

PAN HONG PROPERTY GROUP LIMITED

(Incorporated in Bermuda)
(Registration Number: 37749)



汎港地產集團
PAN HONG PROPERTY GROUP

Land Acquisition in Fuzhou – Pan Hong To Receive Compensation for Delay in Handover

Pan Hong Property Group Limited (“Pan Hong” or the “Group”) had previously announced on 23 November 2007 that it acquired the entire land use rights of the land parcel in Fuzhou city (抚州市) in Jiangxi Province through a government tender at a cost of RMB 200 million (excluding taxes), of which the Group has already paid a deposit of RMB 90.0 million.

There was a delay in the handover of this land parcel from the respective authority in Fuzhou. Accordingly, the Group will receive certain compensations under the terms of an agreement that was signed between the two parties on 26 August 2009.

The key terms of the agreement are :

1. The Group will be required to pay only 60% of the local levies payable to the authority in relation to the construction of its property project on the land parcel in Fuzhou (*Based on aggregate estimated gross floor area of 250,000 square metres, and effective levy of approximately RMB 58.8 per square metre which is 60% of original levy of RMB 98 per square metre, the cost savings are expected to be around RMB 9.8 million*);
2. The Group shall receive a compensation sum of RMB 4 million, which the authority has agreed to pay within 10 working days after the Group has settled the aforesaid levies;
3. In view of the global financial crisis, the authority has given its agreement to the Group to fulfill the balance payment of RMB 110 million in phases by the end of 2010. The schedule of payment is as follows: RMB 50 million due on 31 December 2009 (RMB 10 million to be paid upon signing of the agreement and the balance of RMB 40 million to be paid by 31 December 2009), RMB 30 million due on 30 June 2010; and the remaining RMB 30 million due on 31 December 2010. The Group will be allowed to start the administration process for the application of construction permit and commence construction of its property project on payment of RMB 10 million upon signing of the agreement (*As the Group is able to extend the payment schedule for the land parcel, interest cost savings are estimated to be around RMB 14.3 million based on the prevailing benchmark bank interest rate, and assuming that the Group finances the balance payment entirely through bank borrowings*); and
4. The Group has agreed to start construction of the property project before 31 December 2009. At the same time, the local government has also agreed within the legal framework, to assist the Group in related administration matters and application for bank loan financing.

The compensation sum of RMB 4 million is expected to have a positive impact on the Group’s earnings and net tangible assets for the financial year ending 31 March 2010. The balance payment shall be financed by the Group’s internal resources, borrowings and/or proceeds from issue of new equity.

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

By Order of the Board

Wong Lam Ping
Executive Chairman

27 August 2009

Media and Investor Relations Contact :

OCTANT CONSULTING tel (65) 6220 2842
Herman Phua (9664 7582) or Lisa Heng (9090 9887)
herman@octant.com.sg lisa@octant.com.sg