08:40 01Dec2006 RTRS-RPT-UPDATE 1-INTERVIEW-Pan Hong bets growth on China

(Repeating item first sent late on Nov. 30)

By Wee Sui Lee and Sebastian Tong

SINGAPORE, Nov 30 (Reuters) - Pan Hong Property <PNHG.SI>, a developer in southern China, expects its net profit to more than triple next year, underpinned by strong housing demand in China's smaller cities.

Wong Lam Ping, Pan Hong's founder and executive chairman, said the Hong Kong-based firm would more than double its land bank to grow in China's so-called "second-tier cities" -- which are less developed than the megacities of Beijing and Shanghai.

"Before our public listing, we were quite conservative. But we are changing our approach and will be more aggressive," he told Reuters in a telephone interview on Thursday.

Pan Hong, which has one of the smallest land banks among listed Chinese developers, aims to have a land bank of 1.2-1.4 million square metres in three to five years, up from 550,000 square metres.

Listed on Singapore's bourse in September, Pan Hong operates in the cities of Hangzhou, Huzhou and Nanchang.

It is one of several Hong Kong and Singapore-listed developers such as Agile Property Holdings <3383.HK>, Hopson Development Holdings <0754.HK> and Evergro Properties <EVGR.SI> focused on smaller Chinese cities.

Although the Chinese government has moved to curb over-investment in property with two interest rate hikes this year, middle-class housing demand in these cities has remained unaffected, Wong said.

"We are in the second-tier cities because there are fewer property speculators in these markets and people are buying to live in the homes. The effect of the government measures in these cities is zero," he added.

DEBT, ACQUISITION PLANS

Wong said Pan Hong's debt-to-net asset value ratio -- an indicator of indebtedness -- was currently low at about 0.2 times but added that the company would take on more debt to acquire more land plots.

"But our gearing will not be more than 40 percent of total net asset value," said Wong.

Wong declined to disclose the investment amount, but said the land acquisitions would be financed by the S$38.2 million ($24.8 million) in net proceeds raised from its IPO, a bank loan and pre-sales revenue from one of its residential projects.

Pan Hong's net profit this year is set to fall by about 12 percent this year from 2005, when earnings had surged 28-fold to 59.3 million yuan.

"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 said.

He said profit growth slowed in 2006 because the firm -- which has a market value of $130 million -- launched only one project this year as it was preoccupied with its listing.

But a net cash inflow of 600 million yuan next year from the launch of two residential projects will help it meet its 2007 forecast of approximately 171 million yuan net profit, Wong said.

Wong said Pan Hong would soon announce the acquisition of a property company in the southwest province of Guangxi, a buy that will generate gross profit margins of about 45-50 percent.

Pan Hong is also in talks with Singapore firms for possible joint ventures but this would happen only if the firm clinches bigger development projects, Wong added.

Yanlord Land Group Ltd. <YNLG.SI>, another Chinese developer listed in Singapore, last week announced it had formed a joint venture with the Government Investment Corp. of Singapore

(GIC) that would focus on property development in China.
Shares of Pan Hong, which were issued at S$0.35, ended the Thursday session 1.2 percent higher to S$0.425, after rising as much as 2.4 percent.
($1=7.835 Yuan)
($1=1.543 Singapore Dollar)
((Editing by Geert De Clercq; Reuters Messaging: suilee.wee.reuters.com@reuters.net; suilee.wee@reuters.com; + 65 6870 3904)) Keywords: PANHONG/

For Related News, Double Click on one of these codes:
[E] [SI] [Z] [PSC] [SG] [HK] [CN] [ASIA] [RESF] [REA] [RET] [REAM] [LEN] [RTRS] [PNHG.SI] [3383.HK] [0754.HK] [EVGR.SI] [YNLG.SI]

For Relevant Price Information, Double Click on one of these codes:
<PNHG.SI> <3383.HK> <0754.HK> <EVGR.SI> <YNLG.SI>
Friday, 01 December 2006 08:40:54RTRS [nSIN21909] {EN}ENDS

Sui Lee Wee
Journalist

Reuters Messaging: suilee.wee.reuters.com@reuters.net
(t) 65 6870 3904 | (m) 65 9787 1615 | (f) 65 6776 8112