



汎港地產集團  
PAN HONG PROPERTY GROUP

**PAN HONG PROPERTY GROUP LIMITED**  
(Incorporated in Bermuda on 20 December 2005)

**3RD QUARTER FINANCIAL STATEMENT ANNOUNCEMENT  
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2007**

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

**1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Group's Income Statement for 3rd Quarter ended 30 September 2007. These figures have not been audited or reviewed by the auditors.

	Group		%	Group		%
	3 Months ended 30/9/2007	3 Months ended 30/9/2006		Change	9 Months ended 30/9/2007	
	RMB'000 (Unaudited)	RMB'000 (Unaudited)		RMB'000 (Unaudited)	RMB'000 (Unaudited)	
Revenue	12,777	27,849	-50.0%	17,750	99,411	-80.0%
Cost of sales	6,729	16,813	-60.0%	9,370	59,129	-80.0%
<b>Gross profit</b>	<b>6,048</b>	<b>11,036</b>	-50.0%	<b>8,380</b>	<b>40,282</b>	-80.0%
Other income and gains	12,964	2,459	NM	111,409	8,424	NM
Selling expenses	(785)	(203)	NM	(2,678)	(825)	NM
Administrative expenses	(4,302)	(1,979)	NM	(10,303)	(3,835)	NM
Other operating expenses	(1,422)	(3,790)	-60.0%	(1,601)	(6,064)	-70.0%
<b>Operating profit</b>	<b>12,503</b>	<b>7,523</b>	70.0%	<b>105,207</b>	<b>37,982</b>	180.0%
Finance costs	(101)	(383)	-70.0%	(101)	(1,259)	-90.0%
Share of loss of an associate	-	-	NM	-	(324)	-100.0%
<b>Profit before taxation</b>	<b>12,402</b>	<b>7,140</b>	70.0%	<b>105,106</b>	<b>36,399</b>	190.0%
Taxation	(1,524)	(2,974)	-50.0%	(1,986)	(11,783)	-80.0%
<b>Profit for the period</b>	<b>10,878</b>	<b>4,166</b>	160.0%	<b>103,120</b>	<b>24,616</b>	320.0%
<b>Attributable to:</b>						
Equity holders of the Company	<b>10,321</b>	<b>4,146</b>	150.0%	<b>94,844</b>	<b>24,420</b>	290.0%
Minority interests	<b>557</b>	<b>20</b>	NM	<b>8,276</b>	<b>196</b>	NM
	<b>10,878</b>	<b>4,166</b>	160.0%	<b>103,120</b>	<b>24,616</b>	320.0%
<b>Earnings per share - Basic (RMB cents)</b>	<b>2.15</b>	<b>1.15</b>	90.0%	<b>19.76</b>	<b>6.78</b>	190.0%

NM: Not Meaningful



Note:

	Group			
	3 months ended 30/09/2007	3 months ended 30/09/2006	9 months ended 30/09/2007	9 months ended 30/09/2006
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Profit before taxation is stated after charging / (crediting) the followings:				
Depreciation of property, plant and equipment	219	97	537	212
Less: amount capitalized in properties held under development	(91)	(65)	(190)	(104)
	128	32	347	108
Borrowing costs	1,918	3,171	5,888	3,391
Less: amount capitalized in properties held under development	(1,817)	(2,850)	(3,787)	(1,746)
	101	321	2,101	1,645
Profit on disposal of property, plant and equipment	-	(31)	(17)	(31)
Operating lease charges in respect of land and buildings	-	223	252	335
Less: amount capitalized in properties held under development	-	(26)	(26)	(64)
	-	197	226	271
Staff costs, including directors' emoluments	876	522	3,716	4,044
Contribution to retirement benefits plans	-	-	32	-
	876	522	3,748	4,044
Less: amount capitalized in properties held under development	-	-	(957)	-
	876	522	2,791	4,044
IPO expenses	-	3,539	-	3,539
Fair value gain of investment properties	-	-	-	(5,880)
Excess of acquirer's interests in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (Note)	-	-	(77,777)	-

Note:

The previous announcement made on 3 September 2007:

"On 14 December 2006, the Board of Directors of Pan Hong Property Group Limited ("Pan Hong" or the "Company") announced that Loerie Investments Limited ("Loerie"), a wholly owned subsidiary of the Company, had entered into a sale and purchase agreement (the "Agreement") with one Mr Liu Hong Shu (the "Vendor") in connection with the acquisition of a 90.0% interest in the entire issued and paid-up capital of Ever Sure Industries Limited ("Ever Sure") (the "Acquisition") at a consideration of HK\$ 101.5 million. Pursuant to the Agreement, the legal completion date of this Acquisition is 31 August 2007.

Upon signing of the Agreement, the Company paid the sum of HK\$30.0 million to the Vendor on 15 December 2006 as deposit and part payment of the Purchase Consideration. Pan Hong was subsequently offered two seats, out of a total of three seats, on the Board of Directors of Ever Sure and its PRC subsidiary (collectively the "Ever Sure Group"). As the Company has accepted the appointments which resulted in the Company having the power to govern the financial and operating policies of Ever Sure Group so as to obtain benefits from their activities. Therefore, Ever Sure Group was considered by the directors of the Company as subsidiaries because Ever Sure Group is controlled by the Company since 31 March 2007. Accordingly, the financial statements of Ever Sure Group were included in Pan Hong's consolidated financial statements from 31 March 2007.

The Group recognized a substantial gain of approximately RMB 77.8 million in the first financial quarter ended 31 March 2007, arising from the difference between the Purchase Consideration of RMB 101.5 million and the net fair value of the assets acquired of RMB 179.3 million.



*Following its due diligence of Ever Sure, the Company has also sent a bank draft for the balance of the Purchase Consideration of approximately HK\$71.5 million to Mallesons on 28 August 2007. Pan Hong has discharged all its obligations in accordance with the terms of the Agreement, which stipulated that the Acquisition was to be completed on 31 August 2007.*

*However, on 31 August 2007, the Vendor failed to fulfill his obligations under the Agreement, which required the transfer of legal ownership of 90.0% of the entire issued and paid-up capital of Ever Sure to Loerie. As a result, the Vendor had not collected the bank draft and the Group's liability of approximately HK\$71.5 million had not been discharged while the funds remained in the Group's bank account as at 30 September 2007.*

*In connection with the above, the Vendor has failed to fulfill his obligation to complete the Acquisition on 31 August 2007, the agreed completion date of the Acquisition. After seeking legal counsel in Hong Kong, Pan Hong is of the view that it has a strong legal case against the Vendor. Accordingly, the Company has commenced legal proceedings in Hong Kong against the Vendor for breach of contract.*

*Subject to the completion of statutory external auditing for the financial year ending 31 December 2007 ("FY2007"), there may be an impact on the Company financial performance and net asset value for FY2007 if for any reason our claim against the Vendor is not successful or if specific performance of the Agreement is not granted to us by the courts in Hong Kong and damages awarded are not commensurate with the gain in value of the shares in Ever Sure or if it is subsequently determined (based on the International Financial Reporting Standards) that the Ever Sure Group should not be included for the purposes of the Company's financial reporting in view of the legal proceeding instituted.*

*Pan Hong's legal counsel in Hong Kong has advised that the Vendor does not have grounds to walk away from the transaction and has accordingly committed a material breach of the Agreement. Accordingly, the Company is of the view that it has a strong legal case against the Vendor to seek enforcement of specific performance of the Agreement and intends to commence legal proceedings against the Vendor in due course."*

Pan Hong's legal counsel is taking proceedings from court to seek enforcement of specific performance of the Agreement against the Vendor in due course.



**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	Group		Company	
	30/09/2007 Unaudited RMB'000	31/12/2006 Audited RMB'000	30/09/2007 Unaudited RMB'000	31/12/2006 Audited RMB'000
<b>ASSETS AND LIABILITIES</b>				
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	15,158	4,740	-	-
Investment properties	39,409	35,338	-	-
Goodwill	6,254	6,030	-	-
Available-for-sales financial assets	120	-	-	-
Interests in subsidiaries	-	-	278,608	278,608
Interests in an associate	50,946	-	-	-
Deposit paid	-	30,000	-	-
	<b>111,887</b>	<b>76,108</b>	<b>278,608</b>	<b>278,608</b>
<b>CURRENT ASSETS</b>				
Properties held under development	846,461	291,394	-	-
Properties held for sale	43,320	42,809	-	-
Account receivables	20,085	51,159	-	-
Deposit, prepayments and other receivables	41,071	52,311	1,718	112
Amount due from related parties	-	-	187,400	195,820
Cash and bank balances	357,581	221,356	92	92
	<b>1,308,518</b>	<b>659,029</b>	<b>189,210</b>	<b>196,024</b>
<b>CURRENT LIABILITIES</b>				
Accounts payable	413	9,637	-	-
Accruals, receipts in advance and other payables	479,294	26,951	-	350
Provision for tax	12,930	17,017	-	-
Amount due to related parties	20	29	375	375
	<b>492,657</b>	<b>53,634</b>	<b>375</b>	<b>725</b>
<b>NET CURRENT ASSETS</b>	<b>815,861</b>	<b>605,395</b>	<b>188,835</b>	<b>195,299</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>927,748</b>	<b>681,503</b>	<b>467,443</b>	<b>473,907</b>
<b>NON-CURRENT LIABILITIES</b>				
Borrowings	221,781	110,000	-	-
Shareholder's loan	17,749	17,794	-	-
Deferred taxation	5,713	5,713	-	-
<b>NET ASSETS</b>	<b>682,505</b>	<b>547,996</b>	<b>467,443</b>	<b>473,907</b>
<b>EQUITY</b>				
Share capital	292,164	292,164	292,164	292,164
Share premium	116,727	116,727	116,727	116,727
Reserves	194,508	106,442	58,552	65,016
<b>EQUITY ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS</b>	<b>603,399</b>	<b>515,333</b>	<b>467,443</b>	<b>473,907</b>
<b>MINORITY INTERESTS</b>	<b>79,106</b>	<b>32,663</b>	<b>-</b>	<b>-</b>
<b>TOTAL EQUITY</b>	<b>682,505</b>	<b>547,996</b>	<b>467,443</b>	<b>473,907</b>

**1(b)(ii) Aggregate amount of group's borrowings and debt securities.**

**Amount repayable in one year or less, or on demand**

As at 30/09/2007		As at 31/12/2006	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	20	-	29

**Amount repayable after one year**

As at 30/09/2007		As at 31/12/2006	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
191,900	47,630	110,000	17,794

**Details of any collateral**

The Group's interest-bearing bank borrowings of approximately RMB116.9 million are secured by the pledge of certain land use rights and the office premise of the Group while the Group's other interest-bearing borrowings of approximately RMB75 million are secured by the bank deposits of the Group.

Also, borrowings included loans granted by third parties of approximately RMB105 million and bank loans of RMB116.9 million.



**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group			
	Unaudited		Unaudited	
	3 Months ended	3 Months ended	9 Months ended	9 Months ended
	30/09/2007	30/09/2006	30/09/2007	30/09/2006
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cash flow from operating activities</b>				
Profit before taxation	12,402	7,140	105,106	37,159
Adjustment for:				
Interest income	(2,683)	-	(4,233)	(19)
Interest expense	101	321	101	1,645
Depreciation	128	32	347	108
Excess of the Group's interests in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost of business combinations arising on acquisition	-	-	(77,777)	-
Fair value change of investment property	-	-	-	(5,880)
Share of loss in an associate	-	-	-	82
<b>Operating cash flow before reinvestment in working capital</b>	<b>9,948</b>	<b>7,493</b>	<b>23,544</b>	<b>33,095</b>
Increase in properties held under development	(59,855)	(20,477)	(293,321)	(36,804)
Decrease / (increase) in account and other receivables, prepayments and deposits paid	17,731	(45,542)	48,846	(55,970)
Decrease in amount due from related parties	-	-	1,406	26,159
Increase in account and other payables, accruals and receipts in advance	191,571	23,975	384,663	18,074
(Decrease)/increase in amount due to related parties	13	(3,988)	(9)	(23,886)
<b>Cash generated from / (used in) operations</b>	<b>159,408</b>	<b>(38,539)</b>	<b>165,129</b>	<b>(39,332)</b>
Income taxes refund / (paid)	2,640	5,649	(3,025)	(16,847)
<b>Net cash generated from / (used in) operating activities</b>	<b>162,048</b>	<b>(32,890)</b>	<b>162,104</b>	<b>(56,179)</b>
<b>Cash flow from investing activities</b>				
Purchases of property, plant and equipment	(3,485)	(2,685)	(4,105)	(2,781)
Purchases of available-for-sales financial assets	-	-	(120)	-
Investment in an associate	-	-	(50,946)	(2,060)
Acquisition of subsidiaries	(30,411)	-	(29,740)	763
Dividend paid	(1,571)	-	(6,371)	-
Interest received	2,683	-	4,233	19
<b>Net cash used in investing activities</b>	<b>(32,784)</b>	<b>(2,685)</b>	<b>(87,049)</b>	<b>(4,059)</b>
<b>Cash flow from financing activities</b>				
New loan made to a minority shareholder	-	-	(2,000)	-
Repayment to loan made to a minority shareholder	-	(29,400)	392	-
Issue of shares	-	180,951	-	180,951
New bank loans and other loans	75,000	110,000	75,000	110,000
Repayment to bank and other loans	(3,418)	(15,000)	(3,418)	(14,989)
(Decrease) / increase in shareholder's loan	(45)	(376)	-	11,596
Interest paid	(101)	(321)	(2,101)	(2,252)
<b>Net cash generated from financing activities</b>	<b>71,436</b>	<b>245,854</b>	<b>67,873</b>	<b>285,306</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>200,700</b>	<b>210,279</b>	<b>142,928</b>	<b>225,068</b>
Effect of foreign exchange difference	(4,316)	5,924	(6,703)	6,846
<b>Cash and cash equivalents at beginning of period</b>	<b>161,197</b>	<b>30,945</b>	<b>221,356</b>	<b>15,234</b>
<b>Cash and cash equivalents at end of period</b>	<b>357,581</b>	<b>247,148</b>	<b>357,581</b>	<b>247,148</b>



**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Group	Equity attributable to equity holders of the Company									
	Share capital	Share premium	Merger reserve	Statutory reserve	Exchange reserves	Retained earnings	Proposed final dividend	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 July 2006</b>	200,232	16,546	-	6,058	130	73,385	-	296,351	29,377	325,728
Profit for the period	-	-	-	-	-	4,146	-	4,146	20	4,166
Exchange difference (net income / (expense) recognized directly to the equity)	-	-	-	-	-	61	-	61	-	61
Total income and expenses recognized during the period	-	-	-	-	-	4,207	-	4,207	20	4,227
Pursuant to the Restructuring Exercise	18,790	(16,546)	-	(6,898)	(130)	4,094	-	(690)	-	(690)
Fully paid 1 million shares of HK\$0.10 each	101	-	-	-	-	-	-	101	-	101
New shares of HK\$0.60 each to be issued	73,041	118,023	-	-	5,024	-	-	196,088	-	196,088
Share issuing expenses	-	(6,075)	-	-	-	-	-	(6,075)	-	(6,075)
<b>At 30 September 2006</b>	292,164	111,948	-	(840)	5,024	81,686	-	489,982	29,397	519,379
<b>At 1 July 2007</b>	292,164	116,727	(2,243)	6,058	(3,765)	184,123	-	593,064	72,306	665,370
Profit for the period	-	-	-	-	-	10,321	-	10,321	557	10,878
Exchange difference (net income / (expense) recognized directly to the equity)	-	-	-	-	14	-	-	14	-	14
Total income and expenses recognized during the period	-	-	-	-	14	10,321	-	10,335	557	10,892
Payment of dividend to minority shareholders	-	-	-	-	-	-	-	-	(1,571)	(1,571)
Transfer to Statutory Reserves	-	-	-	2,037	(2,037)	-	-	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	7,814	7,814
<b>At 30 September 2007</b>	292,164	116,727	(2,243)	8,095	(5,788)	194,444	-	603,399	79,106	682,505

  

Company	Share capital	Share premium	Contributed surplus	Statutory reserve	Exchange reserves	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<b>At 1 July 2006</b>	1,000	-	-	-	-	-
Profit for the period	-	-	-	-	-	(1,188)	(1,188)
Total income and expenses recognized during the period	-	-	-	-	-	(1,188)	(1,188)
Pursuant to the Restructuring Exercise	218,022	-	55,421	-	-	-	273,443
Fully paid 1 million shares of HK\$0.10 each	101	-	-	-	-	-	101
New shares of HK\$0.60 each to be issued	73,041	118,023	-	-	-	-	191,064
Share issuing expenses	-	(6,075)	-	-	-	-	(6,075)
<b>At 30 September 2006</b>	292,164	111,948	55,421	-	-	(1,188)	458,345
<b>At 1 July 2007</b>	292,164	116,727	59,579	-	-	(256)	468,214
Profit for the period and total income and expenses recognized during the period	-	-	-	-	-	(771)	(771)
<b>At 30 September 2007</b>	292,164	116,727	59,579	-	-	(1,027)	467,443



- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There was no significant change in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have neither been audited nor reviewed by the auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has adopted the same accounting policies and methods of computations as stated in the audited financial statements for the year ended 31 December 2006, except for the adoption of the amended International Financial Reporting Standards (IRFSs) which become effective for financial year beginning on or after 1 January 2007. The adoption of these amended IFRSs did not give rise to significant change to the financial statements.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Please refer to (4) above.





**6. Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group			
	3 Months ended	3 Months ended	9 Months ended	9 Months ended
	30/9/2007	30/9/2006	30/9/2007	30/9/2006
Earnings per ordinary share of the group (in RMB cents):				
(a) Based on weighted average number of ordinary shares on issue; and	2.15	1.15	19.76	6.78
(b) On a fully diluted basis	NA	NA	NA	NA

Note: Basic earnings per share is calculated based on the profits attributable to equity holders of the Company of approximately RMB10,321,000 for 3 months ended 30 September 2007 and RMB94,844,000 for 9 months ended 30 September 2007 (3 months ended 30 September 2006: RMB4,146,000 and 9 months ended 30 September 2006: RMB24,420,000) divided by the weighted average of 480,000,000 for both 3 months ended 30 September 2007 and 9 months ended 30 September 2007 (3 months ended 30 September 2006 and 9 months ended 30 September 2006: 367,232,877) ordinary shares during the periods.

Diluted earning per share for the period has not been presented as there is no dilutive potential share.

**7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:**  
**(a) current financial period reported on; and**  
**(b) immediately preceding financial year.**

	Group		Company	
	30/9/2007	31/12/2006	30/9/2007	31/12/2006
Net asset value per ordinary share	142.2	114.2	97.4	98.7

**Notes:** Net asset value per ordinary share is calculated based on:

1. the shareholder's equity of our Group / Company at 30 September 2007 and 31 December 2006; and
2. the issued ordinary shares at 30 September 2007 and 31 December 2006 of 480,000,000 ordinary shares.



8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
  - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

#### (a) REVIEW OF FINANCIAL RESULTS

##### Revenue

Revenue (RMB'000)	3 months ended 30/9/2007	3 months ended 30/9/2006
Residential	5,629	5,500
Commercial	7,145	21,050
Others including car parks lots	3	1,299
	<b>12,777</b>	<b>27,849</b>

Group revenue for the third quarter ended 30 September 2007 ("3Q 2007") was mainly derived from the sales of the remaining residential and commercial units of Huzhou Liyang Jingyuan Phase 1 (湖州丽阳景苑第一期) ("Huzhou Liyang"), Huzhou Xinya Jiayuan (湖州馨雅家園) ("Huzhou Xinya Jiayuan"), Huzhou Zhili Yazhoucheng Phase 2 (湖州織里亞洲城第二期) ("Huzhou Zhili") and Wuxing District Balidian Multi-trading Market (吳興區八里店社區綜合市場) ("Wuxing Balidian Market").

Due to the lower gross floor area ("GFA") available for sale in 3Q 2007 compared to 3Q 2006, the Group sold only a total GFA of approximately 3,230 sq m of residential properties and 1,190 sq m of commercial properties during the quarter under review. This resulted in a significant decline in revenue to approximately RMB12.8 million in 3Q 2007.

For the first nine months ended 30 September 2007, the Group's revenue was substantially lower at approximately RMB17.8 million, as compared to RMB 99.4 million over the same corresponding period, due mainly to the significantly lesser GFA of properties available for sale.

##### Cost of sales

The Group's cost of sales comprises mainly land costs, construction costs and capitalized borrowing costs. In line with the decrease in revenue, the cost of sales decreased in 3Q 2007 by approximately RMB10.1 million to approximately RMB 6.7 million. Similarly, cost of sales in first nine months ended 30 September 2007 declined to approximately RMB 9.4 million.

##### Gross Profit Margin

Group gross profit fell to approximately RMB6.0 million in 3Q 2007 in tandem with the decrease in revenue. The Group recorded a rise in gross profit margin to 47.3% in 3Q 2007, compared to 39.6% in 3Q 2006. This was primarily attributed to the higher average selling prices for the commercial units sold at Huzhou Zhili during 3Q 2007. In 3Q 2006, the Group benefited from a higher average selling price as sales comprised of a significant number of commercial units, which yield better profit margins than residential units.

The Group recorded higher gross profit margin of 47.2% in first nine months ended 30 September 2007, compared to 40.5% in the same period of last year.



### **Other income and gains**

The substantial increase in the Group's other income and gains by approximately RMB10.5 million was boosted mainly by a gain from interest income, rental income, investment gains, and consultancy fee income during 3Q 2007.

The Group's other income and gains in first nine months ended 30 September 2007 rose sharply to about RMB 111.4 million. This was attributed mainly to the agency fee and commission income as well as the discount on the acquisition of 90% equity interests in Ever Sure Industries Ltd and its PRC subsidiary that owns four land parcels in Beihai City, Guangxi Province.

### **Selling expenses**

The Group's selling expenses increased by approximately RMB582,000 in 3Q 2007 as the project in Nanchang incurred more advertisement and promotional expenses and sales commission expenses during the quarter under review.

The increase of selling expenses of RMB1.9 million for first nine months ended 30 September 2007 was due to higher staff costs and advertising expenses incurred during 3Q 2007 for promotional activities related to the Group's project in Nanchang.

### **Administrative expenses**

The Group's administrative expenses rose significantly in 3Q 2007 compared to the previous corresponding quarter. This is attributed to the increases in headcount and associated expenses related to the Group's new projects – Huzhou Liyang Jingyuan, Hua Cui Ting Yuan, Wuxing Balidian Market, Huzhou Hailian Construction and Nanchang Honggu Kaixuan – as well as increases in exchange losses in relation to capital injections of Hangzhou Liyang Yuan and Nanchang Honggu Kaixuan projects.

Administrative expenses increased significantly to approximately RMB 10.3 million in the first nine months ended 30 September 2007, compared to approximately RMB 3.8 million in the previous corresponding period.

### **Other operating expenses**

The Group's other operating expenses dropped materially in 3Q 2007 and in the first nine months ended 30 September 2007 compared to the previous corresponding periods owing to the fact that our Group had decreased its charitable donations to schools significantly for the periods under review.

### **Profit Attributable to Equity Holders of the Company**

The Group's profit attributable to equity holders of the Company increased by 150% to approximately RMB10.3 million in 3Q 2007. This was due mainly to the consultancy income and other incomes during the quarter under review.

The Group's profit attributable to equity holders surged three-fold to RMB 94.8 million in the first nine months ended 30 September 2007, lifted mainly by the substantial increase in other income and gains.



## **(b) REVIEW OF FINANCIAL POSITION**

As at 30 September 2007, a subsidiary of our Group, Jiangxi Asia City Real Estate Development Co., Ltd., (“Jiangxi Asia City”) had established a joint venture company, Jiangmen Pan Hong Kaixuan Real Estate Development Co., Ltd. (江門市汎港凱旋房地產有限公司) (“Pan Hong Kaixuan”). Jiangxi Asia City owns 75% interests in this joint venture company which owns a piece of land in Jiangmen City with site area of 28,130 sq m and a planned gross floor area (“GFA”) of approximately 49,000 sq m.

Our Group’s property, plant and equipment increased by approximately RMB10.4 million to RMB15.2 million owing to mainly the acquisition of an office premise in Hong Kong for a consideration of approximately RMB10 million.

As at 30 September 2007, our Group’s properties held under development increased significantly by approximately RMB 555.1 million or 190.5% to RMB 846.5 million. This was due mainly to the addition of 4 parcels of land amounting to approximately RMB206.2 million through the acquisition of Ever Sure and its PRC subsidiary (collectively “Ever Sure Group”) in March 2007 as well as increases in development costs that amounted to approximately RMB 39.5 million in relation to Hangzhou Liyang Yuan, Nanchang Honggu Kaixuan and Hua Cui Ting Yuan projects. Moreover, our Group had acquired a land of approximately RMB 38.1 million via a joint venture company, Pan Hong Kaixuan, in Jiangmen City towards the end of 3Q 2007.

Accounts receivable of our Group dropped significantly by approximately RMB 31.1 million to RMB 20.1 million as at 30 September 2007 due to the collection of funds from both banks and customers. By the end of October 2007, approximately RMB 3 million has been settled by banks and customers.

Our Group’s deposit, prepayment and other receivables had decreased by approximately RMB 11.2 million to RMB41.1 million as at 30 September 2007. This was mainly attributable to the capitalization of the prepayment for construction costs to properties held under development in Huzhou Liyang Jingyuan and Nanchang Honggu Kaixuan projects. Moreover, accruals, advance receipt and other payables increased significantly by approximately RMB 452.3 million to RMB479.3 million as at 30 September 2007, owing to the advanced receipts of approximately RMB396.7 from the pre-sales of the Nanchang Honggu Kaixuan project but partially set off by the payment of construction contracts during the quarter under review.

Significant increase in borrowings by approximately RMB111.7 million to RMB 221.7 million as at 30 September 2007 was due to the loans provided by third parties in order to increase the paid-up capital of Jiangxi Asia City Real Estate Development Co., Ltd. of approximately RMB45.7 million and to increase our Group’s working capital.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

No forecast or a prospect statement has been previously disclosed to shareholders.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

**Industry**

The Chinese government is continuing with its initiatives to promote healthy and sustainable growth of the property market in China over the longer term, including measures to curtail speculative investments, and to ensure a more balanced supply of residential housing.

The potential economic growth of China should continue to augur well for the real estate market. Increasing disposable income and standards of living are expected to stimulate demand for better quality housing.

As one of the earliest property developers to enter the second-tier and third-tier cities in China, Pan Hong is able to leverage on a strong and experienced management team to take advantage of the increasing urbanization and relatively higher growth potential in these cities.

To capitalise on the promising industry prospects and strengthen its market position, the Group plans to continue seeking new and attractive land reserves in its target markets where it has a competitive advantage, and focus on quality developments targeted at the middle to upper-middle income consumers. In August 2007, the Group continued to increase its land bank with an acquisition of land in Jiangmen city, Guangdong Province. Today, the Group has significant land reserves for development over the next few years, comprising strategically located land parcels in developing cities such as Hangzhou, Huzhou, Nanchang and Jiangmen.

Pan Hong completed a share placement exercise, as well as entered into a strategic alliance with real estate and insurance group Hwa Hong Corporation Limited in October 2007. The placement proceeds will place the Group in a stronger financial position to accelerate the development of its property projects in China.

**Update on pre-sales of Nanchang Honggu Kaixuan project located in CBD district**

The Group's project in Nanchang, one of the fastest growing cities in China, is estimated to yield a total GFA of approximately 346,898 sq m. The project comprises 10 residential blocks with an aggregate of 2,130 units, and 31,809 sq m of residential and commercial units. The project was launched in May 2007 and will be developed in phases up to 2010.

As at 3 October 2007, the Group has pre-sold 993 units or GFA of approximately 118,453 sq m in five different residential blocks that were released for sale under Phase 1. Up to 30 September 2007, the pre-sale proceed arising from the sales of residential units was approximately RMB482.4 million of which approximately RMB396.1 million had been received from the customers. The remaining balance will be collected by the end of 2007.

Sale of properties can only be recognized as revenue in the income statement upon completion of handover of units to the owners. At this point in time, the Group estimates that the four residential blocks launched in the first two stages of Phase 1 would be ready for handover by the end of 2007.

### **Future Plans**

The Group has accumulated a sizeable land bank that provides a steady pipeline of property developments for the next few years from 2007 and will continue to increase its land banks in the second tier cities where our Group has the competitive advantage. These strategically located land parcels that the Group has acquired interests have a total planned GFA of approximately 2.9 million sq m, including properties currently under development. Besides its primary target markets of Huzhou, Hangzhou and Nanchang, the Group is also expanding its geographical footprint by venturing into Beihai City in Guangxi Province, Jiangmen City in Guangdong Province as well as Leping and Yichun cities in Jiangxi Province.

## **11. Dividend**

### **(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

None.

### **(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

### **(c) Date payable**

Not applicable.

### **(d) Books closure date**

Not applicable

## **12. If no dividend has been declared/recommendeded, a statement to that effect.**

No dividend has been declared or recommended for the financial period ended 30 September 2007.

BY ORDER OF THE BOARD

Wong Lam Ping  
Executive Chairman

12 November 2007

The initial public offering of the Company's shares was sponsored by CIMB-GK Securities Pte. Limited.



**STATEMENT BY DIRECTORS PURSUANT TO SGX LISTING RULE 705(4)**

***We confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of Pan Hong Property Group Limited which may render these financial statements for the third quarter results ended 30 September 2007 to be false or misleading***

For and on behalf of the  
Board of Directors of  
Pan Hong Property Group Limited

Wong Lam Ping  
Executive Chairman

Chan Heung Ling  
Director

12 November 2007