

PAN HONG PROPERTY GROUP LIMITED

(Incorporated in Bermuda on 20 December 2005)

(Co. Reg. No: 37749)

3<sup>rd</sup> QUARTER FINANCIAL STATEMENT ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 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 31/12/2012	3 months ended 31/12/2011	Increase/ (Decrease)	9 months ended 31/12/2012	9 months ended 31/12/2011	Increase/ (Decrease)
	(Unaudited)	(Unaudited and Restated)		(Unaudited)	(Unaudited and Restated)	
Revenue	49,558	145,105	(65.8%)	271,898	373,505	(27.2%)
Cost of Sales	(33,902)	(91,582)	(63.0%)	(157,210)	(197,967)	(20.6%)
<b>Gross Profit</b>	<b>15,656</b>	<b>53,523</b>	<b>(70.7%)</b>	<b>114,688</b>	<b>175,538</b>	<b>(34.7%)</b>
Other income and gains	1,915	94,836	(98.0%)	7,027	101,402	(93.1%)
Selling and distribution expenses	(1,936)	(1,558)	24.3%	(6,356)	(4,970)	27.9%
Administrative expenses	(7,889)	(8,749)	(9.8%)	(22,417)	(36,749)	(39.0%)
Other operating expenses	(272)	(4,001)	(93.2%)	(483)	(5,792)	(91.7%)
<b>Operating profit</b>	<b>7,474</b>	<b>134,051</b>	<b>(94.4%)</b>	<b>92,459</b>	<b>229,429</b>	<b>(59.7%)</b>
Finance costs	(313)	(865)	(63.8%)	(1,074)	(2,222)	(51.7%)
Share of result of an associate	-	-	NM	-	(3)	(100.0%)
<b>Profit before income tax</b>	<b>7,161</b>	<b>133,186</b>	<b>(94.6%)</b>	<b>91,385</b>	<b>227,204</b>	<b>(59.8%)</b>
Income tax expense	(5,573)	(27,980)	(80.1%)	(32,054)	(72,319)	(55.7%)
<b>Profit for the period</b>	<b>1,588</b>	<b>105,206</b>	<b>(98.5%)</b>	<b>59,331</b>	<b>154,885</b>	<b>(61.7%)</b>
<b>Other comprehensive income</b>						
Exchange differences on translation of financial statements of foreign operations	1,703	(15)	11,453.3%	(72)	4,215	(101.7%)
Total comprehensive income for the period	3,291	105,191	(96.9%)	59,259	159,100	(62.8%)
<b>Profit for the period attributable to:</b>						
Owners of the Company	894	85,342	(99.0%)	44,127	130,621	(66.2%)
Non-controlling interests	694	19,864	(96.5%)	15,204	24,264	(37.3%)
	1,588	105,206	(98.5%)	59,331	154,885	(61.7%)
<b>Total comprehensive income attributable to:</b>						
Owners of the Company	2,597	85,327	(97.0%)	44,055	134,836	(67.3%)
Non-controlling interests	694	19,864	(96.5%)	15,204	24,264	(37.3%)
	3,291	105,191	(96.9%)	59,259	159,100	(62.8%)
<b>Earnings per share for profit attributable to the owners of the Company during the period (in RMB cents):</b>						
- Basic and Diluted	0.17	16.56	(99.0%)	8.56	25.34	(66.2%)

NM: Not Meaningful

RMB '000	Group			
	3 months ended 31/12/2012	3 months ended 31/12/2011	9 months ended 31/12/2012	9 months ended 31/12/2011
	(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 and other loans wholly repayable within five years	1,567	7,642	5,015	13,643
Less: amount capitalised in properties held under development	(1,254)	(6,777)	(3,941)	(11,421)
	313	865	1,074	2,222
Cost of properties held for sale recognised as expense	31,132	82,922	142,067	176,875
Depreciation of property, plant and equipment	365	384	1,069	946
Less: amount capitalised in properties held under development	88	(84)	(292)	(277)
	277	300	777	669
Loss on disposal of property, plant and equipment	11	4	11	4
Loss on written off of property, plant and equipment	22	14	22	14
Operating lease charge in respect of land and buildings	56	64	236	217
Less: amount capitalised in properties held under development	(9)	(19)	(77)	(135)
	47	45	159	82
Staff costs, including directors' remuneration				
- Wages and salaries	3,105	3,311	10,049	8,980
- Retirement benefit scheme contributions - defined contribution plans	60	14	142	49
Less: amount capitalised in properties held under development	(814)	(512)	(3,162)	(1,862)
	2,351	2,813	7,029	7,167
Net fair value loss of financial assets at fair value through profit or loss	-	3,445	-	4,777
and crediting:				
Gain on disposal of properties held under development	-	90,377	-	90,377
Exchange gain, net	-	-	37	-
Interest income				
- from bank deposits, cash at banks and other receivables	1,576	4,137	2,674	6,917
Net fair value gain on financial assets at fair value through profit or loss	13	-	99	-
Rental income	264	134	4,155	3,673

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 31 December 2012 and 9 months ended 31 December 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.]

No non-audit fee was paid to BDO Limited for the 3 months ended 31 December 2011. Non-audit fee of RMB676,000 was paid to BDO Limited for the professional service rendered in connection with the financial information of the Group for the 9 months ended 31 December 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	
	31 December 2012 Unaudited	31 March 2012 Unaudited (Restated)	31 December 2012 Unaudited	31 March 2012 Audited
<b>RMB'000</b>				
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	13,716	14,587	-	-
Investment properties	119,601	119,601	-	-
Investments in subsidiaries	-	-	564,060	564,060
Interest in a joint venture	104,420	95,149	-	-
Interest in an associate	17,167	-	-	-
Deferred tax assets	25,015	26,451	-	-
	<b>279,919</b>	<b>255,788</b>	<b>564,060</b>	<b>564,060</b>
<b>Current assets</b>				
Properties held under development	1,456,839	1,344,697	-	-
Properties held for sale	292,335	418,998	-	-
Account receivables	613	1,628	-	-
Prepayments and other receivables	500,539	379,993	23	4
Amounts due from related parties	-	-	228,338	228,338
Financial assets at fair value through profit or loss	13,525	5,418	-	-
Pledged deposits	291,162	62,825	-	-
Cash and bank balances	300,610	154,918	92	92
	<b>2,855,623</b>	<b>2,368,477</b>	<b>228,453</b>	<b>228,434</b>
<b>Current liabilities</b>				
Account payables	55,159	29,247	-	-
Accruals, receipts in advance and other payables	548,635	488,772	523	518
Provision for tax	173,358	188,532	-	-
Amounts due to related parties	24	1,090	221,790	193,613
Bank and other loans	539,473	120,743	-	-
	<b>1,316,649</b>	<b>828,384</b>	<b>222,313</b>	<b>194,131</b>
<b>Net current assets</b>	<b>1,538,974</b>	<b>1,540,093</b>	<b>6,140</b>	<b>34,303</b>
<b>Total assets less current liabilities</b>	<b>1,818,893</b>	<b>1,795,881</b>	<b>570,200</b>	<b>598,363</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	19,093	19,058	-	-
<b>Net assets</b>	<b>1,799,800</b>	<b>1,776,823</b>	<b>570,200</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	1,038,667	994,612	256,754	259,043
Proposed final dividend	-	25,874	-	25,874
	1,352,113	1,333,932	570,200	598,363
<b>Non-controlling interests</b>	<b>447,687</b>	<b>442,891</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>1,799,800</b>	<b>1,776,823</b>	<b>570,200</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 31/12/2012		As at 31/03/2012 (Restated)	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
539,473	-	120,743	-

**Amount repayable after one year**

As at 31/12/2012		As at 31/03/2012	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

**Details of any collateral**

Bank and other loans of approximately RMB290,899,000 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 31 December 2012. Bank and other loans of approximately RMB248,574,000 was secured by a deposit of RMB255,400,000 which was classified as "Pledged deposits" as at 31 December 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 31/12/2012 (Unaudited)	3 months ended 31/12/2011 (Unaudited and Restated)	9 months ended 31/12/2012 (Unaudited)	9 months ended 31/12/2011 (Unaudited and Restated)
<b>Cash flows from operating activities</b>				
Profit before income tax	7,161	133,186	91,385	227,204
Adjustments for:				
Interest income	(1,576)	(4,137)	(2,674)	(6,917)
Interest expense	313	865	1,074	2,222
Depreciation of property, plant and equipment	277	300	777	669
Loss on disposal of property, plant and equipment	11	4	11	4
Gain on disposal of property held under development	-	(90,377)	-	(90,377)
Loss on written off of property, plant and equipment	22	14	22	14
Share of result of an associate	-	3,823	-	7,003
Share of result of a joint venture	-	-	-	-
<b>Operating profit before working capital changes</b>	<b>6,208</b>	<b>43,678</b>	<b>90,595</b>	<b>139,822</b>
(Increase)/Decrease in properties held under development and properties held for sale	(21,076)	(43,991)	18,628	9,434
(Increase)/Decrease in account and other receivables and prepayments	(78,205)	4,712	(119,531)	(125,387)
(Increase)/Decrease in financial assets at fair value through profit or loss	(13,028)	20,979	(8,107)	11,310
Decrease/(Increase) in amounts due from/(to) related parties	-	9,268	(40)	8,978
Increase/(Decrease) in account and other payables, accruals and receipts in advance	132,968	(51,346)	84,749	(76,278)
<b>Cash generated from/(used in) operations</b>	<b>26,867</b>	<b>(16,700)</b>	<b>66,294</b>	<b>(32,121)</b>
Interest received	1,576	4,137	2,674	6,915
Income taxes paid	(11,159)	(2,773)	(45,883)	(100,658)
<b>Net cash generated from/(used in) operating activities</b>	<b>17,284</b>	<b>(15,336)</b>	<b>23,085</b>	<b>(125,864)</b>
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment	(36)	(477)	(166)	(2,143)
Proceeds from disposal of property, plant and equipment	61	2	61	5
Proceeds from disposal of investment properties	-	-	-	35,533
Acquisition of an associate	-	-	(6,000)	-
Advance to a joint venture	-	(3,474)	(9,271)	(10,792)
Advance to an associate	(11,167)	-	(11,167)	-
Decrease/(Increase) in pledged deposits with original maturity over three months	(226,699)	(38,726)	(228,337)	122,538
<b>Net cash (used in)/generated from investing activities</b>	<b>(237,841)</b>	<b>(42,675)</b>	<b>(254,880)</b>	<b>145,141</b>
<b>Cash flows from financing activities</b>				
Proceeds from shares issued to non-controlling interests by subsidiary companies	-	-	-	262,473
Dividend paid	-	-	(25,874)	(26,745)
Dividend paid to non-controlling interests of subsidiaries	-	-	(10,408)	-
New borrowings	428,500	37,094	428,500	37,094
Repayment of borrowings	(6,591)	(238,073)	(9,766)	(307,426)
Interest paid	(1,567)	(7,391)	(5,015)	(13,392)
<b>Net cash generated from/(used in) financing activities</b>	<b>420,342</b>	<b>(208,370)</b>	<b>377,437</b>	<b>(47,996)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>199,785</b>	<b>(266,381)</b>	<b>145,642</b>	<b>(28,719)</b>
<b>Effect of foreign exchange difference</b>	<b>1,736</b>	<b>563</b>	<b>50</b>	<b>1,087</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>99,089</b>	<b>461,255</b>	<b>154,918</b>	<b>223,069</b>
<b>Cash and cash equivalents at end of the period (note)</b>	<b>300,610</b>	<b>195,437</b>	<b>300,610</b>	<b>195,437</b>
<b>Note:</b>				
<b>Analysis of balances of cash and cash equivalents</b>				
Cash and cash equivalents	300,610	195,437	300,610	195,437



**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										Minority interests	Total equity
	Share capital	Treasury shares	Share premium	Merger reserve	Statutory reserve	Capital reserve	Other reserve	Exchange reserves	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 October 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
Profit for the period	-	-	-	-	-	-	-	-	85,342	85,342	19,864	105,206
Other comprehensive income												
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	(15)	-	(15)	-	(15)
Total comprehensive income for the period	-	-	-	-	-	-	-	(15)	85,342	85,327	19,864	105,191
At 31 December 2011 (unaudited)	313,446	(8,280)	203,250	(2,243)	39,805	3,838	82,217	(2,248)	689,883	1,319,668	436,367	1,756,035
At 1 October 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
Profit for the period	-	-	-	-	-	-	-	-	894	894	694	1,588
Other comprehensive income												
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	1,703	-	1,703	-	1,703
Total comprehensive income for the period	-	-	-	-	-	-	-	1,703	894	2,597	694	3,291
At 31 December 2012 (unaudited)	313,446	(8,280)	203,250	(2,243)	58,156	3,838	82,217	(4,271)	706,000	1,352,113	447,687	1,799,800

Company	Share capital	Treasury shares	Share premium	Contributed surplus	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 October 2011 (unaudited)	313,446	(8,280)	203,250	59,579	2,045	570,040
Loss for the period	-	-	-	-	(447)	(447)
At 31 December 2011 (unaudited)	313,446	(8,280)	203,250	59,579	1,598	569,593
At 1 October 2012 (unaudited)	313,446	(8,280)	203,250	59,579	2,621	570,616
Loss for the period	-	-	-	-	(416)	(416)
At 31 December 2012 (unaudited)	313,446	(8,280)	203,250	59,579	2,205	570,200

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

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

The total number of issued ordinary shares as at 31 December 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> 31 December 2012 RMB'000	31 March 2012 RMB'000
<b>Assets:</b>		
Property, plant and equipment	260	380
Investment in a joint venture	(137,051)	(81,500)
Properties held under development	315,997	264,178
Prepayments and other receivables	32,007	11,892
Pledged deposits	5,426	1,070
Cash and bank balances	21,249	10,132
	<b>237,888</b>	<b>206,152</b>
<b>Liabilities:</b>		
Account payables	18,914	11,113
Accruals, receipts in advance and other payables	147,723	115,165
Provision for tax	(5,749)	(126)
Bank and other loans	77,000	80,000
	<b>237,888</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 (nine months ended 31 December 2012) recorded amounts to what would have been reported had the Group not adopted IFRS 11 for the nine months ended 31 December 2012 early:

	<b>Group</b>	
	<b>9 months ended 31 December 2012 RMB'000</b>	<b>9 months ended 31 December 2011 RMB'000</b>
Increase in other income	62	2
Increase in selling and distribution expenses	(2,227)	(1,993)
Increase in administrative expenses	(1,756)	(2,479)
Increase in other operating expenses	(40)	-
Decrease in share of result of a joint venture	3,961	4,470
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.**

	<b>Group</b>			
	3 months ended 31 December 2012 (Unaudited)	3 months ended 31 December 2011 (Unaudited)	9 months ended 31 December 2012 (Unaudited)	9 months ended 31 December 2011 (Unaudited)
Earnings per ordinary share (in RMB cents):				
- Basic and Diluted	0.17	16.56	8.56	25.34

**Note:**

The calculation of basic earnings per share was based on the profit attributable to equity holders of the Company of approximately RMB894,000 for the 3 months ended 31 December 2012 (3 months ended 31 December 2011: RMB85,342,000) and RMB44,127,000 for the 9 months ended 31 December 2012 (9 months ended 31 December 2011: RMB130,621,000) divided by weighted average of 515,395,024 ordinary shares (excluding treasury shares) for the 3 months ended 31 December 2012 (3 months ended 31 December 2011: the weighted average of 515,395,024) and weighted average of 515,395,024 ordinary share (excluding treasury shares) for the 9 months ended 31 December 2012 (9 months ended 31 December 2011: the weighted average of 515,395,024).

Diluted earnings per share for the 3 months ended 31 December 2012 and 9 months ended 31 December 2012 are the same as the basic earnings per share as there are no dilutive potential share (3 months and 9 months ended 31 December 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 31/12/2012	As at 31/03/2012	As at 31/12/2012	As at 31/03/2012
<b>Net asset value per ordinary share (in RMB cents)</b>	<b>349.21</b>	<b>344.75</b>	<b>110.63</b>	<b>116.10</b>

Note:

The number of ordinary shares of the Company as at 31 December 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 31 DECEMBER 2012 ("3Q2013") COMPARED TO THE PREVIOUS CORRESPONDING QUARTER ENDED 31 DECEMBER 2011 ("3Q2012")**

	Group			
	3 months ended 31 December 2012	3 months ended 31 December 2011	9 months ended 31 December 2012	9 months ended 31 December 2011
Revenue (RMB'000):	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Residential	17,650	136,620	165,992	226,900
Commercial and others	31,908	8,485	105,906	146,605
	49,558	145,105	271,898	373,505

### Revenue

The Group's revenue in 3Q2013 was RMB49.6 million compared to RMB145.1 million in 3Q2012, a decrease of 65.8%. The decrease was attributable mainly to lower delivery of residential units of Nanchang Honggu Kaixuan Phase 2 (南昌红谷凯旋二期) in 3Q2013.

The revenue in 3Q2013 was primarily derived from the delivery of residential units of Fuzhou Hua Cui Ting Yuan Phase 1 (抚洲华萃庭院一期) as well as commercial units of Nanchang Honggu Kaixuan.

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 the decrease in revenue, cost of sales decreased 63.0% from RMB91.6 million in 3Q2012 to RMB33.9 million in 3Q2013.

Gross profit margin decreased to 31.6% in 3Q2013 from 36.9% in 3Q2012. Lower gross profit margin in 3Q2013 was attributable mainly to lower gross profit margin in residential units of Fuzhou Hua Cui Ting Yuan Phase 1.

### **Other Income and Gains**

Other income and gains decreased from RMB94.8 million in 3Q2012 to RMB1.9 million in 3Q2013, attributable mainly to higher other income and gains in 3Q2012. The Group had recognised a gain on disposal of Hailian Project (海联项目) of RMB90.4 million in 3Q2012. The Group announced on 28 November 2011 that its subsidiary, Huzhou Jiangnan Hailian Construction Co., Limited (湖州江南海联建设有限公司), had entered into a Letter of Intent to dispose off Hailian Project at a consideration of RMB234.4 million. Further to the announcement, the Group had executed the agreement to complete the sale and transfer of Hailian Project.

### **Selling and Distribution Expenses**

Selling and distribution expenses increased from RMB1.6 million in 3Q2012 to RMB1.9 million in 3Q2013. The higher selling expenses in 3Q2013 was due mainly to the increase in marketing expenses incurred in Yichun Royal Lake City (宜春御湖城).

### **Administrative Expenses**

Administrative expenses decreased slightly by RMB860,000 from RMB8.7 million in 3Q2012 to RMB7.9 million in 3Q2013, due mainly to the decrease in wages and salaries.

### **Other Operating Expenses**

Other operating expenses had decreased by 93.2% from RMB4.0 million in 3Q2012 to RMB272,000 in 3Q2013. This decrease was due mainly to net fair value loss of financial assets at fair value through profit or loss recognised in 3Q2012. The financial assets at fair value through profit or loss included listed equity securities in Hong Kong and the People's Republic of China ("PRC") which were measured at fair value as at the reporting date of the financial period. Due to market fluctuation, the market value of the listed equity securities held by the Group had decreased in 3Q2012.

### **Finance Costs**

Finance costs decreased by 63.8% from RMB865,000 in 3Q2012 to RMB313,000 in 3Q2013 due to a decrease in bank loans and the borrowing costs of those bank loans are not capitalised to properties held under development.

### **Income Tax Expense**

Due to the decline in revenue, income tax expense had decreased from RMB28.0 million in 3Q2012 to RMB5.6 million in 3Q2013.

### **Profit for the Period**

As a result of the foregoing factors, the profit after income tax in 3Q2013 decreased by 98.5% to RMB1.6 million, compared to RMB105.2 million in 3Q2012.

**(b) REVIEW OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 AND CASH FLOW FOR 3Q2013**

**Interest in a Joint Venture**

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

**Interest in an associate**

The Group has interest in an associate of RMB17.2 million as at 31 December 2012. These interests included the purchase consideration of RMB6.0 million to acquire a 30% equity interest in an associated company, Huzhou Delong Real Estate Co., Limited (“Huzhou Delong”) which was announced via SGXNET on 12 July 2012 and cash advancement to Huzhou Delong.

**Properties held under Development**

As at 31 December 2012, the Group’s properties held under development increased by RMB112.1 million from RMB1.34 billion as at 31 March 2012 (restated) to RMB1.46 billion as at 31 December 2012. The increase was in tandem with the construction progress of the Group’s property projects in 3Q2013 which included the construction cost of Fuzhou Hua Cui Ting Yuan Phase 2 as well as Nanchang Sino Harbour Island Villa Project Phase 1 (南昌漢港林島項目一期).

**Properties held for Sale**

Properties held for sale decreased to RMB292.3 million as at 31 December 2012, from RMB419.0 million as at 31 March 2012 due mainly to property units recognised as cost of sales for the completion and 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 RMB500.5 million as at 31 December 2012. Prepayments and other receivables comprised mainly of RMB234.4 million receivable from the disposal of Hailian Project and 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 as well as certain low-risk financial products, namely, trust funds, principal guarantee fund and cash management trust, which were issued by Agricultural Bank of China, Bank of Communications and CITIC Securities (Zhejiang) Co. Ltd respectively.

Financial assets at fair value through profit or loss increased to RMB13.5 million as at 31 December 2012 from RMB5.4 million as at 31 March 2012. The significant increase was attributable mainly to the acquisition of the said financial products in 3Q2013 which were fully disposed off in January 2013.

**Pledged Deposits**

Pledged deposits increased from RMB62.8 million as at 31 March 2012 (restated) to RMB291.2 million as at 31 December 2012. The increase was due mainly to the increase in deposits pledged against the bank and other loans to the Group.

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

Account payables increased to RMB55.2 million as at 31 December 2012 from RMB29.2 million as at 31 March 2012 (restated) due to increase in amounts payable to suppliers for construction costs incurred in Fuzhou Hua Cui Ting Yuan Phase 2 and Yichun Royal Lake City Phase 1.

Accruals, receipts in advance and other payables increased to RMB548.6 million as at 31 December 2012 from RMB488.8 million as at 31 March 2012 (restated). Accruals, receipts in advance and other payables comprised mainly the advance receipts from the customers 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 31 December 2012. The increase in accruals, receipts in advance and other payables was due mainly to the increase in advance receipts from the customers for Yichun Royal Lake City Phase 1 as well as Fuzhou Hua Cui Ting Yuan Phase 2.

### **Bank and Other Loans**

As at 31 December 2012, the Group had total borrowings of RMB539.5 million, an increase from RMB120.7 million as at 31 March 2012 (restated) due mainly to new borrowings.

Of these borrowings, a bank loan and other loans of approximately RMB248.6 million were secured by a deposit of RMB255.4 million which was classified as "Pledged deposits" as at 31 December 2012.

Based on the Group's total equity of RMB1.80 billion and a deposit collateral of RMB255.4 million, the Group recorded a lower gearing ratio (total borrowings less deposit collateral / total equity) of 15.78% as at 31 December 2012, compared to 4.66% as at 31 March 2012 (restated).

### **Cash Flow Analysis**

In 3Q2013, the Group recorded RMB17.3 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 3Q2013.

Net cash used in investing activities in 3Q2013 amounted to RMB237.8 million, due mainly to the increase in pledged deposits against the Group's bank loan.

Net cash generated from financing activities in 3Q2013 amounted to RMB420.3 million due mainly to cash inflow from the new borrowings.

As at 31 December 2012, the Group had cash and cash equivalents of RMB300.6 million.

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

The Group's performance for 3Q2013 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**

The PRC property market showed sign of warming up in recent months after the People's Bank of China cut interest rates twice to bolster economic growth. Official data from the National Bureau of Statistics ("NBS") showed that 53 out of a statistical pool of 70 major PRC cities recorded higher new home prices in November, compared to 35 cities in October. Also, total home sales increased 9.5% year-on-year to RMB5.35 trillion in the first 11 months. The rebound in the market indicated that demand continues to be strong (Xinhua, 18 December 2012).

The PRC government continues to maintain its policy to cool the property market. According to the statement released after the central economic work conference in December 2012, the PRC government has vowed to continue to rein in speculative home purchases while quickening the construction of affordable housing (Xinhua, 18 December 2012).

While large rebound in prices is unlikely as the market continues to weather the effects of government policy, ongoing urbanization is expected to be the main driver of economic growth and housing demand in the Group's target second- and third-tier PRC cities.

**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 25 January 2013) 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 (525 units)	56,612 sqm (593 units)
Est. total GFA pre-sold (total units)	113,954 sqm (999 units)	78,193 sqm (561 units)	28,348 sqm (255 units)	48,595 sqm (503 units)
Percentage of pre-sold	98%	88%	55%	86%
Pre-sale GFA (units pre-sold) not handed over to buyers as at 31 December 2012 <sup>^</sup>	728 sqm (6 units)	19,204 sqm (122 units)	28,348 sqm (255 units)	48,595 sqm (503 units)
Pre-sale value not handed over to buyers as at 31 December 2012 <sup>^</sup>	RMB5.47 m	RMB95.87 m	RMB125.02 m	RMB204.58 m
ASP per sq m*	RMB7,514	RMB4,992	RMB4,410	RMB4,210

### 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 31 December 2012 ^	4,155 sqm
Pre-sale value not handed over to buyers as at 31 December 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 31 December 2012.

### **Company Strategies**

The Group will quicken its pace of property development. It is currently in the process of developing the second phase of Fuzhou Hua Cui Ting and first phase of Yichun Royal Lake City. In addition, the Group had commenced construction of the first phase of Nanchang Sino Harbour Island Villa Project.

The Group will increase its emphasis on the sale of its existing property projects and focus on enhancing its cash flow to support its property development operations. It will also closely monitoring market conditions to time its property launches appropriately.

The Group will continue to seek suitable and attractive land acquisition opportunities for property development. It will consider expanding its portfolio of investment properties to build more stable revenue streams in the long term. In addition, the Group will consider retaining the commercial tower in its Nanchang Honggu Kaixuan project as investment properties to enhance the stability of its revenue streams.

## **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 31 December 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

01 February 2013

**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 31 December 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: 01 February 2013