

PAN HONG HOLDINGS GROUP LIMITED

(Incorporated in Bermuda)
(Registration Number: 37749)



**FURTHER INFORMATION ON THE 1ST QUARTER FINANCIAL STATEMENT ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 30 JUNE 2019**

The Board of Directors of Pan Hong Holdings Group Limited (the "Company", or together with its subsidiaries the "Group") refers to the Group's 1st quarter financial statement ("Results Announcement") released to SGX-ST on 14 August 2019 and would like to provide the following additional information in response to the following queries raised by SGX-ST:

Question

We refer to the Company's first quarter financial statement for Financial Year 2019 ("1Q2019"). In the Balance Sheet, "Prepayments and other receivables" amount to RMB362.51million. Please provide a breakdown and explain material amounts.

Answer

Breakdown of "Prepayment and other receivables" as at 30 June 2019:

	Notes	RMB'000
Prepayments	(a)	189,617
Other receivables	(b)	172,890
		362,507

Notes:

- (a) As at 30 June 2019, prepayments mainly include construction-related prepayments of RMB90.6 million, prepaid value-added taxes and other taxes of RMB48.6 million and deposit for acquisition of a parcel of land in Huzhou of RMB44.4 million.
- (b) As at 30 June 2019, other receivables of the Group of approximately RMB109.0 million were unsecured, interest bearing at interest rate ranging from 8% to 11% and repayable within one year or on demand. Included in the balance, an entrusted loan extended by the Group in January 2019 of RMB70.0 million was settled (with interest receivable) in July 2019.

The remaining balances mainly include deposited funds for property maintenance of RMB15.1 million, interest receivables of RMB7.8 million and deposits paid to the local land resources bureau and housing fund bureau of RMB7.8 million.

Question

Net cash used in operating activities amounts to RMB51.5million. Operating activities from a cash inflow of RMB209.5million for 3 months ended 30 June 2018 became a significant cash outflow of RMB51.5million in the current quarter. Please provide explanations for the significant outflow for this quarter.

Answer

In its ordinary course of business, the Group normally receives advance payments from its customers

in respect of property project(s) under pre-sale stage. As a common commercial practice, for property project(s) under pre-sale stage, property units are usually released for sale by phases. Meanwhile, construction costs and overheads are to be settled according to the construction progress or agreed payment terms with suppliers/contractors.

Therefore, the timing and the amount of the receipts and payments may differ in certain period of time.

During the three-month period ended 30 June 2018, the Group recorded net operating cash inflow of RMB209.5 million, which was mainly due to the net effect of an operating loss before working capital change of RMB3.5 million and a positive working capital change of RMB211.8 million in the period.

A positive working capital change was recorded as the pre-sale proceeds from Pan Hong Run Yuan Phase 2 and Pan Hong Run He were much greater than the construction costs and overheads paid.

During the three-month period ended 30 June 2019, the Group recorded a net operating cash outflow of RMB51.5 million, which was mainly due to the net effect of an operating profit before working capital change of RMB154.6 million and a negative working capital change of RMB178.6 million in the period.

A negative working capital change was recorded as Pan Hong Run He was the only property project which was under the pre-sale stage since the pre-sale of Pan Hong Run Yuan Phase 2 was completed. Meanwhile, there were significant construction payments for Pan Hong Run He and Pan Hong Run Yuan Phase 2. In addition, a deposit of RMB44.4 million was paid by the Group for the acquisition of a parcel of land in Huzhou in June 2019.

By Order of the Board

Wong Lam Ping
Executive Chairman
29 August 2019