

PAN HONG PROPERTY GROUP LIMITED

(Incorporated in Bermuda on 20 December 2005)

(Co. Reg. No: 37749)

2nd QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

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

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

RMB'000	Group					
	3 months ended 30/09/2013	3 months ended 30/09/2012	Increase/ (Decrease)	6 months ended 30/09/2013	6 months ended 30/09/2012	Increase/ (Decrease)
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Revenue	78,469	55,099	42.4%	208,812	222,340	(6.1%)
Cost of Sales	(48,157)	(36,788)	30.9%	(134,360)	(123,308)	9.0%
Gross Profit	30,312	18,311	65.5%	74,452	99,032	(24.8%)
Other income and gains	7,774	1,454	434.7%	14,541	5,112	184.4%
Selling and distribution expenses	(3,904)	(2,409)	62.1%	(6,996)	(4,420)	58.3%
Administrative expenses	(9,547)	(6,590)	44.9%	(20,666)	(14,528)	42.2%
Other operating expenses	(14)	(7)	100.0%	(227)	(211)	7.6%
Operating profit	24,621	10,759	128.8%	61,104	84,985	(28.1%)
Finance costs	(316)	(378)	(16.4%)	(594)	(761)	(21.9%)
Share of result of an associate	(6)	-	NM	(6)	-	NM
Profit before income tax	24,299	10,381	134.1%	60,504	84,224	(28.2%)
Income tax expense	(9,016)	(5,150)	75.1%	(21,770)	(26,481)	(17.8%)
Profit for the period	15,283	5,231	192.1%	38,734	57,743	(32.9%)
Other comprehensive income						
Item that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of financial statements of foreign operations, net of tax amounting to RMB Nil	1,454	(2,322)	162.6%	3,391	(1,775)	291.0%
Total comprehensive income for the period	16,737	2,909	475.4%	42,125	55,968	(24.7%)
Profit for the period attributable to:						
Owners of the Company	13,216	3,581	269.1%	32,933	43,233	(23.8%)
Non-controlling interests	2,067	1,650	25.3%	5,801	14,510	(60.0%)
	<u>15,283</u>	<u>5,231</u>	<u>192.2%</u>	<u>38,734</u>	<u>57,743</u>	<u>(32.9%)</u>
Total comprehensive income attributable to:						
Owners of the Company	14,670	1,259	1,065.2%	36,324	41,458	(12.4%)
Non-controlling interests	2,067	1,650	25.3%	5,801	14,510	(60.0%)
	<u>16,737</u>	<u>2,909</u>	<u>475.4%</u>	<u>42,125</u>	<u>55,968</u>	<u>(24.7%)</u>
Earnings per share for profit attributable to the owners of the Company during the period (in RMB cents):						
- Basic and Diluted	2.57	0.69	272.5%	6.39	8.39	(23.8%)

NM: Not Meaningful

RMB '000	Group			
	3 months ended 30/09/2013 (Unaudited)	3 months ended 30/09/2012 (Unaudited)	6 months ended 30/09/2013 (Unaudited)	6 months ended 30/09/2012 (Unaudited)
Profit before income tax is arrived at after charging/(crediting):				
Interest charges on financial liabilities stated at amortised cost				
- Bank and other loans wholly repayable within five years	13,973	1,714	26,103	3,448
Less: amount capitalised in properties held under development	(13,657)	(1,336)	(25,509)	(2,687)
	316	378	594	761
Cost of properties held for sale recognised as expense	43,435	33,717	121,508	110,935
Depreciation of property, plant and equipment	422	345	801	704
Less: amount capitalised in properties held under development	(185)	(101)	(302)	(204)
	237	244	499	500
Exchange loss	963	-	968	-
Operating lease charge in respect of land and buildings	109	79	290	180
Less: amount capitalised in properties held under development	(21)	(66)	(61)	(68)
	88	13	229	112
Staff costs, including directors' remuneration				
- Wages and salaries	4,256	3,212	8,362	6,944
- Retirement benefit scheme contributions - defined contribution plans	55	36	86	82
Less: amount capitalised in properties held under development	(1,803)	(1,346)	(3,350)	(2,348)
	2,508	1,902	5,098	4,678
and crediting:				
Consultancy fee income	1,271	-	1,271	-
Interest income from bank deposits and other receivables	4,586	863	8,978	1,098
Exchange gain/(loss), net	(5)	37	-	37
Net fair value gain on financial assets at fair value through profit or loss	907	85	1,182	86
Fair value gain on re-measurement of equity in an associate	613	-	613	-
Rental income	402	469	2,497	3,891



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 2013 Unaudited	31 March 2013 Audited	30 September 2013 Unaudited	31 March 2013 Audited
RMB'000				
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	14,970	14,231	-	-
Investment properties	149,568	153,202	-	-
Investments in subsidiaries	-	-	564,060	564,060
Interest in a joint venture	174,149	174,149	-	-
Interest in an associate	-	5,952	-	-
Long-term pledged deposits	230,000	230,000	-	-
Deferred tax assets	29,667	29,726	-	-
	598,354	607,260	564,060	564,060
Current assets				
Properties held under development	1,430,032	1,351,100	-	-
Properties held for sale	468,718	386,496	-	-
Accounts receivable	18,819	602	-	-
Prepayments and other receivables	741,002	421,625	173	-
Amounts due from related parties	-	-	258,338	258,338
Amount due from an associate	-	37,867	-	-
Financial assets at fair value through profit or loss	6,718	533	-	-
Pledged deposits	216,391	63,148	-	-
Cash and bank balances	232,279	331,986	92	92
	3,113,959	2,593,357	258,603	258,430
Non-current assets held for sale				
Investment properties held for sale	-	7,474	-	-
	3,113,959	2,600,831	258,603	258,430
Current liabilities				
Accounts payable	71,256	35,049	-	-
Accruals, receipts in advance and other payables	636,500	525,804	274	261
Provision for tax	157,998	197,098	-	-
Amounts due to related parties	1,059	1,040	223,152	222,685
Bank and other loans	364,161	132,647	-	-
	1,230,974	891,638	223,426	222,946
Net current assets	1,882,985	1,709,193	35,177	35,484
Total assets less current liabilities	2,481,339	2,316,453	599,237	599,544
Non-current liabilities				
Bank and other loans	573,413	434,500	-	-
Deferred tax liabilities	27,580	27,609	-	-
	600,993	462,109	-	-
Net assets	1,880,346	1,854,344	599,237	599,544
EQUITY				
Equity attributable to the Company's owners				
Share capital	313,446	313,446	313,446	313,446
Reserves	1,085,744	1,052,176	285,791	260,065
Proposed final dividend	-	26,033	-	26,033
	1,399,190	1,391,655	599,237	599,544
Non-controlling interests	481,156	462,689	-	-
Total equity	1,880,346	1,854,344	599,237	599,544



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 30/09/2013		As at 31/03/2013	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
364,161	-	132,647	-

Amount repayable after one year

As at 30/09/2012		As at 31/03/2013	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
573,413	-	434,500	-

Details of any collateral

Bank and other loans of approximately RMB539,448,000 were secured by the Group's land use rights which were classified as "Leasehold interest in land and buildings", "Investment properties" and "Properties held under development" as at 30 September 2013. Bank and other loans of approximately RMB398,126,000 were secured by a deposit of RMB414,250,000 which was classified as "Pledged deposits" as at 30 September 2013.



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 30/09/2013 (Unaudited)	3 months ended 30/09/2012 (Unaudited)	6 months ended 30/09/2013 (Unaudited)	6 months ended 30/09/2012 (Unaudited)
Cash flows from operating activities				
Profit before income tax	24,299	10,381	60,504	84,224
Adjustments for:				
Interest income	(4,586)	(863)	(8,978)	(1,098)
Interest expense	316	378	594	761
Depreciation of property, plant and equipment	237	244	499	500
Share of result of an associate	6	-	6	-
Fair value gain on re-measurement of equity in an associate	(613)	-	(613)	-
Operating profit before working capital changes	19,659	10,140	52,012	84,387
(Increase)/Decrease in properties held under development and properties held for sale	(9,614)	5,909	(10,280)	39,704
Increase in account and other receivables and prepayments and deposit paid	(77,260)	(22,076)	(336,991)	(41,326)
(Increase)/Decrease in financial assets at fair value through profit or loss	(908)	4,710	(6,185)	4,921
(Decrease)/Increase in amounts due to related parties	(2)	526	19	(40)
Increase/(Decrease) in accounts and other payables, accruals and receipts in advance	76,963	45,615	109,638	(48,219)
Cash generated from/(used in) operations	8,838	44,824	(191,787)	39,427
Interest received	4,586	863	8,978	1,098
Income taxes paid	(17,239)	(3,390)	(60,764)	(34,724)
Net cash (used in)/generated from operating activities	(3,815)	42,297	(243,573)	5,801
Cash flows from investing activities				
Purchases of property, plant and equipment	(259)	(66)	(1,657)	(130)
Proceeds from disposal of investment properties	3,634	-	11,108	-
Advance to a joint venture	-	-	-	(9,271)
Acquisition of a subsidiary, net	(36,585)	-	(36,585)	-
Acquisition of an associate	-	(6,000)	-	(6,000)
Decrease/(Increase) in pledged deposits with original maturity over three months	774	552	(153,243)	(1,638)
Net cash used in investing activities	(32,436)	(5,514)	(180,377)	(17,039)
Cash flows from financing activities				
Proceeds from shares issued to non-controlling interests by subsidiary	-	-	14,911	-
Repurchase of shares	(2,756)	-	(2,756)	-
Dividend paid	(26,033)	(25,874)	(26,033)	(25,874)
Dividend paid to non-controlling interests of subsidiaries	(9,685)	(10,408)	(9,685)	(10,408)
New borrowings	98,583	-	404,260	-
Repayment of borrowings	(27,087)	(2,088)	(33,175)	(3,175)
Interest paid	(13,973)	(1,714)	(26,103)	(3,448)
Net cash generated from/(used in) financing activities	19,049	(40,084)	321,419	(42,905)
Net decrease in cash and cash equivalents	(17,202)	(3,301)	(102,531)	(54,143)
Effect of foreign exchange difference	1,191	(2,312)	2,824	(1,686)
Cash and cash equivalents at beginning of the period	248,290	104,702	331,986	154,918
Cash and cash equivalents at end of the period (note)	232,279	99,089	232,279	99,089
Note:				
Analysis of balances of cash and cash equivalents				
Cash and bank balances	232,279	99,089	232,279	99,089



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 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)
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
At 1 July 2013 (unaudited)	313,446	(8,280)	203,250	(2,243)	68,862	3,838	82,217	(6,340)	732,526	26,033	1,413,309	481,334	1,894,643
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	7,440	7,440
Purchases of treasury share	-	(2,756)	-	-	-	-	-	-	-	-	(2,756)	-	(2,756)
Dividend paid	-	-	-	-	-	-	-	-	-	-	(26,033)	-	(26,033)
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(9,685)	(9,685)
Transactions with owners	-	(2,756)	-	-	-	-	-	-	-	(26,033)	(28,789)	(2,245)	(31,034)
Profit for the period	-	-	-	-	-	-	-	-	13,216	-	13,216	2,067	15,283
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	1,454	-	-	1,454	-	1,454
Total comprehensive income for the period	-	-	-	-	-	-	-	1,454	13,216	-	14,670	2,067	16,737
At 30 September 2013 (unaudited)	313,446	(11,036)	203,250	(2,243)	68,862	3,838	82,217	(4,886)	745,742	-	1,399,190	481,156	1,880,346

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 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
At 1 July 2013 (unaudited)	313,446	(8,280)	203,250	59,579	5,045	26,033	599,073
Purchases of treasury share	-	(2,756)	-	-	-	-	(2,756)
Dividend paid	-	-	-	-	-	(26,033)	(26,033)
Profit for the period	-	-	-	-	28,953	-	28,953
At 30 September 2013 (unaudited)	313,446	(11,036)	203,250	59,579	33,998	-	599,237

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 (including treasury shares)	Treasury shares	Share capital RMB'000	Treasury shares RMB'000
01 April 2013	Balance at beginning of the period	518,855,024	(3,460,000)	313,446	(8,280)
11 September 2013	Share buy back – held as treasury	-	(58,000)	-	(73)
13 September 2013	Share buy back – held as treasury	-	(210,000)	-	(273)
19 September 2013	Share buy back – held as treasury	-	(541,000)	-	(795)
20 September 2013	Share buy back – held as treasury	-	(91,000)	-	(137)
23 September 2013	Share buy back – held as treasury	-	(235,000)	-	(370)
24 September 2013	Share buy back – held as treasury	-	(110,000)	-	(175)
25 September 2013	Share buy back – held as treasury	-	(179,000)	-	(278)
26 September 2013	Share buy back – held as treasury	-	(247,000)	-	(376)
27 September 2013	Share buy back – held as treasury	-	(183,000)	-	(279)
30 September 2013	Balance at end of the period	518,855,024	(5,314,000)	313,446	(11,036)

For the period ended 30 September 2013, the Company purchased 1,854,000 (For the period ended 30 September 2012: Nil) of its ordinary shares by way of on-market purchases at share prices ranging from S\$0.250 to S\$0.325 per share and these shares were held as treasury shares.

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 2013 was 518,855,024 (31 March 2013: 518,855,024), of which 5,314,000 (31 March 2013: 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.

The movement of treasury shares is as follows:

As at 01 April 2013	: 3,460,000 shares
Purchase of treasury shares	: 1,854,000 shares
As at 30 September 2013	: 5,314,000 shares

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

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

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

Not applicable.

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

The Group had applied the same accounting policies and methods of computation in the financial statements for the current reporting period as in those of the audited financial statement for the year ended 31 March 2013.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted the new and revised International Financial Reporting Standards (IFRSs) which became effective for financial periods beginning on 1 April 2013. The adoption of these new and amended IFRSs did not give rise to significant change to the financial statements.

6. Earning per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group			
	3 months ended 30 September 2013 (Unaudited)	3 months ended 30 September 2012 (Unaudited)	6 months ended 30 September 2013 (Unaudited)	6 months ended 30 September 2012 (Unaudited)
Earnings per ordinary share (in RMB cents):				
- Basic and Diluted	2.57	0.69	6.39	8.39

Note:

The calculation of basic earnings per share was based on the profit attributable to equity holders of the Company of approximately RMB13,216,000 for the 3 months ended 30 September 2013 (3 months ended 30 September 2012: RMB3,581,000) and RMB32,933,000 for the 6 months ended 30 September 2013 (6 months ended 30 September 2012: RMB43,233,000) divided by weighted average of 515,198,024 ordinary shares (excluding treasury shares) for the 3 months ended 30 September 2013 (3 months ended 30 September 2012: the weighted average of 515,395,024) and weighted average of 515,295,986 ordinary share (excluding treasury shares) for the 6 months ended 30 September 2013 (6 months ended 30 September 2012: the weighted average of 515,395,024).

Diluted earnings per share for the 3 months ended 30 September 2013 and 6 months ended 30 September 2013 are the same as the basic earnings per share as there are no dilutive potential share (3 months and 6 months ended 30 September 2012: 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 30/09/2013	As at 31/03/2013	As at 30/09/2013	As at 31/03/2013
Net asset value per ordinary share (in RMB cents)	366.15	359.79	116.69	116.33

Note:

The number of ordinary shares of the Company as at 30 September 2013 was 513,541,024 (excluding treasury shares) (31 March 2013: 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 2013 ("2Q2014") COMPARED TO THE PREVIOUS CORRESPONDING QUARTER ENDED 30 SEPTEMBER 2012 ("2Q2013")**

	Group			
	3 months ended 30 September 2013	3 months ended 30 September 2012	6 months ended 30 September 2013	6 months ended 30 September 2012
Revenue (RMB'000):	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Residential	62,801	50,371	164,870	148,342
Commercial and others	15,668	4,728	43,942	73,998
	78,469	55,099	208,812	222,340

Revenue

The Group's revenue in 2Q2014 was RMB78.5 million compared to RMB55.1 million in 2Q2013, an increase of 42.4%. The increase was attributable mainly to higher handover of residential units of Yichun Royal Lake City Phase 1 (宜春御湖城一期) as well as Huzhou Hua Cui Ting Yuan Phase 1 (湖州华萃庭院一期) in 2Q2014.

The revenue in 2Q2014 was primarily derived from the handover of residential units of Yichun Royal Lake City Phase 1, Fuzhou Hua Cui Ting Yuan Phase 1 (抚洲华萃庭院一期) as well as Huzhou Hua Cui Ting Yuan Phase 1

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 increase in revenue, cost of sales increased by 30.9% from RMB36.8 million in 2Q2013 to RMB48.2 million in 2Q2014.

Commercial property has a higher gross profit margin compared with residential property. As the proportion of sales recognised from commercial units in 2Q2014 was higher than that in 2Q2013, the Group's gross profit margin improved to 38.6% in 2Q2014 from 33.2% in 2Q2013.

Other Income and Gains

Other income and gains increased from RMB1.5 million in 2Q2013 to RMB7.8 million in 2Q2014. The increase was attributable mainly to the increase in interest income in line with increase in bank and cash balances as well as pledged deposits.

Selling and Distribution Expenses

Selling and distribution expenses increased 62.1% from RMB2.4 million in 2Q2013 to RMB3.9 million in 2Q2014. The higher selling expenses in 2Q2014 were due mainly to the advertising and promotional expenses incurred by Nanchang Sino Harbour Island Villa Project Phase 1 (南昌漢港林島項目一期).

Administrative Expenses

Administrative expenses increased 44.9% from RMB6.6 million in 2Q2013 to RMB9.5 million in 2Q2014 due mainly to the increase in salaries as well as exchange losses in 2Q2014.

Finance Costs

Finance costs decreased by 16.4% from RMB378,000 in 2Q2013 to RMB316,000 in 2Q2014 due to a decrease in the borrowing costs and related bank loans which are not capitalised to properties held under development.

Profit for the Period

Higher revenue and other income and gain contributed to the Group's profit before tax of RMB24.3 million in 2Q2014, an improvement of 134.1% from RMB10.4 million in 2Q2013.

Income tax expense increased from RMB5.2 million in 2Q2013 to RMB9.0 million in 2Q2014. The higher income tax is due to the PRC corporate income tax and Land Appreciation Tax (LAT) provision arising from the higher revenue.

As a result of the foregoing factors, the profit after income tax in 2Q2014 increased by 192.1% to RMB15.3 million, compared to RMB5.2 million in 2Q2013.

(b) REVIEW OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013 AND CASH FLOW FOR 2Q2014

Investment Properties

As at 30 September 2013, the Group had investment properties at fair value of RMB149.6 million, compared to RMB160.7 million comprising investment properties at fair value and held for sale as at 31 March 2013. The decrease was due to the disposal of investment property and handover of investment properties held for sale to the buyers during the financial period.

Interest in an Associate

The Group had announced on 19 September 2013 the acquisition of an additional 34% equity interest in the Group's associated company, Huzhou Delong Real Estate Co. Ltd. ("Huzhou Delong"). The Group's equity interest in the capital of Huzhou Delong had increased to 64%. Accordingly, Huzhou Delong has become a subsidiary of the Group.

Properties Held Under Development

As at 30 September 2013, the Group's properties held under development increased by RMB78.9 million from RMB1.35 billion as at 31 March 2013 to RMB1.43 billion as at 30 September 2013. The increase was due mainly to the acquisition of an additional 34% equity in Huzhou Delong during the financial period.

Properties held for Sale

Properties held for sale increased to RMB468.7 million as at 30 September 2013, from RMB386.5 million as at 31 March 2013 due mainly to the commercial tower in Nanchang Honggu Kaixuan being classified as properties held for sale during the period.

Accounts Receivable

Accounts receivable increased to RMB18.8 million as at 30 September 2013, from RMB602,000 as at 31 March 2013 due mainly to the receivable for the disposal of Fuzhou Hua Cui Ting Yuan Phase 1.

Prepayments and Other Receivables

The Group's prepayments and other receivables increased from RMB421.6 million as at 31 March 2013 to RMB741.0 million as at 30 September 2013 out of which RMB234.4 million was attributable to the receivable from the disposal of Hailian Project classified as "Other Receivables" as well as prepaid land use rights amounting to RMB253.0 million for the acquisition of Hangzhou Project (杭州项目). The remaining RMB253.6 million was attributable mainly to an increase in the prepayments to contractors for the construction of Fuzhou Hua Cui Ting Yuan and Nanchang Sino Harbour Island Villa Project.

Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss include listed equity securities in Hong Kong and the PRC. Financial assets at fair value through profit or loss increased to RMB6.7 million as at 30 September 2013 from RMB533,000 as at 31 March 2013. The increase was attributable mainly to the acquisition of listed equity securities in the PRC.

Pledged Deposits

Long-term and Short-term pledged deposits increased from RMB293.1 million as at 31 March 2013 to RMB446.4 million as at 30 September 2013. The increase was due mainly to the increase in deposits pledged against the bank and other loans to the Group.

Accounts Payable, Accruals, Receipts in Advance and Other Payables

Accounts payable increased to RMB71.3 million as at 30 September 2013 from RMB35.0 million as at 31 March 2013 due to increase in amounts payable to suppliers for construction costs incurred in respect of the Group's properties held under development.

Accruals, receipts in advance and other payables comprise mainly of the receipts in advance in respect of deposit and prepayments relating to the Group's property pre-sales, and the accrued construction costs and project-related expenses that were based on the progress of project development but were not due for payment as at 30 September 2013.

Accruals, receipts in advance and other payables increased to RMB636.5 million as at 30 September 2013 from RMB525.8 million as at 31 March 2013 due mainly to the receipts in advance from customer from the pre-sale of Fuzhou Hua Cui Ting Yuan Phase 3.

Bank and Other Loans

As at 30 September 2013, the Group had total borrowings of RMB937.6 million, an increase from RMB567.1 million as at 31 March 2013 due mainly to new borrowings during the financial period for the purpose of financing development cost for future projects.

Of these borrowings, bank and other loans of approximately RMB398.1 million were secured by a deposit of RMB414.3 million which was classified as "Pledged deposits" as at 30 September 2013.

Based on the Group's total equity of RMB1.88 billion and a deposit collateral of RMB414.3 million, the Group recorded a net gearing ratio (total borrowings less deposit collateral / total equity) of 27.8% as at 30 September 2013, compared to 16.5% as at 31 March 2013.

Cash Flow Analysis

For 2Q2014, the Group's net cash used in operating activities amounted to RMB3.8 million, which was due mainly to an increase in prepayments to contractors for the construction of projects.

Net cash used in investing activities in 2Q2014 amounted to RMB32.4 million, due mainly to the net cash outflow for the acquisition of Huzhou Delong.

Net cash generated from financing activities in 2Q2014 amounted to RMB19.0 million was due mainly to the new borrowings for the period.

As at 30 September 2013, the Group had cash and cash equivalents of RMB232.3 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 2Q2014 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

New home prices in the PRC continued to rise even though the government has maintained its policy to cool the residential property market. According to official data from the National Bureau of Statistics, 65 and 66 out of 70 cities saw higher new home prices in September and August 2013 respectively. (Xinhua, 22 October 2013). The Group believes that the underlying demand for housing will continue to remain strong.

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 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	Fuzhou Hua Cui Ting Yuan Phase 3	Yichun Royal Lake City Phase 1
Est. total GFA released for sale (total units)	116,214 sqm (1,007 units)	91,853 sqm (633 units)	71,628 sqm (525 units)	42,985 sqm (407 units)	72,882 sqm (770 units)
Est. total GFA pre-sold (total units)	113,954 sqm (999 units)	84,017 sqm (594 units)	61,277 sqm (481 units)	35,254 sqm (338 units)	66,318 sqm (687 units)
Percentage of pre-sold	98%	91%	86%	82%	91%
Pre-sale GFA (units pre-sold) not handed over to buyers as at 30 September 2013 ^	407 sqm (3 units)	5,947 sqm (27 units)	61,277 sqm (481 units)	35,254 sqm (338 units)	3,671 sqm (43 units)
Pre-sale value not handed over to buyers as at 30 September 2013 ^	RMB3.37m	RMB39.87m	RMB326.22m	RMB175.54m	RMB16.14m
ASP per sq m*	RMB8,287	RMB6,704	RMB5,324	RMB4,979	RMB4,397

*: 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 2013.

Company Strategies

The Group will intensify its sales and pre-sales of existing properties, and maintain a strong cash and credit position. Having established its pioneering position in the Zhejiang and Jiangxi Province property market, the Group aims to accelerate its growth by developing residential and commercial projects in the PRC that generate high returns. Consistent with this aim, the Group will replicate its successful investment model in property projects to expand its presence in other provinces in the PRC.

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/recommendeded, a statement to that effect.

No dividend has been declared or recommended for the financial period ended 30 September 2013.

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

11 November 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 30 September 2013 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: 11 November 2013