
Increase in Equity Interest in Subsidiary - Huzhou Hailian

1. Introduction

The Board of Directors of Pan Hong Property Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that its wholly-owned subsidiary, Pan Hong Investment Limited (“**PHI**”) and Huzhou Jiangnan Gongmao Group Limited (湖州江南工貿集團有限公司) (“**Vendor**”) have entered into an agreement (the “**Agreement**”) on 26 March 2012 to acquire 20% equity interest in the Group’s subsidiary, Huzhou Jiangnan Hailian Construction Co., Ltd. (湖州江南海联建设有限公司) (“**Huzhou Hailian**”) (the “**Acquisition**”). Following the execution of the Agreement, the Group will increase its equity interest in the capital of Huzhou Hailian from 80% to 100%.

2. Information on Huzhou Hailian

Huzhou Hailian was incorporated in December 2004 with a registered and paid-up capital of US\$8,000,000. PHI held an 80% interest in the registered capital of Huzhou Hailian while the remaining 20% equity stake was held by the Vendor. The net book value of Huzhou Hailian was RMB124.2 million as at 31 December 2011.

Huzhou Hailian owned six parcels of land located at Jiashanyang, Zhonggeng Village, Daochang Town in Huzhou city, Zhejiang Province (浙江省湖州市道场乡中庚村夹山漾鱼场), the PRC (the “**Land Parcels**”). These Land Parcels, with a total site area of approximately 221,000 square metres, were held for property development. On 28 December 2011, Huzhou Hailian and Huzhou Economic – Technological Development Area Management Committee (湖州经济技术开发区管理委员会) entered into an agreement to sell and transfer the Land Parcels in consideration of RMB234.4 million (the “**Disposal**”) and an announcement has been released to the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 4 January 2012 (Announcement No. 00032). The Disposal was completed on 28 December 2011.

3. Rationale for the Acquisition

The Acquisition provides the Group with the opportunity to fully control Huzhou Hailian. The Group presently holds interests in several land parcels located in Zhejiang Province for future property developments. The Group will continue to seek opportunities to acquire land parcels to increase its land bank. The Group believes that the Acquisition will allow the Group to have the flexibility and efficiency for future developments.

4. Principal Terms

Pursuant to the terms of the Agreement, PHI shall acquire 20% equity stake in Huzhou Hailian for a consideration of RMB25.0 million. This was arrived on a willing buyer and willing seller basis after taking into consideration the net book value of Huzhou Hailian.

PHI will make an advance payment of RMB15.0 million to the Vendor upon the signing of the Agreement. PHI will pay the Vendor the sum of RMB10.0 million, being the balance of the total payment within 30 days, subject to the following two conditions being met: (i) receipt of the full payment from Huzhou Economic – Technological Development Area Management Committee for the Disposal and (ii) the approval of the Agreement by relevant legal government entities.

PHI reserves the right to unilaterally terminate the Agreement with the Vendor within 180 days of the contract date. During this aforementioned period, the Vendor is legally obligated to refund the advance payment of RMB15.0 million unconditionally, without incurring any interests, to PHI if PHI chooses to exercise their right to terminate the Agreement.

5. Relative Figures Computed Pursuant to Rule 1006 of the Listing Manual of the SGX

Rule 1006 (a) Net Asset Value	Not applicable as this transaction is not a disposal of assets.
Rule 1006 (b) Net Profits	The net profit attributable to the assets acquired (based on 20% equity interest) was RMB12.4 million as at 31 December 2011. This represents approximately 8.0% of the Group's net profits of RMB154.9 million for the nine months ended 31 December 2011.
Rule 1006 (c) Market Capitalisation	The Purchases Consideration attributable to the Group of RMB25.0 million (S\$5.0 million equivalent based on exchange rate of S\$1.00: RMB4.99) represents approximately 3.2% of the Company's market capitalization of S\$154.6 million as at 23 March 2012.
Rule 1006 (d) Equity Securities	Not applicable as the consideration is to be fulfilled by cash payment

As the relative figures computed on the bases set out in Rule 1006 of the Listing Manual of the SGX-ST exceeds 5% but is not more than 20%, the Acquisition is considered a "Discloseable Transaction" under Rule 1010 of the Listing Manual of the SGX-ST.

6. Financial Effects

The *pro forma* unaudited financial effects of the Acquisition are purely for illustrative purposes and are neither indicative of the actual financial effects of the Acquisition on the net tangible assets for the Group ("NTA") and earnings per share ("EPS") of the Group, nor indicative of the financial performance of the Group for the financial year ending 31 March 2012 ("FY2012").

The *pro forma* financial effects are based on the audited financial statements of the Group for the financial year ending 31 March 2011 ("FY2011"). Assuming that the Acquisition had been effected on 01 April 2010, the effects of the Acquisition on the Group's EPS in FY2011 and NTA per share as at 31 March 2011 are illustrated below.

	Before Acquisition	After Acquisition
No. of Shares Outstanding excluding treasury share	515,395,024	515,395,024
Earnings per share (in RMB cents)	45.62	48.03
Net Tangible Assets (in RMB million)	1,361.2	1,361.0
Net Tangible Assets per Share (in RMB cents)	264.11	264.08

The Acquisition is to be financed using the Group's internal resources. The transaction is not expected to have any material impact on the Group's earnings per share and the Group's net tangible assets in FY2012.

7. Further Information

7.1 Interests of Directors and Controlling Shareholders

None of the Directors or controlling shareholders of the Company have any direct or indirect interest in the above transaction (other than their shareholdings in the Company).

7.2 Directors' service contracts

No person is proposed to be appointed as a director of the Company in connection with the Acquisition. Accordingly, there will not be any directors' service contract in connection thereto.

7.3 Documents for inspection

A copy of the Agreement is available for inspection at the office of the Company's Singapore Share Transfer Agent, B.A.C.S. Private Limited, at 63 Cantonment Road, Singapore 089758 during normal business hours for three months from the date of this Announcement.

By Order of the Board

Wong Lam Ping
Executive Chairman

26 March 2012