

PAN HONG PROPERTY GROUP LIMITED

(Incorporated in Bermuda)
(Registration Number: 37749)



SETTLEMENT OF LEGAL PROCEEDINGS

The Board of Directors of Pan Hong Property Group Limited (the “Company” and together with its subsidiaries, the “Group”) refers to the announcement issued by the Company on 3 September 2007 in relation to the legal proceedings in Hong Kong against Mr Liu Hong Shu (the “Vendor”) for breach of contract of a sale and purchase agreement (the “Agreement”) between the Vendor and Loerie Investments Limited (“Loerie”), a wholly owned subsidiary of the Company.

Circumstances Giving Rise to the Legal Proceedings

The Agreement is in connection with the acquisition by Loerie of a 90.0% interest in the entire issued and paid-up capital of Ever Sure Industries Limited (“Ever Sure”) from the Vendor (the “Acquisition”) for a purchase consideration of approximately HK\$101.5 million (the “Purchase Consideration”).

Ever Sure is an investment company incorporated in Hong Kong with sole investment in the entire interest of a PRC company, Beihai Southern Paradise Land Industries Development Co., Ltd. (北海南国天堂房地产开发有限公司) which owns four parcels of land in Beihai City, Guangxi Province in the PRC. Upon signing of the Agreement, the Group had paid the sum of HK\$30.0 million to the Vendor on 15 December 2006 as deposit and part payment of the Purchase Consideration.

On 31 August 2007, being the legal completion date of the Acquisition, the Vendor failed to complete the Acquisition which required the Vendor to transfer the legal ownership of 90.0% interest of Ever Sure to Loerie. Loerie subsequently initiated legal proceedings against the Vendor in this respect.

Terms of Settlement

The Directors of the Company wish to inform that Loerie has reached an out of court settlement with the Vendor on 3 April 2009 (the “Settlement Agreement”) in the abovementioned legal proceedings. The terms of settlement shall be set out in a court order to be approved by Court in the legal proceedings (the “Settlement Order”).

Pursuant to the Settlement Agreement, the Vendor has agreed, inter alia, on a without admission of liability basis, to pay into Court :

- i. a sum of HK\$30.0 million plus interest at 3% per annum from 15 December 2006 until 16 March 2009, being the full refund of the deposit and part payment for the Purchase Consideration with interest, within 7 days of the approval of the Settlement

Order. Upon notification of due compliance by Loerie with certain agreed settlement terms, the Vendor shall within 28 days consent to the release of the total sum of HK\$32,026,850 to Loerie by the Court.

- ii. a further sum of HK\$27.5 million within 12 months of the date of the Settlement Order as ex gratia payment to Loerie. Subject to full compliance by Loerie with further settlement terms as agreed, the Vendor shall within 7 days thereafter consent to the release of the total sum of HK\$27.5 million to Loerie by the Court. In compliance with all the Settlement Order terms by the parties, Loerie will seek to discontinue its legal proceedings against the Vendor and shall not pursue the Acquisition.

Should the Vendor fail to pay the above sums in full, Loerie shall be entitled to either continue with its claim in the above legal proceedings or to pursue the Vendor for the said sums.

Financial Impact

As the financial information of Ever Sure has been excluded from the financial statements of the Company and the Group since the year ended 31 December 2007, the non-completion of the Acquisition does not have any impact on the financial performance and net asset value of the Company and the Group for the financial period ended 31 March 2009.

By Order of the Board

Wong Lam Ping
Executive Chairman

3 April 2009

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