

PAN HONG PROPERTY GROUP LIMITED

(Incorporated in Bermuda)
(Registration Number: 37749)



汎港地產集團
PAN HONG PROPERTY GROUP

FURTHER INFORMATION ON THE COMPANY'S THIRD QUARTER RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2013

The Board of Directors ("**Board**") of Pan Property Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to announcement no. 00092 in relation to the Company's third quarter financial results announcement for the nine months ended 31 December 2013 released to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 13 February 2014 ("**3Q2014 Results**"). Capitalised terms used in this announcement shall, save as otherwise defined, have the same meanings as ascribed to them in the 3Q2014 Results.

The SGX-ST has on 24 February 2014 requested the Company to provide further information in respect of the 3Q2014 Results (the "**Queries**"). The Queries and the Company's corresponding answers are set out below:-

Question 1

"Section 8: Review of Group performance"

The Company stated in the announcement that "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."

Please quantify the increase arising from additional land use tax, salaries and the donation(s) for charity respectively; and

Elaborate on the reasons for the increase in land use tax. It is not apparent from the Balance Sheet that there has been any increase in the Company's land use rights."

Answer to Question 1:

As set out on page 11 of the 3Q2014 Results, the 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.

The breakdown of the material items contributing to administrative expenses in 3Q2014 are as follows:

<u>Nature</u>	<u>Contributing to administrative expenses in 3Q2014</u>
Land use tax	RMB2.8 million
Salaries	RMB1.6 million
Charitable donation	RMB0.8 million
Total	RMB5.2 million

Land use tax (城镇土地使用税) comprises mainly tax paid for the Group's pre-sale properties which are under construction as well as unsold completed properties. The increase of land use tax was due mainly to the increase in land use tax payment for the Group's pre-sale properties which are under construction as well as unsold completed properties in 3Q2014.

Question 2

"Section 9: Review of forecast or prospect statement disclosed previously

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

However, in the Company's previous results announcement of its 2nd Quarter financial statement, the Company had reported that "The Group believes that the underlying demand for housing will continue to remain strong."

In the current results, the Company reported lower revenue due to lower delivery of residential and commercial units. Please reconcile how this is in line with the above statement in the 2Q results announcement."

Answer to Question 2:

It was stated on page 12 under the industry outlook of the Company's previous results announcement of its second quarter financial statement ("**2Q2014 Results**") that the Group believes that the underlying demand for housing will continue to remain strong (the "**Market Demand**").

As disclosed under page 10 of the 3Q2014 Results, the lower revenue for 3Q2014 was attributable mainly to the lower delivery of residential and commercial units as well as the car park lots of Nanchang Honggu Kaixuan (南昌红谷凯旋). In addition, 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 ("**Revenue Recognition**").

As such, the Group is of the view that the Market Demand is not related to the Revenue Recognition. In view of the above, the Group believes that its performance for 3Q2014 is in line with the 2Q2014 Results.

Question 3

"Section 10: Commentary

A table containing a list of projects by the Company was provided in Section 10. Please elaborate on the completion dates of these projects and how the projects would impact on the Company's revenue/profit in the next reporting and for the next 12 months."

Answer to Question 3:

The property pre-sales activities for the Group's projects in Nanchang, Fuzhou and Yichun cities and the results of property pre-sale launches (as at 31 January 2014), updated with the completion date(s) of the project(s) 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 (503 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
Expected completion date	Completed	Completed	Completed	Q4CY2014	Completed	Q1CY2015

*: 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.

As disclosed under page 10 of the 3Q2014 Results, 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. As such, the expected completion date of the projects is not material as revenue recognition is dependent on the launch of new projects and completion of handover of properties that are sold.

By Order of the Board

Wong Lam Ping
Executive Chairman
25 February 2014