

ACQUISITION OF A SHAREHOLDING INTEREST IN EVER SURE INDUSTRIES LIMITED

1. Introduction

The Board of Directors of Pan Hong Property Group Limited (“**Pan Hong**”) wishes to announce that its wholly-owned BVI subsidiary, Loerie Investments Limited (the “**Company**”) has on 14 December 2006 entered into a sale and purchase agreement (the “**Agreement**”) with Mr Liu Hong Shu (the “**Vendor**”) to acquire 90.0% of the entire issued share capital of Ever Sure Industries Limited (“**Ever Sure**”) from the Vendor (the “**Acquisition**”).

Ever Sure is an investment company incorporated in Hong Kong. Its sole investment is its 100% interest in Beihai Southern Paradise Land Industries Development Co., Ltd (北海南国天堂房地产开发有限公司) which in turn owns four parcels of land in Beihai City, Guangxi Province in China (“**Ever Sure Group**”).

The Company which was incorporated in the British Virgin Islands as a shell company was recently acquired by Pan Hong to be used as the investment vehicle for the acquisition of Ever Sure. The Company has an issued and paid-up share capital of US\$1.0 comprising one ordinary share and its principal activity is that of investment holding.

2. Rationale for the Acquisition

Ever Sure is the beneficial owner of four parcels of land in Beihai City, Guangxi Province in China (collectively the “**Property**”). The aggregate land area of the Property is approximately 358,296 square metres with a planned gross floor area of approximately 381,000 square metres. Pan Hong intends to develop the Property into residential properties.

Beihai City is a coastal city located at the southern end of Guangxi Province and on the northeastern bank of Beibu Gulf. It is located adjacent to the southwest regions of the Yunnan, Guizhou, Sichuan Provinces, faces Vietnam across the sea and is also the nearest Chinese port to Southeast Asia. It is a vital city in the region of Beibu Gulf and is easily accessible with an established infrastructure such as a domestic airport, railways and expressways. The Property is located in and around the area planned by the government authorities for development as a tourism belt. Based on the aforesaid, the Directors believe that there is good potential for property development in this city given its strategic location, and the Acquisition will allow Pan Hong to tap on the expected economic growth of this city.

This Acquisition will enable Pan Hong and its subsidiaries (the “**Group**”) to increase its planned gross floor area from approximately 818,500 square metres to 1,199,500 square metres.

3. Salient Terms of the Acquisition

Under the terms of the Agreement, the Company will acquire 90% of the entire issued share capital of Ever Sure and the shareholder's loan advanced by the Vendor to Ever Sure at the completion date (the "Sale Loan") for a purchase consideration of about HK\$101.5 million (the "Purchase Consideration"). The Purchase Consideration was arrived at on a "willing-buyer, willing-seller" basis calculated by using the formula - maximum floor area X HK\$296 per square metre X 90% subject to the final amount of maximum floor area ultimately approved by the PRC Government on the date of completion and taking into account the prevailing market rates of similar properties in the vicinity and the Sale Loan. The Purchase Consideration is payable in the following manner:

- (i) upon signing of the Agreement, Pan Hong shall pay the sum of HK\$30.0 million as deposit and part payment of the Purchase Consideration (the "Deposit") to the Vendor and
- (ii) the balance of the Purchase Consideration will be paid by the Purchaser to the Vendor on completion.

The cost of the Acquisition is financed by way of proceeds from the Pan Hong's initial public offering and internal resources of the Group.

Completion of the Acquisition is conditional upon, *inter alia*, the satisfactory completion of due diligence on the Ever Sure Group by the Company, the receipt of the relevant regulatory approvals and the obtainment of all the land use rights to the Property. Completion of the Acquisition is expected to take place on 31 August 2007 or such other date as the Vendor and the Purchaser may agree. If any of the Conditions Precedent shall not be fulfilled on or before the completion date, then the Agreement shall be void and have no effect and the Vendor shall refund the Deposit together with all accrued interest at 3% per annum to Pan Hong.

The Board of Directors believe that the Acquisition on the terms described above is in the best interests of Pan Hong and its shareholders.

4. Financial Effects of the Acquisition

The Acquisition and the subsequent development of the Property will be financed by the proceeds from Pan Hong's initial public offering, internal resources and bank borrowings and it is not expected to have a material impact on the Group's earnings, gearing or net tangible assets for the financial year ending 31 December 2006.

The Board of Directors confirms that none of Pan Hong's directors or controlling shareholder 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

14 December 2006