

PAN HONG PROPERTY GROUP LIMITED

(Incorporated in Bermuda on 20 December 2005)

(Co. Reg. No: 37749)

3rd QUARTER FINANCIAL STATEMENT ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2013

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

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

RMB'000	Group					
	3 months ended 31/12/2013	3 months ended 31/12/2012	Increase/ (Decrease)	9 months ended 31/12/2013	9 months ended 31/12/2012	Increase/ (Decrease)
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Revenue	39,791	49,558	(19.7%)	248,603	271,898	(8.6%)
Cost of Sales	(24,826)	(33,902)	(26.8%)	(159,186)	(157,210)	1.3%
Gross Profit	14,965	15,656	(4.4%)	89,417	114,688	(22.0%)
Other income and gains	4,490	1,915	134.5%	19,031	7,027	170.8%
Selling and distribution expenses	(4,498)	(1,936)	132.3%	(11,494)	(6,356)	80.8%
Administrative expenses	(11,149)	(7,889)	41.3%	(31,815)	(22,417)	41.9%
Other operating expenses	(4)	(272)	(98.5%)	(231)	(483)	(52.2%)
Operating profit	3,804	7,474	(49.1%)	64,908	92,459	(29.8%)
Finance costs	(265)	(313)	(15.3%)	(859)	(1,074)	(20.0%)
Share of result of an associate	-	-	NM	(6)	-	NM
Profit before income tax	3,539	7,161	(50.6%)	64,043	91,385	(29.9%)
Income tax expense	(2,911)	(5,573)	(47.8%)	(24,681)	(32,054)	(23.0%)
Profit for the period	628	1,588	(60.5%)	39,362	59,331	(33.7%)
Other comprehensive income						
Item that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of financial statements of foreign operations, net of tax amounting to RMB Nil	(12)	1,703	(100.7%)	3,379	(72)	4,793.1%
Total comprehensive income for the period	616	3,291	(81.3%)	42,741	59,259	(27.9%)
Profit/(Loss) for the period attributable to:						
Owners of the Company	1,035	894	15.8%	33,968	44,127	(23.0%)
Non-controlling interests	(407)	694	(158.6%)	5,394	15,204	(64.5%)
	628	1,588	(60.5%)	39,362	59,331	(33.7%)
Total comprehensive income attributable to:						
Owners of the Company	1,023	2,597	(60.6%)	37,347	44,055	(15.2%)
Non-controlling interests	(407)	694	(158.6%)	5,394	15,204	(64.5%)
	616	3,291	(81.3%)	42,741	59,259	(27.9%)
Earnings per share for profit attributable to the owners of the Company during the period (in RMB cents):						
- Basic and Diluted	0.20	0.17	17.6%	6.60	8.56	(22.9%)

NM: Not Meaningful

RMB '000	Group			
	3 months ended 31/12/2013 (Unaudited)	3 months ended 31/12/2012 (Unaudited)	9 months ended 31/12/2013 (Unaudited)	9 months ended 31/12/2012 (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	13,232	1,567	39,335	5,015
Less: amount capitalised in properties held under development	(12,967)	(1,254)	(38,476)	(3,941)
	265	313	859	1,074
Cost of properties held for sale recognised as expense	22,485	31,132	143,993	142,067
Depreciation of property, plant and equipment	735	365	1,536	1,069
Less: amount capitalised in properties held under development	(94)	(88)	(396)	(292)
	641	277	1,140	777
Exchange loss	1,502	-	2,470	-
Loss on disposal of property, plant and equipment	-	11	-	11
Loss on written off of property, plant and equipment	-	22	-	22
Operating lease charge in respect of land and buildings	181	56	471	236
Less: amount capitalised in properties held under development	-	(9)	(61)	(77)
	181	47	410	159
Staff costs, including directors' remuneration				
- Wages and salaries	4,898	3,105	13,260	10,049
- Retirement benefit scheme contributions - defined contribution plans	59	60	145	142
Less: amount capitalised in properties held under development	(2,479)	(814)	(5,829)	(3,162)
	2,478	2,351	7,576	7,029
Net fair value loss of financial assets at fair value through profit or loss	203	-	-	-
and crediting:				
Consultancy fee income	-	-	1,271	-
Interest income from bank deposits and other receivables	1,493	1,576	10,471	2,674
Exchange gain, net	-	-	-	37
Net fair value gain on financial assets at fair value through profit or loss	(203)	13	979	99
Fair value gain on re-measurement of equity in an associate	-	-	613	-
Rental income	3,200	264	5,697	4,155



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 2013	31 March 2013	31 December 2013	31 March 2013
RMB'000	Unaudited	Audited	Unaudited	Audited
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	14,308	14,231	-	-
Investment properties	149,568	153,202	-	-
Investments in subsidiaries	-	-	564,060	564,060
Interest in a joint venture	176,585	174,149	-	-
Interest in an associate	-	5,952	-	-
Other Investment	20,000	-	20,000	-
Long-term pledged deposits	330,000	230,000	-	-
Deferred tax assets	29,681	29,726	-	-
	720,142	607,260	584,060	564,060
Current assets				
Properties held under development	1,672,763	1,351,100	-	-
Properties held for sale	449,894	386,496	-	-
Accounts receivable	4,697	602	-	-
Prepayments and other receivables	713,497	421,625	110	-
Amounts due from related parties	-	-	258,338	258,338
Amount due from an associate	-	37,867	-	-
Financial assets at fair value through profit or loss	6,520	533	-	-
Pledged deposits	233,686	63,148	-	-
Cash and bank balances	283,031	331,986	92	92
	3,364,088	2,593,357	258,540	258,430
Non-current assets held for sale				
Investment properties held for sale	-	7,474	-	-
	3,364,088	2,600,831	258,540	258,430
Current liabilities				
Accounts payable	132,139	35,049	-	-
Accruals, receipts in advance and other payables	771,358	525,804	485	261
Provision for tax	148,645	197,098	-	-
Amounts due to related parties	1,059	1,040	245,012	222,685
Bank and other loans	317,286	132,647	-	-
	1,370,487	891,638	245,497	222,946
Net current assets	1,993,601	1,709,193	13,043	35,484
Total assets less current liabilities	2,713,743	2,316,453	597,103	599,544
Non-current liabilities				
Bank and other loans	806,988	434,500	-	-
Deferred tax liabilities	27,574	27,609	-	-
	834,562	462,109	-	-
Net assets	1,879,181	1,854,344	597,103	599,544
EQUITY				
Equity attributable to the Company's owners				
Share capital	313,446	313,446	313,446	313,446
Reserves	1,084,986	1,052,176	283,657	260,065
Proposed final dividend	-	26,033	-	26,033
	1,398,432	1,391,655	597,103	599,544
Non-controlling interests	480,749	462,689	-	-
Total equity	1,879,181	1,854,344	597,103	599,544

**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 31/12/2013		As at 31/03/2013	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
317,286	-	132,647	-

Amount repayable after one year

As at 31/12/2013		As at 31/03/2013	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
806,988	-	434,500	-

Details of any collateral

Bank and other loans of approximately RMB631,921,000 were secured by the Group's land use rights which were classified as "Leasehold interest in land and buildings", "Investment properties" and "Properties held under development" as at 31 December 2013. Bank and other loans of approximately RMB492,353,000 were secured by a deposit of RMB514,250,000 which was classified as "Pledged deposits" as at 31 December 2013.



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 31/12/2013	3 months ended 31/12/2012	9 months ended 31/12/2013	9 months ended 31/12/2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash flows from operating activities				
Profit before income tax	3,539	7,161	64,043	91,385
Adjustments for:				
Interest income	(1,493)	(1,576)	(10,471)	(2,674)
Interest expense	265	313	859	1,074
Depreciation of property, plant and equipment	641	277	1,140	777
Loss on disposal of property, plant and equipment	-	11	-	11
Loss on written off of property, plant and equipment	-	22	-	22
Share of result of an associate	-	-	6	-
Fair value gain on re-measurement of equity in an associate	-	-	(613)	-
Operating profit before working capital changes	2,952	6,208	54,964	90,595
(Increase)/Decrease in properties held under development and properties held for sale	(210,846)	(21,076)	(221,126)	18,628
Decrease/(Increase) in account and other receivables and prepayments	33,627	(78,205)	(303,364)	(119,531)
Decrease/(Increase) in financial assets at fair value through profit or loss	198	(13,028)	(5,987)	(8,107)
Decrease/(Increase) in amounts due from/(to) related parties	-	-	19	(40)
Increase in account and other payables, accruals and receipts in advance	195,741	132,968	305,379	84,749
Cash generated from/(used in) operations	21,672	26,867	(170,115)	66,294
Interest received	1,493	1,576	10,471	2,674
Income taxes paid	(12,360)	(11,159)	(73,124)	(45,883)
Net cash generated from/(used in) operating activities	10,805	17,284	(232,768)	23,085
Cash flows from investing activities				
Purchases of property, plant and equipment	(150)	(36)	(1,807)	(166)
Proceeds from disposal of property, plant and equipment	-	61	-	61
Proceeds from disposal of investment properties	-	-	11,108	-
Acquisition of a subsidiary, net	-	-	(36,585)	-
Acquisition of an associate	-	-	-	(6,000)
Acquisition of other investment	(12,000)	-	(12,000)	-
Advance to a joint venture	(2,436)	-	(2,436)	(9,271)
Advance to an associate	-	(11,167)	-	(11,167)
Increase in pledged deposits with original maturity over three months	(117,295)	(226,699)	(270,538)	(228,337)
Net cash used in investing activities	(131,881)	(237,841)	(312,258)	(254,880)
Cash flows from financing activities				
Proceeds from shares issued to non-controlling interests by subsidiary companies	-	-	14,911	-
Repurchases of shares	(1,781)	-	(4,537)	-
Dividend paid	-	-	(26,033)	(25,874)
Dividend paid to non-controlling interests of subsidiaries	-	-	(9,685)	(10,408)
New borrowings	373,929	428,500	778,189	428,500
Repayment of borrowings	(187,088)	(6,591)	(220,263)	(9,766)
Interest paid	(13,232)	(1,567)	(39,335)	(5,015)
Net cash generated from financing activities	171,828	420,342	493,247	377,437
Net increase/(decrease) in cash and cash equivalents	52,752	199,785	(51,779)	145,642
Effect of foreign exchange difference	-	1,736	2,824	50
Cash and cash equivalents at beginning of the period	232,279	99,089	331,986	154,918
Cash and cash equivalents at end of the period (note)	283,031	300,610	283,031	300,610
Note:				
Analysis of balances of cash and cash equivalents				
Cash and cash equivalents	283,031	300,610	283,031	300,610



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									Minority interests	Total equity	
	Share capital	Treasury shares	Share premium	Merger reserve	Statutory reserve	Capital reserve	Other reserve	Exchange reserves	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	RMB'000
At 1 October 2012 (unaudited)	313,446	(8,280)	203,250	(2,243)	58,156	3,838	82,217	(5,974)	705,106	1,349,516	446,993	1,796,509
Profit for the period	-	-	-	-	-	-	-	-	894	894	694	1,588
Other comprehensive income												
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	1,703	-	1,703	-	1,703
Total comprehensive income for the period	-	-	-	-	-	-	-	1,703	894	2,597	694	3,291
At 31 December 2012 (unaudited)	313,446	(8,280)	203,250	(2,243)	58,156	3,838	82,217	(4,271)	706,000	1,352,113	447,687	1,799,800
At 1 October 2013 (unaudited)	313,446	(11,036)	203,250	(2,243)	68,862	3,838	82,217	(4,886)	745,742	1,399,190	481,156	1,880,346
Purchases of treasury share	-	(1,781)	-	-	-	-	-	-	-	(1,781)	-	(1,781)
Transactions with owners	-	(1,781)	-	-	-	-	-	-	-	(1,781)	-	(1,781)
Profit for the period	-	-	-	-	-	-	-	-	1,035	1,035	(407)	628
Other comprehensive income												
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	(12)	-	(12)	-	(12)
Total comprehensive income for the period	-	-	-	-	-	-	-	(12)	1,035	1,023	(407)	616
At 31 December 2013 (unaudited)	313,446	(12,817)	203,250	(2,243)	68,862	3,838	82,217	(4,898)	746,777	1,398,432	480,749	1,879,181

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 2012 (unaudited)	313,446	(8,280)	203,250	59,579	2,621	570,616
Loss for the period	-	-	-	-	(416)	(416)
At 31 December 2012 (unaudited)	313,446	(8,280)	203,250	59,579	2,205	570,200
At 1 October 2013 (unaudited)	313,446	(11,036)	203,250	59,579	33,998	599,237
Purchases of treasury share	-	(1,781)	-	-	-	(1,781)
Loss for the period	-	-	-	-	(353)	(353)
At 31 December 2013 (unaudited)	313,446	(12,817)	203,250	59,579	33,645	597,103

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.

State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

SHARE CAPITAL

Date	Particulars	Number of shares		Amount	
		Issued share capital	Treasury share	Share capital RMB'000	Treasury share RMB'000
01 April 2013	Balance at beginning of the period	518,855,024	(3,460,000)	313,446	(8,280)
11 September 2013	Share buy back – held as treasury	-	(58,000)	-	(73)
13 September 2013	Share buy back – held as treasury	-	(210,000)	-	(273)
19 September 2013	Share buy back – held as treasury	-	(541,000)	-	(795)
20 September 2013	Share buy back – held as treasury	-	(91,000)	-	(137)
23 September 2013	Share buy back – held as treasury	-	(235,000)	-	(370)
24 September 2013	Share buy back – held as treasury	-	(110,000)	-	(175)
25 September 2013	Share buy back – held as treasury	-	(179,000)	-	(278)
26 September 2013	Share buy back – held as treasury	-	(247,000)	-	(376)
27 September 2013	Share buy back – held as treasury	-	(183,000)	-	(279)
01 October 2013	Share buy back – held as treasury	-	(145,000)	-	(221)
02 October 2013	Share buy back – held as treasury	-	(52,000)	-	(79)
03 October 2013	Share buy back – held as treasury	-	(30,000)	-	(45)
04 October 2013	Share buy back – held as treasury	-	(311,000)	-	(474)
07 October 2013	Share buy back – held as treasury	-	(90,000)	-	(134)
08 October 2013	Share buy back – held as treasury	-	(34,000)	-	(48)
09 October 2013	Share buy back – held as treasury	-	(98,000)	-	(140)
10 October 2013	Share buy back – held as treasury	-	(80,000)	-	(112)
16 October 2013	Share buy back – held as treasury	-	(50,000)	-	(69)
18 October 2013	Share buy back – held as treasury	-	(30,000)	-	(43)
24 October 2013	Share buy back – held as treasury	-	(310,000)	-	(416)
31 December 2013	Balance at end of the period	518,855,024	(6,544,000)	313,446	(12,817)

For the period ended 31 December 2013, the Company purchased 3,084,000 (For the period ended 31 December 2012: Nil) of its ordinary shares by way of on-market purchases at share prices ranging from S\$0.250 to S\$0.325 per share and these shares were held as treasury shares.

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 preceeding year.

The total number of issued ordinary shares as at 31 December 2013 was 518,855,024 (31 March 2013: 518,855,024), of which 6,544,000 (31 March 2013: 3,460,000) 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.

The movement of treasury shares is as follows:

As at 01 April 2013	: 3,460,000 shares
Purchase of treasury shares	: 3,084,000 shares
As at 31 December 2013	: 6,544,000 shares

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 2013.

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 2013. 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 2013	3 months ended 31 December 2012	9 months ended 31 December 2013	9 months ended 31 December 2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings per ordinary share (in RMB cents):				
- Basic and Diluted	0.20	0.17	6.60	8.56

Note:

The calculation of basic earnings per share was based on the profit attributable to equity holders of the Company of approximately RMB1,035,000 for the 3 months ended 31 December 2013 (3 months ended 31 December 2012: RMB894,000) and RMB33,968,000 for the 9 months ended 31 December 2013 (9 months ended 31 December 2012: RMB44,127,000) divided by weighted average of 512,438,383 ordinary shares (excluding treasury shares) for the 3 months ended 31 December 2013 (3 months ended 31 December 2012: the weighted average of 515,395,024) and weighted average of 514,339,988 ordinary share (excluding treasury shares) for the 9 months ended 31 December 2013 (9 months ended 31 December 2012: the weighted average of 515,395,024).

Diluted earnings per share for the 3 months ended 31 December 2013 and 9 months ended 31 December 2013 are the same as the basic earnings per share as there are no dilutive potential share (3 months and 9 months ended 31 December 2012: 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 31/12/2013	As at 31/03/2013	As at 31/12/2013	As at 31/03/2013
Net asset value per ordinary share (in RMB cents)	366.80	359.79	116.55	116.33

Note:

The number of ordinary shares of the Company as at 31 December 2013 was 512,311,024 (excluding treasury shares) (31 March 2013: 515,395,024).

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 2013 ("3Q2014") COMPARED TO THE PREVIOUS CORRESPONDING QUARTER ENDED 31 DECEMBER 2012 ("3Q2013")

	Group			
	3 months ended 31 December 2013	3 months ended 31 December 2012	9 months ended 31 December 2013	9 months ended 31 December 2012
Revenue (RMB'000):	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Residential	29,695	17,650	194,565	165,992
Commercial and others	10,096	31,908	54,038	105,906
	39,791	49,558	248,603	271,898

Revenue

The Group's revenue in 3Q2014 was RMB39.8 million compared to RMB49.6 million in 3Q2013, a decrease of 19.7%. The decrease was attributable mainly to lower delivery of residential and commercial units as well as the car park lots of Nanchang Honggu Kaixuan (南昌红谷凯旋).

The revenue in 3Q2014 was primarily derived from the handover of residential and commercial units of Fuzhou Hua Cui Ting Yuan Phase 1 (抚洲华萃庭院一期) as well as residential units of Huzhou Hua Cui Ting Yuan Phase 1 (湖州华萃庭院一期). In 3Q2013, the revenue was mainly derived from the delivery of both residential and commercial units of Nanchang Honggu Kaixuan, as well as the car park lots of this project.

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 properties that are sold. Consequently, revenue and profit for the Group looking across quarters will appear irregular.

Cost of Sales and Gross Profit Margin

In line with the decrease in revenue, cost of sales decreased by 26.8% from RMB33.9 million in 3Q2013 to RMB24.8 million in 3Q2014.

Gross profit margin in 3Q2014 improved from 31.6% in 3Q2013 to 37.6%. The higher gross profit margin in 3Q2014 was due mainly to the handover of Huzhou Hua Cui Ting Yuan Phase 1 with better gross profit margin.

Other Income and Gains

Other income and gains increased 134.5% to RMB4.5 million in 3Q2014 from RMB1.9 million in 3Q2013 due mainly to an increase in rental income from partial leasing of the commercial tower in Nanchang Honggu Kaixuan.

Selling and Distribution Expenses

Selling and distribution expenses increased 132.3% from RMB1.9 million in 3Q2013 to RMB4.5 million in 3Q2014. The higher selling expenses in 3Q2013 were due mainly to the increase in advertising costs and staff salaries in respect of the pre-sale of Fuzhou Hua Cui Ting Yuan and Yichun Royal Lake City (宜春御湖城).

Administrative Expenses

Administrative expenses increased 41.3% from RMB7.9 million in 3Q2013 to RMB11.1 million in 3Q2014 due mainly to the increase in land use tax, salaries as well as charitable donation in 3Q2014.

Finance Costs

Finance costs decreased by 15.3% from RMB313,000 in 3Q2013 to RMB265,000 in 3Q2014 due to a decrease in the borrowing costs and related bank loans which are not capitalised to properties held under development.

Profit for the Period

As a cumulative effect of the foregoing factors, the Group had recorded a profit before tax of RMB3.5 million in 3Q2014, a decrease of 50.6% from RMB7.2 million in 3Q2013.

Income Tax

Income tax expense decreased from RMB5.6 million in 3Q2013 to RMB2.9 million in 3Q2014. The decrease was attributable mainly to the decrease in income tax in line with the decrease in revenue and profit in 3Q2014.

As a result of the foregoing factors, the profit after income tax in 3Q2014 decreased by 60.5% to RMB628,000 compared to RMB1.6 million in 3Q2013.

(b) REVIEW OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 AND CASH FLOW FOR 3Q2014

Investment Properties

As at 31 December 2013, the Group had investment properties at fair value of RMB149.6 million, compared to RMB160.7 million comprising investment properties at fair value and held for sale as at 31 March 2013. The decrease was due to the disposal of investment property and handover of investment properties held for sale to the buyers during the financial period.

Interest in an Associate

The Group had announced on 19 September 2013 the acquisition of an additional 34% equity interest in the Group's associated company, Huzhou Delong Real Estate Co. Ltd. ("Huzhou Delong"). The Group's equity interest in the capital of Huzhou Delong had increased to 64%. Accordingly, Huzhou Delong has become a subsidiary of the Group.

Other Investment

Other investment of RMB20.0 million was the purchase consideration to acquire a 10% equity interest in Zhejiang Gene Stem Cell Biotech Company Limited, which was announced via SGXNET on 10 September 2013.

Properties held under Development

As at 31 December 2013, the Group's properties held under development increased by RMB321.7 million from RMB1.35 billion as at 31 March 2013 to RMB1.67 billion as at 31 December 2013.

The increase was in tandem with the construction progress of the Group's property projects in 3Q2014 which included the construction cost of Fuzhou Hua Cui Ting Yuan Phases 2 and 3, Nanchang Sino Harbour Kaixuan City Phase 1 (南昌汉港凯旋城一期)* as well as Yichun Royal Lake City Phases 1 and 2.

* Formerly known as Nanchang Sino Harbour Island Villa Project Phase 1 (南昌汉港林岛项目一期).

Properties held for Sale

Properties held for sale increased to RMB449.9 million as at 31 December 2013, from RMB386.5 million as at 31 March 2013 due mainly to the commercial tower in Nanchang Honggu Kaixuan being classified as properties held for sale during the period.

Accounts Receivable

Accounts receivable increased to RMB4.7 million as at 31 December 2013, from RMB602,000 as at 31 March 2013 due mainly to the receivable for the disposal of Fuzhou Hua Cui Ting Yuan Phase 1.

Prepayments and Other Receivables

The Group's prepayments and other receivables increased from RMB421.6 million as at 31 March 2013 to RMB713.5 million as at 31 December 2013 out of which RMB234.4 million was attributable to the receivable from the disposal of Hailian Project classified as "Other Receivables" as well as prepaid land use rights amounting to RMB253.0 million for the acquisition of Hangzhou Ganglian Sino Africa Tower Project (杭州港联中非大厦项目)*. The remaining RMB226.1 million was attributable mainly to an increase in the prepayments to contractors for the construction of Fuzhou Hua Cui Ting Yuan and Nanchang Sino Harbour Island Villa Project.

* Formerly known as Hangzhou Project (杭州项目).

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 as well as principal guarantee fund issued by financial institution in PRC.

Financial assets at fair value through profit or loss increased to RMB6.5 million as at 31 December 2013 from RMB533,000 as at 31 March 2013. The significant increase was attributable mainly to the acquisition of the said principal guarantee fund in 3Q2013 which was fully disposed in January 2014.

Pledged Deposits

Long-term and Short-term pledged deposits increased from RMB293.1 million as at 31 March 2013 to RMB563.7 million as at 31 December 2013. The increase was due mainly to the increase in deposits pledged against the bank and other loans to the Group.

Accounts Payable, Accruals, Receipts in Advance and Other Payables

Accounts payable increased to RMB132.1 million as at 31 December 2013 from RMB35.0 million as at 31 March 2013 due mainly to increase in amounts payable to suppliers for construction costs for Fuzhou Hua Cui Ting Yuan Phase 3.

Accruals, receipts in advance and other payables comprise mainly the receipts in advance in respect of deposit and prepayments relating to the Group's property pre-sales, and the accrued construction costs and project-related expenses that were based on the progress of project development but were not due for payment as at 31 December 2013.

Accruals, receipts in advance and other payables increased to RMB771.4 million as at 31 December 2013 from RMB525.8 million as at 31 March 2013 due mainly to the receipts in advance from customer from the pre-sale of Fuzhou Hua Cui Ting Yuan Phase 3.

Bank and Other Loans

As at 31 December 2013, the Group had total borrowings of RMB1.12 billion, an increase from RMB567.1 million as at 31 March 2013 due mainly to new borrowings during the financial period for the purpose of financing development cost for future projects.

Of these borrowings, bank and other loans of approximately RMB492.4 million were secured by a deposit of RMB514.3 million which was classified as "Pledged deposits" as at 31 December 2013.

Based on the Group's total equity of RMB1.88 billion and a deposit collateral of RMB514.3 million, the Group recorded a net gearing ratio (total borrowings less deposit collateral / total equity) of 32.5% as at 31 December 2013, compared to 16.5% as at 31 March 2013.

Cash Flow Analysis

For 3Q2014, the Group's net cash generated from operating activities amounted to RMB10.8 million, which was due mainly to an increase in receipts in advance from customer from pre-sale.

Net cash used in investing activities in 3Q2014 amounted to RMB131.9 million, was due mainly to the increase in deposits pledged to banks against bank loans.

Net cash generated from financing activities in 3Q2014 amounted to RMB171.8 million was due mainly to new borrowings for the period.

As at 31 December 2013, the Group had cash and cash equivalents of RMB283.0 million.

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

The Group's performance for 3Q2014 is in line with the previous results announcement made.

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

New home prices in the PRC continued to rise even though the government has maintained its policy to cool the residential property market. Latest data published by The National Bureau of Statistics (“NBS”) showed that 65 out of a statistical pool of 70 major PRC cities recorded higher new home prices in December 2013. According to NBS’s data published on 20 January 2014, the full year investment in PRC’s property sector in 2013 reached RMB8.6 trillion, an increase of 19.8% compared with 2012.

Company Update

Property Pre-sales

Property pre-sales activities for the Group’s projects in Nanchang, Fuzhou and Yichun cities remained strong. Results of property pre-sale launches (as at 31 January 2014) are summarised in the tables below:

Residential Units

	Nanchang Honggu Kaixuan Phase 2	Fuzhou Hua Cui Ting Yuan Phase 1	Fuzhou Hua Cui Ting Yuan Phase 2	Fuzhou Hua Cui Ting Yuan Phase 3	Yichun Royal Lake City Phase 1	Yichun Royal Lake City Phase 2
Est. total GFA released for sale (total units)	116,214 sqm (1,007 units)	91,853 sqm (633 units)	71,628 sqm (525 units)	66,428 sqm (647 units)	80,241 sqm (889 units)	28,112 sqm (320 units)
Est. total GFA pre-sold (total units)	113,954 sqm (999 units)	84,438 sqm (596 units)	62,511 sqm (487 units)	47,709 sqm (463 units)	67,780 sqm (706 units)	9,646 sqm (105 units)
Percentage of pre-sold	98%	92%	87%	72%	84%	34%
Pre-sale GFA (units pre-sold) not handed over to buyers as at 31 December 2013 [^]	205 sqm (2 units)	1,603 sqm (8 units)	62,511 sqm (487 units)	47,709 sqm (463 units)	3,848 sqm (48 units)	9,646 sqm (105 units)
Pre-sale value not handed over to buyers as at 31 December 2013 [^]	RMB1.48m	RMB10.40m	RMB335.66m	RMB239.15m	RMB16.37m	RMB44.50m
ASP per sq m [*]	RMB7,225	RMB6,486	RMB5,370	RMB5,013	RMB4,255	RMB4,614

*: 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 2013.

Company Strategies

Focusing on sales and pre-sales of existing properties will continue to be the key strategy of the Group. The Group will replicate its successful investment model in property projects to expand its business. Given sufficient funding and the current low level of land bank prices, the Group will continue to acquire land parcels at low cost and focus on building properties in the second- to third-tier cities.

The Group aims to quicken its pace of property development and will consider expanding its portfolio of investment properties to derive more stable revenue streams in the longer term.

11. Dividend

(a) Current Financial Period Reported On

NIL

(b) Corresponding Period of the Immediately Preceding Financial Year

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

NIL

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

No dividend has been declared or recommended for the financial period ended 31 December 2013.

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.

BY ORDER OF THE BOARD

Wong Lam Ping

Chairman

13 February 2014

NEGATIVE ASSURANCE CONFIRMATION

Statement by Directors pursuant to SGX Listing Rule 705(5)

We confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of Pan Hong Property Group Limited which may render these interim financial results for the quarter ended 31 December 2013 to be false or misleading in any material aspect.

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

Wong Lam Ping
Executive Chairman

Chan Chun Kit
Executive Director

Date: 13 February 2014