

ACQUISITION OF TWO LAND PARCELS IN JIANGXI PROVINCE

1. Introduction

The Board of Directors of Pan Hong Property Group Limited (“**Pan Hong**” or the “**Group**”) wishes to announce that the Group has increased its land bank for property development by acquiring two parcels of land in two cities located in Jiangxi Province, the PRC, in March 2007.

Specifically, the Group has acquired:

1. A 51% interest in land situated in Leping City (乐平市), with site area of 333,340 square metres (“sq m”) (planned gross floor area (“GFA”) is about 420,000 sq m), for mixed property development at RMB 12.5 million (S\$2.5 million); and
2. A 50% interest in land in Yichun City (宜春市), with site area of 640,343 sq m (planned gross floor area is about 1,280,000 sq m), for mixed property development at RMB 116.4 million (S\$22.8 million).

The acquisitions in Leping and Yichun cities (“**The Acquisitions**”) will enable the Group to boost its land bank at a relatively low cost. Given the development plans, the planned GFA of the newly acquired land in Leping and Yichun cities, together with the planned GFA of the Group’s current land bank of around 1.2 million sq m, will amount to approximately 2.9 million sq m.

In aggregate, the value of consideration for the Acquisitions is approximately RMB 128.9 million (S\$25.3 million).

2. Background on the Acquisitions

a) Land in Leping City (乐平市), (“Property 1”)

Located northeast of Jiangxi Province, Leping City is poised for promising economic growth as the government continues with its urbanization efforts and initiatives to attract foreign investments. The GDP of Leping City has grown steadily from RMB4.9 billion in 2003 to RMB7.3 billion in 2006. Correspondingly, the annual disposable income per capita of Leping City’s residents has also risen from RMB5,133 in 2003 to RMB7,011 to 2006.

In tandem with its economic growth, the property market in Leping City has begun to witness more active development in recent years. The Group believes in the years to come, the property market will potentially enter a fast growth phase, with increasing demand for better quality developments and potentially higher average selling prices. As such, the Group views the purchase of the land in Leping City as an opportune time to capitalise on the growth potential of the city’s property market.

The Group has acquired five parcels of land in a state-owned farming estate at Mei Yan (国营梅岩垦殖场虎山下). **Property 1** is strategically located in the belt of an upcoming science and technology park (科技园). According to the development blueprint, this park will unveil a new town centre that integrates modern agricultural, technological and industrial activities.

The plan is to develop high-end residential and commercial properties on **Property 1** that will yield planned GFA of approximately 424,668 sq m.

b) Land in Yichun City (宜春市), (“Property 2”)

Situated northwest of Jiangxi Province, Yichun City is a progressive city that is undergoing industrialisation. Besides agricultural activity, the city’s economy is also driven by other industries such as medical, food and beverage and chemical. Yichun City is easily accessible with established infrastructure such as domestic airport and expressways, and it is conveniently located near the major railways connecting to Beijing and Zhejiang.

The economy of Yichun City is expanding at a rapid pace. The GDP and annual disposable income per capita has grown by around 13% to RMB37.2 billion and RMB8,230 respectively in 2005. This rising standard of living in Yichun City is driving consumer expenditure, resulting in greater demand for quality residential properties.

Pan Hong believes the continued urbanization of Yichun City presents positive growth potential for its property market. To capitalize on this, the Group has acquired a piece of land located at the west of Yi Yang North Road, extending from Xianfeng Machinery Factory at 320 National Highway to southeast of Shanghai Volkswagen Repairs Centre(宜阳北路西侧、320国道先锋机械厂至上海大众维修站段东西二侧).

The plan is to develop residential and commercial properties on **Property 2** that will yield planned GFA of approximately 1,280,686 sq m. This will comprise a large shopping mall with GFA of between 50,000 to 60,000 sq m, and residential properties with GFA of approximately 1,250,000 sq m.

As Yichun City does not have any existing large shopping mall-cum-residential properties, the Group believes this will be the first such significant development in the city. The Group’s strategic partner in the joint venture company has substantial experience in the development and operation of large department stores in China, and enjoys significant annual turnover of over RMB2 billion. As such, Pan Hong is of the view that there is potential for high returns on this project.

3. Salient Terms of the Acquisitions

a) Land in Leping City

Pan Hong had incorporated a wholly-owned subsidiary, Enrich HK Investments Limited (Enrich”), in Hong Kong with an authorised share capital of HK\$10,000 and issued & paid up capital of HK\$1.0 comprising one ordinary share of HK\$1.0 for the purpose of acquisition of the land use right in Leping City through a joint venture company.

Enrich has taken a 51% interest in the joint venture company, Leping City Fenghuang Jincheng Holdings Limited (乐平市凤凰金诚实业有限公司). Leping City Fenghuang Jincheng Industry Co. Ltd is the beneficial owner of **Property 1**.

b) Land in Yichun City

Pan Hong and Jiangxi Hongkelong Group Investment Co., Ltd (江西洪客隆实业有限公司) have established a 50:50 joint venture company Jiangxi Ganghong Investment Co., Ltd (江西港洪实业有限公司) in the PRC, which has successfully acquired the land use rights for **Property 2**.

The registered capital of Jiangxi Ganghong Investment Co., Ltd is RMB 60 million.

The Board of Directors believes that the acquisitions on the terms described above are in the best interests of Pan Hong and its shareholders.

4. Financial Effects of the Acquisitions

The Acquisitions and the subsequent development of Property 1 and Property 2 shall be financed by the proceeds from Pan Hong's initial public offering, internal resources and bank borrowings. The Acquisitions are not expected to have a material impact on the Group's earnings, gearing or net tangible assets for the financial year ending 31 December 2007.

None of Pan Hong's directors or controlling shareholders has any interest, direct or indirect, in the above transaction.

The Initial Public Offering of Pan Hong's shares was sponsored by CIMB-GK Securities Pte. Ltd.

BY ORDER OF THE BOARD

Wong Lam Ping
Executive Chairman

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