

PAN HONG HOLDINGS GROUP LIMITED

(Incorporated in Bermuda on 20 December 2005)

(Co. Reg. No: 37749)

2<sup>nd</sup> QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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	3 months ended	Increase/ (Decrease)	6 months ended	6 months ended	Increase/ (Decrease)
	30 September 2019	30 September 2018		30 September 2019	30 September 2018	
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Revenue	67,791	3,080	2,101.0%	586,348	11,976	4,796.0%
Cost of Sales	(46,975)	(2,326)	1,919.6%	(399,011)	(8,925)	4,370.7%
<b>Gross profit</b>	<b>20,816</b>	<b>754</b>	<b>2,660.7%</b>	<b>187,337</b>	<b>3,051</b>	<b>6,040.2%</b>
Other income and other gains and losses	3,722	3,926	(5.2%)	7,123	8,027	(11.3%)
Selling and distribution expenses	(1,010)	(3,647)	(72.3%)	(10,728)	(6,006)	78.6%
Administrative expenses	(3,880)	(3,212)	20.8%	(6,781)	(7,220)	(6.1%)
<b>Operating profit/(loss)</b>	<b>19,648</b>	<b>(2,179)</b>	<b>(1,001.7%)</b>	<b>176,951</b>	<b>(2,148)</b>	<b>(8,337.9%)</b>
Finance costs	(447)	(466)	(4.1%)	(773)	(1,031)	(25.0%)
<b>Profit/(loss) before income tax</b>	<b>19,201</b>	<b>(2,645)</b>	<b>(825.9%)</b>	<b>176,178</b>	<b>(3,179)</b>	<b>(5,641.9%)</b>
Income tax expenses	(7,256)	(1,380)	425.8%	(57,848)	(1,714)	3,275.0%
<b>Profit/(loss) for the period</b>	<b>11,945</b>	<b>(4,025)</b>	<b>(396.8%)</b>	<b>118,330</b>	<b>(4,893)</b>	<b>(2,518.4%)</b>
<b>Other comprehensive income, net of tax</b>						
<b>Item that will not be reclassified to profit or loss:</b>						
Changes in fair value of financial assets at fair value through other comprehensive income	-	-	NM	(734)	-	NM
<b>Item that may be reclassified subsequently to profit or loss:</b>						
Exchange differences on translation of financial statements of foreign operations	(599)	(250)	139.6%	(1,019)	(2,818)	(63.8%)
<b>Other comprehensive income for the period</b>	<b>(599)</b>	<b>(250)</b>	<b>139.6%</b>	<b>(1,753)</b>	<b>(2,818)</b>	<b>(37.8%)</b>
<b>Total comprehensive income for the period</b>	<b>11,346</b>	<b>(4,275)</b>	<b>(365.4%)</b>	<b>116,577</b>	<b>(7,711)</b>	<b>(1,611.8%)</b>
<b>Profit/(loss) for the period attributable to:</b>						
Owners of the Company	11,945	(4,025)	(396.8%)	118,330	(4,893)	(2,518.4%)
Non-controlling interests	-	-	NM	-	-	NM
	<u>11,945</u>	<u>(4,025)</u>	<u>(396.8%)</u>	<u>118,330</u>	<u>(4,893)</u>	<u>(2,518.4%)</u>
<b>Total comprehensive income attributable to:</b>						
Owners of the Company	11,346	(4,275)	(365.4%)	116,577	(7,711)	(1,611.8%)
Non-controlling interests	-	-	NM	-	-	NM
	<u>11,346</u>	<u>(4,275)</u>	<u>(365.4%)</u>	<u>116,577</u>	<u>(7,711)</u>	<u>(1,611.8%)</u>
<b>Earnings/(loss) per share for profit/(loss) attributable to the owners of the Company during the period (in RMB cents):</b>						
- Basic and Diluted	<u>2.33</u>	<u>(0.79)</u>	<u>(396.8%)</u>	<u>23.10</u>	<u>(0.96)</u>	<u>(2,518.4%)</u>

**Note:**

RMB '000	Group			
	3 months ended	3 months ended	6 months ended	6 months ended
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) 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	446	466	772	1,031
Less: amount capitalised in properties held under development	-	-	-	-
	446	466	772	1,031
Depreciation of property, plant and equipment	429	599	817	1,051
Less: amount capitalised in properties held under development	(15)	(9)	(17)	(26)
	414	590	800	1,025
Cost of properties held for sale recognised as expense	46,554	2,262	395,479	8,835
Operating lease charge in respect of land and buildings	39	22	110	54
Less: amount capitalised in properties held under development	(15)	-	(15)	(24)
	24	22	95	30
Staff costs, including directors' remuneration				
- Wages and salaries	2,177	1,885	4,346	4,183
- Retirement benefit scheme contributions - defined contribution plans	433	650	912	885
Less: amount capitalised in properties held under development	(643)	(764)	(1,314)	(1,217)
	1,967	1,771	3,944	3,851
and crediting/(charging):				
Interest income	3,294	4,380	6,732	8,586
Exchange loss	(2)	(124)	(2)	(124)
Net fair value gain/(loss) for financial assets at fair value through profit or loss	115	(974)	(254)	(1,214)
Rental income	81	367	283	440
Sundry income	234	277	364	339

**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 2019 (Unaudited)	31 March 2019 (Audited)	30 September 2019 (Unaudited)	31 March 2019 (Audited)
<b>RMB'000</b>				
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	47,988	47,793	-	-
Investment properties	21,027	21,027	-	-
Investments in subsidiaries	-	-	278,608	278,608
Financial assets at fair value through other comprehensive income	22,727	23,461	22,727	23,461
Deferred tax assets	6,257	6,368	-	-
	<b>97,999</b>	<b>98,649</b>	<b>301,335</b>	<b>302,069</b>
<b>Current assets</b>				
Properties held under development	910,015	746,789	-	-
Properties held for sale	183,889	551,532	-	-
Accounts receivable	12,816	-	-	-
Prepayments and other receivables	206,712	310,438	6,051	109
Contract assets	15,896	-	-	-
Amounts due from subsidiaries	-	-	418,892	368,892
Financial assets at fair value through profit or loss	6,888	56,187	-	-
Tax recoverable	20,606	26,432	-	-
Structured bank balances	139,000	33,500	-	-
Pledged deposits	36,148	34,800	-	-
Cash and bank balances	269,879	357,222	155	155
	<b>1,801,849</b>	<b>2,116,900</b>	<b>425,098</b>	<b>369,156</b>
<b>Current liabilities</b>				
Accounts payable	14,557	31,887	-	-
Accruals and other payables	299,747	365,693	23	23
Contract liabilities	707,437	1,030,931	-	-
Current tax liabilities	53,225	54,420	-	-
Amounts due to related parties	11,370	11,361	401,757	368,091
Bank loans	48,326	46,608	-	-
	<b>1,134,662</b>	<b>1,540,900</b>	<b>401,780</b>	<b>368,114</b>
<b>Net current assets</b>	<b>667,187</b>	<b>576,000</b>	<b>23,318</b>	<b>1,042</b>
<b>Total assets less current liabilities</b>	<b>765,186</b>	<b>674,649</b>	<b>324,653</b>	<b>303,111</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	3,816	3,794	-	-
	<b>3,816</b>	<b>3,794</b>	-	-
<b>Net assets</b>	<b>761,370</b>	<b>670,855</b>	<b>324,653</b>	<b>303,111</b>
<b>EQUITY</b>				
<b>Equity attributable to the Company's owners</b>				
Share capital	52,241	52,241	52,241	52,241
Reserves	703,473	612,958	272,412	250,870
	755,714	665,199	324,653	303,111
<b>Non-controlling interests</b>	5,656	5,656	-	-
<b>Total equity</b>	<b>761,370</b>	<b>670,855</b>	<b>324,653</b>	<b>303,111</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 30/09/2019		As at 31/03/2019	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
48,326	-	46,608	-

**Details of any collateral**

Bank loans of approximately RMB14,989,000 were secured by the Group's property, plant and equipment as at 30 September 2019. Bank loans of approximately RMB33,337,000 were mainly secured by deposits of RMB36,148,000 which were classified as pledged deposits as at 30 September 2019.

**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	3 months ended	6 months ended	6 months ended
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Cash flows from operating activities</b>				
Profit/(loss) before income tax	19,201	(2,645)	176,178	(3,179)
Adjustments for:				
Interest income	(3,294)	(4,380)	(6,732)	(8,586)
Interest expense	447	466	773	1,031
Depreciation of property, plant and equipment	414	590	800	1,025
Net fair value (gain)/loss for financial assets at fair value through profit and loss	(115)	974	254	1,214
<b>Operating profit/(loss) before working capital changes</b>	<b>16,653</b>	<b>(4,995)</b>	<b>171,273</b>	<b>(8,495)</b>
Decrease/(increase) in properties held under development and properties held for sale	13,937	(34,325)	353,932	(83,679)
Decrease/(increase) in accounts and other receivables and prepayments	52,625	(85,502)	(58,588)	(97,022)
Increase in restricted bank balances	(12,979)	-	(61,140)	-
Increase in contract assets	(15,896)	-	(15,896)	-
Increase/(decrease) in accounts and other payables, accruals and contract liabilities	1,445	237,207	(406,771)	509,922
Decrease in financial assets at fair value through profit or loss	22	-	49,045	-
<b>Cash generated from operations</b>	<b>55,807</b>	<b>112,385</b>	<b>31,855</b>	<b>320,726</b>
Interest received	3,294	4,380	6,732	8,586
Income taxes paid	(22,265)	(14,004)	(53,217)	(17,040)
<b>Net cash generated from/(used in) operating activities</b>	<b>36,836</b>	<b>102,761</b>	<b>(14,630)</b>	<b>312,272</b>
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment	(578)	(163)	(623)	(1,019)
Proceeds from disposal of other financial assets at amortised cost	-	-	-	90,303
(Increase)/decrease in pledged deposits with original maturity over three months	(1,348)	(2,024)	(1,348)	71,018
(Increase)/decrease in structured bank balances	(72,200)	156,500	(105,500)	12,000
<b>Net cash (used in)/generated from investing activities</b>	<b>(74,126)</b>	<b>154,313</b>	<b>(107,471)</b>	<b>172,302</b>
<b>Cash flows from financing activities</b>				
Repayment to a related company	-	(7)	-	-
Dividend paid to owners of the Company	(26,062)	(38,400)	(26,062)	(38,400)
New borrowings	-	31,010	-	38,630
Repayment of borrowings	(685)	(32,902)	(1,268)	(96,411)
Interest paid	(446)	(466)	(772)	(1,031)
<b>Net cash used in financing activities</b>	<b>(27,193)</b>	<b>(40,765)</b>	<b>(28,102)</b>	<b>(97,212)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(64,483)</b>	<b>216,309</b>	<b>(150,203)</b>	<b>387,362</b>
<b>Effect of foreign exchange difference</b>	<b>1,303</b>	<b>2,291</b>	<b>1,720</b>	<b>2,988</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>170,529</b>	<b>373,948</b>	<b>255,832</b>	<b>202,198</b>
<b>Cash and cash equivalents at end of the period</b>	<b>107,349</b>	<b>592,548</b>	<b>107,349</b>	<b>592,548</b>
<b>Note:</b>				
<b>Analysis of balances of cash and cash equivalents</b>				
Cash and bank balances	269,879	592,548	269,879	592,548
Less: restricted bank balances	(162,530)	-	(162,530)	-
	<b>107,349</b>	<b>592,548</b>	<b>107,349</b>	<b>592,548</b>

**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	Merger reserve	Statutory reserve	Capital reserve	Other reserve	Fair value through other comprehensive income 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	RMB'000		
<b>At 1 July 2018 (unaudited)</b>	52,241	(12,817)	(2,243)	35,368	3,838	87,128	-	(14,492)	493,326	<b>642,349</b>	5,656	<b>648,005</b>	
Loss for the period	-	-	-	-	-	-	-	-	(4,025)	<b>(4,025)</b>	-	<b>(4,025)</b>	
<b>Other comprehensive income</b>													
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	(250)	-	<b>(250)</b>	-	<b>(250)</b>	
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	(250)	(4,025)	<b>(4,275)</b>	-	<b>(4,275)</b>	
Dividend paid to owners of the Company	-	-	-	-	-	-	-	-	(38,400)	<b>(38,400)</b>	-	<b>(38,400)</b>	
<b>At 30 September 2018 (unaudited)</b>	52,241	(12,817)	(2,243)	35,368	3,838	87,128	-	(14,742)	450,901	<b>599,674</b>	5,656	<b>605,330</b>	
<b>At 1 July 2019 (unaudited)</b>	52,241	(12,817)	(2,243)	42,748	3,838	87,128	2,727	(12,744)	609,552	<b>770,430</b>	5,656	<b>776,086</b>	
Profit for the period	-	-	-	-	-	-	-	-	11,945	<b>11,945</b>	-	<b>11,945</b>	
<b>Other comprehensive income</b>													
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	(599)	-	<b>(599)</b>	-	<b>(599)</b>	
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	(599)	11,945	<b>11,346</b>	-	<b>11,346</b>	
Dividend paid to owners of the Company	-	-	-	-	-	-	-	-	(26,062)	<b>(26,062)</b>	-	<b>(26,062)</b>	
<b>At 30 September 2019 (unaudited)</b>	52,241	(12,817)	(2,243)	42,748	3,838	87,128	2,727	(13,343)	595,435	<b>755,714</b>	5,656	<b>761,370</b>	

Company	Share capital	Treasury shares	Contributed surplus	Fair value through other comprehensive income reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 July 2018 (unaudited)</b>	52,241	(12,817)	59,579	-	200,950	299,953
Dividend paid to owners of the Company	-	-	-	-	(38,400)	(38,400)
Profit for the period	-	-	-	-	38,900	38,900
<b>At 30 September 2018 (unaudited)</b>	52,241	(12,817)	59,579	-	201,450	300,453
<b>At 1 July 2019 (unaudited)</b>	52,241	(12,817)	59,579	2,727	200,309	302,039
Dividend paid to owners of the Company	-	-	-	-	(26,062)	(26,062)
Profit for the period	-	-	-	-	48,676	48,676
<b>At 30 September 2019 (unaudited)</b>	52,241	(12,817)	59,579	2,727	222,923	324,653

- 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	Authorised	Number of shares		Treasury share	Authorised share capital RMB'000	Amount	
			Issued				Issued share capital RMB'000	Treasury share RMB'000
01 April 2019 and 30 September 2019	Balance at beginning and end of the period	5,100,000,000	518,855,024	(6,544,000)	510,000	52,241	(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 2019 was 518,855,024 (31 March 2019: 518,855,024), of which 6,544,000 (31 March 2019: 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

- 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 2019, except for the adoption of new and revised International Financial Reporting Standards ("IFRSs") applicable for the financial period beginning on 1 April 2019. The adoption of these IFRSs has no material impact on the Group's and the Company's financial statements.

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 IFRSs which became effective for financial periods beginning on 1 April 2019. 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 2019	3 months ended 30 September 2018	6 months ended 30 September 2019	6 months ended 30 September 2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings/(loss) per ordinary share (in RMB cents) for profit/(loss) attributable to the owners of the Company during the period:				
- Basic and Diluted	2.33	(0.79)	23.10	(0.96)

For significant factors that affected the revenue, costs, and earnings of the Group for the current financial period, please refer to Paragraph 8.

Note:

The calculation of basic earnings/(loss) per share was based on the profit/(loss) attributable to equity holders of the Company of approximately RMB11,945,000 and RMB118,330,000 for the 3 months and 6 months ended 30 September 2019 (3 months and 6 months ended 30 September 2018: loss of RMB4,025,000 and RMB4,893,000) divided by weighted average of 512,311,024 ordinary shares (excluding treasury shares) (3 months and 6 months ended 30 September 2018: the weighted average of 512,311,024 and 512,311,024) during the period.

Diluted earnings per share for the 3 months and 6 months ended 30 September 2019 are the same as the basic earnings per share as there are no dilutive potential share (3 months and 6 months ended 30 September 2018: 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 30/09/2019	As at 31/03/2019	As at 30/09/2019	As at 31/03/2019
Net asset value per ordinary share (in RMB cents)	148.61	130.95	63.37	59.17

Notes:

- (1) The number of ordinary shares of the Company as at 30 September 2019 was 512,311,024 (excluding treasury shares) (31 March 2019: 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 2019 was RMB 147.51 cents (31 March 2019: RMB 129.84 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 2019 ("2Q2020") COMPARED TO THE PREVIOUS CORRESPONDING QUARTER ENDED 30 SEPTEMBER 2018 ("2Q2019")**

#### Revenue

	Group			
	3 months ended 30 September 2019	3 months ended 30 September 2018	6 months ended 30 September 2019	6 months ended 30 September 2018
<b>Revenue (RMB'000)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Residential	63,431	2,409	502,569	11,004
Commercial and others	4,360	671	83,779	972
	67,791	3,080	586,348	11,976

The Group's revenue in 2Q2020 was RMB67.8 million compared to RMB3.1 million in 2Q2019, an increase of 64.7 million.

The revenue in 2Q2020 was primarily derived from the transfer of control of residential units of Pan Hong Run Yuan (湖州汎港潤園) Phase 2 to buyers. In comparison, the revenue in 2Q2019 was primarily derived from the transfer of control of remaining residential units and parking lots of Pan Hong Run Yuan Phase 1 to the buyers.

As the Group is primarily engaged in property development business, revenue recognition is dependent on the launch of new projects and transfer of control of sold properties. Consequently, revenue and profit for the Group looking across quarters will appear irregular.

#### Cost of Sales and Gross Profit Margin

In line with the increase in revenue, cost of sales increased from RMB2.3 million in 2Q2019 to RMB47.0 million in 2Q2020. Accordingly, gross profit increased from RMB0.8 million in 2Q2019 to RMB20.8 million in 2Q2020.

Gross profit margin increased from 24.5% in 2Q2019 to 30.7% in 2Q2020 as a result of higher selling prices in respect of the property units for Pan Hong Run Yuan Phase 2 being transferred compared to the residential units and parking lots for Pan Hong Run Yuan Phase 1 being transferred in 2Q2019.

#### **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 and (ii) net fair value change on financial assets at fair value through profit or loss. Other income and other gains and losses decreased from RMB3.9 million in 2Q2019 to RMB3.7 million in 2Q2020. The decrease was mainly attributable to a decrease in interest income.

#### **Selling and Distribution Expenses**

Selling and distribution expenses decreased by 72.3% from RMB3.6 million in 2Q2019 to RMB1.0 million in 2Q2020. The lower selling expenses in 2Q2020 was mainly due to a decrease in selling and marketing expenses as the pre-sale of Pan Hong Run Yuan Phase 2 has been completed.

#### **Administrative Expenses**

Administrative expenses increased by 20.8% from RMB3.2 million in 2Q2019 to RMB3.9 million in 2Q2020, mainly due to increase of office expenses and staff costs in 2Q2020.

#### **Finance Costs**

Finance costs decreased by 4.1% from RMB466,000 in 2Q2019 to RMB447,000 in 2Q2020 mainly due to the repayment of a portion of the bank loans.

#### **Income Tax Expense**

Income tax expense increased from RMB1.4 million in 2Q2019 to RMB7.3 million in 2Q2020. The increase was mainly attributable to the PRC corporate income tax arising from a higher profit before tax recorded in 2Q2020.

#### **Profit/(loss) for the Period**

As a cumulative effect of the foregoing factors, the Group recorded a profit after tax of RMB11.9 million in 2Q2020, compared to a loss of RMB4.0 million in 2Q2019.

#### **Exchange Differences on Translation of Financial Statements of Foreign Operations**

Exchange differences on translation of financial statements of foreign operations decreased from a loss of RMB250,000 in 2Q2019 to a loss of RMB599,000 in 2Q2020. The decrease was mainly due to the depreciation of RMB against Hong Kong Dollar ("HKD") during the financial period that resulted in a translation loss of the Group's subsidiaries with significant bank loan balances which were denominated in HKD.

#### **Total Comprehensive Income for the Period**

As a cumulative effect of the above factors, the Group recorded a total comprehensive income with a profit of RMB11.3 million in 2Q2020, comparing to a loss of RMB4.3 million in 2Q2019.

**(b) REVIEW OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019 AND CASH FLOW FOR 2Q2020**

**Property, Plant and Equipment**

As at 30 September 2019, the Group had property, plant and equipment of RMB48.0 million, compared to RMB47.8 million as at 31 March 2019. The increase was mainly due to purchase of new equipment.

**Financial Asset at Fair Value Through Other Comprehensive Income**

As at 30 September 2019, the balance of approximately RMB22.7 million (31 March 2019: RMB23.5 million) representing the fair value of 10% equity interest in Zhejiang Gene Stem Cell Biotech Company Limited held by the Group.

**Financial Assets at Fair Value Through Profit or Loss**

Financial assets at fair value through profit or loss included listed equity securities in Hong Kong and the PRC, decreased to RMB6.9 million as at 30 September 2019 from RMB56.2 million as at 31 March 2019. The decrease was due to the settlement of the principal-protected unlisted investments issued by a PRC bank and net fair value loss from the listed equity securities during the period.

**Properties Held Under Development**

The Group's properties held under development increased by RMB163.2 million from RMB746.8 million as at 31 March 2019 to RMB910.0 million as at 30 September 2019. The increase was mainly due to the construction progress of Pan Hong Run He during the period.

**Properties Held for Sale**

Properties held for sale decreased from RMB551.5 million as at 31 March 2019 to RMB183.9 million as at 30 September 2019, mainly due to the transfer of control of completed properties of Pan Hong Run Yuan Phase 2 to the buyers.

**Accounts Receivable**

Accounts receivable of RMB12.8 million represents sales proceeds of a commercial unit receivable from property buyer.

**Prepayments and Other Receivables**

The Group's prepayments and other receivables decreased from RMB310.4 million as at 31 March 2019 to RMB206.7 million as at 30 September 2019. The decrease was mainly due to the settlement of an entrusted loan of RMB70.0 million with relevant interest receivables and some other receivables during the period.

**Contract Assets**

The Group's contract assets of RMB15.9 million as at 30 September 2019 represent capitalised costs for obtaining sales contracts of its property project under pre-sale stage.

**Structured Bank Balances**

As at 30 September 2019 and 31 March 2019, the structured bank balances, denominated in RMB, were interest-bearing and not quoted in an active market. The principal amount together with the interest would be returned to the Group anytime upon request or within 60 days.

### **Accounts Payable, Accruals and Other Payables and Contract Liabilities**

Accounts payable decreased to RMB14.6 million as at 30 September 2019 from RMB31.9 million as at 31 March 2019, mainly due to settlement of construction-related invoices.

Accruals and other payables mainly comprised the accrued construction costs and project-related expenses that are based on the progress of project development but are not due for payment.

Accruals and other payables decreased from approximately RMB365.7 million as at 31 March 2019 to approximately RMB299.7 million as at 30 September 2019. The decrease was mainly due to the settlement of a portion of accrued contract costs to contractors.

Contract liabilities were the advance receipts from customers in respect of the deposits and prepayments for pre-sales of the Group's properties.

Contract liabilities decreased from approximately RMB1,030.9 million as at 31 March 2019 to approximately RMB707.4 million as at 30 September 2019. The decrease was mainly due to net effect of revenue recognised upon transfer of control of property units of Pan Hong Run Yuan Phase 2 and the receipts during pre-sale stage of Pan Hong Run He.

### **Current Tax Liabilities**

Current tax liabilities decreased from RMB54.4 million as at 31 March 2019 to RMB53.2 million as at 30 September 2019. The decrease was mainly attributable to the net effect of income tax liabilities derived from profit recorded by the Group's subsidiaries and settlement of income tax payables.

### **Bank Loans**

As at 30 September 2019, the Group had bank loans of RMB48.3 million, an increase from RMB46.6 million as at 31 March 2019, mainly due to the net effect of settlement of bank loan and appreciation of HKD against RMB in the period.

Bank loans of approximately RMB15.0 million were secured by the Group's property, plant and equipment as at 30 September 2019. Bank loans of approximately RMB33.3 million were mainly secured by deposits of RMB36.1 million which were classified as pledged deposits as at 30 September 2019.

Based on the Group's total equity of RMB761.4 million and deposit collateral of RMB36.1 million, the Group recorded a net gearing ratio (total bank and other loans/total equity) of 6.3% as at 30 September 2019, compared to 6.9% as at 31 March 2019.

### **Cash Flow Analysis**

In 2Q2020, the Group recorded RMB36.8 million of net cash generated from operating activities which was mainly due to the net effect of advance receipts from customers for pre-sale of properties, the progress payment for the construction and payment of income tax.

Net cash used in investing activities in 2Q2020 amounted to RMB74.1 million, mainly due to increase in structured bank balances.

Net cash used in financing activities in 2Q2020 amounted to RMB27.2 million, mainly due to payment of dividend to the owners of the Company and repayment of bank borrowings and interest during the period.

Included in bank balances and cash are restricted bank balances of RMB162.5 million (31 March 2019: RMB101.4 million) which can only be applied in the designated property development project(s). As at 30 September 2019, the Group had cash and cash equivalents of RMB107.3 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 three months ended 30 September 2019 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**

There are no significant changes to the prospects of the property market in the People's Republic of China ("PRC") 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 2019 of 55 and 53 out of a statistical pool of 70 major PRC cities respectively. On a year-on-year basis, the 70 major cities recorded a higher price in September 2019.

**Company Update**

**Property Pre-sales**

The cumulative results for the pre-sale and handover of properties under each project up to 31 October 2019 are summarized as follows:

**Residential Units**

	Pan Hong Run Yuan Phase 2	Pan Hong Run He
Est. total GFA released for sale (total units)	96,720 sq.m.	166,804 sq.m.
	750 units	1,562 units
Est. total GFA pre-sold (total units)	95,973 sq.m.	130,378 sq.m.
	744 units	1,258 units
Percentage of pre-sold	99%	78%
Pre-sale GFA (units pre-sold) not handed over to buyers as at 30 September 2019 <sup>^</sup>	4,684 sq.m.	130,378 sq.m.
	36 units	1,258 units
Pre-sale value not handed over to buyers as at 30 September 2019 <sup>^</sup> (RMB)	40.9 million	1,198.2 million
ASP per sq m <sup>*</sup>	RMB 8,732	RMB 9,190
Expected completion date	Completed	CY2020 Q2

\*: 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.

<sup>^</sup>: 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 2019.

The pre-sale value of RMB1,239.1 million of the project as at 30 September 2019 will only be recognised as revenue upon transfer of control of properties which had been pre-sold to the buyers. 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 (transfer of control of the assets). Consequently, revenue and profit for the Group looking across quarters will appear irregular.

## Company Strategies

The Group will continue to work on the sales and construction of its existing projects. The Group is also exploring suitable business opportunities to diversify its core business as it believes that this will provide opportunities to expand its income sources.

### 11. Dividend

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

Name of proposed dividend: Interim  
Proposed dividend type: Cash  
Proposed dividend amount per share: S\$0.005 per ordinary share (tax not applicable)  
Par value per share: HK\$0.10  
Tax rate: Tax not applicable

\*Shareholders will have the option to receive the interim dividend in Hong Kong dollars and in the absence of any election, the interim dividend will be paid in Singapore dollars. Details on this elective will be furnished to shareholders in due course.

#### (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

18 December 2019

#### (d) Books closure date

Up to 5.00 p.m. on 21 November 2019

### 12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

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 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  
13 November 2019



**NEGATIVE ASSURANCE CONFIRMATION STATEMENT**

**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 second quarter ended 30 September 2019 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 Director

Wang Cuiping  
Executive Director

Date: 13 November 2019