PAN HONG PROPERTY GROUP LIMITED
(Incorporated in Bermuda)
(Registration Number: 37749)

汎港地產集團
PAN HONG PROPERTY GROUP

Incorporation of Shenzhen Qianhai Guang Shang Xi He Financial Holdings Company Limited

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 the Company's subsidiary, Huzhou Runho Import and Export Trading Limited (湖洲润浩进出口贸易有限公司) ("**Huzhou Runho**"), had established an associated company, Shenzhen Qianhai Guang Shang Xin He Financial Holdings Company Limited (深圳前海广商信合金融控股股份有限公司) ("**Shenzhen Qianhai**") together with Jieyang Airport Economic Zone Xing Yu Investment Company Limited (揭阳空港经济区兴宇投资有限公司) ("**Xing Yu**"), Qinghai Da Hai Engineering & Construction Company Limited (青海大海工程建设有限公司) ("**Qinghai Da Hai**"), Jieyang Airport Zone Tai Xing Wine Company Limited (揭阳空港区台兴酒业有限公司) ("**Jieyang Tai Xing**") and Shenzhen Jia Qi Da Investment Consultants Company Limited (深圳市佳其达投资咨询有限公司) ("**Shenzhen Jia Qi Da**"). The shareholdings held by Huzhou Runho, Xing Yu, Qinghai Da Hai, Jieyang Tai Xing and Shenzhen Jia Qi Da are 30%, 30%, 20%, 10% and 10% respectively.

Xing Yu, Qinghai Da Hai and Jieyang Tai Xing are owned by the Chairman of Jiangxi Province, Qinghai Province and Guizhou Province of the Guangdong Association respectively. Shenzhen Jia Qi Da has more than 10 years of experience in financial industry. They are all independent third parties.

2. Background of Shenzhen Qianhai

Shenzhen Qianhai was incorporated in People's Republic of China ("**PRC**") with a registered and paid-up capital of RMB150 million. Its principal activities include internet finance business, electronic commerce business, asset management, and the provision of business consultancy services.

Shenzhen Qianhai, registered in Qianhai Shenzhen Hong Kong Modern Service Industry Cooperation Zone (深圳前海深港现代服务业合作区) (the "**Zone**"), intends to undertake the internet finance and electronic commerce business, fund and asset management as well as the provision of business consultancy services in the PRC ("**Business**").

3. Rationale for the Transaction

Based on the overall development plan of the Zone approved by the PRC's State Council in 2010, which was subsequently included in China's 12th Five-Year Plan in 2011, the Zone is set to be developed into the demonstration area of Guangdong – Hong Kong innovation cooperation in modern industry. To encourage investments in the Zone, the PRC Central Government has offered favourable policies, including tax, finance and legal benefits to investors. In addition, the Zone benefits from the geographical advantages of being in close proximity to both Hong Kong and Shenzhen airports and transportation accessibility.

In view of the above and based on the following factors, the Directors believe that the establishment and the undertaking of the Business of Shenzhen Qianhai are in the interests of Shareholders due to the potential to generate benefits to the Group:-

(i) The Group is principally engaged in property development in the PRC.

As previously announced, the Group has been actively exploring suitable business opportunities to broaden its revenue base. Given the dynamics in the development of the Zone, the establishment and undertaking of the Business of Shenzhen Qianhai represents an excellent opportunity to the Group to diversify its core business and broaden its revenue base.

(ii) Shenzhen Qianhai intends to undertake the internet finance and electronic commerce business in PRC, which are huge and fast growing sectors. The Directors believe that the establishment of Shenzhen Qianhai and the involvement in the internet finance and electronic commerce business will enhance growth potential of the Group.

(iii) The development of the Zone is drawing a global attention. Shenzhen Qianhai will be a platform for the Company to seek development opportunities in the Zone, which is expected to have a positive impact on the future developments of the Group.

(iv) The proposed diversification through Shenzhen Qianhai is expected to provide the Group with new sources of income which include, but is not limited to, share of gains from an associate in the Group's consolidation financial statements.

4. Principal Terms of the Transaction

Pursuant to the Shenzhen Qianhai's Memorandum and Articles of Association (the "**M&A**"), Huzhou Runho will be injecting a capital of RMB45.0 million (the "**Consideration**") to invest 30% equity stake in Shenzhen Qianhai as its pro rata share of the registered capital (the "**Transaction**").

The Consideration will be satisfied by payment of cash. The Group will be paying RMB9.0 million as partial payment of the Consideration, and shall pay the remaining balance of RMB36.0 million within two years from the date of incorporation of Shenzhen Qianhai.

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

Rule 1006 (a) Net Asset Value of the assets to be disposed of, compared with the group's net asset value.	Not applicable as this transaction is not a disposal of assets.
Rule 1006 (b) Net Profits attributable to the assets acquired or disposed of, compared with the group's net profits	Not applicable as there are no profits attributable from the transaction.
Rule 1006 (c) Aggregate value of the consideration received, compared with the market capitalisation based on the total number of issued shares excluding treasury shares	The Consideration of RMB45.0 million (S$9.93 million equivalent based on exchange rate of S$1.00: RMB4.53) represents approximately 11.1% of the Company's market capitalization of S$89.7 million as at 15 June 2015.

Rule 1006 (d) Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	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 transaction is considered a "Discloseable Transaction" under Rule 1010 of the Listing Manual of the SGX-ST.

The Directors believe that the proposed diversification is not expected to change the risk profile of the Company due to the structure of the investment (i.e. 30% equity stake in Shenzhen Qianhai).

6. Financial Effects

The transaction is to be financed using the Group's internal resources. The transaction is not expected to have any material impact on the Group's net tangible assets and earnings per share for the most recently completed financial year ended 31 March 2015 assuming that the transaction had been effected on 31 March 2015 and 1 April 2014 respectively.

The transaction is not expected to have any material impact on the Group's net tangible assets and earnings per share for the current financial year ending 31 March 2016.

7. Further Information

7.1 Interests of Directors and Controlling Shareholders

None of the Directors or controlling shareholders of the Company has 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 transaction. Accordingly, there will not be any directors' service contract in connection thereto.

7.3 Documents for inspection

A copy of the M&A is available for inspection during normal business hours at the following addresses for three months from the date of this announcement:

(a) Company's Registered Office
Clarendon House
2 Church Street, Hamilton HM11
Bermuda

(b) B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758

By Order of the Board

Wong Lam Ping
Executive Chairman

16 June 2015