

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 PROPOSED ACQUISITION OF LAND BY THE COMPANY'S SUBSIDIARY

The Board of Directors (“**Board**”) of Pan Property Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to announcement no. 00071 in relation to the proposed acquisition of land by the Company’s subsidiary released to the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 21 February 2013 (“**Announcement**”). Capitalised terms used in this announcement shall, save as otherwise defined, have the same meanings as ascribed to them in the Announcement.

The SGX-ST has on 27 February 2013 requested the Company to provide further information in respect of the Announcement (the “**Queries**”). The Queries and the Company’s corresponding answers are set out below:-

Question 1

It is disclosed that the Board has decided to decline the Zhejiang Business Opportunity after considering, among others, that a commercial building is proposed to be developed on the Land and Sino Group has prior experience in respect of its construction of Nanchang Honggu Kaixuan commercial building. If the Company has been in the business of property development, why does the Board take the view to renounce its rights to the ROFR on the basis that it has no experience/expertise to undertake the construction of commercial buildings? Please confirm whether the Company is able to and will contemplate the development of commercial projects going forward.

As the basis for the demarcation of the non-compete was based on geographical regions and Sino Group has now been allowed by the Board of the Company to encroach into the Company’s demarcated territory on the basis that the Company undertakes residential projects and Sino Group undertakes development of commercial projects, will the Company be interested and able to also tender for residential projects in the Southern Region?

Answer to question 1

As stated in the Announcement, the Board deemed it reasonable and in the interests of shareholders of the Company to decline the Zhejiang Business Opportunity and exercised its first right of refusal pursuant to the Deed (“ROFR”), after considering the following reasons:-

- A commercial building is proposed to be developed on the Land and Sino Group has prior experience in respect of its construction of Nanchang Honggu Kaixuan (南昌红谷凯旋) commercial building;
- Through previous working relationship on the proposed co-development of a real estate project by a subsidiary of Sino Harbour, Sino Group has established good working relationships with the co-developer of the proposed commercial building; and
- In view of its commitment to various projects on hand, the Group/Company is not in the financial position to Tender for the Land and develop the proposed commercial building.

The Board would like to emphasise that the combination of above reasons contributed to its decision to decline the Zhejiang Business Opportunity and exercised its ROFR. The Board would like to further clarify that its decision to decline the Zhejiang Business Opportunity **is not** on the basis that it has no experience/expertise to undertake the construction of commercial buildings.

The Group (excluding Sino Group) is principally engaged in the business of property development, management and investment in the Northern Region. Its business of property development is not restricted to residential properties. As such, the Company is able to and will contemplate the development of commercial projects going forward, subject to the cash flow and financial position of the Group (excluding Sino Group) and the proposed business model of the commercial projects, if such opportunity is in the interests of the Company and its shareholders.

The Board would also like to further clarify that its decision to decline the Zhejiang Business Opportunity and exercised its ROFR **is not** on the basis that the Group (excluding Sino Group) undertakes the development of residential projects and Sino Group undertakes the development of commercial projects. Sino Group and the Company have undertaken that where projects or new business opportunities relating to the business of property development, management and/or investment or the business activities engaged by a party arise in the geographical region in the PRC allocated to the other party, the other party shall have the **first right of refusal** to take up such business opportunities.

If the opportunity arises for the Company to tender for property development projects (which are not limited to just residential projects) in the Southern Region, the Board will consider the circumstances and determine if such opportunity is in the interests of the Company and its shareholders, subject to the cash flow and financial position of the Group (excluding Sino Group) and the proposed business model of the projects.

As stated in the Company's third quarter result announcement (announcement no. 00163) released to the SGX-ST on 1 February 2013 ("**3Q2013 Results**"), the Group will continue to seek suitable and attractive land acquisition opportunities for property development. It will consider expanding its portfolio of investment properties to build more stable revenue streams in the long term.

Question 2

It is disclosed that another reason considered by the Board in declining the Zhejiang Business Opportunity is that Sino Group has established good working relationships with the co-developer of the proposed commercial building. Who is this co-developer and what is its background? As Sino Group was part of the Company previously, please disclose why the Board does not believe that the management of the Company is able to work with this co-developer and must pass the job to Sino Group instead.

Answer to question 2

Sino Group has established good working relationships with the co-developer of the proposed commercial building through a previous project of Sino Group that did not materialise. As Sino Group is only in the preliminary stage of bidding for the land, it is not appropriate to disclose any information on the co-developer as Sino Group has not entered into any agreement with the co-developer.

In addition, the Board has prior to its decision to decline the Zhejiang Business Opportunity, requested and received a written confirmation from the co-developer on its preference to work with Sino Group.

Question 3

The Company also disclosed that in view of its commitment to various projects on hand, the Group/Company is not in the financial position to tender for the Land and develop the proposed commercial building. Please quantify to substantiate this statement.

Answer to question 3

As disclosed in the 3Q2013 Results, the cash and bank balances of the Group (including Sino Group) as at 31 December 2012 is RMB300,610,000. The cash and bank balances of the Group (excluding Sino Group) as at 31 December 2012 is RMB24,164,000.

As the Group (excluding Sino Group) is committed to its various projects on hand, namely, Huzhou Hua Cui Ting Yuan Phase 2, Huzhou Run Yuan and Huzhou Delong, and for practical reasons, the Company/Group is not in the financial position to tender for the Land and develop the proposed commercial building as it does not want to over extend its limited resources. An announcement (announcement no. 00057) in relation to the acquisition of equity Interest in Huzhou Delong Real Estate Co., Ltd. was released to the SGX-ST on 12 July 2012.

By Order of the Board

Wong Lam Ping
Executive Chairman
04 March 2013