



PAN HONG HOLDINGS 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 2016

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 30/09/2016	3 months ended 30/09/2015	Increase/ (Decrease)	6 months ended 30/09/2016	6 months ended 30/09/2015	Increase/ (Decrease)
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Revenue	230,057	265,423	(13.3%)	507,285	389,848	30.1%
Cost of Sales	(191,926)	(240,683)	(20.3%)	(400,054)	(332,277)	20.4%
Gross profit	38,131	24,740	54.1%	107,231	57,571	86.3%
Other income and other gains and losses	3,079	2,000	54.0%	13,075	10,292	27.0%
Selling and distribution expenses	(5,778)	(7,303)	(20.9%)	(12,074)	(13,953)	(13.5%)
Administrative expenses	(13,010)	(11,552)	12.6%	(25,379)	(24,516)	3.5%
Operating profit	22,422	7,885	184.4%	82,853	29,394	181.9%
Finance costs	(576)	(791)	(27.2%)	(1,160)	(1,602)	(27.6%)
Profit before income tax	21,846	7,094	208.0%	81,693	27,792	193.9%
Income tax expense	(13,477)	(2,637)	411.1%	(22,634)	(9,572)	136.5%
Profit for the period	8,369	4,457	87.8%	59,059	18,220	224.1%
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	(1,810)	(10,153)	(82.2%)	(4,773)	(10,318)	(53.7%)
Other comprehensive income for the period	(1,810)	(10,153)	(82.2%)	(4,773)	(10,318)	(53.7%)
Total comprehensive income for the period	6,559	(5,696)	215.2%	54,286	7,902	587.0%
Profit for the period attributable to:						
Owners of the Company	1,341	2,252	(40.5%)	12,368	10,311	19.9%
Non-controlling interests	7,028	2,205	218.7%	46,691	7,909	490.4%
	8,369	4,457	87.8%	59,059	18,220	224.1%
Total comprehensive income attributable to:						
Owners of the Company	(488)	(6,378)	(92.3%)	7,570	1,516	399.3%
Non-controlling interests	7,047	682	933.3%	46,716	6,386	631.5%
	6,559	(5,696)	215.2%	54,286	7,902	587.0%
Earnings per share for profit attributable to the owners of the Company during the period (in RMB cents):						
- Basic and Diluted	0.26	0.44	(40.9%)	2.41	2.01	19.6%

Note:

RMB '000	Group			
	3 months ended 30/09/2016 (Unaudited)	3 months ended 30/09/2015 (Unaudited)	6 months ended 30/09/2016 (Unaudited)	6 months ended 30/09/2015 (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	13,632	19,918	30,394	42,766
Less: amount capitalised in properties held under development	(13,056)	(19,127)	(29,234)	(41,164)
	576	791	1,160	1,602
Cost of properties held for sale recognised as expense	181,424	225,953	373,870	310,348
Exchange (gain)/loss, net	(177)	16	2	19
Depreciation of property, plant and equipment	571	363	1,729	1,238
Less: amount capitalised in properties held under development	(55)	(81)	(137)	(182)
	516	282	1,592	1,056
Operating lease charge in respect of land and buildings	83	79	176	208
Less: amount capitalised in properties held under development	(17)	-	(39)	(39)
	66	79	137	169
Staff costs, including directors' remuneration				
- Wages and salaries	7,003	6,837	14,544	13,057
- Retirement benefit scheme contributions - defined contribution plans	478	223	910	574
Less: amount capitalised in properties held under development	(1,307)	(1,852)	(3,532)	(3,677)
	6,174	5,208	11,922	9,954
and crediting:				
Interest income from bank deposits and other receivables	1,156	2,956	2,502	5,922
Net fair value loss for financial assets at fair value through profit or loss	(1)	(2,282)	(230)	(4,944)
Gain on disposal of property, plant and equipment	-	-	-	54
Rental income	1,919	1,316	9,794	8,774
Government grants	1	-	401	-
Sundry income	4	10	608	486

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 2016 (Unaudited)	31 March 2016 (Audited)	30 September 2016 (Unaudited)	31 March 2016 (Audited)
RMB'000				
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	79,061	80,249	-	-
Investment properties	513,254	513,254	-	-
Investments in subsidiaries	-	-	564,060	564,060
Interests in joint ventures	185,264	185,264	-	-
Interests in associates	6,087	6,087	-	-
Other financial assets	25,250	20,000	20,000	20,000
Financial assets at fair value through profit or loss	4,778	4,778	-	-
Long-term pledged deposits	222,000	246,900	-	-
Deferred tax assets	25,164	25,164	-	-
	1,060,858	1,081,696	584,060	584,060
Current assets				
Properties held under development	2,298,040	2,220,453	-	-
Properties held for sale	469,552	762,084	-	-
Accounts receivable	1,869	3,151	-	-
Prepayments and other receivables	455,893	588,331	113	110
Amounts due from subsidiaries	-	-	328,893	258,893
Financial assets at fair value through profit or loss	2,742	2,962	-	-
Tax recoverable	43,862	32,560	-	-
Pledged deposits	211,305	160,960	-	-
Cash and bank balances	274,377	221,753	131	131
	3,757,640	3,992,254	329,137	259,134
Current liabilities				
Accounts payable	115,968	54,478	-	-
Accruals, receipts in advance and other payables	1,306,271	1,452,394	274	269
Provision for tax	161,966	195,017	-	-
Amounts due to related parties	33,744	30,239	287,525	248,646
Bank and other loans	293,200	514,370	-	-
	1,911,149	2,246,498	287,799	248,915
Net current assets	1,846,491	1,745,756	41,338	10,219
Total assets less current liabilities	2,907,349	2,827,452	625,398	594,279
Non-current liabilities				
Bank and other loans	643,496	566,009	-	-
Deferred tax liabilities	75,903	75,903	-	-
	719,399	641,912	-	-
Net assets	2,187,950	2,185,540	625,398	594,279
EQUITY				
Equity attributable to the Company's owners				
Share capital	313,446	313,446	313,446	313,446
Reserves	1,257,284	1,287,266	311,952	280,833
	1,570,730	1,600,712	625,398	594,279
Non-controlling interests	617,220	584,828	-	-
Total equity	2,187,950	2,185,540	625,398	594,279

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 30/09/2016		As at 31/03/2016	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
293,200	-	514,370	-

Amount repayable after one year

As at 30/09/2016		As at 31/03/2016	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
643,496	-	566,009	-

Details of any collateral

Bank and other loans of approximately RMB584,710,000 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 September 2016. Bank and other loans of approximately RMB351,986,000 were mainly secured by a deposit of RMB352,900,000 which were classified as "Long-term pledged deposits" and "Pledged deposits" as at 30 September 2016.

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 30/09/2016 (Unaudited)	3 months ended 30/09/2015 (Unaudited)	6 months ended 30/09/2016 (Unaudited)	6 months ended 30/09/2015 (Unaudited)
Cash flows from operating activities				
Profit before income tax	21,846	7,094	81,693	27,792
Adjustments for:				
Interest income	(1,156)	(2,956)	(2,502)	(5,922)
Interest expense	576	791	1,160	1,602
Depreciation of property, plant and equipment	516	282	1,592	1,056
Gain on disposal of property, plant and equipment	-	-	-	(54)
Net fair value loss for financial assets at fair value through profit and loss	1	2,282	230	4,944
Operating profit before working capital changes	21,783	7,493	82,173	29,418
Decrease/(increase) in properties held under development and properties held for sale	156,816	(10,969)	244,316	30,377
Decrease/(increase) in accounts and other receivables and prepayments and deposit paid	124,790	(79,206)	133,916	(50,300)
Decrease/(increase) in financial assets at fair value through profit or loss	147	-	(10)	-
(Decrease)/increase in accounts and other payables, accruals and receipts in advance	(101,279)	154,318	(84,633)	164,587
Cash generated from operations	202,257	71,636	375,762	174,082
Interest received	1,156	2,956	2,502	6,466
Income taxes paid	(39,838)	(7,369)	(66,987)	(28,591)
Net cash generated from operating activities	163,575	67,223	311,277	151,957
Cash flows from investing activities				
Purchases of property, plant and equipment	(2)	-	(414)	(943)
Proceeds from disposal of property, plant and equipment	-	-	-	534
Investments in other financial assets	(5,250)	-	(5,250)	-
(Increase)/decrease in pledged deposits with original maturity over three months	(24,457)	74,027	(25,445)	30,384
Net cash (used in)/ generated from investing activities	(29,709)	74,027	(31,109)	29,975
Cash flows from financing activities				
Advance from/(repayment to) a related company	4,400	180	3,500	(22,773)
Dividend paid to non-controlling interest of a subsidiary	(14,324)	-	(14,324)	-
Dividend paid to owners of the Company	(37,552)	-	(37,552)	-
New borrowings	246,362	79,163	246,362	137,163
Repayment of borrowings	(237,128)	(175,626)	(395,308)	(287,098)
Interest paid	(13,632)	(19,264)	(30,394)	(41,668)
Net cash used in financing activities	(51,874)	(115,547)	(227,716)	(214,376)
Net increase/(decrease) in cash and cash equivalents	81,992	25,703	52,452	(32,444)
Effect of foreign exchange difference	35	508	172	379
Cash and cash equivalents at beginning of the period	192,350	251,225	221,753	309,501
Cash and cash equivalents at end of the period (Note)	274,377	277,436	274,377	277,436
Note:				
Analysis of balances of cash and cash equivalents				
Cash and bank equivalents	274,377	277,436	274,377	277,436

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									Total	Non - Controlling interests	Total equity
	Share capital	Treasury shares	Share premium	Merger reserve	Statutory reserve	Capital reserve	Other reserve	Exchange reserve	Retained earnings			
	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 2015 (unaudited)	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
Profit for the period	-	-	-	-	-	-	-	-	2,252	2,252	2,205	4,457
Other comprehensive income												
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	(8,630)	-	(8,630)	(1,523)	(10,153)
Total comprehensive income for the period	-	-	-	-	-	-	-	(8,630)	2,252	(6,378)	682	(5,696)
At 30 September 2015 (unaudited)	313,446	(12,817)	203,250	(2,243)	84,438	3,838	82,217	(11,121)	866,030	1,527,038	528,782	2,055,820
At 1 July 2016 (unaudited)	313,446	(12,817)	203,250	(2,243)	88,385	3,838	87,128	(15,549)	943,332	1,608,770	624,497	2,233,267
Profit for the period	-	-	-	-	-	-	-	-	1,341	1,341	7,028	8,369
Other comprehensive income												
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	(1,829)	-	(1,829)	19	(1,810)
Total comprehensive income for the period	-	-	-	-	-	-	-	(1,829)	1,341	(488)	7,047	6,559
Dividend paid to owners of the Company	-	-	-	-	-	-	-	-	(37,552)	(37,552)	-	(37,552)
Dividend paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	(14,324)	(14,324)
At 30 September 2016 (unaudited)	313,446	(12,817)	203,250	(2,243)	88,385	3,838	87,128	(17,378)	907,121	1,570,730	617,220	2,187,950

Company	Share capital	Treasury shares	Share premium	Contributed surplus	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 July 2015 (unaudited)	313,446	(12,817)	203,250	59,579	32,571	596,029
Loss for the period	-	-	-	-	(706)	(706)
At 30 September 2015 (unaudited)	313,446	(12,817)	203,250	59,579	31,865	595,323
At 1 July 2016 (unaudited)	313,446	(12,817)	203,250	59,579	70,282	633,740
Dividend paid to owners of the Company	-	-	-	-	(37,552)	(37,552)
Profit for the period	-	-	-	-	29,210	29,210
At 30 September 2016 (unaudited)	313,446	(12,817)	203,250	59,579	61,940	625,398

- 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 2016 and 30 September 2016	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 2016 was 518,855,024 (31 March 2016: 518,855,024), of which 6,544,000 (31 March 2016: 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 2016.

- 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 2016. 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 2016	3 months ended 30 September 2015	6 months ended 30 September 2016	6 months ended 30 September 2015
Earnings per ordinary share (in RMB cents):	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
- Basic and Diluted	0.26	0.44	2.41	2.01

Note:

The calculation of basic earnings per share was based on the profit attributable to equity holders of the Company of approximately RMB1,341,000 for the 3 months ended 30 September 2016 (3 months ended 30 September 2015: RMB2,252,000) and RMB12,368,000 for the 6 months ended 30 September 2016 (6 months ended 30 September 2015: RMB10,311,000) divided by weighted average of 512,311,024 ordinary shares (excluding treasury shares) for the 3 months ended 30 September 2016 (3 months ended 30 September 2015: the weighted average of 512,311,024) and weighted average of 512,311,024 ordinary share (excluding treasury shares) for the 6 months ended 30 September 2016 (6 months ended 30 September 2015: the weighted average of 512,311,024).

Diluted earnings per share for the 3 months ended 30 September 2016 and 6 months ended 30 September 2016 are the same as the basic earnings per share as there are no dilutive potential share (3 months and 6 months ended 30 September 2015: 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 30/09/2016	As at 31/03/2016	As at 30/09/2016	As at 31/03/2016
Net asset value per ordinary share (in RMB cents)	427.07	426.60	122.07	116.00

Notes:

- (1) The number of ordinary shares of the Company as at 30 September 2016 was 512,311,024 (excluding treasury shares) (31 March 2016: 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 September 2016 was RMB306.60 cents (31 March 2016: RMB312.45 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 SEPTEMBER 2016 ("2Q2017") COMPARED TO THE PREVIOUS CORRESPONDING QUARTER ENDED 30 SEPTEMBER 2015 ("2Q2016")

Revenue

	Group			
	3 months ended 30 September 2016	3 months ended 30 September 2015	6 months ended 30 September 2016	6 months ended 30 September 2015
Revenue (RMB'000):	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Residential	220,774	254,544	496,132	375,961
Commercial and others	9,283	10,879	11,153	13,887
	230,057	265,423	507,285	389,848

The Group's revenue in 2Q2017 was RMB230.1 million compared to RMB265.4 million in 2Q2016, a decrease of 13.3%.

The revenue in 2Q2017 comprised mainly the handover of residential units sold under Nanchang Sino Harbour Kaixuan City (南昌漢港凱旋城) Zone 3 and Fuzhou Hua Cui Ting Yuan (撫州華萃庭院) Phase 3. In 2Q2016, the revenue was mainly derived from handover of residential units of Yichun Royal Lake City (宜春御湖城) Phase 2 and Fuzhou Hua Cui Ting Yuan Phase 3.

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 decrease in revenue, cost of sales decreased from RMB240.7 million in 2Q2016 to RMB191.9 million in 2Q2017, which reflected the cost of lower handover of residential units. In 2Q2016, more than half of the Group's revenue was attributable to the handover of the residential units of Yichun Royal Lake City Phase 2, which had a lower profit margin compared to the residential units from Nanchang Sino Harbour Kaixuan City Zone 3 and Fuzhou Hua Cui Ting Yuan Phase 3 which were sold in 2Q2017. Consequently, gross profit margin increased from 9.3% in 2Q2016 to 16.6% in 2Q2017.

Other Income and Other Gains and losses

Other income and other gains and losses consists mainly interest income from bank deposits and other receivables and net fair value change on financial assets at fair value through profit or loss. Other income and gains and losses increased from RMB2.0 million in 2Q2016 to RMB3.1 million in 2Q2017. The increase was mainly attributable to a decrease in net fair value loss on financial assets at fair value through profit or loss in 2Q2017 compared to 2Q2016.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 20.9% from RMB7.3 million in 2Q2016 to RMB5.8 million in 2Q2017. The lower selling expenses in 2Q2017 were mainly due to a decrease in advertising and promotion costs in respect of Pan Hong Run Yuan (汎港潤源) Phase 1 and Yichun Royal Lake City.

Administrative Expenses

Administrative expenses increased by 12.6% from RMB11.6 million in 2Q2016 to RMB13.0 million in 2Q2017 mainly due to an increase in staff costs.

Finance Costs

Finance costs decreased by 27.2% from RMB791,000 in 2Q2016 to RMB576,000 in 2Q2017 mainly due to a decrease in bank and other loans.

Income Tax Expense

Income tax expense increased from RMB2.6 million in 2Q2016 to RMB13.5 million in 2Q2017. The increase was attributable mainly to the higher profits generated in 2Q2017.

Profit for the Period

As a cumulative effect of the foregoing factors, the Group recorded a profit after tax of RMB8.4 million in 2Q2017, an increase of 87.8% from RMB4.5 million in 2Q2016.

Exchange Differences on Translation of Financial Statements of Foreign Operations

Exchange differences on translation of financial statements of foreign operations decreased from RMB10.2 million in 2Q2016 to RMB1.8 million 2Q2017. The exchange difference resulted from a translation loss of the Group's subsidiaries which were denominated in Hong Kong Dollar ("HKD"). The translation loss was lower as the depreciation of RMB against HKD was more moderate in 2Q2017 compared to in 2Q2016.

Total Comprehensive Income for the Period

As a cumulative effect of the above factors, the Group recorded a total comprehensive income of RMB6.6 million in 2Q2017, compared to a loss in total comprehensive income of RMB5.7 million in 2Q2016.

(b) REVIEW OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016 AND CASH FLOW FOR 2Q2017

Other Financial Assets

Other financial assets increased from RMB20.0 million as at 31 March 2016 to RMB25.3 million as at 30 September 2016. The increase was due to the acquisition of equity interests in a number of entities incorporated in the People's Republic of China ("PRC"). The Group does not have control nor significant influence in these entities. Accordingly, the Group has accounted for these investments as available-for-sale financial assets under other financial assets.

Properties Held Under Development

The Group's properties held under development increased by RMB77.5 million from RMB2,220.5 million as at 31 March 2016 to RMB2,298.0 million as at 30 September 2016. The increase was mainly attributable to the construction progress of property projects such as Huzhou Hua Cui Ting Yuan Phase (湖州華萃庭院) 2 and Pan Hong Run Yuan Phase 1 during the financial period.

Properties Held For Sale

Properties held for sale decreased from RMB762.1 million as at 31 March 2016 to RMB469.6 million as at 30 September 2016, mainly due to the handover of property units in Nanchang Sino Harbour Kaixuan City Zone 3 as well as Fuzhou Hua Cui Ting Yuan Phase 3 to the buyers.

Accounts Receivable

Accounts receivable decreased from RMB3.2 million as at 31 March 2016 to RMB1.9 million as at 30 September 2016. The decrease was mainly due to the recovery of accounts receivable during the financial period.

Prepayments and Other Receivables

The Group's prepayments and other receivables decreased from RMB588.3 million as at 31 March 2016 to RMB455.9 million as at 30 September 2016. The decrease was mainly due to the receipts of certain significant other receivables during the financial period.

With reference to note 23(b) of notes to the financial statements of the Company's annual report for the financial year ended 31 March 2016, certain significant other receivables refers to the remaining Initial Receivable on the sale and transfer of Jiashanyang Land Parcels of RMB60,945,000, the premium resulting from prolonged settlement on the Initial Receivables of RMB60,000,000 and the rebate resulting from delay in the transfer of Southwest Land Parcels of RMB25,390,000 were received during the financial period. As such, prepayments and other receivables of the Group decreased significantly during the financial period.

Tax Recoverable

Tax recoverable increased from RMB32.6 million as at 31 March 2016 to RMB43.9 million as at 30 September 2016, mainly attributable to prepayment of land appreciation tax and corporate income tax in the PRC during the financial period.

Pledged Deposits

Long-term and short-term pledged deposits increased from RMB407.9 million as at 31 March 2016 to RMB433.3 million as at 30 September 2016. The increase was mainly due to the 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

Accounts payable increased to RMB116.0 million as at 30 September 2016 from RMB54.5 million as at 31 March 2016 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 RMB1,452.4 million as at 31 March 2016 to RMB1,306.3 million as at 30 September 2016. 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 2016. The decrease in accruals, receipts in advance and other payables was mainly due to the net effect of (i) the decrease in advance receipts from the customers of Nanchang Sino Harbour Kaixuan City Zone 3 and Fuzhou Hua Cui Ting Yuan Phase 3 upon the handover and recognition of sale of properties and (ii) the increase in advance receipts from customers of Pan Hong Run Yuan Phase 1 and Huzhou Hua Cui Ting Yuan Phase 2.

Provision for Tax

Provision for tax decreased from RMB195.0 million as at 31 March 2016 to RMB162.0 million as at 30 September 2016. The decrease was mainly attributable to repayment of tax liabilities in the financial period.

Amounts due to related parties

Amounts due to related parties increased from RMB30.2 million as at 31 March 2016 to RMB33.7 million as at 30 September 2016. The increase was attributable mainly to an advance from a non-controlling interest of one of the subsidiaries.

Bank and Other Loans

As at 30 September 2016, the Group had bank and other loans of RMB936.7 million, a decrease from RMB1,080.4 million as at 31 March 2016, mainly due to repayment of bank and other loans during the period.

Of these bank and other loans of approximately RMB352.0 million were secured by deposits of RMB352.9 million which was classified as “Long-term pledged deposits” and “Pledged deposits” as at 30 September 2016.

Based on the Group’s total equity of RMB2.19 billion and deposit collateral of RMB352.9 million, the Group recorded a net gearing ratio (bank and other loans less deposit collateral / total equity) of 26.7% as at 30 September 2016, compared to 33.6% as at 31 March 2016.

Cash Flow Analysis

In 2Q2017, the Group recorded RMB163.6 million of net cash generated from operating activities which was attributable mainly to the receipts of certain significant other receivables during the financial period.

Net cash used in investing activities in 2Q2017 amounted to RMB29.7 million, mainly due to the increase in pledged deposits.

Net cash used in financing activities in 2Q2017 amounted to RMB51.9 million, mainly due to dividends paid during the financial period.

As at 30 September 2016, the Group had cash and cash equivalents of RMB274.4 million.

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

The second quarter financial results for the six months ended 30 September 2016 is in line with the statement made in Paragraph 10 disclosed in its previous results announcement. There was no forecast or prospect statement 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 as evidenced by official data published by the National Bureau of Statistics. Official data indicated that new home prices recorded a month-on-month increase in August and September 2016 of 64 and 63 out of a statistical pool of 70 major PRC cities respectively. On a year-on-year basis, 64 out of the 70 cities recorded higher prices in September 2016.

In recent months, certain municipal and provincial governments of the PRC had released policies to tighten the fast-growing property market in order to allow it to grow steadily and healthily. The Group believes that the property market will remain relatively stable in the next 12 months.

Company Update
Property Pre-sales

The property pre-sales activity for the Group's projects in Huzhou, Nanchang, Fuzhou and Yichun cities remained strong. Results of Property Pre-sale Launches (as at 1 November 2016) are summarised in the tables below:

Residential Units

	Pan Hong Run Yuan Phase 1	Huzhou Hua Cui Ting Yuan Phase 2	Nanchang Sino Harbour Kaixuan City Zone 3	Fuzhou Hua Cui Ting Yuan Phase 3	Yichun Royal Lake City Phase 2
Est. total GFA released for sale (total units)	103,912 sq. m. (944 units)	50,527 sq. m. (430 units)	61,128 sq. m. (616 units)	117,177 sq. m. (1,127 units)	101,587 sq. m. (1,064 units)
Est. total GFA pre-sold (total units)	102,285 sq. m. (928 units)	43,465 sq. m. (359 units)	61,128 sq. m. (616 units)	116,765 sq. m. (1,123 units)	91,731 sq. m. (1,007 units)
Percentage of pre-sold	98%	86%	100%	99%	90%
Pre-sale GFA (units pre-sold) not handed over to buyers as at 30 September 2016 [^]	102,285 sq. m. (928 units)	43,465 sq. m. (359 units)	4,410 sq. m. (43 units)	14,399 sq. m. (137 units)	12,838 sq. m. (115 units)
Pre-sale value not handed over to buyers as at 30 September 2016 [^]	RMB667.01 m	RMB358.18 m	RMB22.36m	RMB71.90m	RMB56.31m
ASP per sqm*	RMB6,521	RMB8,241	RMB5,070	RMB4,993	RMB4,386
Expected completion date	Q4CY2016	Q4CY2016	Completed	Completed	Completed

*: 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 2016.

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

Name of dividend: Interim
Dividend Type: Cash
Dividend amount per share: S\$0.01 per ordinary share (tax not applicable)
Par value per share: HK\$0.60
Tax rate: Tax not applicable

(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

To be announced later.

(d) Books closure date

To be announced later.

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

Not applicable.

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.

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1) of the SGX-ST Listing Manual

The Company confirms that the undertakings under Rule 720(1) of the Listing Manual have been obtained from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the SGX-ST Listing Manual.

BY ORDER OF THE BOARD

Wong Lam Ping
Chairman
9 November 2016



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 Holdings Group Limited which may render these interim financial results for the quarter ended 30 September 2016 to be false or misleading in any material aspect.

For and on behalf of the
Board of Directors of
Pan Hong Holdings Group Limited

Wong Lam Ping
Executive Chairman

Wang Cuiping
Executive Director

Date: 9 November 2016