

PAN HONG PROPERTY GROUP LIMITED

(Incorporated in Bermuda)
(Registration Number: 37749)



汎港地產集團
PAN HONG PROPERTY GROUP

PROPOSED ACQUISITION OF LAND BY THE COMPANY'S SUBSIDIARY

The Board of Directors (“**Board**”) of Pan Hong Property Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that Sino Harbour Property Group Limited (“**Sino Harbour**”) and its subsidiaries (collectively as **Sino Group**), intends to bid at the public tender (挂牌出让) (“**Tender**”) by the Bureau of Land Resources of Hangzhou (“**BLRH**”) for the land use rights of the land located at the Southwest junction of Moganshan Road (莫干山路) and Shenhua Road (申花路), Gongshu District (拱墅区), Hangzhou City, Zhejiang Province, the People’s Republic of China (“**PRC**”) with a planned construction floor area of approximately 81,928 square meters (“**Land**”).

(i) Non-compete undertaking

Sino Harbour is a 75% owned subsidiary of the Company subsequent to the spin-off of Sino Group on 22 July 2011. To mitigate any potential conflict of interest between Sino Group and the Group (excluding Sino Group), there is a clear delineation of the geographical markets in the PRC between Sino Group and the Group as set out in the deed of non-competition (“**Deed**”) entered into between Sino Harbour and the Company and disclosed in the Company’s circular to shareholders dated 21 December 2010 and Sino Harbour’s prospectus dated 12 July 2011.

Under the Deed, each of Sino Harbour and the Company has undertaken that for as long as (i) the Group (excluding Sino Group) is regarded as a controlling shareholder (as defined under the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST Listing Manual**”)) of Sino Harbour; and/or (ii) the Group (excluding Sino Group) is the single largest shareholder of Sino Harbour, each of the Group (excluding Sino Group) and Sino Group will not, *inter alia*, engage in property development projects and compete with the other (whether independently, through joint-ventures and/or other investments) in the geographical regions in the PRC allocated to each other.

The Group is principally engaged in the business of property development, management and investment (“**Restricted Business**”) in the northern region of PRC, namely, the provinces and cities to the north of and including the Zhejiang Province of the PRC, including Xinjiang, Tibet, Gansu, Shaanxi, Qinghai, Inner Mongolia, Ningxia, Shanxi, Henan, Hebei, Shandong, Jiangsu, Anhui, Zhejiang, Liaoning, Jilin, Heilongjiang, Beijing, Tianjin and Shanghai (collectively, the “**Northern Region**”).

Sino Group is principally engaged in the Restricted Business in the southern region of PRC, namely, the provinces and cities to the south of the Zhejiang Province of the PRC, including Jiangxi, Sichuan, Chongqing, Hubei, Fujian, Yunnan, Guangxi, Hunan, Guangdong, Guizhou and Hainan (collectively, the “**Southern Region**”).

Each of Sino Group and the Company has further 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 a party, such party shall have the first right of refusal to take up such business opportunities.

As the Tender for the Land is located in the Northern Region, Sino Group had notified the Company of the business opportunity that relates to the Restricted Business in the Northern Region (“**Zhejiang Business Opportunity**”) in accordance with the Deed.

The Board, after considering the following reasons, deemed it reasonable and in the interests of shareholders of the Company to decline the Zhejiang Business Opportunity, had exercised its first rights of refusal pursuant to the Deed:-

- 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.

(ii) Information on the Tender and Proposed Acquisition

The Tender is expected to be held in March 2013 by BLRH, a local PRC government authority which is in charge of, *inter alia*, the sale of land use rights in Hangzhou City, Zhejiang Province, the PRC.

A completed application form for participating in the Tender, valid corporate documents and a prescribed deposit are required to be submitted to BLRH before the prescribed deadline to be announced by BLRH. Such deposit will be applied towards settling part of the consideration for the acquisition of the land use rights of the Land and other related fees and/or expenses if Sino Group is successful in its bidding at the Tender.

The final bid price for the Land to be submitted by Sino Group will depend on, *inter alia*, Sino Group’s view on the property market and its prospects on the date of the Tender.

It is currently expected that, if the bid to be submitted by Sino Group is successful at the Tender, Sino Group will finance the payment for the proposed acquisition (“**Proposed Acquisition**”) by the internal resources and/or borrowing facilities available to Sino Group at that time.

The Proposed Acquisition is not expected to have any material impact on the earnings and net tangible assets of the Company for the financial year ending 31 March 2013.

If Sino Group wins at the Tender, BLRH will issue a letter confirming the winning of the bid (the “Confirmation Letter”, 国有建设用地使用权挂牌竞买成交通知书) on the date of the Tender, and will further enter into a land use rights transfer contract (the “Transfer Contract”, 国有建设用地使用权出让合同) with Sino Group within the time to be specified in the Confirmation Letter.

(iii) Information of the Land

The Land is planned to comprise a site area of approximately 20,482 square metres, located at the Southwest junction of Moganshan Road (莫干山路) and Shenhua Road (申花路), Gongshu District (拱墅区), Hangzhou City, Zhejiang Province, the PRC. The planned construction floor area is approximately 81,928 square metres. The Land is currently vacant.

Based on information available from public resources, the Land may be used for commercial purpose and the term of the land use rights of the Land is expected to be no less than 40 years. Further details of the Land, such as plot ratio and construction requirements, will be announced by BLRH.

(iv) Reasons for the Proposed Acquisition

Sino Group is principally engaged in the property development in the PRC, especially in Jiangxi Province. The Land, if the Group is successful at the Tender, is intended to be developed as a commercial project, which will increase Sino Group’s investment proportion in commercial properties.

The Directors consider that the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole and the terms thereof are fair and reasonable. Reasons for exercising the Company’s first rights of refusal pursuant to the Deed and declining the Zhejiang Business Opportunity are set out in (i) above.

(v) Interests of Directors and/or Controlling Shareholders

None of the Directors or the controlling shareholders of the Company has any direct or indirect interest in the Proposed Acquisition.

(vi) General

Rule 1006 of the SGX-ST Listing Manual is not applicable to the Company as the Proposed Acquisition by Sino Group is deemed to be in the ordinary course of business of developing commercial and residential properties.

Sino Harbour is listed on the main board of The Hong Kong Stock Exchange Limited (“HKSE”). Under the listing rules of HKSE, the Proposed Acquisition, if it materialises, will constitute a major transaction for Sino Group and will be a qualified property acquisition which is subject to the reporting and announcement requirements. However, it is exempt from Sino Harbour’s shareholders’ approval provided that all the conditions as referred to in Rule 14.33A of the HKSE Listing Rules are satisfied. Sino Harbour will apply for the necessary exemption with the HKSE.

If Sino Group’s bidding is successful, it will thereupon become unconditionally obliged to purchase the Land and an announcement will be published as soon as practicable after notification of the winning of the bid. A circular containing the information required under the HKSE Listing Rules in relation to the Proposed Acquisition will be despatched to Sino Harbour’s shareholders as soon as practicable.

The Company will provide further updates on the Proposed Acquisition, when appropriate and available.

As the Proposed Acquisition may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the Shares.

By Order of the Board

Wong Lam Ping
Executive Chairman

21 February 2013