary residential properties if the appreciated value does not exceed 20% of the deductible items as defined in the relevant LAT regulations. Sales of commercial properties are not eligible for such exemption.

Profit for the Period

As a cumulative effect of the foregoing factors, the profit after income tax in 2Q2013 decreased 53.4% to RMB5.2 million, compared to RMB11.2 million in 2Q2012.

(b) REVIEW OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012 AND CASH FLOW FOR 2Q2013

Interest in a Jointly Controlled Entity

Interest in a joint venture increased from RMB95.1 million as at 31 March 2012 (restated) to RMB104.4 million as at 30 September 2012. The increase was attributable to the construction advancement made for Yichun Royal Lake City, a joint venture by the Group.

Properties held under Development

As at 30 September 2012, the Group's properties held under development increased RMB74.1 million from RMB1.34 billion as at 31 March 2012 (restated) to RMB1.42 billion as at 30 September 2012. The increase was in tandem with the construction progress of the Group's property projects in 2Q2013 which included the construction cost of Fuzhou Hua Cui Ting Yuan Phase 2.

Properties held for Sale

Properties held for sale decreased to RMB308.1 million as at 30 September 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 RMB421.1 million as at 30 September 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 decreased to RMB497,000 as at 30 September 2012 from RMB5.4 million as at 31 March 2012. The decrease was due mainly to disposal of financial assets during the financial period.

Pledged Deposits

Pledged deposits increased from RMB62.8 million as at 31 March 2012 (restated) to RMB64.5 million as at 30 September 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 decreased to RMB25.4 million as at 30 September 2012 from RMB29.2 million as at 31 March 2012 (restated) due to settlement of payables due to suppliers. The account payables comprised mainly of amounts payable to suppliers for the construction cost incurred in respect of the Group's properties held under development.

Accruals, receipts in advance and other payables decreased to RMB444.4 million as at 30 September 2012 from RMB488.8 million as at 31 March 2012 (restated). Accruals, receipts in advance and other payables comprised mainly of the advance receipts from the customer 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 September 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 the financial period.

Bank and Other Loans

As at 30 September 2012, the Group had total borrowings of RMB117.7 million, a decrease from RMB120.7 million as at 31 March 2012 (restated) due mainly to repayment of borrowings.

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 September 2012.

Based on the Group’s total equity of RMB1.80 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 4.43% as at 30 September 2012, compared to 4.66% as at 31 March 2012 (restated).

Cash Flow Analysis

In 2Q2013, the Group recorded RMB42.3 million of cash generated from operating activities which was attributable mainly to the increase in receipts in advance from the customers relating to the Group’s property pre-sales in 2Q2013.

Net cash used in investing activities in 2Q2013 amounted to RMB5.5 million was due mainly to the cash paid for the acquisition of an associate in 2Q2013.

Net cash used in financing activities in 2Q2013 amounted to RMB40.1 million was due mainly to the dividend paid to the shareholders as well as non-controlling interests of subsidiaries.

As at 30 September 2012, the Group had cash and cash equivalents of RMB99.1 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 2Q2013 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

In the first half of FY2013, the PRC’s real estate industry continued to weather the effects of the PRC government’s strict property control policies. In September 2012, Premier Wen Jiabao pointed out that the government’s measures to rein in the market had been in place for more than two years and excessive price rises have generally been curbed. Nevertheless, he warned that it is still critical for the PRC government to continue maintaining control over the real estate market. (Xinhua, 01 September 2012)

Meanwhile, in July 2012, the People’s Bank of China (“PBC”) lowered benchmark deposit rate by 25 basis points and cut lending rates by 31 basis points. This was the second time the interest rates were cut to bolster economic growth since 2008. (Xinhua, 06 July 2012)

Official data from the National Bureau of Statistics (“NBS”) indicated that out of the 70 major PRC cities monitored, 36 cities recorded higher new home prices in August 2012, down from 50 cities the month before. However, more cities saw a rebound in new home prices in August, with 14 out of the 70 cities witnessing price increases of up to 1.3% on a year-on-year basis. (Xinhua, 29 August 2012)

The U.S. Federal Reserve announced a new round of quantitative easing in September 2012. This is the third round of quantitative easing (“QE3”) since the onset of the global financial crisis in 2008. Although the PRC’s export may benefit from a stronger U.S. demand as QE3 is rolled out, the PRC may face renewed pressure for its currency to appreciate and rising inflation as a result of more market liquidity. This may force policy makers to introduce new measures to prevent further rises in housing prices. (Xinhua, 14 September 2012)

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 31 October 2012) are summarised in the tables below:

Residential Units

	Nanchang Honggu Kaixuan Phase 2	Fuzhou Hua Cui Ting Yuan Phase 1	Fuzhou Hua Cui Ting Yuan Phase 2	Yichun Royal Lake City Phase 1
Est. total GFA released for sale (total units)	116,214 sqm (1,007 units)	89,114 sqm (606 units)	51,667 sqm (329 units)	51,155 sqm (547 units)
Est. total GFA pre-sold (total units)	113,954 sqm (999 units)	77,593 sqm (556 units)	14,886 sqm (139 units)	37,675 sqm (397 units)
Percentage of pre-sold	98%	87%	29%	74%
Pre-sale GFA (units pre-sold) not handed over to buyers as at 30 September 2012 ^	1,272 sqm (12 units)	22,475 sqm (146 units)	14,886 sqm (139 units)	37,675 sqm (397 units)
Pre-sale value not handed over to buyers as at 30 September 2012 ^	RMB9.27 m	RMB110.60 m	RMB61.47 m	RMB157.92 m
ASP per sq m*	RMB7,288	RMB4,921	RMB4,129	RMB4,192

Commercial Units

	Nanchang Honggu Kaixuan Phases 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 September 2012 ^	4,155 sqm
Pre-sale value not handed over to buyers as at 30 September 2012 ^	RMB51.08 m
ASP per sq m*	RMB12,293

*: 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 2012.

Company Strategies

The Group will continue to focus on its core competencies and strategies, namely, to develop high-end residential and commercial properties in second-tier and third-tier cities while monitoring closely the PRC government's policies to time the pre-sales and sales of its existing projects, as well as to explore opportunities in potential overseas markets to diversify its investments and broaden its 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/recommended, a statement to that effect.

No dividend has been declared or recommended for the financial period ended 30 September 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 does not have any general mandate from its shareholders for IPTs.

BY ORDER OF THE BOARD

Wong Lam Ping
Chairman
09 November 2012

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 Property Group Limited which may render these interim financial results for the quarter ended 30 September 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: 09 November 2012