



PAN HONG HOLDINGS GROUP LIMITED

(Incorporated in Bermuda on 20 December 2005)

(Co. Reg. No: 37749)

2nd QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

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 30 September 2018	3 months ended 30 September 2017	Increase/ (Decrease)	6 months ended 30 September 2018	6 months ended 30 September 2017	Increase/ (Decrease)
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
CONTINUING OPERATIONS						
Revenue	3,080	28,658	(89.3%)	11,976	367,739	(96.7%)
Cost of Sales	(2,326)	(18,381)	(87.3%)	(8,925)	(300,703)	(97.0%)
Gross profit	754	10,277	(92.7%)	3,051	67,036	(95.4%)
Other income and other gains and losses	3,926	3,437	14.2%	8,027	2,412	232.8%
Selling and distribution expenses	(3,647)	(1,340)	172.2%	(6,006)	(2,570)	(133.7%)
Administrative expenses	(3,212)	(5,672)	(43.4%)	(7,220)	(9,685)	(25.5%)
Operating profit	(2,179)	6,702	(132.5%)	(2,148)	57,193	(103.8%)
Finance costs	(466)	(525)	(11.2%)	(1,031)	(1,153)	(10.6%)
(Loss)/profit before income tax	(2,645)	6,177	(142.8%)	(3,179)	56,040	(105.7%)
Income tax (expenses)/credit	(1,380)	2,807	(149.2%)	(1,714)	(13,711)	(87.5%)
(Loss)/profit for the period from continuing operations	(4,025)	8,984	(144.8%)	(4,893)	42,329	(111.6%)
DISCONTINUED OPERATIONS						
(Loss)/profit for the period from discontinued operations	-	(137)	(100.0%)	-	1,134	(100.0%)
(Loss)/profit for the period	(4,025)	8,847	(145.5%)	(4,893)	43,463	(111.3%)
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	(250)	844	(129.6%)	(2,818)	2,286	(223.3%)
Total comprehensive income for the period	(4,275)	9,691	(144.1%)	(7,711)	45,749	(116.9%)
(Loss)/profit for the period attributable to:						
Owners of the Company						
-from continuing operations	(4,025)	9,814	(141.0%)	(4,893)	43,159	(111.3%)
-from discontinued operations	-	203	(100.0%)	-	1,907	(100.0%)
	(4,025)	10,017	(140.2%)	(4,893)	45,066	(110.9%)
Non-controlling interests	-	(1,170)	(100.0%)	-	(1,603)	(100.0%)
	(4,025)	8,847	(145.5%)	(4,893)	43,463	(111.3%)
Total comprehensive income attributable to:						
Owners of the Company						
-from continuing operations	(4,275)	9,902	(143.2%)	(7,711)	45,159	(117.1%)
-from discontinued operations	-	757	(100.0%)	-	2,116	(100.0%)
	(4,275)	10,659	(140.1%)	(7,711)	47,275	(116.3%)
Non-controlling interests	-	(968)	(100.0%)	-	(1,526)	(100.0%)
	(4,275)	9,691	(144.1%)	(7,711)	45,749	(116.9%)
(Loss)/earnings per share for profit attributable to the owners of the Company during the period (in RMB cents):						
- Basic and Diluted	(0.79)	1.96	(140.2%)	(0.96)	8.80	(110.9%)
(Loss)/earnings per share for profit attributable to the owners of the Company during the period from continuing operations (in RMB cents):						
- Basic and Diluted	(0.79)	1.92	(141.0%)	(0.96)	8.42	(111.3%)

Note:

RMB '000	Group			
	3 months ended	3 months ended	6 months ended	6 months ended
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit before income tax from continuing operations is arrived at after charging/(crediting):				
Interest charges on financial liabilities stated at amortised cost				
- Bank and other loans wholly repayable within five years	466	747	1,031	3,113
Less: amount capitalised in properties held under development	-	(221)	-	(1,959)
	466	526	1,031	1,154
Cost of properties held for sale recognised as expense	2,262	12,543	8,835	281,502
Depreciation of property, plant and equipment	599	103	1,051	366
Less: amount capitalised in properties held under development	(9)	(17)	(26)	(24)
	590	86	1,025	342
Operating lease charge in respect of land and buildings	22	8	54	68
Less: amount capitalised in properties held under development	-	-	(24)	(24)
	22	8	30	44
Staff costs, including directors' remuneration				
- Wages and salaries	1,885	1,793	4,183	3,751
- Retirement benefit scheme contributions - defined contribution plans	650	143	885	346
Less: amount capitalised in properties held under development	(764)	(212)	(1,217)	(559)
	1,771	1,724	3,851	3,538
and crediting/(charging):				
Interest income from bank deposits and other receivables	4,380	3,353	8,586	4,446
Exchange (loss)/gain	(124)	92	(124)	92
Net fair value (loss)/gain for financial assets at fair value through profit or loss	(974)	3	(1,214)	(2,337)
Rental income	367	20	440	156
Sundry income/(loss)	277	(31)	339	55

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 2018 (Unaudited)	31 March 2018 (Audited)	30 September 2018 (Unaudited)	31 March 2018 (Audited)
RMB'000				
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	37,610	37,038	-	-
Investment properties	20,841	20,841	-	-
Investments in subsidiaries	-	-	278,608	278,608
Other financial assets	20,000	20,000	20,000	20,000
Deferred tax assets	6,790	6,790	-	-
	85,241	84,669	298,608	298,608
Current assets				
Properties held under development	916,849	788,559	-	-
Properties held for sale	121,761	130,596	-	-
Accounts receivable	1,557	1,410	-	-
Prepayments and other receivables	192,918	157,168	131	113
Amounts due from subsidiaries	-	-	368,892	328,892
Financial assets at fair value through profit or loss	6,867	8,077	-	-
Other investments	-	90,303	-	-
Tax recoverable	33,212	7,765	-	-
Structured bank balances	38,000	50,000	-	-
Pledged deposits	38,611	109,629	-	-
Cash and bank balances	592,548	202,198	161	161
	1,942,323	1,545,705	369,184	329,166
Current liabilities				
Accounts payable	66,283	7,462	-	-
Accruals, receipts in advance and other payables	1,249,054	797,951	152	899
Provision for tax	42,687	58,013	-	-
Amounts due to related parties	11,365	11,352	367,187	326,064
Bank loans	49,066	100,407	-	-
	1,418,455	975,185	367,339	326,963
Net current assets	523,868	570,520	1,845	2,203
Total assets less current liabilities	609,109	655,189	300,453	300,811
Non-current liabilities				
Deferred tax liabilities	3,779	3,748	-	-
	3,779	3,748	-	-
Net assets	605,330	651,441	300,453	300,811
EQUITY				
Equity attributable to the Company's owners				
Share capital	52,241	52,241	52,241	52,241
Reserves	547,433	593,544	248,212	248,570
	599,674	645,785	300,453	300,811
Non-controlling interests	5,656	5,656	-	-
Total equity	605,330	651,441	300,453	300,811

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 September 2018		As at 31 March 2018	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
49,066	-	100,407	-

Details of any collateral

Bank loans of approximately RMB 16,956,000 were secured by the Group's property, plant and equipment as at 30 September 2018. Bank loans of approximately RMB 32,110,000 were mainly secured by deposits of RMB34,800,000 which were classified as pledged deposits as at 30 September 2018.

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

RMB'000	Group			
	3 months ended 30 September 2018 (Unaudited)	3 months ended 30 September 2017 (Unaudited)	6 months ended 30 September 2018 (Unaudited)	6 months ended 30 September 2017 (Unaudited)
Cash flows from operating activities				
(Loss)/profit from continuing and discontinued operations before income tax	(2,645)	8,997	(3,179)	65,030
Adjustments for:				
Interest income	(4,380)	(5,646)	(8,586)	(8,962)
Interest expense	466	686	1,031	1,477
Depreciation of property, plant and equipment	590	544	1,025	1,147
Net fair value loss for financial assets at fair value through profit and loss	974	13	1,214	2,337
Operating profit before working capital changes	(4,995)	4,594	(8,495)	61,029
(Increase)/decrease in properties held under development and properties held for sale	(34,325)	(18,824)	(83,679)	276,472
Increase in accounts and other receivables and prepayments	(85,502)	(51,315)	(97,022)	(69,138)
Increase/(decrease) in accounts and other payables, accruals and receipts in advance	237,207	134,544	509,922	(287,641)
Cash generated from/(used in) operations	112,385	68,999	320,726	(19,278)
Interest received	4,380	5,646	8,586	8,962
Income taxes paid	(14,004)	(27,337)	(17,040)	(43,219)
Net cash generated from/(used in) operating activities	102,761	47,308	312,272	(53,535)
Cash flows from investing activities				
Purchases of property, plant and equipment	(163)	-	(1,019)	(1,240)
Proceeds from disposal of other investments	-	1,500	90,303	1,500
(Increase)/decrease in pledged deposits with original maturity over three months	(2,024)	(18,844)	71,018	4,644
Decrease in structured bank balances	156,500	-	12,000	120,100
Net cash generated from/(used in) investing activities	154,313	(17,344)	172,302	125,004
Cash flows from financing activities				
Repayment to a related company	(7)	(3)	-	(21,646)
Dividend paid to non-controlling interest of a subsidiary	-	(5,888)	-	(5,888)
Dividend paid to owners of the Company	(38,400)	(25,202)	(38,400)	(25,202)
New borrowings	31,010	227,893	38,630	387,720
Repayment of borrowings	(32,902)	(51,916)	(96,411)	(73,139)
Interest paid	(466)	(9,238)	(1,031)	(31,402)
Net cash (used in)/generated from financing activities	(40,765)	135,646	(97,212)	230,443
Net increase in cash and cash equivalents	216,309	165,610	387,362	301,912
Effect of foreign exchange difference	2,291	489	2,988	587
Cash and cash equivalents at beginning of the period	373,948	424,522	202,198	288,122
Cash and cash equivalents at end of the period	592,548	590,621	592,548	590,621
Note:				
Analysis of balances of cash and cash equivalents				
Cash and bank balances	592,548	590,621	592,548	590,621

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 July 2017 (unaudited)	313,446	(12,817)	203,250	(2,243)	100,529	3,838	87,128	(17,747)	993,890	1,669,274	586,747	2,256,021
Profit for the period	-	-	-	-	-	-	-	-	10,017	10,017	(1,170)	8,847
Other comprehensive income												
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	642	-	642	202	844
Total comprehensive income for the period	-	-	-	-	-	-	-	642	10,017	10,659	(968)	9,691
Dividend paid to owners of the Company	-	-	-	-	-	-	-	-	(25,202)	(25,202)	-	(25,202)
Dividend paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	(5,888)	(5,888)
At 30 September 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
At 1 July 2018 (unaudited)	52,241	(12,817)	-	(2,243)	35,368	3,838	87,128	(14,492)	493,326	642,349	5,656	648,005
Profit for the period	-	-	-	-	-	-	-	-	(4,025)	(4,025)	-	(4,025)
Other comprehensive income												
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	(250)	-	(250)	-	(250)
Total comprehensive income for the period	-	-	-	-	-	-	-	(250)	(4,025)	(4,275)	-	(4,275)
Dividend paid to owners of the Company	-	-	-	-	-	-	-	-	(38,400)	(38,400)	-	(38,400)
At 30 September 2018 (unaudited)	52,241	(12,817)	-	(2,243)	35,368	3,838	87,128	(14,742)	450,901	599,674	5,656	605,330

Company	Share capital	Treasury shares	Share premium	Contributed surplus	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 July 2017 (unaudited)	313,446	(12,817)	203,250	59,579	36,026	599,484
Dividend paid to owners of the Company	-	-	-	-	(25,202)	(25,202)
Profit for the period	-	-	-	-	14,908	14,908
At 30 September 2017 (unaudited)	313,446	(12,817)	203,250	59,579	25,732	589,190
At 1 July 2018 (unaudited)	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
At 30 September 2018 (unaudited)	52,241	(12,817)	-	59,579	201,450	300,453

- 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	Amount		
			Issued			Authorised share capital RMB'000	Issued share capital RMB'000	Treasury share RMB'000
01 April 2018 and 30 September 2018	Balance at beginning and end of the period	5,100,000,000	518,855,024	(6,544,000)	510,000	52,241	(12,817)	

Note:

The Company had obtained Shareholders' approval at a Special General Meeting of the Company held on 8 February 2018 for the reduction of the issued and paid-up share capital of the Company by cancelling the paid-up share capital of the Company to the extent of HK\$0.50 on each of the shares with a par value of HK\$0.60 in the share capital of the Company in issue ("Capital Reduction") with effect from 26 February 2018 or such other date as the Directors of the Company may determine in accordance with the Companies Act 1981 of Bermuda, and each issued share with a par value of HK\$0.60 shall be treated as one (1) fully paid up share with a par value of HK\$0.10. The Capital Reduction took effect from 26 February 2018.

- 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 2018 was 518,855,024 (31 March 2018: 518,855,024), of which 6,544,000 (31 March 2018: 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 2018, except for the adoption of new and revised International Financial Reporting Standards ("IFRSs") applicable for the financial period beginning on 1 April 2018 as follows:

IFRS 9 Financial Instruments
IFRS 15 Revenue from Contracts with Customers

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 2018. 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 2018	3 months ended 30 September 2017	6 months ended 30 September 2018	6 months ended 30 September 2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to the owners of the Company (RMB'000)	(4,025)	10,017	(4,893)	45,066
(Loss)/profit for the period from continuing operations attributable to the owners of the Company (RMB'000)	(4,025)	9,814	(4,893)	43,159
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
(Loss)/earnings per ordinary share (in RMB cents) for (Loss)/profit attributable to the owners of the Company during the period:				
- Basic and Diluted	(0.79)	1.96	(0.96)	8.80
(Loss)/earnings per ordinary share (in RMB cents) for (Loss)/profit from continuing operations attributable to the owners of the Company during the period:				
- Basic and Diluted	(0.79)	1.92	(0.96)	8.42

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 (loss)/earnings per share was based on the loss attributable to equity holders of the Company of approximately RMB4,025,000 and RMB4,893,000 for the 3 months and 6 months ended 30 September 2018 (3 months and 6 months ended 30 September 2017: profit of RMB10,017,000 and RMB45,066,000) divided by weighted average of 512,311,024 ordinary shares (excluding treasury shares) (3 months and 6 months ended 30 September 2017: the

weighted average of 512,311,024 and 512,311,024) during the period.

The calculation of basic (loss)/earnings per share from continuing operations was based on the loss from continuing operations attributable to equity holders of the Company of approximately RMB4,025,000 and RMB4,893,000 for the 3 months and 6 months ended 30 September 2018 (3 months and 6 months ended 30 September 2017: profit of RMB9,814,000 and RMB43,159,000) divided by weighted average of 512,311,024 ordinary shares (excluding treasury shares) (3 months and 6 months ended 30 September 2017: 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 2018 are the same as the basic earnings per share as there are no dilutive potential share (3 months and 6 months ended 30 September 2017: 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 September 2018	As at 31 March 2018	As at 30 September 2018	As at 31 March 2018
Net asset value per ordinary share (in RMB cents)	118.16	127.16	58.65	58.72

Notes:

- (1) The number of ordinary shares of the Company as at 30 September 2018 was 512,311,024 (excluding treasury shares) (31 March 2018: 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 2018 was RMB117.05 cents (31 March 2018: RMB126.05 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 FROM CONTINUING OPERATIONS FOR THE QUARTER ENDED 30 SEPTEMBER 2018 ("2Q2019") COMPARED TO THE PREVIOUS CORRESPONDING QUARTER ENDED 30 SEPTEMBER 2017 ("2Q2018")

The Shareholders of the Company had approved a distribution, satisfied by a dividend in *specie* of 1,800,000,000 fully-paid ordinary shares with a par value of HK\$0.01 each in the share capital of Sino Harbour Holdings Group Limited ("Sino Harbour Shares") held by the Company in proportion to their respective shareholdings in the Company, on the basis of 3.51349 Sino Harbour Shares for each share of the Company held by an entitled shareholder as at the Books Closure Date on 6 March 2018, fractional entitlements to be disregarded ("Distribution"). The Company held approximately 73.05% of the issued capital of Sino Harbour Holdings Group Limited ("Sino Harbour") prior to the completion of the Distribution.

The Distribution by the Company was recognised at the carrying amount of the net assets of Sino Harbour and its subsidiaries (collectively referred to as "Sino Harbour Group") attributable to the owners of Company as the directors of the Company considered that Sino Harbour was ultimately under the control of the same party before and after the Distribution. Sino Harbour Group is engaged in property development.

Upon the completion of the Distribution on 29 March 2018, the Group ceased to hold any shares in Sino Harbour Group and Sino Harbour Group ceased to be subsidiaries of the Company. Sino Harbour Group's profit the period from 1 July 2017 to 30 September 2017 was presented as ("Profit (loss) for the period from discontinued operations") as the comparative figures in the consolidated financial statements.

The review of financial results for 2Q2019 is presented with comparatives of results of 2Q2018 sourced from continuing operations.

Revenue

	Group			
	3 months ended 30 September 2018 (Unaudited)	3 months ended 30 September 2017 (Unaudited)	6 months ended 30 September 2018 (Unaudited)	6 months ended 30 September 2017 (Unaudited)
Revenue from continuing operations (RMB'000)				
Residential	2,409	22,444	11,004	350,665
Commercial and others	671	6,214	972	17,074
	3,080	28,658	11,976	367,739

The Group's revenue in 2Q2019 was RMB3.1 million compared to RMB28.7 million in 2Q2018, a decrease of 89.3%.

The revenue in 2Q2019 was primarily derived from the handover of remaining residential units and parking lots of Pan Hong Run Yuan (湖州汎港潤園) Phase 1. In comparison, the revenue in 2Q2018 was mainly attributable to more handover of property units of Huzhou Hua Cui Ting Yuan (湖州華萃庭院) Phase 2.

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.

Cost of Sales and Gross Profit Margin

In line with the decrease in revenue, cost of sales decreased from RMB18.4 million in 2Q2018 to RMB2.3 million in 2Q2019. Accordingly, gross profit decreased from RMB10.3 million in 2Q2018 to RMB0.8 million in 2Q2019.

Gross profit margin decreased from 35.9% in 2Q2018 to 24.5% in 2Q2019 as the residential units of Huzhou Hua Cui Ting Yuan Phase 2 handed over in 2Q2018 had a higher profit margin compared to the residential units and parking lots from Pan Hong Run Yuan Phase 1 handed over 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 increased from RMB3.4 million in 2Q2018 to RMB3.9 million in 2Q2019. The increase was mainly attributable to an increase in interest income.

Selling and Distribution Expenses

Selling and distribution expenses increased by 172.2% from RMB1.3 million in 2Q2018 to RMB3.6 million in 2Q2019. The higher selling expenses in 2Q2019 was mainly due to an increase in selling and marketing expenses incurred in Pan Hong Run Yuan Phase 2 and Pan Hong Run He (汎港潤合).

Administrative Expenses

Administrative expenses decreased by 43.4% from RMB5.7 million in 2Q2018 to RMB3.2 million in 2Q2019 mainly due to strengthened cost control measures and a decrease in pre-operating expenses of Pan Hong Run He project incurred in 2Q2018.

Finance Costs

Finance costs decreased by 11.2% from RMB525,000 in 2Q2018 to RMB466,000 in 2Q2019 mainly due to a decrease in bank and other loans.

Income Tax Expense

Income tax expense increased from a credit of RMB2.8 million in 2Q2018 to an expense of RMB 1.4 million in 2Q2019. The increase was mainly attributable to the PRC corporate income tax arising from declaration of dividend by a PRC subsidiary of the Group.

(Loss)/Profit for the Period from Continuing Operations

As a cumulative effect of the foregoing factors, the Group recorded a loss after tax from continuing operations of RMB4.0 million in 2Q2019, a decrease of 144.8% from a profit of RMB9.0 million in 2Q2018.

Exchange Differences on Translation of Financial Statements of Foreign Operations

Exchange differences on translation of financial statements of foreign operations decreased from a gain of RMB844,000 in 2Q2018 to a loss of RMB250,000 in 2Q2019. 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 loss of RMB4.3 million in 2Q2019, a decrease of 144.1% from an income of RMB9.7 million in 2Q2018.

(b) REVIEW OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018 AND CASH FLOW FOR 2Q2019

Properties Held Under Development

The Group's properties held under development increased by RMB128.2 million from RMB788.6 million as at 31 March 2018 to RMB916.8 million as at 30 September 2018. The increase was mainly due to the construction progress of Pan Hong Run Yuan Phase 2 and Pan Hong Run He during the period.

Properties Held for Sale

Properties held for sale decreased from RMB130.6 million as at 31 March 2018 to RMB121.8 million as at 30 September 2018, mainly due to the handover of the remaining residential units and parking slots in Pan Hong Run Yuan Phase 1 to the buyers.

Accounts Receivable

Accounts receivable increased slightly from RMB1.4 million as at 31 March 2018 to RMB1.6 million as at 30 September 2018, mainly due to exchange difference.

Prepayments and Other Receivables

The Group's prepayments and other receivables increased from RMB157.2 million as at 31 March 2018 to RMB192.9 million as at 30 September 2018. The increase was mainly due to the increase of prepayments for the developments of Pan Hong Run Yuan Phase 2 and Pan Hong Run He during the period.

Other Investments

As at 31 March 2018, the Group had other investments which bore interest rates ranging from 4.3% to 4.6% per annum and had maturity up to one month. As at 30 September 2018, the Group had disposed all other investments and the balance was nil.

Accounts Payable, Accruals, Receipts in Advance and Other Payables

Accounts payable increased to RMB66.3 million as at 30 September 2018 from RMB7.5 million as at 31 March 2018, which is mainly due to reclassification of accruals upon receipt of invoices.

Accruals, receipts in advance and other payables increased from RMB798.0 million as at 31 March 2018 to RMB1,249.1 million as at 30 September 2018. Accruals, receipts in advance and other payables comprised mainly advance receipts from customers in respect of the Group's property pre-sales, accrued construction costs and project-related expenses that were based on the progress of the project development but were not due for payment as well as guarantee deposit by the subcontractor as at 30 September 2018. The increase in accruals, receipts in advance and other payables was mainly due to an increase in advance receipts from the customers of Pan Hong Run Yuan Phase 2 and Pan Hong Run He during the pre-sale stage.

Provision for Tax

Provision for tax decreased from RMB58.0 million as at 31 March 2018 to RMB42.7 million as at 30 September 2018. The decrease was mainly attributable to payment of tax liabilities in 2Q2019.

Bank Loans

As at 30 September 2018, the Group had bank loans of RMB49.1 million, a decrease from RMB100.4 million as at 31 March 2018, mainly due to the repayment of bank borrowing during the period.

Bank loans of approximately RMB17.0 million were secured by the Group's property, plant and equipment as at 30 September 2018. Bank loans of approximately RMB32.1 million were mainly secured by deposits of RMB34.8 million which were classified as pledged deposits as at 30 September 2018.

Based on the Group's total equity of RMB605.3 million and deposit collateral of RMB34.8 million, the Group recorded a net gearing ratio (total bank and other loans/ total equity) of 5.7% as at 30 September 2018, compared to 15.4% as at 31 March 2018.

Cash Flow Analysis

In 2Q2019, the Group recorded RMB102.8 million of net cash generated from operating activities which was mainly attributable to the increase in advance receipts from customers.

Net cash generated in investing activities in 2Q2019 amounted to RMB154.3 million, mainly due to a decrease in structured bank deposits.

Net cash used in financing activities in 2Q2019 amounted to RMB40.8 million, mainly due to dividend paid to owners of the Company and repayment of borrowings.

As at 30 September 2018, the Group had cash and cash equivalents of RMB592.5 million.

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

Although there was no deviation from the information disclosed in paragraph 10 of the previous results announcement, the Company had released a profit guidance announcement to the Singapore Exchange Securities Trading Limited on 7 November 2018 in view of its lower revenue and slight level of loss before and after tax in 2Q2019 compared to 2Q2018.

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 2018 of 67 and 64 out of a statistical pool of 70 major PRC cities respectively. On a year-on-year basis, 67 out of 70 PRC cities recorded a higher price in September 2018.

Company Update

Property Pre-sales

The cumulative results for the pre-sale and handover of properties under each project up to 31 October 2018 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.	97,382 sq.m.
	750 units	890 units
Est. total GFA pre-sold (total units)	95,478 sq.m.	48,038 sq.m.
	741 units	467 units
Percentage of pre-sold	99%	49%
Pre-sale GFA (units pre-sold) not handed over to buyers as at 30 September 2018 [^]	95,748 sq.m.	48,038 sq.m.
	741 units	467 units
Pre-sale value not handed over to buyers as at 30 September 2018 [^] (RMB)	826.6 million	411.2 million
ASP per sq m [*]	RMB 8,658	RMB 8,561
Expected completion date	CY2019 Q3	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.

[^]: 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 2018.

The pre-sale value of RMB1,237.8 million of the 2 projects as at 30 September 2018 will only be recognised as revenue upon completion of handover 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

NIL

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Name of dividend: Dividend *in specie*

Dividend type: Sino Harbour Shares listed on the Main Board of the Stock Exchange of Hong Kong (stock code: 1663.hk)

Dividend amount per share: 3.51349 Sino Harbour Shares per Pan Hong Share

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

No dividend has been declared or recommended for the financial period ended 30 September 2018.

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 2018



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 2018 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 2018