

PAN HONG PROPERTY GROUP LIMITED

(Incorporated in Bermuda)
(Registration Number: 37749)



汎港地產集團
PAN HONG PROPERTY GROUP

ADDITIONAL INFORMATION TO THE 2ND QUARTER FINANCIAL STATEMENT ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

The Board of Directors of Pan Hong Property Group Limited (the “Company”, or together with its subsidiaries the “Group”) refers to the Group’s 2nd quarter financial statement (“Results Announcement”) released to SGX-ST on 14 November 2011 and would like to provide the following additional information in reply to the query raised by SGX-ST on 15 November 2011:

Question 1:

We note that share of loss of jointly controlled entity had increased by approximately 504%, from RMB498,000 in 2Q2010 to RMB3,007,000 in 2Q2011. Please elaborate on the factors which affected the performance of the jointly controlled entity and the reasons for the significant loss in 2Q2011.

Response:

Pan Hong owns a 50% interest in Jiangxi Ganghong Industrial Co., Ltd (“Jiangxi Ganghong”), which is a joint-venture company that was established to develop residential and commercial properties in Yichun Project.

The construction of Yichun Project did not commence last year, but was started this year. The Project has not generated any revenue but incurred certain expenses. Due to an increase of staff cost, depreciation, as well as a new loan accepted by the jointly controlled entity which lead to additional handling charge for bank loan arrangement, the share of loss of jointly controlled entity has thus increased.

Question 2:

We note that deposits paid, prepayments and other receivables had increased by approximately 152%, from RMB100.6 million as at 31 March 2011 to RMB253.7 million as at 30 September 2011. In this respect, please provide the following information:

- (a) A breakdown of the material items and explanation for the significant increases; and
- (b) Details of the contracts / agreements relating to the material items mentioned in (a) above.

Response:

As set out on page 12 of the 2nd quarter financial statement announcement for the six months ended 30 September 2011, the increase of the Group's deposit paid, prepayments and other receivable was mainly attributable to the increase of payments to contractors for the construction of Nanchang Honggu Kaixuan and Fuzhou Hua Cui Ting Yuan. The Group paid the construction cost to the contractors in advance according to the stage of construction work and recognise as cost under properties held under development when the construction work has inspected by the Group and billed by the contractors.

As the commercial properties of Nanchang Honggu Kaixuan and residential properties of Fuzhou Hua Cui Ting Yuan Phase 1 are near completion, the contractors demand settlement of progress billing but the construction work has not been inspected by the Group, such settlement was record as prepayment in the statement of financial position.

The breakdown as well as the details of the agreements of the material items for the significant increase is as follows:

Project Name	Nature	Details of the Contracts/Agreements	Amount	Total Amount
Nanchang Honggu Kaixuan	Prepayment for construction cost	General construction cost, including construction materials	RMB35.4M	RMB63.4M
		Electricity and gas installment	RMB14.1M	
		Elevator and air-condition	RMB11.0M	
		Window and door installment	RMB2.9M	
Fuzhou Hua Cui Ting Yuan	Prepayment for construction cost	General construction cost, including construction materials	RMB83.3M	RMB89.0M
		Electricity and gas installment	RMB0.4M	
		Elevator and air-condition	RMB2.1M	
		Window and door installment	RMB1.0M	
		Garden landscaping project	RMB0.5M	
		Prepayment to construction workers	RMB1.7M	
TOTAL				RMB152.4M

Question 3:

We note that financial assets at fair value through profit or loss increased by approximately 55%, from RMB17.5 million as at 31 March 2011 to RMB27.1 million as at 30 September 2011. In this respect, please provide the following information:

- (a) What are these financial assets?
- (b) What are the reasons for the significant increase?

Response:

- (a) Financial asset at fair value through profit or loss includes listed equity securities and principal guaranteed funds in Hong Kong and PRC.
- (b) The significant increase is mainly attributable to the increase in principal guaranteed fund. The Group acquired a principal guaranteed fund from Agricultural Bank of China amounting to RMB6 million on 19 September 2011 and RMB5 million on 28 September 2011, and later all disposed on 17 October 2011 and recorded a gain of RMB22,660.

Question 4:

It is stated on page 10 of the results announcement that the increase of 106.2% in other operating expenses was due to the increase in net fair value loss of financial assets at fair value through profit or loss. Please elaborate on the reasons for the loss and the nature of the financial assets.

Response:

Under IFRS, the financial asset is measured at fair value at the reporting date of the financial period with changes in fair value recognised in the consolidated statement of comprehensive income. Due to market fluctuation, the market value of the listed equity securities held by the Group has decreased. According to the Group's accounting policies, the decrease in the fair value was reflected in 2Q2012's results as a net fair value loss of financial assets grouped in other operating expenses.

Question 5:

It is stated on page 11 of the results announcement that interest in a jointly controlled entity had decreased due mainly to a repayment of RMB50 million, being an advancement to a jointly controlled entity by the Group for the Yichun Project. What is the use of the advancement?

Response:

The advancement was used to finance primarily the partial payment for cost of land parcels and used for working capital purposes including the funding of construction cost associated with the aforesaid property development.

By Order of the Board

Wong Lam Ping
Executive Chairman

16 November 2011