



PAN HONG HOLDINGS GROUP LIMITED

(Incorporated in Bermuda on 20 December 2005)

(Co. Reg. No: 37749)

3th QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2017

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.

Group						
RMB'000	3 months ended 31 December 2017 (Unaudited)	3 months ended 31 December 2016 (Unaudited)	Increase/ (Decrease)	9 months ended 31 December 2017 (Unaudited)	9 months ended 31 December 2016 (Unaudited)	Increase/ (Decrease)
Revenue	44,765	98,731	(54.7%)	492,503	606,016	(18.7%)
Cost of Sales	(28,416)	(72,764)	(60.9%)	(393,862)	(472,818)	(16.7%)
Gross profit	16,349	25,967	(37.0%)	98,641	133,198	(25.9%)
Other income and other gains and losses	14,573	3,080	373.1%	36,553	16,155	126.3%
Selling and distribution expenses	(7,744)	(6,568)	17.9%	(15,712)	(18,642)	(15.7%)
Administrative expenses	(12,613)	(12,872)	(2.0%)	(42,410)	(38,251)	10.9%
Operating profit	10,565	9,607	10.0%	77,072	92,460	(16.6%)
Finance costs	(3,964)	(518)	665.3%	(5,441)	(1,678)	224.3%
Profit before income tax	6,601	9,089	(27.4%)	71,631	90,782	(21.1%)
Income tax expenses	(4,172)	(8,557)	(51.2%)	(25,739)	(31,191)	(17.5%)
Profit for the period	2,429	532	356.6%	45,892	59,591	(23.0%)
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	1,095	(3,399)	132.2%	3,381	(8,172)	141.4%
Other comprehensive income for the period	1,095	(3,399)	132.2%	3,381	(8,172)	141.4%
Total comprehensive income for the period	3,524	(2,867)	222.9%	49,273	51,419	4.2%
Profit for the period attributable to:						
Owners of the Company	2,666	(3,172)	184.0%	47,732	9,196	419.1%
Non-controlling interests	(237)	3,704	(106.4%)	(1,840)	50,395	(103.7%)
	<u>2,429</u>	<u>532</u>	<u>356.6%</u>	<u>45,892</u>	<u>59,591</u>	<u>(23.0%)</u>
Total comprehensive income attributable to:						
Owners of the Company	2,873	(7,057)	140.7%	50,148	513	9,675.4%
Non-controlling interests	651	4,190	(84.5%)	(875)	50,906	(101.7%)
	<u>3,524</u>	<u>(2,867)</u>	<u>222.9%</u>	<u>49,273</u>	<u>51,419</u>	<u>(4.2%)</u>
Earnings per share for profit attributable to the owners of the Company during the period (in RMB cents)						
- Basic and Diluted	<u>0.52</u>	<u>(0.62)</u>	<u>184.0%</u>	<u>9.32</u>	<u>1.80</u>	<u>419.1%</u>

Note:

RMB '000	Group			
	3 months ended	3 months ended	9 months ended	9 months ended
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	(Unaudited)	(Unaudited)	(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	17,580	8,721	48,982	39,115
Less: amount capitalised in properties held under development	(13,616)	(8,203)	(43,541)	(37,437)
	3,964	518	5,441	1,678
Cost of properties held for sale recognised as expense	28,258	69,933	374,993	443,803
Depreciation of property, plant and equipment	799	574	2,074	2,303
Less: amount capitalised in properties held under development	(71)	(61)	(199)	(198)
	728	513	1,875	2,105
Operating lease charge in respect of land and buildings	302	247	573	423
Less: amount capitalised in properties held under development	-	-	(24)	(39)
	302	247	549	384
Staff costs, including directors' remuneration				
- Wages and salaries	7,693	7,218	22,159	21,762
- Retirement benefit scheme contributions - defined contribution plans	952	456	1,985	1,366
Less: amount capitalised in properties held under development	(1,017)	(1,857)	(3,569)	(5,389)
	7,628	5,817	20,575	17,739
and crediting/(charging):				
Interest income from bank deposits and other receivables	9,245	1,528	18,207	4,030
Exchange gain	4,223	(102)	4,576	(100)
Net fair value loss for financial assets at fair value through profit or loss	(1,500)	(85)	(3,837)	(315)
Rental income	818	967	10,392	10,761
Government grant	-	300	3,674	701
Sundry income	1,787	370	3,541	978

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

	Group		Company	
	31 December 2017 (Unaudited)	31 March 2017 (Audited)	31 December 2017 (Unaudited)	31 March 2017 (Audited)
RMB'000				
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	77,371	76,533	-	-
Investment properties	557,247	557,247	-	-
Investments in subsidiaries	-	-	564,060	564,060
Interests in joint ventures	184,764	184,764	-	-
Interests in associates	5,673	5,673	-	-
Other financial assets	27,827	28,627	20,000	20,000
Financial assets at fair value through profit or loss	26,960	7,070	-	-
Long-term pledged deposits	-	5,500	-	-
Deferred tax assets	22,810	22,810	-	-
	902,652	888,224	584,060	584,060
Current assets				
Properties held under development	2,199,724	1,721,126	-	-
Properties held for sale	415,891	790,884	-	-
Accounts receivable	7,852	3,077	-	-
Prepayments and other receivables	269,879	405,928	114	116
Amounts due from subsidiaries	-	-	328,892	328,892
Financial assets at fair value through profit or loss	7,397	11,327	-	-
Tax recoverable	30,292	25,647	-	-
Structured bank balances	-	120,100	-	-
Pledged deposits	381,650	373,488	-	-
Cash and bank balances	673,621	288,122	131	131
	3,986,306	3,739,699	329,137	329,139
Current liabilities				
Accounts payables	95,846	92,172	-	-
Accruals, receipts in advance and other payables	1,103,254	1,090,430	274	276
Provision for tax	166,363	171,837	-	-
Amounts due to related parties	11,815	33,006	324,413	312,922
Bank and other loans	430,731	332,253	-	-
	1,808,009	1,719,698	324,687	313,198
Net current assets	2,178,297	2,020,001	4,450	15,941
Total assets less current liabilities	3,080,949	2,908,225	588,510	600,001
Non-current liabilities				
Bank and other loans	759,120	604,565	-	-
Deferred tax liabilities	83,683	83,697	-	-
	842,803	688,262	-	-
Net assets	2,238,146	2,219,963	588,510	600,001
EQUITY				
Equity attributable to the Company's owners				
Share capital	313,446	313,446	313,446	313,446
Reserves	1,344,158	1,319,212	275,064	286,555
	1,657,604	1,632,658	588,510	600,001
Non-controlling interests	580,542	587,305	-	-
Total equity	2,238,146	2,219,963	588,510	600,001

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

As at 31 December 2017		As at 31 March 2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
430,731	-	332,253	-

Amount repayable after one year

As at 31 December 2017		As at 31 March 2017	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
759,120	-	604,565	-

Details of any collateral

Bank loans of approximately RMB 932,565,000 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 31 December 2017. Bank loans of approximately RMB 257,286,000 were mainly secured by deposits of RMB285,798,000 which were classified as "Pledged deposits" as at 31 December 2017.

1(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

RMB'000	Group			
	3 months ended 31 December 2017	3 months ended 31 December 2016	9 months ended 31 December 2017	9 months ended 31 December 2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash flows from operating activities				
Profit before income tax	6,601	9,089	71,631	90,782
Adjustments for:				
Interest income	(9,245)	(1,528)	(18,207)	(4,030)
Interest expense	3,964	518	5,441	1,678
Depreciation of property, plant and equipment	728	513	1,875	2,105
Net fair value loss for financial assets at fair value through profit and loss	1,500	85	3,837	315
Operating profit before working capital changes	3,548	8,677	64,577	90,850
(Increase)/decrease in properties held under development and properties held for sale	(57,791)	(41,735)	218,681	202,581
(Increase)/decrease in accounts and other receivables and prepayments	(17,024)	(2,654)	(86,162)	131,262
Increase in financial assets at fair value through profit or loss	-	-	-	(10)
Increase/(decrease) in accounts and other payables, accruals and receipts in advance	245,729	142,367	(41,912)	57,734
Cash generated from/(used in) operations	174,462	106,655	155,184	482,417
Interest received	9,245	1,528	18,207	4,030
Income taxes paid	7,361	(8,449)	(35,858)	(75,436)
Net cash generated from operating activities	191,068	99,734	137,533	411,011
Cash flows from investing activities				
Purchases of property, plant and equipment	(1,773)	(158)	(3,013)	(572)
Investments in financial assets at fair value through profit or loss	(20,590)	-	(19,090)	(5,250)
(Increase)/decrease in pledged deposits with original maturity over three months	(7,306)	106,554	(2,662)	81,109
Decrease in Structured bank deposits	-	-	120,100	-
Net cash (used in)/generated from investing activities	(29,669)	106,396	95,335	75,287
Cash flows from financing activities				
Advance from/(repayment to) a related company	455	317	(21,191)	3,817
Dividend paid to non-controlling interest of a subsidiary	-	-	(5,888)	(14,324)
Dividend paid to owners of the Company	-	-	(25,202)	(37,552)
New borrowings	67,009	95,683	454,729	342,045
Repayment of borrowings	(128,557)	(156,452)	(201,696)	(551,760)
Interest paid	(17,580)	(8,721)	(48,982)	(39,115)
Net cash (used in)/generated from financing activities	(78,673)	(69,173)	151,770	(296,889)
Net increase in cash and cash equivalents	82,726	136,957	384,638	189,409
Effect of foreign exchange difference	274	88	861	260
Cash and cash equivalents at beginning of the period	590,621	274,377	288,122	221,753
Cash and cash equivalents at end of the period	673,621	411,422	673,621	411,422

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		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 October 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
Profit for the period	-	-	-	-	-	-	-	-	(3,172)	(3,172)	3,704	532
Other comprehensive income												
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	(3,885)	-	(3,885)	486	(3,399)
Total comprehensive income for the period	-	-	-	-	-	-	-	(3,885)	(3,172)	(7,057)	4,190	(2,867)
Interim dividend declared	-	-	-	-	-	-	-	-	(24,705)	(24,705)	-	(24,705)
At 31 December 2016 (unaudited)	313,446	(12,817)	203,250	(2,243)	88,385	3,838	87,128	(21,263)	879,244	1,538,968	621,410	2,160,378
At 1 October 2017 (unaudited)	313,446	(12,817)	203,250	(2,243)	100,529	3,838	87,128	(17,105)	978,705	1,654,731	579,891	2,234,622
Profit for the period	-	-	-	-	-	-	-	-	2,666	2,666	(237)	2,429
Other comprehensive income												
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	207	-	207	888	1,095
Total comprehensive income for the period	-	-	-	-	-	-	-	207	2,666	2,873	651	3,524
At 31 December 2017 (unaudited)	313,446	(12,817)	203,250	(2,243)	100,529	3,838	87,128	(16,898)	981,371	1,657,604	580,542	2,238,146

Company	Share capital	Treasury shares	Share premium	Contributed surplus	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 October 2016 (unaudited)	313,446	(12,817)	203,250	59,579	61,940	625,398
Loss for the period	-	-	-	-	(630)	(630)
Interim dividend declared	-	-	-	-	(24,705)	(24,705)
At 31 December 2016 (unaudited)	313,446	(12,817)	203,250	59,579	36,605	600,063
At 1 October 2017 (unaudited)	313,446	(12,817)	203,250	59,579	25,732	589,190
Loss for the period	-	-	-	-	(680)	(680)
At 31 December 2017 (unaudited)	313,446	(12,817)	203,250	59,579	25,052	588,510

- 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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		% of Issued share capital
		Issued share capital shares	Treasury share shares	Share Capital RMB'000	Treasury share RMB'000	Treasury share %
01 April 2017 and 31 December 2017	Balance at beginning and the end of the period	518,855,024	(6,544,000)	313,446	(12,817)	1.26%

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

The total number of issued ordinary shares as at 31 December 2017 was 518,855,024 (31 March 2017: 518,855,024), of which 6,544,000 (31 March 2017: 6,544,000) were held by the Company as treasury shares.

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

NIL

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current 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 2017.

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 2017. 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 31 December 2017 (Unaudited)	3 months ended 31 December 2016 (Unaudited)	9 months ended 31 December 2017 (Unaudited)	9 months ended 31 December 2016 (Unaudited)
Profit for the period attributable to the owners of the Company (RMB'000)	2,666	(3,172)	47,732	9,196
Weighted average number of ordinary share (excluding treasury shares) for the purposes of calculating basic earnings per share ('000 shares)	512,311	512,311	512,311	512,311
Earnings per ordinary share (in RMB cents):				
- Basic and Diluted	0.52	(0.62)	9.32	1.80

Note:

The calculation of basic earnings per share was based on the profit attributable to equity holders of the Company divided by weighted average of ordinary shares (excluding treasury shares)

Diluted earnings per share for the 3 months and 9 months ended 31 December 2017 are the same as the basic earnings per share as there are no dilutive potential share (3 months and 9 months ended 31 December 2016: Nil).

7. Net asset value (for the issuer and group) per ordinary share based on of the total number of issued shares excluding treasury shares of the issuer at the end of the:
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	As at 31 December 2017	As at 31 March 2017	As at 31 December 2017	As at 31 March 2017
Net asset value per ordinary share (in RMB cents)	436.87	433.32	114.87	117.12

Notes:

- (1) The number of ordinary shares of the Company as at 31 December 2017 was 512,311,024 (excluding treasury shares) (31 March 2017: 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 31 December 2017 was RMB323.55 cents (31 March 2017: RMB318.68 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 31 DECEMBER 2017 ("3Q2018") COMPARED TO THE PREVIOUS CORRESPONDING QUARTER ENDED 31 DECEMBER 2016 ("3Q2017")

Revenue

	Group			
	3 months ended 31 December 2017 (Unaudited)	3 months ended 31 December 2016 (Unaudited)	9 months ended 31 December 2017 (Unaudited)	9 months ended 31 December 2016 (Unaudited)
(RMB'000)				
Residential	25,957	94,349	438,693	590,481
Commercial and others	18,808	4,382	53,810	15,535
	44,765	98,731	492,503	606,016

The Group's revenue in 3Q2018 was RMB 44.7 million compared to RMB 98.7 million in 3Q2017, a decrease of 54.7%.

The revenue in 3Q2018 comprised mainly the sales of residential units of Pan Hong Run Yuan (汎港潤園) Phase 1, Huzhou Hua Cui Ting Yuan (湖州華萃庭院) Phase 2, Yichun Royal Lake City (宜春御湖城) Phase 2 as well as Fuzhou Hua Cui Ting Yuan (撫州華萃庭院) Phase 2. In 3Q2017, the revenue was mainly attributable to the delivery of residential units of Nanchang Sino Harbour Kaixuan City (南昌漢港凱旋城) Zone 3 as well as Fuzhou Hua Cui Ting Yuan Phase 3.

As the Group is primarily engaged in property development business, revenue is recognised upon the handover of significant risks and rewards of ownership of properties held for sale to the purchasers. Consequently, the revenue and profit for the Group looking across the quarters will appear fluctuate.

Cost of Sales and Gross Profit Margin

Following the decrease in revenue, the cost of sales decreased from RMB 72.8 million in 3Q2017 to RMB 28.4 million in 3Q2018, which is the net effect of the decrease of cost of handover of residential units and the increase of cost of handover of commercial units.

In 3Q2018, more than half of the Group's revenue was attributable to the handover of the residential units of Pan Hong Run Yuan Phase 1 and Fuzhou Hua Cui Ting Yuan Phase 2, which had a higher profit margin compared to the residential units from Yichun Royal Lake City Phase 2 which were sold in 2Q2017. Consequently, gross profit margin increased from 26.3% in 3Q2017 to 36.5% in 3Q2018.

Other Income and Other Gains and losses

Other income and other gains and losses mainly consists (i) interest income from bank deposits and other receivables, (ii) net fair value change on financial assets at fair value through profit or loss and (iii) government grant. Other income and other gains and losses increased from RMB 3.1 million in 3Q2017 to RMB 14.6 million in 3Q2018. The increase was mainly attributable to an increase in interest income as well as an exchange gain.

Selling and Distribution Expenses

Selling and distribution expenses increased by 17.9% from RMB 6.6 million in 3Q2017 to RMB 7.7 million in 3Q2018. The higher selling expenses in 3Q2018 was mainly due to an increase in marketing expenses incurred for Pan Hong Run Yuan Phase 2.

Administrative Expenses

Administrative expenses decreased by 2% from RMB 12.9 million in 3Q2017 to RMB 12.6 million in 3Q2018 mainly due to a decrease in office expense.

Finance Costs

Finance costs increased by 665.3% from RMB 0.5 million in 3Q2017 to RMB 4million in 3Q2018 mainly due to an increase in bank and other loans.

Income Tax Expense

Income tax expense decreased from RMB 8.6 million in 3Q2017 to RMB 4.2 million in 3Q2018. The decrease was attributable mainly to a decrease in corporate income tax provision in line with a decrease in profit in 3Q2018.

Profit for the Period

As a cumulative effect of the foregoing factors, the Group recorded a profit after tax of RMB 2.4 million in 3Q2018, an increase of 356.6% from RMB 0.5 million in 3Q2017.

Exchange Differences on Translation of Financial Statements of Foreign Operations

Most of the Group's transactions are carried out in RMB which is the functional currency of the Company and most of its operating subsidiaries. Exchange differences mainly arose from certain of the Group's cash and bank balances which are denominated in Hong Kong Dollar ("HKD") and United States Dollars ("US\$").

Exchange differences adversely change from an exchange loss of RMB 3.4 million in 3Q2017 to an exchange gain of RMB 1.1 million in 3Q2018. It was due to exchange gain of the Group's subsidiaries denominated in HKD as a result of the appreciation of RMB against HKD in 3Q2018 compared to in 3Q2017.

Total Comprehensive Income for the Period

As a cumulative effect of the above factors, the Group recorded a total comprehensive income of RMB 3.5 million in 3Q2018, an increase of 222.9% from RMB (2.9 million) in 3Q2017.

(b) REVIEW OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 AND CASH FLOW FOR 3Q2018

Properties Held Under Development

The Group's properties held under development increased by RMB 478.6 million from RMB 1,721.1 million as at 31 March 2017 to RMB 2,199.7 million as at 31 December 2017. The increase was mainly attributable to the construction progress of property projects such as Han Zhi Yun Commercial Centre (汉之韵商业中心), Pan Hong Run Yuan Phase 2 and Huzhou Runhe project during the financial period.

Properties Held For Sale

Properties held for sale decreased from RMB 790.9 million as at 31 March 2017 to RMB 415.9 million as at 31 December 2017, mainly due to the handover of property units in Pan Hong Run Yuan Phase 1 to the buyers.

Accounts Receivable

Accounts receivable increased from RMB 3.1 million as at 31 March 2017 to RMB 7.9 million as at 31 December 2017, mainly due to receivable for the handover of residential units.

Prepayments and Other Receivables

The Group's prepayments and other receivables decreased from RMB 405.9 million as at 31 March 2017 to RMB 269.9 million as at 31 December 2017. The decrease of RMB 136 million was mainly due to the net effect of the re-classification of the prepaid land use rights of Huzhou Runhe project which amounted to RMB 217.4 million to property held under development and the prepayments to the contractors for the construction of the Group's projects.

Tax Recoverable

Tax recoverable increased from approximately RMB 25.6 million as at 31 March 2017 to approximately RMB 30.3 million as at 31 December 2017 mainly due to an increase in prepayment of Enterprise Income Tax ("EIT") and Land Appreciation Tax ("LAT").

Accounts Payable, Accruals, Receipts in Advance and Other Payables

Accounts payable increased to RMB 95.9 million as at 31 December 2017 from RMB 92.2 million as at 31 March 2017 due to an increase in the amount 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 RMB 1,090.4 million as at 31 March 2017 to RMB 1,103.3 million as at 31 December 2017.

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 31 December 2017.

The increase in accruals, receipts in advance and other payables was mainly due to the net effect of the (i) the increase in advance receipts from the customers of Pan Hong Run Yuan Phase 2 and (ii) decrease in advance receipts from the customers of Pan Hong Run Yuan Phase 1 and Huzhou Hua Cui Ting Yuan Phase 2 upon the handover and recognition of sale of properties.

Bank and Other Loans

As at 31 December 2017, the Group had bank loans of RMB 1,189.9 million, increased from RMB 936.8 million as at 31 March 2017, mainly due to new borrowing during the period.

Bank loans of approximately RMB 932.6 million 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 31 December 2017. Bank loans of approximately RMB 257.3 million were mainly secured by deposits of RMB 285.8 million which were classified as "Pledged deposits" as at 30 September 2017.

Based on the Group's total equity of RMB 2,238.1 million and deposit collateral of RMB 285.8 million, the Group recorded a net gearing ratio (bank loans less deposit collateral / total equity) of 40.4% as at 31 December 2017, compared to 30.4% as at 31 March 2017.

Cash Flow Analysis

In 3Q2018, the Group recorded RMB 191.1 million of net cash generated from operating activities which was attributable mainly to the advance receipts from pre-sales of properties during the financial period.

Net cash used in investing activities in 3Q2018 amounted to RMB 29.7 million, mainly due to an increase in financial assets at fair value through profit or loss.

Net cash used in financing activities in 3Q2018 amounted to RMB 78.7 million, mainly due to repayment of bank borrowing.

As at 31 December 2017, the Group had cash and cash equivalents of RMB 673.6 million.

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

The third quarter financial results for the nine months ended 31 December 2017 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.

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 February 2018) are summarised in the tables below:

Residential Units

	Pan Hong Run Yuan Phase 2	Nanchang Sino Harbour Kaixuan City — Zone 2, Part B	Fuzhou Hua Cui Ting Yuan Phase 3	Yichun Royal Lake City Phase 2
Est. total GFA released for sale (total units)	96,720 sq.m. (750 units)	27,885 sq.m. (156 units)	117,177 sq.m. (1,127 units)	104,196 sq.m. (1,091 units)
Est. total GFA pre-sold (total units)	90,155 sq.m. (695 units)	17,076 sq.m. (98 units)	117,065 sq.m. (1,126 units)	103,359 sq.m. (1,082 units)
Percentage of pre-sold	93%	61%	99%	99%
Pre-sale GFA (units pre-sold) not handed over to buyers as at 31 December 2017 [^]	90,155 sq.m. (695 units)	17,076 sq.m. (98 units)	2,338 sq.m. (22 units)	6,659 sq.m. (63 units)
Pre-sale value not handed over to buyers as at 31 December 2017 [^] (RMB)	773.1 million	232.9 million	11.5 million	29.9 million
ASP per sq m*	RMB 8,574	RMB 13,637	RMB 4,897	RMB 4,504
Expected completion date	CY2019 Q2	CY2018 Q2	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 31 December 2017.

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 in the longer term.

Industry Outlook

The real estate market growth in the PRC has been moderating gradually as evidenced by official data published by the National Bureau of Statistics. 70 major PRC cities new home prices index indicated that, 50 and 57 out of 70 major PRC cities recorded month-on-month increase in November and December 2017 respectively. On a year-on-year basis, 61 out of the 70 cities recorded higher prices in December 2017.

In recent months, the PRC Central government has emphasised on the use of residential properties for owner occupation rather than investment purposes. The local governments have also continued to control housing prices to prevent the formation of bubbles and to cut excess real estate inventories concurrently. Due to such policy headwinds, the Group believes that a negative impact on the overall real estate industry is inevitable in the short term but it should be positive from a long-term macro perspective.

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

NIL

(d) Books closure date

NIL

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 February 2018



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 31 December 2017 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 February 2018