

PAN HONG PROPERTY GROUP LIMITED

(Incorporated in Bermuda)
(Registration Number: 37749)



汎港地產集團
PAN HONG PROPERTY GROUP

PAN HONG SIGNS LETTER OF INTENT FOR LAND IMPROVEMENT AND DEVELOPMENT PROJECT IN DEQING COUNTY, ZHEJIANG PROVINCE

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, together with Shenghua Group Holdings Limited (升华集团控股有限公司) (“Shenghua Group” and collectively “Party A”), has today signed a Letter of Intent (“LOI”) with the government of Deqing County (德清县) (the “Government”) in Zhejiang Province.

Shenghua Group is a large state-level enterprise with core businesses in biological and fine chemicals, building and finishing materials, property development and investments. Shenghua Group is a controlling shareholder of Zhejiang Shenghua Biok Biology Co., Ltd. (浙江升华拜克生物股份有限公司) which is listed on the Main Board of the Shanghai stock exchange.

Under the LOI, the Government intends to collaborate with Party A to improve and develop land parcels located on the west of the planned Hangzhou-Nanjing intercity light rail transportation system (“West Block”). With the North Hangzhou-Deqing train station as the centre, the West Block is a new district where the Government aims to accelerate the development of basic infrastructure, enhance the quality of housing, and develop new commercial areas.

Deqing County is situated within the Yangtze River Delta economic zone and approximately 39 kilometres (km) north of Hangzhou, the capital of Zhejiang Province. It is connected to major cities such as Hangzhou, Nanjing and Shanghai through expressways and rail transportation networks. The Hangzhou-Nanjing intercity railway, which will pass through Deqing County, is presently under construction. This intercity high-speed railway that links the North Hangzhou-Deqing station to Hangzhou train station is expected to be ready in the first half of 2011. The travelling time between North Hangzhou-Deqing and Hangzhou train stations is around 8 minutes while the travelling time between Hangzhou and Nanjing will be shortened significantly to 1 hour.

The key provisions under the LOI are as follows:

1. Scope of Project

The site area of the West Block measures 12 square kilometers (sq km). Party A shall undertake the first phase of the land improvement and development work for the prime-grade land parcels that are centrally located in the West Block, which measures around 3.8 sq km (6,000 mu) (the “Project”).

2. Land Improvement and Development Work

Party A is required to carry out the land improvement and development work in accordance to the planning requirements of the Government. Party A is responsible for the building of basic infrastructure, including levelling of land, construction of roads, bridges, utilities infrastructure such as pipe network, electricity, telecommunications etc.

3. Project Company and Project Investment Budget

Party A shall form a Sino-foreign, joint-venture project company ("Project Company") to execute the Project. The Company and Shenghua Group will each own 50% shareholding in the Project Company. The investment budget for the Project is estimated to be RMB 1 billion, which includes the registered capital of the Project Company. The present intention is to finance the Project investment using internal resources, and/or borrowings.

4. Expected Investment Returns on the Project

The Government has agreed that upon receipt of the proceeds from the sale of land parcels under the Project, the priority is to return Party A the amount that Party A has invested as development cost of the Project (including interest on borrowings if any).

After deducting the Project development costs, the Government shall also share the balance of the proceeds from the sale of land parcels with Party A according to a proportion which will be determined at a later date. In addition, the Government will also sell to Party A the land parcels within the Project that are zoned for residential and commercial property development, at reasonable prices.

5. Other Provisions

The Government shall be responsible for land planning, demolition and resettlement; facilitate Party A's administrative procedures to set up the Project Company; as well as ensure that Party A benefits from the preferential policies for foreign-investment companies in the execution of the Project.

In addition, the Government has provided an exclusive commitment whereby it will give first priority to Party A to participate in the Project, and shall not enter into any discussions, negotiations or agreements with any other third parties in relation to the land parcels under the Project.

After the signing of the LOI, a formal legally-binding agreement containing more information and terms pertaining to the Project will be drawn up between Party A and the Government. The Project is conditional upon the signing of a formal agreement between Party A and the Government. The Company will make further announcements as and when there are any material developments.

The LOI is not expected to have an impact on the Group's earnings per share or net tangible assets for the current financial year ending 31 March 2010.

None of the Company's directors or controlling shareholder has any interest, direct or indirect, in the above transaction (other than their shareholdings in the Company).

By Order of the Board

Wong Lam Ping
Executive Chairman

1 December 2009

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