



PAN HONG PROPERTY GROUP LIMITED

(Incorporated in Bermuda on 20 December 2005)

(Co. Reg. No: 37749)

FOURTH QUARTER FINANCIAL STATEMENT ANNOUNCEMENT FOR THE PERIOD ENDED 31 DECEMBER 2008

Pan Hong Property Group Limited ("Pan Hong" or the "Group") has changed its financial year end from 31 December to 31 March. Accordingly, the current financial year will cover a period of 15 months from 1 January 2008 to 31 March 2009 ("FP2009").

Figures presented in these financial statements include the quarter ended 31 December 2008 ("4Q2008") and the 12 month-period from 1 January 2008 to 31 December 2008 ("12M2008"); in comparison with the previous corresponding quarter ended 31 December 2007 ("4Q2007") and the previous corresponding 12 month-period from 1 January 2007 to 31 December 2007 ("12M2007").

The financial information for 4Q2008 and 12M 2008 has not been audited.

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3 & Q4), 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.

RMB'000	Group					
	3 months ended	3 months ended	Increase/ (Decrease)	12 months ended	12 months ended	Increase/ (Decrease)
	31/12/2008	31/12/2007		31/12/2008	31/12/2007	
	(Unaudited)	(Unaudited)		(Unaudited)	(Audited)	
Revenue	4,299	547,107	(99.2%)	37,070	564,857	(93.4%)
Cost of Sales	(2,478)	(325,117)	(99.2%)	(20,670)	(334,270)	(93.8%)
Gross Profit	1,821	221,990	(99.2%)	16,400	230,587	(92.9%)
Other income and gains	5,317	39,583	(86.6%)	13,130	68,888	(80.9%)
Selling expenses	(948)	(3,894)	(75.7%)	(7,130)	(6,577)	8.4%
Administrative expenses	(3,469)	(3,861)	(10.2%)	(17,902)	(14,164)	26.4%
Other operating expenses	(45)	(110)	(59.1%)	(950)	(547)	73.7%
Fair value gain/(loss) for financial asset at fair value through profit or loss	(3,169)	5,351	(159.2%)	(2,057)	8,519	(124.1%)
Operating (loss)/profit	(493)	259,059	(100.2%)	1,491	286,706	(99.5%)
Finance costs	(1,385)	(1,311)	5.6%	(4,425)	(1,412)	213.4%
Share of loss of a jointly controlled entity	(1,670)	(298)	460.4%	(2,210)	(298)	641.6%
(Loss) / Profit before taxation	(3,548)	257,450	(101.4%)	(5,144)	284,996	(101.8%)
Taxation	(94)	(97,124)	(99.9%)	(4,606)	(99,327)	(95.4%)
(Loss) / Profit for the period	(3,642)	160,326	(102.3%)	(9,750)	185,669	(105.3%)
Attributable to:						
Equity holders of the Company	(3,566)	160,011	(102.2%)	(9,636)	184,856	(105.2%)
Minority interests	(76)	315	(124.1%)	(114)	813	(114.0%)
	(3,642)	160,326	(102.3%)	(9,750)	185,669	(105.3%)
Dividends	-	9,178	(100.0%)	-	9,178	(100.0%)
(Loss) / Earnings per share (in RMB cents):						
- Basis	(0.73)	32.84	(102.2%)	(1.97)	38.37	(105.1%)
- Diluted	N/A	N/A	NM	N/A	N/A	NM

NM: Not Meaningful

Note:

RMB'000	Group			
	3 months ended	3 months ended	12 months ended	12 months ended
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
(Loss)/Profit before taxation is arrived at after charging:				
Finance costs wholly repayable within five year				
- Bank loans	3,545	1,459	11,064	7,347
- Other loans	256	1,412	2,209	1,412
Less: amount capitalised in properties held under development	(2,416)	(1,560)	(8,848)	(7,347)
	1,385	1,311	4,425	1,412
Cost of properties held for sale recognised as expense	2,260	297,989	18,819	306,229
Depreciation of property, plant and equipment	114	(119)	474	418
Less: amount capitalised in properties held under development	(55)	87	(220)	(103)
	59	(32)	254	315
Loss on disposal of property, plant and equipment	44	4	44	4
Outgoings in respect of properties under operating lease arrangements	57	168	298	168
Staff costs, including directors' remuneration				
- wages and salaries	1,610	4,251	7,021	7,967
- retirement benefit scheme contributions - defined contribution plans	15	475	59	507
Less: amount capitalised in properties held under development	(496)	(21)	(2,145)	(978)
	1,129	4,705	4,935	7,496
Amortisation of leasehold interest in land	-	17	-	17
Exchange loss	-	88	987	88
and crediting :				
Other income and gains				
- commission income	1,004	1,604	1,205	18,780
- consultancy fee income	-	7,000	4,471	15,000
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	-	7,479	-	7,479
Fair value gain of properties held for sale upon transfer to investment properties	-	17,637	-	17,637
Interest income				
- from bank deposits and cash at banks	2,092	1,062	4,204	5,295
- from other deposits	2,137	1,115	2,137	1,115
Exchange gain	3	-	-	-
Rental income	469	1,887	469	1,932

Note: No non-audit fee was incurred during the period under review (2007: NIL).

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.

RMB'000	Group		Company	
	31/12/2008 Unaudited	31/12/2007 Audited	31/12/2008 Unaudited	31/12/2007 Audited
ASSETS AND LIABILITIES				
NON-CURRENT ASSETS				
Property, plant and equipment	8,889	8,312	-	-
Investment properties	79,971	81,013	-	-
Leasehold interest in land	7,258	8,206	-	-
Goodwill	6,030	6,030	-	-
Interests in subsidiaries	-	-	278,608	278,608
Interests in a jointly controlled entity	73,539	49,702	-	-
Other receivables	20,000	20,000	-	-
Deposit paid	30,000	30,000	-	-
Deferred tax assets	11,482	11,000	-	-
	237,169	214,263	278,608	278,608
CURRENT ASSETS				
Properties held under development	679,313	405,914	-	-
Properties held for sale	101,586	125,010	-	-
Account receivables	20,678	57,007	-	-
Deposits, prepayments and other receivables	208,697	200,453	169	1,564
Financial assets at fair value through profit or loss	5,674	-	-	-
Amounts due from related parties	2,278	538	238,031	248,626
Pledged bank deposits	110,253	12,805	-	-
Cash and bank equivalents	47,706	243,906	92	92
	1,176,185	1,045,633	238,292	250,282
CURRENT LIABILITIES				
Account payables	54,414	2,105	-	-
Accruals, receipts in advance and other payables	111,735	161,343	16	-
Provision for tax	97,042	109,048	-	-
Amounts due to related parties	960	91	8,040	6,395
Bank and other loans	166,785	105,563	-	-
	430,936	378,150	8,056	6,395
NET CURRENT ASSETS	745,249	667,483	230,236	243,887
TOTAL ASSETS LESS CURRENT LIABILITIES	982,418	881,746	508,844	522,495
NON-CURRENT LIABILITIES				
Bank and other loans	183,215	66,140	-	-
Shareholder's loan	17,794	17,794	-	-
Deferred tax liabilities	11,154	8,495	-	-
	212,163	92,429	-	-
NET ASSETS	770,255	789,317	508,844	522,495
EQUITY				
Share capital	298,164	298,164	298,164	298,164
Share premium	153,080	153,080	153,080	153,080
Reserves	258,351	277,299	57,600	71,251
EQUITY ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS	709,595	728,543	508,844	522,495
MINORITY INTERESTS	60,660	60,774	-	-
TOTAL EQUITY	770,255	789,317	508,844	522,495

Note:

The Company refers to its announcement made on 28 February 2008:

“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.”

Further to the above announcement made on 28 February 2008, the Group has continued legal proceedings against the Vendor for compulsory transfer of the 90% equity interest in Ever Sure to the Group. As at the end of the financial period on 31 December 2008, the legal proceedings were still continuing and the transfer of the 90% equity interest in Ever Sure to the Group still has not been effected. In view of the above, the Directors of the Company therefore considered that the financial information of Ever Sure Group should not be consolidated in the financial statements of the Group for the period ended 31 December 2008. This accounting treatment has been adopted by the Group for the audited financial statements for the year ended 31 December 2007.

1(b)(ii) Aggregate amount of group's borrowings and debt securities. Amount repayable in one year or less, or on demand

Amount repayable in one year or less, or on demand

As at 31/12/2008		As at 31/12/2007	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
162,379	4,406	75,682	29,881

Amount repayable after one year

As at 31/12/2008		As at 31/12/2007	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
183,215	17,794 ^(note 1)	66,140	17,794

- (1) The shareholder agreed not to demand repayment of this debt due from the Group until such time when the Group received full settlement on the non-current other receivables of RMB20,000,000 (31 December 2007: RMB20,000,000).

Details of any collateral

Bank loans of approximately RMB213,706,000 were secured by the Group's land, including the land classified as properties held under development and leasehold interest in land and building as at 31 December 2008. Bank and other loan of approximately RMB131,888,000 was secured by a deposit of RMB44,000,000 which was classified as "Deposits, prepayments and other receivables" under current assets and RMB95,600,000 which was classified as "Pledged bank deposits" as at 31 December 2008.

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

RMB'000	Group			
	3 Months ended	3 Months ended	12 Months ended	12 Months ended
	31/12/2008 (Unaudited)	31/12/2007 (Unaudited)	31/12/2008 (Unaudited)	31/12/2007 (Audited)
Cash flows from operating activities				
(Loss)/Profit before taxation	(3,548)	257,450	(5,144)	284,996
Adjustments for:				
Interest income	(4,229)	(2,177)	(6,341)	(6,410)
Interest expense	1,385	1,311	4,425	1,412
Depreciation	59	(32)	254	315
Amorisation of leasehold interest in land	-	17	-	17
Fair value loss/(gain) for financial assets at fair value through profit or loss	3,169	-	2,057	-
Fair value change of properties held for sale upon transfer to investment properties	-	(17,637)	-	(17,637)
Loss on disposal of property, plant and equipment	44	4	44	4
Property, plant and equipment written off	3	-	3	-
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	-	(7,479)	-	(7,479)
Share of loss of of a jointly controlled entity	1,670	298	2,210	298
Operating cash flow before working capital change	(1,447)	231,755	(2,492)	255,516
(Increase)/decrease in properties held under development & for sales	(62,333)	230,140	(240,907)	(65,181)
Increase in account and other receivables, prepayments and deposits paid	(73,267)	(135,524)	(11,662)	(86,798)
Increase in amounts due from related parties, including jointly controlled entity	(1,920)	(998)	(33,503)	(538)
Increase in pledged bank deposits	11,338	(12,805)	(1,848)	(12,805)
Increase/(Decrease) in account and other payables, accruals and receipts in advance	69,158	(376,661)	(794)	6,394
Increase in amounts due to related parties	889	71	869	62
Cash (used in)/generated from operations	(57,582)	(64,022)	(290,337)	96,650
Tax refund	167	3,686	167	3,686
Income taxes paid	(3,079)	(15,279)	(11,840)	(18,521)
Net cash (used in)/generated from operating activities	(60,494)	(75,615)	(302,010)	81,815
Cash flows from investing-activities				
Purchases of property, plant and equipment	(119)	111	(1,492)	(3,994)
Proceeds from disposal of property, plant and equipment	37	-	37	-
Purchases of leasehold interest in land	-	(8,223)	-	(8,223)
Investment in a jointly controlled entity	-	-	-	(50,000)
Interest received	279	1,062	2,391	5,295
Acquisition of a subsidiary, net	-	17,258	-	(12,482)
Acquisition of additional interest in subsidiary from a minority shareholder	-	(2,172)	-	(2,172)
Net cash generated from/(used in) investing activities	197	8,036	936	(71,576)
Cash flows from financing-activities				
Proceeds from Issuance of share capital	-	42,353	-	42,353
Capital Contributions made by minority shareholders	-	10,000	-	10,000
New borrowings	460	36,781	401,803	111,781
Repayment of borrowings	(443)	(46,660)	(210,605)	(50,078)
Dividend paid	-	-	(9,178)	(4,800)
Dividend paid to minority shareholders	-	19	-	(1,552)
Interest paid	(3,532)	(7,246)	(11,705)	(7,347)
(Increase)/decrease in pledged other deposits	-	(80,000)	36,000	(80,000)
Increase in pledged bank deposits	-	-	(95,600)	-
Net cash (used in)/generated from financing activities	(3,515)	(44,753)	110,715	20,357
Net (decrease)/increase in cash and cash equivalents	(63,812)	(112,332)	(190,359)	30,596
Effect of foreign exchange difference	(402)	(1,343)	(5,841)	(8,046)
Cash and cash equivalents at beginning of period	111,920	357,581	243,906	221,356
Cash and cash equivalents at end of period	47,706	243,906	47,706	243,906

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 (Unaudited)	Equity attributable to equity holders of the Company										
	Share capital	Share premium	Merger reserve	Statutory reserve	Capital 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	RMB'000
At 1 October 2007 (restated) (note)	292,164	116,727	(2,243)	6,058	-	(3,751)	124,445	-	533,400	51,409	584,809
Profit for the period	-	-	-	-	-	-	160,011	-	160,011	315	160,326
Exchange difference (net income / (expense) recognized directly to the equity)	-	-	-	-	-	(5,669)	-	-	(5,669)	280	(5,389)
Total income and expenses recognized during the period	-	-	-	-	-	(5,669)	160,011	-	154,342	595	154,937
Capital contribution made by a minority shareholder	-	-	-	-	-	-	-	-	-	10,000	10,000
Acquisition of additional interest of subsidiary from a minority shareholder	-	-	-	-	-	-	-	-	-	(2,172)	(2,172)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	(629)	(629)
Issue of shares on placement	6,000	36,353	-	-	-	-	-	-	42,353	-	42,353
Final dividend proposed for the year	-	-	-	-	-	-	(9,178)	9,178	-	-	-
Dividend paid to minority shareholder	-	-	-	-	-	-	(1,552)	-	(1,552)	1,571	19
Transfer to capital reserves	-	-	-	(3,838)	3,838	-	-	-	-	-	-
Transfer to statutory reserves	-	-	-	2,037	-	-	(2,037)	-	-	-	-
At 31 December 2007	298,164	153,080	(2,243)	4,257	3,838	(9,420)	271,689	9,178	728,543	60,774	789,317
At 1 October 2008	298,164	153,080	(2,243)	4,257	3,838	(9,067)	265,619	-	713,648	60,736	774,384
Loss for the period	-	-	-	-	-	-	(3,566)	-	(3,566)	(76)	(3,642)
Exchange difference (net income / (expense) recognized directly to the equity)	-	-	-	-	-	(487)	-	-	(487)	-	(487)
Total income and expenses recognized during the period	-	-	-	-	-	(487)	(3,566)	-	(4,053)	(76)	(4,129)
At 31 December 2008	298,164	153,080	(2,243)	4,257	3,838	(9,554)	262,053	-	709,595	60,660	770,255

Company (Unaudited)	Share capital	Share premium	Contributed surplus	(Accumulated losses) / Retained earnings		Proposed final dividend	Total
				RMB'000	RMB'000		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 October 2007	292,164	116,727	59,579	(1,027)	-	-	467,443
Profit for the period	-	-	-	12,699	-	-	12,699
Total income and expenses recognized during the period	-	-	-	12,699	-	-	12,699
Final dividend proposed for the year	-	-	-	(9,178)	9,178	-	-
Issue of shares on placement	6,000	36,353	-	-	-	-	42,353
At 31 December 2007	298,164	153,080	59,579	2,494	9,178	-	522,495
At 1 October 2008	298,164	153,080	59,579	(947)	-	-	509,876
Loss for the period	-	-	-	(1,032)	-	-	(1,032)
At 31 December 2008	298,164	153,080	59,579	(1,979)	-	-	508,844

Note:

Certain comparative figures for the 9 months ended 30 September 2007 were restated to conform with the accounting treatments adopted by the Group for the audited financial statements for the year ended 31 December 2007.

The Group recognized a gain of approximately RMB77.8 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 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").

As the Group has ongoing legal proceedings against the Vendor mentioned in Part 1 (b)(i), the Directors of the Company therefore considered that the financial information of Ever Sure and its subsidiary ("Ever Sure Group") should not be consolidated in the annual financial statements for the year ended 31 December 2007. In this respect, the financial statement for the period ended 30 September 2007 had been restated to exclude Ever Sure Group from the result and financial positions of the Group so as to conform with the accounting treatments adopted by the Group for the audited financial statements for the year ended 31 December 2007.

- 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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, 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.

None.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	As at 31/12/2008	As at 31/12/2007
Total number of issued ordinary shares	490,000,000	490,000,000

There were no treasury shares held as at 31 December 2008 and 31 December 2007.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 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 Company's 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 2007, except for the adoption for the new and amended International Financial Reporting Standards (IFRSs) which become effective for the period. The adoption of these new and 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.**

Not applicable.

6. Profit 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 Month ended	3 Month ended	12 Month ended	12 Month ended
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
(Loss) / Earnings per ordinary share (in RMB cents):				
(a) Basic	(0.73)	32.84	(1.97)	38.37
(b) Diluted	NA	NA	NA	NA

Note:

The calculation of basic (loss) / earnings per share is based on the loss attributable to equity holders of the Company of approximately RMB3,566,000 for 4Q2008 (4Q2007: Profit of RMB160,011,000) and RMB9,636,000 for 12M2008 (12M2007: Profit of RMB184,856,000) divided by the weighted average of 490,000,000 ordinary shares during the financial periods (4Q2007: 487,283,000 ordinary shares and 12M2007 : 481,808,000 ordinary shares).

Diluted (loss)/earnings per share for the periods has not been presented as there is no dilutive potential share for the three months and twelve months ended 31 December 2008 and 2007.

7. Net asset value (for the issuer and group) per ordinary share based on of the total number of issued shares excluding treasury shares of the issuer at the end of the:

(a) current financial period reported on; and

(b) immediately preceding financial year.

	Group		Company	
	As at 31/12/2008	As at 31/12/2007	As at 31/12/2008	As at 31/12/2007
Net asset value per ordinary share (in RMB cents)	157.19	161.09	103.85	106.63

Note:

The number of ordinary shares of the Company as at 31 December 2008 was 490,000,000 (31 December 2007: 490,000,000).

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:
- 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
 - any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period report on.

REVIEW OF FINANCIAL RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2008 COMPARED TO THE PREVIOUS CORRESPONDING PERIOD ENDED 31 DECEMBER 2007

(a)

	Group			
	3 Months ended	3 Months ended	12 Months ended	12 Months ended
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Revenue (RMB'000)				
Residential	4,188	546,934	35,330	557,456
Commercial and others	111	173	1,740	7,401
	4,299	547,107	37,070	564,857

Revenue

Group revenue for 4Q2008 was significantly lower than that achieved in 4Q2007 which was boosted by the sale and completion of handover of 989 residential units from Phase 1 of the Group's Nanchang Honggu Kaixuan (南昌红谷凯旋第一期) property.

In comparison, the Group had sold and delivered only 9 residential units of Nanchang Honggu Kaixuan Phase 1 in 4Q2008 due to the low transaction activity in Nanchang's property market as consumer sentiment remained weak. These units, with a GFA of 711.9 sq m, generated revenue of RMB 3.4 million.

In total, the Group sold 55 residential units for the 12 months ended 31 December 2008. As at the end of 31 December 2008, 92.6% of the total 1,127 residential units at Nanchang Honggu Kaixuan Phase 1 have been sold and delivered.

The remaining revenue of RMB 0.9 million came from sales of residential units and other properties of Huzhou Liyang Jingyuan Phase 1 (湖州丽阳景苑第一期). As at 31 December 2008, 98.8% of the residential units at Huzhou Liyang Jingyuan Phase 1 were sold.

As a result, Group revenue in 4Q2008 fell to RMB 4.3 million, from RMB 547.1 million in 4Q2007. Correspondingly, the aggregate GFA sold in 4Q2008 was substantially lower at 980 sq m, compared to 119,000 sq m in 4Q2007.

For 12M2008, Group revenue declined to RMB 37.1 million, from RMB 564.9 million in 12M2007. This was due primarily to the sales generated from Nanchang Honggu Kaixuan Phase 1 in 12M2007 when the property market was relatively buoyant.

As the Group is primarily engaged in property development business, revenue recognition is dependent on the launch of new projects and the completion of handover of properties that are sold. Hence, this may result in lumpy revenue and profitability for the Group on a quarterly basis.

The Group has launched the pre-sale of three new property projects between July 2008 and 1 January 2009. However, sales from these new projects can only be recognised as revenue upon the handover of the sold units. Please refer to Section 10 for more information.

Cost of sales and Gross Profit Margin

The Group's cost of sales declined in line with revenue to RMB 2.5 million in 4Q2008. The Group achieved a higher gross profit margin of 42.4% in 4Q2008, compared to 40.6% in 4Q2007. This can be attributed to the difference in the composition of properties that were sold in the respective financial quarters.

For 12M2008, the Group recorded a healthy gross profit margin of 44.2%, compared to 40.8% in 12M2007.

Other Income and Gains

The Group's other income and gains decreased 86.6% year-on-year to RMB 5.3 million in 4Q2008 as it recorded lower agency fees and commission during the period under review.

Consequently, the Group's other income and gains decreased 80.9% to RMB 13.1 million for 12M2008.

Selling Expenses

Selling expenses decreased 75.7% to RMB 948,000 from RMB 3.9 million in 4Q2007, due to lower advertising and promotional expenses in 4Q2008.

The Group's selling expenses in 12M2008 amounted to RMB 7.1 million, which was slightly higher than 12M2007. The bulk of the selling expenses in 12M2008 was related to the advertising and promotional expenses in respect of Hua Cui Ting Yuan (潮州华萃庭園) and the pre-sale of Nanchang Honggu Kaixuan Phase 2 (南昌红谷凯旋二期), which was launched on 26 July 2008.

Administrative Expenses

Administrative expenses in 4Q2008 decreased marginally to RMB 3.5 million, compared to RMB 3.9 million in 4Q2007. However, administrative expenses were down significantly by 43.5% from the preceding financial quarter ended 30 September 2008, which could be attributed primarily to a decline in handling fees related to bank loans and legal costs.

As a result of the considerable increase in administrative expenses in the nine months ended 30 September 2008, the Group's administrative expenses for 12M2008 rose by 26.4% year-on-year to RMB 17.9 million.

Loss for the Period

Consequent to the above factors and a fair value loss from investments in financial assets of RMB 3.2 million, the Group reported an operating loss of RMB493,000 for 4Q2008. After deducting finance costs and share of loss of a jointly controlled entity, the Group posted a loss after tax of RMB 3.6 million. This was in contrast with a profit after tax of RMB 160.3 million in 4Q2007, which was driven primarily by the significantly larger revenue recorded in that financial period.

For 12M2008, the Group incurred a loss after tax of RMB 9.8 million as a result of the substantial decline in Group revenue and other income and gains.

(b) Review of Financial Position as at 31 Dec 2008 and Cash Flow for 4Q2008

Interests in a Jointly Controlled Entity

The Group has a 50% interest in Jiangxi Ganghong Industrial Co. Ltd (“Jiangxi Ganghong”), which is a joint-venture company for its development project in Yichun city. As a result of a fund transfer to Jiangxi Ganghong through a short-term loan arrangement, interests in a jointly controlled entity increased to RMB 73.5 million as at 31 December 2008.

Properties Under Development

As at 31 December 2008, the Group’s properties held under development increased to around RMB 679.3 million, from RMB 405.9 million as at 31 December 2007. The increase was in line with the construction progress of its new property projects including Hua Cui Ting Yuan, Nanchang Honggu Kaixuan Phase 2, Hangzhou Liyang Yuan (杭州丽阳苑) and Huzhou Liyang Jingyuan Phase 2 (湖州丽阳景苑二期).

Properties Held for Sale

Properties held for sale declined to RMB 101.6 million as at 31 December 2008, compared to RMB 125.0 million as at 31 December 2007. This was due primarily to the handover of sold residential units at Nanchang Honggu Kaixuan Phase 1 to the purchasers during 12M2008.

Accounts Receivables

The Group’s accounts receivables owing from purchasers of property units and banks stood at 20.7 million as at 31 December 2008. This was significantly lower than RMB 57.0 million as at 31 December 2007, which was due primarily to the relatively substantial revenue that was recognised during October to December 2007, and for which payments had since been received.

Deposits, Prepayments and Other Receivables

As at 31 December 2008, the Group had deposits, prepayments and other receivables that amounted to RMB 208.7 million. This amount comprises primarily deposits of RMB 44.0 million as collateral for borrowings and RMB 90.0 million deposits for the acquisition of land in Fuzhou, as well as prepayments to contractors for the construction costs in respect of the properties currently under development.

Pledged Bank Deposits

Pledged bank deposits increased to RMB 110.3 million, from RMB 12.8 million as at 31 December 2007. The pledged bank deposits as at 31 December 2008 comprise primarily RMB 95.6 million of deposits that were used as collateral to secure bank borrowings. The balance of RMB 14.7 million was related mainly to pledged deposits at certain banks which provided mortgage loans to purchasers of the Group’s properties. These pledged deposits would be released upon the issue of certificates for housing ownership to the property purchasers.

Accounts Payables, Accruals, Advance Receipts and Other Payables

As at 31 December 2008, the Group’s accounts payables amounted to RMB 54.4 million, comprising primarily of amounts owing to suppliers for construction costs incurred in respect of its properties under development. The Group has also pared its accruals, advance receipts and other payables to RMB 111.7 million as at 31 December 2008, compared to RMB 161.3 million as at 31 December 2007.

Bank and Other Loans

The Group had total short-term and long-term borrowings of RMB 367.8 million as at 31 December 2008. Of these borrowings, approximately RMB 131.9 million of debt was secured by cash deposits of RMB 139.6 million.

The total borrowings as at 31 December 2008 comprises mainly two 18-month term loans with a bank for a total amount of RMB 108.0 million for the development of Hua Cui Ting Yuan and Hangzhou Liyang Yuan; a 36-month bank loan facility on which the Group has drawn down RMB 100.0 million to finance the development costs of its project in Nanchang; as well as new bank and other loans of HKD 149.1 million that were obtained in 2nd quarter ended 30 June 2008 and the 3rd quarter ended 30 September 2008. The Group's gearing ratio (total borrowings less deposit collateral / total equity) as at 31 December 2008 was 29.6%.

Cash Flow Analysis

During 4Q2008, the Group recorded negative cash flow from operating activities of RMB 60.6 million. This was attributed to payments for the construction costs incurred in respect of its properties under development, as well as an increase in deposits, prepayments and other receivables by RMB 73.4 million due mainly to the prepayment of development costs to contractors. As a result, the Group foresee reduced working capital requirements for its present projects under development going forward.

Net cash used in financing activities amounted to RMB 3.5 million in 4Q2008, due primarily to interest payments.

As a result of the above, the Group closed the financial period under review with cash and cash equivalents of RMB 47.7 million.

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

The Group's financial results for 4Q2008 is in line with the profit guidance stated in the last results announcement of 12 November 2008.

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 Review

The series of stimulus policies being rolled out by the Chinese government to encourage home purchases in the country have had some positive impact on sales transactions in certain cities during the last two months of 2008. However, for the whole year, transaction volumes in major cities have tumbled while selling prices have corrected in the range of 10 to 30% from the peak. According to the National Bureau of Statistics, the aggregate gross floor area sold in 2008 for private sector housing fell 19.7% year-on-year to 620 million square metres.

Given the deteriorating economic outlook and global financial crisis, the near-term outlook for the property market in China remains challenging. Although the Chinese government has unveiled supportive incentives directed at boosting housing sales and construction activity, the overall buyer sentiment presently remains lackluster in the face of the slowing economy. Price pressures are also expected to prevail with current housing supply outstripping demand. Amid the uncertainty over the economy and job prospects, there are mixed views on whether the property market could start recovering in the latter half of 2009.

Nevertheless, the Group still believes that underlying demand for housing, especially in the second- and third-tier cities, remains intact.

Update on the Group's Plans

Summary of Property Pre-sale Launches (Updated as at 9 February 2009)

Property	Date of Pre-sales Launch	Total Residential Units Released for Sale	Units Pre-sold to-date (GFA)	Pre-Sales Value** (RMB million)	Estimated Completion Date*
Nanchang Honggu Kaixuan Phase 2	26 July 2008	270	56 (7,004 sq m)	38.2	End of 2009
Huzhou Liyang Jingyuan Phase 2	6 Dec 2008	150	77 (8,600 sq m)	42.0	3rd quarter 2009
Hangzhou Liyang Yuan	1 Jan 2009	226	70 (8,025 sq m)	77.3	4th quarter 2009
Total				157.5	

*Estimated completion dates for the residential component of the respective properties are subject to change.

**Pre-sales can only be recognised as revenue after the completion of handover to buyers.

Despite softer consumer sentiment, the Group launched two new property developments – Huzhou Liyang Jingyuan Phase 2 and Hangzhou Liyang Yuan over the past two months. The Group believes it has attained relatively reasonable take-up rates and average selling prices for these two property projects amid the current climate. While the stimulus measures introduced by the government are positive and may have helped improve the pre-sales of the Group's recent launches, cautious consumer sentiment and low consumer confidence will continue to overhang the property market.

Besides the above-mentioned property developments, the Group has another project under development, Hua Cui Ting Yuan located in Huzhou city. With an estimated GFA of 100,000 sq m, Hua Cui Ting Yuan will feature terrace houses designed with a classic oriental style. The Group is planning to unveil the first phase of this property with GFA of 54,000 sq m at the end of April 2009.

The Group would like to highlight that it has sufficient financial resources and liquidity to support its present working capital needs. Furthermore, the Group also expects the three newly launched projects - Nanchang Honggu Kaixuan Phase 2, Huzhou Liyang Jingyuan Phase 2 and Hangzhou Liyang Yuan to have a positive impact on its cash flow in the next financial year with the progressive transfer of sold units to buyers. The Group will also look into ways to contain costs in the face of a more challenging period. To this end, the management of Pan Hong has taken a reduction of between 10% and 20% of their annual salaries in 2008, while the Chairman of Pan Hong will voluntarily forgo his salary from January to March 2009.

Guidance for the Current Financial Period from 1 January 2008 to 31 March 2009 (FP2009)

As previously announced, the Group foresees significantly lower revenue for FP2009, compared to the financial year ended 31 December 2007 when the property market in the PRC was relatively more upbeat. This in turn could have a negative impact on its profitability for FP2009.

With a healthy current ratio (total current assets / total current liabilities) of 2.7 times, the Group believes that it is in a position to withstand these tough times. Additionally, the Group is also well-prepared to respond quickly when the property market starts to recover.

11. Dividend

(a) 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?

A final dividend of HK\$0.02 per ordinary share (tax not applicable), amounting to HK\$9,800,000 (equivalent to RMB9,178,000), was proposed and paid during the year in respect of the financial year ended 31 December 2007.

(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 current financial period ended 31 December 2008.

BY ORDER OF THE BOARD

Wong Lam Ping
Chairman
12 February 2009

NEGATIVE ASSURANCE CONFIRMATION

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 interim financial results for the quarter ended 31 December 2008 to be false or misleading in any material aspect.

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

Wong Lam Ping
Executive Chairman

Chan Heung Ling
Deputy Chairman

Date: 12 February 2009