

PAN HONG PROPERTY GROUP LIMITED

(Incorporated in Bermuda on 20 December 2005)

(Co. Reg. No: 37749)

**1<sup>st</sup> QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THREE MONTHS ENDED 30 JUNE 2015**

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

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

| RMB'000   | Group                             |                                   | Increase/<br>(Decrease) |
|---|-----------------------------------|-----------------------------------|-------------------------|
|   | 3 months<br>ended<br>30 June 2015 | 3 months<br>ended<br>30 June 2014 |                         |
|   | <b>(Unaudited)</b>                | <b>(Unaudited)</b>                |                         |
| Revenue   | 124,425                           | 92,913                            | 33.9%                   |
| Cost of Sales   | (91,594)                          | (58,449)                          | 56.7%                   |
| <b>Gross profit</b>   | <b>32,831</b>                     | <b>34,464</b>                     | <b>(4.7%)</b>           |
| Other income, other gains and losses  | 8,292                             | 6,697                             | 23.8%                   |
| Selling and distribution expenses   | (6,650)                           | (4,004)                           | 66.1%                   |
| Administrative expenses   | (12,964)                          | (9,700)                           | 33.6%                   |
| <b>Operating profit</b>   | <b>21,509</b>                     | <b>27,457</b>                     | <b>(21.7%)</b>          |
| Finance costs   | (811)                             | (743)                             | 9.2%                    |
| <b>Profit before income tax</b>   | <b>20,698</b>                     | <b>26,714</b>                     | <b>(22.5%)</b>          |
| Income tax expenses   | (6,935)                           | (12,068)                          | (42.5%)                 |
| <b>Profit for the period</b>  | <b>13,763</b>                     | <b>14,646</b>                     | <b>(6.0%)</b>           |
| <b>Other comprehensive income, net of tax</b>   |                                   |                                   |                         |
| <b>Item that may be reclassified subsequently to profit or loss:</b>  |                                   |                                   |                         |
| Exchange differences on translation of financial statements of foreign operations                               | (165)                             | 347                               | (147.6%)                |
| <b>Other comprehensive income for the period</b>  | <b>(165)</b>                      | <b>347</b>                        | <b>(147.6%)</b>         |
| <b>Total comprehensive income for the period</b>  | <b>13,598</b>                     | <b>14,993</b>                     | <b>(9.3%)</b>           |
| <b>Profit for the period attributable to:</b>   |                                   |                                   |                         |
| Owners of the Company   | 8,059                             | 10,049                            | (19.8%)                 |
| Non-controlling interests   | 5,704                             | 4,597                             | 24.1%                   |
|   | <b>13,763</b>                     | <b>14,646</b>                     | <b>(6.0%)</b>           |
| <b>Total comprehensive income attributable to:</b>  |                                   |                                   |                         |
| Owners of the Company   | 7,894                             | 10,396                            | (24.1%)                 |
| Non-controlling interests   | 5,704                             | 4,597                             | 24.1%                   |
|   | <b>13,598</b>                     | <b>14,993</b>                     | <b>(9.3%)</b>           |
| <b>Earnings per share for profit attributable to the owners of the Company during the period (in RMB cents)</b> |                                   |                                   |                         |
| - Basic and Diluted   | 1.57                              | 1.96                              | (19.9%)                 |

Note:

|  | Group                             |                                   |
|--|-----------------------------------|-----------------------------------|
|  | 3 months<br>ended<br>30 June 2015 | 3 months<br>ended<br>30 June 2014 |
| RMB '000   | (Unaudited)                       | (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                    | 22,848                            | 18,182                            |
| Less: amount capitalised in properties held under development                | (22,037)                          | (17,439)                          |
|  | 811                               | 743                               |
| Depreciation of property, plant and equipment                                | 875                               | 456                               |
| Less: amount capitalised in properties held under development                | (101)                             | (69)                              |
|  | 774                               | 387                               |
| Cost of properties held for sale recognised as expense                       | 84,395                            | 53,211                            |
| Operating lease charge in respect of land and buildings                      | 129                               | 71                                |
| Less: amount capitalised in properties held under development                | (39)                              | (22)                              |
|  | 90                                | 49                                |
| Staff costs, including directors' remuneration                               |                                   |                                   |
| - Wages and salaries   | 8,761                             | 8,556                             |
| - Retirement benefit scheme contributions - defined contribution plans       | 103                               | 99                                |
| Less: amount capitalised in properties held under development                | (1,825)                           | (1,802)                           |
|  | 7,039                             | 6,853                             |
| Net fair value loss on financial assets at fair value through profit or loss | 2,662                             | -                                 |
| and crediting:   |                                   |                                   |
| Net fair value gain on financial assets at fair value through profit or loss | -                                 | 272                               |
| Interest income from bank deposits and cash at banks                         | 2,966                             | 2,860                             |
| Gain of disposal of property, plant and equipment                            | 54                                | -                                 |
| Rental income  | 7,458                             | 3,408                             |
| Sundry income  | 476                               | 157                               |

**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

|   | Group                          |                               | Company                        |                               |
|---|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
|   | 30 June<br>2015<br>(Unaudited) | 31 March<br>2015<br>(Audited) | 30 June<br>2015<br>(Unaudited) | 31 March<br>2015<br>(Audited) |
| <b>RMB'000</b>  |                                |                               |                                |                               |
| <b>ASSETS AND LIABILITIES</b>                         |                                |                               |                                |                               |
| <b>Non-current assets</b>                             |                                |                               |                                |                               |
| Property, plant and equipment                         | 28,705                         | 29,117                        | -                              | -                             |
| Investment properties                                 | 405,654                        | 405,654                       | -                              | -                             |
| Investments in subsidiaries                           | -                              | -                             | 564,060                        | 564,060                       |
| Interests in joint ventures                           | 184,654                        | 184,654                       | -                              | -                             |
| Other financial assets                                | 20,000                         | 20,000                        | 20,000                         | 20,000                        |
| Long-term pledged deposits                            | 100,000                        | 100,000                       | -                              | -                             |
| Deferred tax assets                                   | 25,164                         | 25,164                        | -                              | -                             |
|   | <b>764,177</b>                 | <b>764,589</b>                | <b>584,060</b>                 | <b>584,060</b>                |
| <b>Current assets</b>                                 |                                |                               |                                |                               |
| Properties held under development                     | 2,324,629                      | 2,285,262                     | -                              | -                             |
| Properties held for sale                              | 674,721                        | 733,296                       | -                              | -                             |
| Accounts receivable                                   | 2,131                          | 2,361                         | -                              | -                             |
| Prepayments and other receivables                     | 456,210                        | 485,570                       | 109                            | 110                           |
| Amounts due from subsidiaries                         | -                              | -                             | 258,893                        | 260,838                       |
| Financial assets at fair value through profit or loss | 4,702                          | 7,364                         | -                              | -                             |
| Structured bank deposit                               | 154,000                        | 154,000                       | -                              | -                             |
| Pledged deposits                                      | 393,046                        | 349,403                       | -                              | -                             |
| Cash and bank balances                                | 251,225                        | 309,501                       | 131                            | 132                           |
|   | 4,260,664                      | 4,326,757                     | 259,133                        | 261,080                       |
| <b>Non-current assets held for sale</b>               |                                |                               |                                |                               |
| Investment properties held for sale                   | 7,050                          | 7,050                         | -                              | -                             |
|   | <b>4,267,714</b>               | <b>4,333,807</b>              | <b>259,133</b>                 | <b>261,080</b>                |
| <b>Current liabilities</b>                            |                                |                               |                                |                               |
| Accounts and bill payables                            | 85,661                         | 69,413                        | -                              | -                             |
| Accruals, receipts in advance and other payables      | 1,102,818                      | 1,108,757                     | 257                            | 255                           |
| Provision for tax                                     | 168,092                        | 182,379                       | -                              | -                             |
| Amounts due to related parties                        | 94,089                         | 116,598                       | 246,907                        | 248,350                       |
| Bank and other loans                                  | 774,525                        | 848,141                       | -                              | -                             |
|   | <b>2,225,185</b>               | <b>2,325,288</b>              | <b>247,164</b>                 | <b>248,605</b>                |
| <b>Net current assets</b>                             | <b>2,042,529</b>               | <b>2,008,519</b>              | <b>11,969</b>                  | <b>12,475</b>                 |
| <b>Total assets less current liabilities</b>          | <b>2,806,706</b>               | <b>2,773,108</b>              | <b>596,029</b>                 | <b>596,535</b>                |
| <b>Non-current liabilities</b>                        |                                |                               |                                |                               |
| Bank and other loans                                  | 687,500                        | 667,500                       | -                              | -                             |
| Deferred tax liabilities                              | 57,690                         | 57,690                        | -                              | -                             |
|   | <b>745,190</b>                 | <b>725,190</b>                | -                              | -                             |
| <b>Net assets</b>                                     | <b>2,061,516</b>               | <b>2,047,918</b>              | <b>596,029</b>                 | <b>596,535</b>                |
| <b>EQUITY</b>   |                                |                               |                                |                               |
| <b>Equity attributable to the Company's owners</b>    |                                |                               |                                |                               |
| Share capital   | 313,446                        | 313,446                       | 313,446                        | 313,446                       |
| Reserves  | 1,219,970                      | 1,212,076                     | 282,583                        | 283,089                       |
|   | 1,533,416                      | 1,525,522                     | 596,029                        | 596,535                       |
| <b>Non-controlling interests</b>                      | 528,100                        | 522,396                       | -                              | -                             |
| <b>Total equity</b>                                   | <b>2,061,516</b>               | <b>2,047,918</b>              | <b>596,029</b>                 | <b>596,535</b>                |

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

| As at 30/06/2015 |           | As at 31/03/2015 |           |
|------------------|-----------|------------------|-----------|
| Secured          | Unsecured | Secured          | Unsecured |
| RMB'000          | RMB'000   | RMB'000          | RMB'000   |
| 774,525          | -         | 848,141          | -         |

**Amount repayable after one year**

| As at 30/06/2015 |           | As at 31/03/2015 |           |
|------------------|-----------|------------------|-----------|
| Secured          | Unsecured | Secured          | Unsecured |
| RMB'000          | RMB'000   | RMB'000          | RMB'000   |
| 687,500          | -         | 667,500          | -         |

**Details of any collateral**

Bank and other loans of approximately RMB952,239,000 were secured by the Group's properties and land use rights which were classified as "Leasehold interest in land and buildings", "Investment properties", "Properties held under development" as well as "Properties held for sale" as at 30 June 2015. Bank and other loans of approximately RMB509,786,000 were mainly secured by a deposit of RMB534,000,000 which were classified as "Pledged deposits" and "Structured bank deposit" as at 30 June 2015.

**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<br>ended<br>30 June 2015<br>(Unaudited) | 3 months<br>ended<br>30 June 2014<br>(Unaudited) |
| <b>Cash flows from operating activities</b>   |  |  |
| Profit before income tax  | 20,698   | 26,714   |
| Adjustments for:  |  |  |
| Interest income   | (2,966)  | (2,860)  |
| Interest expense  | 811  | 743  |
| Depreciation of property, plant and equipment   | 774  | 387  |
| Gain on disposal of property, plant and equipment                                     | (54)   | -  |
| Net fair value loss/(gain) for financial assets at fair value through profit and loss | 2,662  | (272)  |
| <b>Operating profit before working capital changes</b>                                | <b>21,925</b>                                    | <b>24,712</b>                                    |
| Decrease/(Increase) in properties held under development and properties held for sale | 41,346   | (173,077)  |
| Decrease/(Increase) in accounts and other receivables and prepayments                 | 28,906   | (2,810)  |
| Decrease in financial assets at fair value through profit or loss                     | -  | 6,363  |
| Increase in accounts and other payables, accruals and receipts in advance             | 10,269   | 241,948  |
| <b>Cash generated from operations</b>   | <b>102,446</b>                                   | <b>97,136</b>                                    |
| Interest received   | 3,510  | 1,478  |
| Income taxes paid   | (21,222)   | (7,983)  |
| <b>Net cash generated from operating activities</b>                                   | <b>84,734</b>                                    | <b>90,631</b>                                    |
| <b>Cash flows from investing activities</b>   |  |  |
| Purchases of property, plant and equipment  | (943)  | (264)  |
| Proceeds from disposal of property, plant and equipment                               | 534  | -  |
| Increase in pledged deposits with original maturity over three months                 | (43,643)   | (582)  |
| <b>Net cash used in investing activities</b>  | <b>(44,052)</b>                                  | <b>(846)</b>                                     |
| <b>Cash flows from financing activities</b>   |  |  |
| (Repayment to)/Advance from a related company   | (22,953)   | 16,752   |
| New borrowings  | 58,000   | 60,000   |
| Repayment of borrowings   | (111,472)  | (185,218)  |
| Interest paid   | (22,404)   | (17,739)   |
| <b>Net cash used in financing activities</b>  | <b>(98,829)</b>                                  | <b>(126,205)</b>                                 |
| <b>Net decrease in cash and cash equivalents</b>                                      | <b>(58,147)</b>                                  | <b>(36,420)</b>                                  |
| <b>Effect of foreign exchange difference</b>  | <b>(129)</b>                                     | <b>353</b>                                       |
| <b>Cash and cash equivalents at beginning of the period</b>                           | <b>309,501</b>                                   | <b>74,236</b>                                    |
| <b>Cash and cash equivalents at end of the period (note)</b>                          | <b>251,225</b>                                   | <b>38,169</b>                                    |
| <b>Note:</b>  |  |  |
| <b>Analysis of balances of cash and cash equivalents</b>                              |  |  |
| Cash and bank balances  | 251,225  | 38,169   |



**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 | Total     |                             |              |
| <b>At 1 April 2014 (audited)</b>  | RMB'000  | RMB'000         | RMB'000       | RMB'000        | RMB'000           | RMB'000         | RMB'000       | RMB'000          | RMB'000           | RMB'000   | RMB'000                     | RMB'000      |
| Profit for the period   | 313,446  | (12,817)        | 203,250       | (2,243)        | 78,107            | 3,838           | 82,217        | (3,857)          | 811,085           | 1,473,026 | 501,874                     | 1,974,900    |
| <b>Other comprehensive income</b>   |  |                 |               |                |                   |                 |               |                  | 10,049            | 10,049    | 4,597                       | 14,646       |
| Exchange differences on translation of financial statements of foreign operations | -  | -               | -             | -              | -                 | -               | -             | 347              | -                 | 347       | -                           | 347          |
| <b>Total comprehensive income for the period</b>                                  | -  | -               | -             | -              | -                 | -               | -             | 347              | 10,049            | 10,396    | 4,597                       | 14,993       |
| <b>At 30 June 2014 (unaudited)</b>  | 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    |
| <b>At 1 April 2015 (audited)</b>  | 313,446  | (12,817)        | 203,250       | (2,243)        | 84,438            | 3,838           | 82,217        | (2,326)          | 855,719           | 1,525,522 | 522,396                     | 2,047,918    |
| Profit for the period   | -  | -               | -             | -              | -                 | -               | -             | -                | 8,059             | 8,059     | 5,704                       | 13,763       |
| <b>Other comprehensive income</b>   |  |                 |               |                |                   |                 |               |                  | -                 | -         | -                           | -            |
| Exchange differences on translation of financial statements of foreign operations | -  | -               | -             | -              | -                 | -               | -             | (165)            | -                 | (165)     | -                           | (165)        |
| <b>Total comprehensive income for the period</b>                                  | -  | -               | -             | -              | -                 | -               | -             | (165)            | 8,059             | 7,894     | 5,704                       | 13,598       |
| <b>At 30 June 2015 (unaudited)</b>  | 313,446  | (12,817)        | 203,250       | (2,243)        | 84,438            | 3,838           | 82,217        | (2,491)          | 863,778           | 1,533,416 | 528,100                     | 2,061,516    |

| Company                            | Share capital | Treasury shares | Share premium | Contributed surplus | Retained earnings | Total   |
|------------------------------------|---------------|-----------------|---------------|---------------------|-------------------|---------|
| <b>At 1 April 2014 (audited)</b>   | RMB'000       | RMB'000         | RMB'000       | RMB'000             | RMB'000           | RMB'000 |
| Loss for the period                | 313,446       | (12,817)        | 203,250       | 59,579              | 32,738            | 596,196 |
| <b>At 30 June 2014 (unaudited)</b> | 313,446       | (12,817)        | 203,250       | 59,579              | (274)             | (274)   |
| <b>At 1 April 2015 (audited)</b>   | 313,446       | (12,817)        | 203,250       | 59,579              | 33,077            | 596,535 |
| Loss for the period                | -             | -               | -             | -                   | (506)             | (506)   |
| <b>At 30 June 2015 (unaudited)</b> | 313,446       | (12,817)        | 203,250       | 59,579              | 32,571            | 596,029 |

- 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 2015 and 30 June 2015 | 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 June 2015 was 518,855,024 (31 March 2015: 518,855,024), of which 6,544,000 (31 March 2015: 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 2015.

- 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 2015. The adoption of these new and amended IFRSs did not give rise to significant change to the financial statements.

**6. Earnings 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<br>ended<br>30 June 2015 | 3 months<br>ended<br>30 June 2014 |
| Earnings per ordinary share (in RMB cents): | (Unaudited)                       | (Unaudited)                       |
| - Basic and Diluted                         | 1.57                              | 1.96                              |

Note:

The calculation of basic earnings per share was based on the profit attributable to equity holders of the Company of approximately RMB8,059,000 for the 3 months ended 30 June 2015 (3 months ended 30 June 2014: RMB10,049,000) divided by weighted average of 512,311,024 ordinary shares (excluding treasury shares) (3 months ended 30 June 2014: the weighted average of 512,311,024) during the period.

Diluted earnings per share for the period is the same as the basic earnings per share as there is no dilutive potential share (3 months ended 30 June 2014: 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.**

|  | <b>Group</b>                |                             | <b>Company</b>              |                             |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|  | <b>As at<br/>30/06/2015</b> | <b>As at<br/>31/03/2015</b> | <b>As at<br/>30/06/2015</b> | <b>As at<br/>31/03/2015</b> |
| <b>Net asset value per ordinary share<br/>(in RMB cents)</b> | <b>402.40</b>               | <b>399.74</b>               | <b>116.34</b>               | <b>116.44</b>               |

Notes:

- (1) The number of ordinary shares of the Company as at 30 June 2015 was 512,311,024 (excluding treasury shares) (31 March 2015: 512,311,024).
- (2) For information purposes, the net asset value attributable to the Company's owners of the Group (excluding non-controlling interests) as at 30 June 2015 was RMB299.31 cents (31 March 2015: RMB297.77 cents).



**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period report on.**

**(a) REVIEW OF FINANCIAL RESULTS FOR THE QUARTER ENDED 30 JUNE 2015 ("1Q2016") COMPARED TO THE PREVIOUS CORRESPONDING QUARTER ENDED 30 JUNE 2014 ("1Q2015")**

**Revenue**

|                       | 3 months<br>ended<br>30 June 2015 | 3 months<br>ended<br>30 June 2014 |
|-----------------------|-----------------------------------|-----------------------------------|
| Revenue (RMB '000)    |                                   |                                   |
| Residential           | 121,417                           | 54,477                            |
| Commercial and others | 3,008                             | 38,436                            |
|                       | 124,425                           | 92,913                            |

The Group's revenue in 1Q2016 was RMB124.4 million compared to RMB92.9 million in 1Q2015, an increase of 33.9%. The increase was mainly due to the higher handover of residential units of Yichun Royal Lake City (宜春御湖城) Phase 1 and Nanchang Sino Harbour Kaixuan City (南昌漢港凱旋城) Phase 1.

Revenue in 1Q2016 was primarily derived from the delivery of residential units of Yichun Royal Lake City Phase 1, Fuzhou Hua Cui Ting Yuan (撫州華萃庭院) as well as Nanchang Sino Harbour Kaixuan City Phase 1. In comparison, the revenue in 1Q2015 was mainly attributable to the delivery of residential units of Yichun Royal Lake City Phase 1 and Fuzhou Hua Cui Ting Yuan, together with the delivery of commercial units of Yichun Royal Lake City Phase 1 and Nanchang Honggu Kaixuan (南昌紅谷凱旋).

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**

Due to the increase in revenue, cost of sales increased from RMB58.4 million in 1Q2015 to RMB91.6 million in 1Q2016, which reflected the cost for higher delivery of residential units. In 1Q2015, a greater portion of revenue was derived from the delivery of commercial units. Commercial units have a significantly higher gross profit margin compared with residential units. Consequently, gross profit margin decreased from 37.1% in 1Q2015 to 26.4% in 1Q2016.

**Other Income, Other Gains and Losses**

Other income, other gains and losses increased from RMB6.7 million in 1Q2015 to RMB8.3 million in 1Q2016. The increase was attributable mainly to the increase in rental income.

**Selling and Distribution Expenses**

Selling and distribution expenses increased by 66.1% from RMB4.0 million in 1Q2015 to RMB6.7 million in 1Q2016. The higher selling expenses in 1Q2016 were mainly due to an increase in advertising and promotion costs in respect of Yichun Royal Lake City and Nanchang Sino Harbour Kaixuan City.

### **Administrative Expenses**

Administrative Expenses increased by 33.6% from RMB9.7 million in 1Q2015 to RMB13.0 million in 1Q2016 mainly due to the increase in land use tax and bank handling charges in 1Q2016.

### **Income Tax**

Income tax expense decreased from RMB12.1 million in 1Q2015 to RMB6.9 million in 1Q2016. The lower income tax expense was mainly due to lower profit in 1Q2016 and a corporate withholding income tax of RMB2.0 million was levied in 1Q2015 under the law of the PRC on the dividends distributed out of the profit generated by a subsidiary which was a foreign investment enterprise in the PRC.

### **Profit for the Period**

As a cumulative effect of the foregoing factors, the Group recorded a profit after tax of RMB13.8 million in 1Q2016, a decrease of 6.0% from RMB14.6 million in 1Q2015.

## **(b) REVIEW OF FINANCIAL POSITION AS AT 30 JUNE 2015 AND CASH FLOW FOR 1Q2016**

### **Properties Held Under Development**

The Group's properties held under development increased by RMB39.3 million from RMB2,285.3 million as at 31 March 2015 to RMB2,324.6 million as at 30 June 2015. The increase was mainly attributable to the construction progress of properties project such as Huzhou Hua Cui Ting Yuan (湖州華萃庭院) Phase 2, Nanchang Sino Harbour Kaixuan City and Yichun Royal Lake City Phase 2.

### **Properties held for Sale**

Properties held for sale decreased from RMB733.3 million as at 31 March 2015 to RMB674.7 million as at 30 June 2015, mainly due to the delivery of property units in Nanchang Sino Harbour Kaixuan City and Yichun Royal Lake City Phase 1 to the buyers.

### **Prepayments and Other Receivables**

Group's prepayments and other receivables decreased from RMB485.6 million as at 31 March 2015 to RMB456.2 million as at 30 June 2015. The decrease was mainly due to utilisation of advances made to contractors for purchase of construction materials and construction costs.

### **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 People's Republic of China ("PRC").

Financial assets at fair value through profit or loss decreased to RMB4.7 million as at 30 June 2015 from RMB7.4 million as at 31 March 2015. The decrease was attributable to the fair value loss in 1Q2016.

### **Accounts Payable and Bill Payables, Accruals, Receipts in Advance and Other Payables**

Account payables and bill payables increased to RMB85.7 million as at 30 June 2015 from RMB69.4 million as at 31 March 2015 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 decreased from RMB1,108.8 million as at 31 March 2015 to RMB1,102.8 million as at 30 June 2015. 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 June 2015. The decrease in accruals, receipts in advance and other payables was mainly due to the net effect of decrease in advance receipts from customers of Nanchang Sino Harbour Kaixuan City Phase 1 and Yichun Royal Lake City Phase 1 upon the delivery and recognition of sale of properties as well as the increase in advance receipts from customers of Huzhou Run Yuan Project (湖州潤源項目) Phase 1.

### **Provision for Tax**

Provision for tax decreased from RMB182.4 million as at 31 March 2015 to RMB168.1 million as at 30 June 2015. The decrease was mainly attributable to repayment of tax liabilities of previous periods in 1Q2016.

### **Amounts due to related parties**

Amounts due to related parties decreased from RMB116.6 million as at 31 March 2015 to RMB94.1 million as at 30 June 2015. The decrease was attributable mainly to repayment of cash advance from a related company – Pan Hong Company Limited.

### **Bank and Other Loans**

As at 30 June 2015, the Group had bank and other loans of RMB1.46 billion, a decrease from RMB1.52 billion as at 31 March 2015 mainly due to repayment of bank and other loans during the period.

Of these bank and other loans of approximately RMB510.0 million were secured by a deposit of RMB534.0 million which was classified as "Pledged deposits" and "Structured bank deposit" as at 30 June 2015.

Based on the Group's total equity of RMB2.06 billion and a deposit collateral of RMB534.0 million, the Group recorded a net gearing ratio (bank and other loans less deposit collateral / total equity) of 45.0% as at 30 June 2015, compared to 47.9% as at 31 March 2015.

### **Cash Flow Analysis**

In 1Q2016, the Group recorded RMB84.7 million of net cash generated from operating activities which was attributable mainly to the increase in advance receipts from customers.

Net cash used in investing activities in 1Q2016 amounted to RMB44.1 million mainly due to the increase in pledged deposits.

Net cash used in financing activities in 1Q2016 amounted to RMB98.8 million mainly due to repayment of borrowings.

As at 30 June 2015, the Group had cash and cash equivalents of RMB251.2 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 has been improving gradually, supported by the cut in benchmark interest rate and reserve requirement rate by the PRC government.

In June 2015 and May 2015, The People's Bank of China ("PBOC") announced the cut of benchmark deposit and loan interest rate by 25 basis points respectively. The PBOC also cut the reserve requirement rate by 50 basis points and 100 basis points in June 2015 and April 2015 respectively.

The improvement is also supported by the data published by the National Bureau of Statistics which indicated that new home prices of 27 out of a statistical pool of 70 major PRC cities recorded a month-on-month increase in June 2015, up from 20 cities in May, while 34 cities experienced decline in prices, down from 43 the month before.

In view of the above, the Group believes that the property market will remain relatively stable in CY 2016.

**Company Update**

**Property Pre-sales**

The cumulative results for the pre-sale and delivery of properties under each project up to 2 August 2015 are summarized as follows:

**Residential Units**

|  | 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 | Huzhou Run Yuan Project Phase 1 |
|--|--|----------------------------------|----------------------------------|--------------------------------|---------------------------------|
| Est. total GFA released for sale (total units)                               | 80,686 sqm (768 units)                     | 79,933 sqm (550 units)           | 117,177 sqm (1,127 units)        | 93,805 sqm (993 units)         | 61,714 sqm (628 units)          |
| Est. total GFA pre-sold (total units)  | 59,021 sqm (562 units)                     | 71,478 sqm (522 units)           | 105,870 sqm (1,027 units)        | 60,128 sqm (664 units)         | 34,785 sqm (360 units)          |
| Percentage of pre-sold   | 73%  | 89%                              | 90%                              | 64%                            | 56%                             |
| Pre-sale GFA (units pre-sold) not handed over to buyers as at 30 June 2015 ^ | 45,898 sqm (459 units)                     | 4,341 sqm (19 units)             | 61,717 sqm (602 units)           | 44,564 sqm (493 units)         | 34,785 sqm (360 units)          |
| Pre-sale value not handed over to buyers as at 30 June 2015 ^                | RMB237.25m                                 | RMB30.84m                        | RMB315.04m                       | RMB201.04m                     | RMB221.78m                      |
| ASP per sqm*   | RMB5,169                                   | RMB7,104                         | RMB5,104                         | RMB4,511                       | RMB6,376                        |
| Expected completion date   | Completed                                  | Completed                        | Completed                        | Completed                      | Q4CY2016                        |

\*: 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 June 2015.

### Company Strategies

Focusing on pre-sales and quickening its pace of property development will continue to be the key strategies of the Group. The Group will continue seeking opportunities to acquire land parcels in second- to third-tier cities and consider expanding its property investments portfolio to provide more stable returns through rental income in the longer term.

The Group may also consider exploring suitable business opportunities to broaden the revenue base and diversifying its core business.

#### 11. Dividend

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

NIL

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

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

NIL

##### (c) Date payable

Not applicable

##### (d) Books closure date

Not applicable

#### 12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared or recommended for the financial period ended 30 June 2015.

#### 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 shareholders for IPTs.

BY ORDER OF THE BOARD

Wong Lam Ping

Chairman

11 August 2015

**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 June 2015 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

Wang Cuiping  
Executive Director

Date: 11 August 2015