

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 2014

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 30/09/2014	3 months ended 30/09/2013	Increase/ (Decrease)	6 months ended 30/09/2014	6 months ended 30/09/2013	Increase/ (Decrease)
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Revenue	79,846	78,469	1.8%	172,759	208,812	(17.3%)
Cost of Sales	(49,557)	(48,157)	2.9%	(108,006)	(134,360)	(19.6%)
Gross profit	30,289	30,312	(0.1%)	64,753	74,452	(13.0%)
Other income and gains	4,825	7,774	(37.9%)	11,522	14,541	(20.8%)
Selling and distribution expenses	(6,175)	(3,904)	58.2%	(10,179)	(6,996)	45.5%
Administrative expenses	(9,185)	(9,547)	(3.8%)	(18,885)	(20,666)	(8.6%)
Other operating expenses	-	(14)	(100.0%)	-	(227)	(100.0%)
Operating profit	19,754	24,621	(19.8%)	47,211	61,104	(22.7%)
Finance costs	(890)	(316)	181.6%	(1,633)	(594)	174.9%
Share of result of an associate	-	(6)	(100.0%)	-	(6)	(100.0%)
Profit before income tax	18,864	24,299	(22.4%)	45,578	60,504	(24.7%)
Income tax expense	(10,075)	(9,016)	11.7%	(22,143)	(21,770)	1.7%
Profit for the period	8,789	15,283	(42.5%)	23,435	38,734	(39.5%)
Other comprehensive income, net of tax						
Item that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of financial statements of foreign operations	(503)	1,454	(134.6%)	(156)	3,391	(104.6%)
Other comprehensive income for the period	(503)	1,454	(134.6%)	(156)	3,391	(104.6%)
Total comprehensive income for the period	8,286	16,737	(50.5%)	23,279	42,125	(44.7%)
Profit for the period attributable to:						
Owners of the Company	5,566	13,216	(57.9%)	15,615	32,933	(52.6%)
Non-controlling interests	3,223	2,067	55.9%	7,820	5,801	34.8%
	<u>8,789</u>	<u>15,283</u>	<u>(42.5%)</u>	<u>23,435</u>	<u>38,734</u>	<u>(39.5%)</u>
Total comprehensive income attributable to:						
Owners of the Company	5,063	14,670	(65.5%)	15,459	36,324	(57.4%)
Non-controlling interests	3,223	2,067	55.9%	7,820	5,801	34.8%
	<u>8,286</u>	<u>16,737</u>	<u>(50.5%)</u>	<u>23,279</u>	<u>42,125</u>	<u>(44.7%)</u>
Earnings per share for profit attributable to the owners of the Company during the period (in RMB cents):						
- Basic and Diluted	<u>1.09</u>	<u>2.57</u>	<u>(57.6%)</u>	<u>3.05</u>	<u>6.39</u>	<u>(52.3%)</u>

NM: Not Meaningful

RMB '000	Group			
	3 months ended 30/09/2014 (Unaudited)	3 months ended 30/09/2013 (Unaudited)	6 months ended 30/09/2014 (Unaudited)	6 months ended 30/09/2013 (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	21,492	13,973	39,674	26,103
Less: amount capitalised in properties held under development	(20,602)	(13,657)	(38,041)	(25,509)
	890	316	1,633	594
Cost of properties held for sale recognised as expense	45,044	43,435	98,255	121,508
Depreciation of property, plant and equipment	234	422	690	801
Less: amount capitalised in properties held under development	(59)	(185)	(128)	(302)
	175	237	562	499
Exchange (gain)/loss, net	(23)	963	(226)	968
Operating lease charge in respect of land and buildings	113	109	184	290
Less: amount capitalised in properties held under development	(45)	(21)	(67)	(61)
	68	88	117	229
Staff costs, including directors' remuneration				
- Wages and salaries	5,729	4,256	11,404	8,362
- Retirement benefit scheme contributions - defined contribution plans	135	55	234	86
Less: amount capitalised in properties held under development	(1,624)	(1,803)	(3,426)	(3,350)
	4,240	2,508	8,212	5,098
and crediting:				
Consultancy fee income	-	1,271	-	1,271
Interest income from bank deposits and other receivables	1,006	4,586	3,866	8,978
Net fair value (loss)/gain for financial assets at fair value through profit or loss	(2)	907	270	1,182
Fair value gain on re-measurement of equity in an associate	-	613	-	613
Gain on disposal of property, plant and equipment	53	-	53	-
Rental income	3,579	397	6,987	2,497
Sundry income	189	-	346	-



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 2014 Unaudited	31 March 2014 Audited	30 September 2014 Unaudited	31 March 2014 Audited
RMB'000				
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	21,726	22,053	-	-
Investment properties	359,229	359,229	-	-
Investments in subsidiaries	-	-	564,060	564,060
Interest in a joint venture	182,437	182,437	-	-
Other financial assets	20,000	20,000	20,000	20,000
Long-term pledged deposits	330,000	330,000	-	-
Deferred tax assets	25,164	24,986	-	-
	938,556	938,705	584,060	584,060
Current assets				
Properties held under development	2,412,512	1,607,064	-	-
Properties held for sale	369,735	461,767	-	-
Accounts receivable	15,930	1,584	-	-
Prepayments and other receivables	441,017	816,674	109	110
Amounts due from subsidiaries	-	-	258,338	258,338
Financial assets at fair value through profit or loss	56	6,149	-	-
Pledged deposits	346,082	295,195	-	-
Cash and bank balances	155,383	74,236	132	92
	3,740,715	3,262,669	258,579	258,540
Current liabilities				
Accounts payable	43,485	28,949	-	-
Accruals, receipts in advance and other payables	1,050,396	727,899	271	274
Provision for tax	176,810	167,806	-	-
Amounts due to related parties	110,006	96,938	247,446	246,130
Bank and other loans	392,444	407,930	-	-
	1,773,141	1,429,522	247,717	246,404
Net current assets	1,967,574	1,833,147	10,862	12,136
Total assets less current liabilities	2,906,130	2,771,852	594,922	596,196
Non-current liabilities				
Bank and other loans	859,500	748,500	-	-
Deferred tax liabilities	48,451	48,452	-	-
	907,951	796,952	-	-
Net assets	1,998,179	1,974,900	594,922	596,196
EQUITY				
Equity attributable to the Company's owners				
Share capital	313,446	313,446	313,446	313,446
Reserves	1,175,039	1,159,580	281,476	282,750
	1,488,485	1,473,026	594,922	596,196
Non-controlling interests	509,694	501,874	-	-
Total equity	1,998,179	1,974,900	594,922	596,196

**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 30/09/2014		As at 31/03/2014	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
392,444	-	407,930	-

Amount repayable after one year

As at 30/09/2014		As at 31/03/2014	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
859,500	-	748,500	-

Details of any collateral

Bank and other loans of approximately RMB758,524,000 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 2014. Bank and other loans of approximately RMB493,420,000 were secured by a deposit of RMB542,490,000 which was classified as "Pledged deposits" as at 30 September 2014.



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 30/09/2014 (Unaudited)	3 months ended 30/09/2013 (Unaudited)	6 months ended 30/09/2014 (Unaudited)	6 months ended 30/09/2013 (Unaudited)
Cash flows from operating activities				
Profit before income tax	18,864	24,299	45,578	60,504
Adjustments for:				
Interest income	(1,006)	(4,586)	(3,866)	(8,978)
Interest expense	890	316	1,633	594
Depreciation of property, plant and equipment	175	237	562	499
Gain on disposal of property, plant and equipment	(53)	-	(53)	-
Share of result of an associate	-	6	-	6
Fair value gain on re-measurement of equity in an associate	-	(613)	-	(613)
Net fair value loss/(gain) for financial assets at fair value through profit and loss	2	(907)	(270)	(1,182)
Operating profit before working capital changes	18,872	18,752	43,584	50,830
Increase in properties held under development and properties held for sale	(89,970)	(9,614)	(263,047)	(10,280)
Increase in accounts and other receivables and prepayments and deposit paid	(47,814)	(77,260)	(50,624)	(336,991)
(Increase)/decrease in financial assets at fair value through profit or loss	-	(1)	6,363	(5,003)
(Decrease)/increase in amounts due to related parties	-	(2)	-	19
Increase in accounts and other payables, accruals and receipts in advance	94,193	76,963	336,141	109,638
Cash (used in)/generated from operations	(24,719)	8,838	72,417	(191,787)
Interest received	2,123	4,586	3,601	8,978
Income taxes paid	(5,335)	(17,239)	(13,318)	(60,764)
Net cash (used in)/generated from operating activities	(27,931)	(3,815)	62,700	(243,573)
Cash flows from investing activities				
Purchases of property, plant and equipment	(717)	(259)	(981)	(1,657)
Proceeds from disposal of investment properties	-	3,634	-	11,108
Proceeds from disposal of property, plant and equipment	540	-	540	-
Acquisition of a subsidiary, net	-	(36,585)	-	(36,585)
Decrease/(Increase) in pledged deposits with original maturity over three months	(50,305)	774	(50,887)	(153,243)
Net cash used in investing activities	(50,482)	(32,436)	(51,328)	(180,377)
Cash flows from financing activities				
(Repayment to)/advance from a related company	(3,684)	-	13,068	-
Proceeds from shares issued to non-controlling interests by subsidiary companies	-	-	-	14,911
Repurchase of treasury shares	-	(2,756)	-	(2,756)
Dividend paid	-	(26,033)	-	(26,033)
Dividend paid to non-controlling interests of subsidiaries	-	(9,685)	-	(9,685)
New borrowings	256,510	98,583	316,510	404,260
Repayment of borrowings	(35,268)	(27,087)	(220,486)	(33,175)
Interest paid	(21,043)	(13,973)	(38,782)	(26,103)
Net cash generated from financing activities	196,515	19,049	70,310	321,419
Net increase/(decrease) in cash and cash equivalents	118,102	(17,202)	81,682	(102,531)
Effect of foreign exchange difference	(888)	1,191	(535)	2,824
Cash and cash equivalents at beginning of the period	38,169	248,290	74,236	331,986
Cash and cash equivalents at end of the period (note)	155,383	232,279	155,383	232,279
Note:				
Analysis of balances of cash and cash equivalents				
Cash and bank equivalents	155,383	232,279	155,383	232,279



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 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 subsidiary	-	-	-	-	-	-	-	-	-	-	-	7,440	7,440
Purchases of treasury shares	-	(2,756)	-	-	-	-	-	-	-	-	(2,756)	-	(2,756)
Dividend paid	-	-	-	-	-	-	-	-	-	(26,033)	(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
At 1 July 2014 (unaudited)	313,446	(12,817)	203,250	(2,243)	78,107	3,838	82,217	(3,510)	821,134	-	1,483,422	506,471	1,989,893
Profit for the period	-	-	-	-	-	-	-	-	5,566	-	5,566	3,223	8,789
Other comprehensive income													
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	(503)	-	-	(503)	-	(503)
Total comprehensive income for the period	-	-	-	-	-	-	-	(503)	5,566	-	5,063	3,223	8,286
At 30 September 2014 (unaudited)	313,446	(12,817)	203,250	(2,243)	78,107	3,838	82,217	(4,013)	826,700	-	1,488,485	509,694	1,998,179

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 2013 (unaudited)	313,446	(8,280)	203,250	59,579	5,045	26,033	599,073
Purchases of treasury shares	-	(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
At 1 July 2014 (unaudited)	313,446	(12,817)	203,250	59,579	32,464	-	595,922
Loss for the period	-	-	-	-	(1,000)	-	(1,000)
At 30 September 2014 (unaudited)	313,446	(12,817)	203,250	59,579	31,464	-	594,922

- 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 2014 and 30 September 2014	Balance at beginning and the end of the period	518,855,024	(6,544,000)	313,446	(12,817)

- 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 2014 was 518,855,024 (31 March 2014: 518,855,024), of which 6,544,000 (31 March 2014: 6,544,000) were held by the Company as treasury shares.

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

NIL

- 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 2014.

- 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 2014. 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 2014 (Unaudited)	3 months ended 30 September 2013 (Unaudited)	6 months ended 30 September 2014 (Unaudited)	6 months ended 30 September 2013 (Unaudited)
Earnings per ordinary share (in RMB cents):				
- Basic and Diluted	1.09	2.57	3.05	6.39

Note:

The calculation of basic earnings per share was based on the profit attributable to equity holders of the Company of approximately RMB5,566,000 for the 3 months ended 30 September 2014 (3 months ended 30 September 2013: RMB13,216,000) and RMB15,615,000 for the 6 months ended 30 September 2014 (6 months ended 30 September 2013: RMB32,933,000) divided by weighted average of 512,311,024 ordinary shares (excluding treasury shares) for the 3 months ended 30 September 2014 (3 months ended 30 September 2013: the weighted average of 515,198,024) and weighted average of 512,311,024 ordinary share (excluding treasury shares) for the 6 months ended 30 September 2014 (6 months ended 30 September 2013: the weighted average of 515,295,986).

Diluted earnings per share for the 3 months ended 30 September 2014 and 6 months ended 30 September 2014 are the same as the basic earnings per share as there are no dilutive potential share (3 months and 6 months ended 30 September 2013: 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 30/09/2014	As at 31/03/2014	As at 30/09/2014	As at 31/03/2014
Net asset value per ordinary share (in RMB cents)	390.03	385.48	116.13	116.37

Note:

The number of ordinary shares of the Company as at 30 September 2014 was 512,311,024 (excluding treasury shares) (31 March 2014: 512,311,024).

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 2014 ("2Q2015") COMPARED TO THE PREVIOUS CORRESPONDING QUARTER ENDED 30 SEPTEMBER 2013 ("2Q2014")

	Group			
	3 months ended 30 September 2014	3 months ended 30 September 2013	6 months ended 30 September 2014	6 months ended 30 September 2013
Revenue (RMB'000):	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Residential	71,560	62,801	126,037	164,870
Commercial and others	8,286	15,668	46,722	43,942
	79,846	78,469	172,759	208,812

The Group's revenue in 2Q2015 was RMB79.8 million compared to RMB78.5 million in 2Q2014, an increase of 1.8%. The increase was attributable mainly to higher handover of residential units of Fuzhou Hua Cui Ting Yuan (抚州华萃庭院) Phase 2.

The revenue in 2Q2015 comprised mainly the handover of residential units sold under Fuzhou Hua Cui Ting Yuan Phase 2 and Yichun Royal Lake City (宜春御湖城) Phase 1. In 2Q2014, the revenue was mainly derived from the delivery of residential units of Yichun Royal Lake City Phase 1, Fuzhou Hua Cui Ting Yuan Phase 1 as well as Huzhou Hua Cui Ting Yuan (湖州华萃庭院) 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 sold properties. Consequently, revenue and profit for the Group looking across quarters will appear irregular.

Cost of Sales and Gross Profit Margin

In line with the increase in revenue, cost of sales increased by 2.9% from RMB48.2 million in 2Q2014 to RMB49.6 million in 2Q2015. Gross profit margin decreased from 38.6% in 2Q2014 to 37.9% in 2Q2015 due to the lower proportion of sales recognised from the sale of commercial units in 2Q2015 compared with 2Q2014. Commercial units had a significantly higher gross profit margin compared with residential units.

Other Income and Gains

Other income and gains decreased from RMB7.8 million in 2Q2014 to RMB4.8 million in 2Q2015. The decrease was attributable mainly to a decrease in interest income. In addition, there was no consultancy fee income in 2Q2015.

Selling and Distribution Expenses

Selling and distribution expenses increased by 58.2% from RMB3.9 million in 2Q2014 to RMB6.2 million in 2Q2015. The higher selling expenses in 2Q2015 were mainly due to an increase in advertising costs in respect of Huzhou Run Yuan Project (湖州润源项目) Phase 1 as well as Yichun Royal Lake City (宜春御湖城) Phase 2.

Administrative Expenses

Administrative expenses decreased by 3.8% from RMB9.5 million in 2Q2014 to RMB9.2 million in 2Q2015. The lower administrative expenses in 2Q2015 were mainly due to higher exchange loss in 2Q2014.

Finance Costs

Finance costs increased by 181.6% to RMB890,000 in 2Q2015 from RMB316,000 in 2Q2014 due to an increase in bank and other loans.

Income Tax Expense

Income tax expense increased from RMB9.0 million in 2Q2014 to RMB10.1 million in 2Q2015. The increase was attributable mainly to the increase in Land Appreciation Tax ("LAT") in 2Q2015.

The increase in LAT was attributable mainly to the higher assessable appreciated value of the property in 2Q2014 resulting from lower ordinary residential properties being handed over during the period. According to the Provisional Regulations of the People's Republic of China ("PRC") on LAT and relevant implementation rules, an entity which derives a profit from selling or transferring properties shall be liable to pay LAT at progressive rates ranging from 30% to 60%, of the appreciated value of the property, with certain exemptions available for the sale of ordinary residential properties if the appreciated value does not exceed 20% of the deductible items as defined in the relevant LAT regulations.

Profit for the Period

As a cumulative effect of the foregoing factors, the Group recorded a profit after tax of RMB8.8 million in 2Q2015, a decrease of 42.5% from RMB15.3 million in 2Q2014.

(b) REVIEW OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014 AND CASH FLOW FOR 2Q2015

Properties Held Under Development

The Group's properties held under development increased by RMB805.4 million from RMB1.61 billion as at 31 March 2014 to RMB2.41 billion as at 30 September 2014, out of which RMB412.2 million was attributable to re-classification of prepaid land use rights from the prepayment and other receivables for the acquisition of Hangzhou Ganglian Sino Africa Tower Project (杭州港联中非大厦项目) after the full settlement of the outstanding land use rights of RMB93.8 million during the financial period. The remaining RMB393.2 million was attributable mainly to the construction progress of the Group's property projects in 2Q2015 which included the construction cost of Huzhou Run Yuan Project Phase 1, Fuzhou Hua Cui Ting Yuan Phase 3 and Yichun Royal Lake City Phase 2, as well as the payment of the remaining land use right of Hangzhou Ganglian Sino Africa Tower Project during the financial period.

Properties held for Sale

Properties held for sale decreased from RMB461.8 million as at 31 March 2014 to RMB369.7 million as at 30 September 2014, mainly due to the handover of property units in Fuzhou Hua Cui Ting Yuan Phase 2 and Yichun Royal Lake City Phase 1 to the buyers.

Accounts Receivable

Accounts receivable increased from RMB1.6 million as at 31 March 2014 to RMB15.9 million as at 30 September 2014, mainly due to the receivable for the disposal of Fuzhou Hua Cui Ting Yuan Phase 2.

Prepayments and Other Receivables

The Group's prepayments and other receivables decreased from RMB816.7 million as at 31 March 2014 to RMB441.0 million as at 30 September 2014. The decrease was mainly due to the re-classification of prepaid land use rights amounting to RMB412.2 million to property held under development.

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 RMB56,000 as at 30 September 2014 from RMB6.1 million as at 31 March 2014. The decrease was attributable mainly to the disposal of listed equity securities in the PRC during the financial period.

Pledged Deposits

Long-term and short-term pledged deposits increased from RMB625.2 million as at 31 March 2014 to RMB676.1 million as at 30 September 2014. The increase was mainly due to an increase in deposits pledged against the bank and other loans to the Group as well as deposits pledged against banking facilities granted to buyers of the Group's properties.

Accounts Payable, Accruals, Receipts in Advance and Other Payables

Account payables increased to RMB43.5 million as at 30 September 2014 from RMB28.9 million as at 31 March 2014 due to an 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 increased from RMB727.9 million as at 31 March 2014 to RMB1.05 billion as at 30 September 2014. Accruals, receipts in advance and other payables comprised mainly of advance receipts from customers in respect of the Group's property pre-sales, accrued construction costs and project-related expenses that were based on the progress of the project development but were not due for payment as well as guarantee deposit by the subcontractor as at 30 September 2014. The increase in accruals, receipts in advance and other payables was mainly due to the increase in advance receipts from the customers of Fuzhou Hua Cui Ting Yuan Phase 3, Yichun Royal Lake City Phase 2 and Nanchang Sino Harbour Kaixuan City (南昌汉港凯旋城) Phase 1, as well as accrued construction costs of Huzhou Run Yuan Project.

Amounts due to related parties

Amounts due to related parties increased from RMB96.9 million as at 31 March 2014 to RMB110.0 million as at 30 September 2014. The increase was attributable mainly to cash advance from a related company – Pan Hong Company Limited.

Bank and Other Loans

As at 30 September 2014, the Group had total borrowings of RMB1.25 billion, an increase from RMB1.16 billion as at 31 March 2014 mainly due to new borrowings during the period for financing the development of the Group's projects. The Group's subsidiary, Nanchang Dingxun Co. Ltd. had obtained loan facility amounting to RMB200.0 million from Xiamen International Trust Co., Ltd. (厦門國際信託有限公司) for financing the development of Nanchang Sino Harbour Kaixuan City Phase 1, which was announced via SGXNET on 03 July 2014.

Of these borrowings, bank and other loans of approximately RMB493.4 million were secured by a deposit of RMB542.5 million which was classified as "Pledged deposits" as at 30 September 2014.

Based on the Group's total equity of RMB2.00 billion and a deposit collateral of RMB542.5 million, the Group recorded a net gearing ratio (total bank and other loans less deposit collateral / total equity) of 35.5% as at 30 September 2014, compared to 31.8% as at 31 March 2014.

Cash Flow Analysis

In 2Q2015, the Group recorded RMB27.9 million of net cash used in operating activities which was attributable mainly to the increase in properties held under development as well as deposits paid to subcontractors.

Net cash used in investing activities in 2Q2015 amounted to RMB50.5 million, mainly due to the increase in pledged deposits against banking facilities granted to the buyer.

Net cash generated from financing activities in 2Q2015 amounted to RMB196.5 million, mainly due to cash inflow from new borrowings.

As at 30 September 2014, the Group had cash and cash equivalents of RMB155.4 million.

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

Not applicable. No forecast or prospect statement has been previously disclosed to shareholders.

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

Industry Outlook

The property market in the PRC continued on a downward trend as evidenced by official data. Data published by the National Bureau of Statistics ("NBS") indicated that new home prices of 69 and 68 out of a statistical pool of 70 major PRC cities recorded a month-on-month drop in September and August 2014 respectively.

To mitigate the continuing downturn of the PRC property market, the People's Bank of China and the China Banking Regulatory Commission released a joint-announcement on 30 September 2014 to ease the mortgage rules. According to the joint-announcement, property buyers who wish to purchase a second home will be able to enjoy the same 30% down payment requirement as first-time home buyers, if they have fully repaid their previous mortgage loans. They will also receive a preferential interest rate of as low as 30% below benchmark lending rates, against a 15% discount previously. Despite the easing of the residential property purchase rules, the Group expects the PRC property market to remain challenging in the second half of the financial year.

Company Update

Property Pre-sales

The property pre-sales activity for the Group's projects in Huzhou, Fuzhou and Yichun cities remained strong. Results of Property Pre-sale Launches (as at 03 November 2014) are summarised in the tables below:

Residential Units

	Huzhou Run Yuan Project Phase 1	Nanchang Sino Harbour Kaixuan City Phase 1	Fuzhou Hua Cui Ting Yuan Phase 2	Fuzhou Hua Cui Ting Yuan Phase 3	Yichun Royal Lake City Phase 2
Est. total GFA released for sale (total units)	10,077 sqm (105 units)	19,450 sqm (152 units)	79,933 sqm (550 units)	117,177 sqm (1,127 units)	51,630 sqm (588 units)
Est. total GFA pre-sold (total units)	6,475 sqm (70 units)	11,892 sqm (94 units)	69,324 sqm (514 units)	89,055 sqm (877 units)	35,396 sqm (389 units)
Percentage of pre-sold	64%	61%	87%	76%	69%
Pre-sale GFA (units pre-sold) not handed over to buyers as at 30 September 2014 ^	6,475 sqm (70 units)	11,892 sqm (94 units)	9,862 sqm (42 units)	89,055 sqm (877 units)	35,396 sqm (389 units)
Pre-sale value not handed over to buyers as at 30 September 2014 ^	RMB44.26m	RMB77.18m	RMB72.47m	RMB453.38m	RMB162.13m
ASP per sq m*	RMB6,836	RMB6,490	RMB7,348	RMB5,091	RMB4,580
Expected completion date	Q4CY2016	Q1CY2015	Completed	Q1CY2015	Q1CY2015

*: 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 2014.

Company Strategies

Focusing on pre-sales and quickening the pace of property development will continue to be the Group's key strategies. The Group will continue to seek suitable and attractive land acquisition opportunities for property development. The Group will also consider the expansion of its property investments portfolio to provide stable returns through rental income in the longer term.

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 2014.

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
12 November 2014

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 2014 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: 12 November 2014