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## **Pan Hong says profit to drop 12% this year**

*But HK developer sees 2007 earnings to more than triple*

(SINGAPORE) Pan Hong Property Group Ltd, which develops residential and commercial buildings in southern China, said net profit is set to fall by about 12 per cent this year, but it expects earnings to more than triple in 2007.

'We won't have a problem meeting our 2006 profit forecast of 52-54 million yuan but we won't exceed it too much,' Wong Lam Ping, Pan Hong's founder and executive chairman, told Reuters in a telephone interview yesterday.

In 2005, Pan Hong's net profit surged 28-fold to 59.3 million yuan (S\$11.6 million).

Mr Wong said 2006's slower profit growth was because the company - which listed on Singapore's bourse in September and now has a market value of US\$130 million - had launched only one project so far this year as it was preoccupied with its Singapore listing.

But the Hong Kong-based firm will have a net cash inflow of 600 million yuan next year from the launch of two residential projects in the cities of Hangzhou and Nanchang.

'This will help us meet our 2007 forecast of approximately 171 million yuan net profit,' he said.

Pan Hong, which has one of the smallest land banks among listed Chinese developers, said it would double its land bank to 1.2-1.4 million square metres from about 550,000 square metres within the next three to five years.

Mr Wong declined to disclose the investment amount, but said the firm will finance the land acquisition from the S\$38.2 million in net proceeds raised from its initial public offering, a bank loan and pre-sales revenue from one of its residential projects.

Mr Wong said Pan Hong's debt-to-net asset value ratio - an indicator of indebtedness - was low at about 0.2 times but added that the company would take on more debt as it adopts a more aggressive growth profile.

'We will increase that going forward for land bank acquisition, but our gearing will not be more than 40 per cent of total net asset value,' he added. - Reuters

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