汎港地產集團 PAN HONG PROPERTY GROUP

PAN HONG PROPERTY GROUP LIMITED

(Incorporated in Bermuda on 20 December 2005)

(Co. Reg. No: 37749)

3rd QUARTER FINANCIAL STATEMENT ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2008

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 Income Statement for 3rd Quarter ended 30 September 2008. These figures have not been audited.

	Group					
RMB'000	3 months ended 30/9/2008	3 months ended 30/9/2007	Increase/ (Decrease)	9 months ended 30/9/2008	9 months ended 30/9/2007	Increase/ (Decrease)
	(Unaudited)	(Unaudited) (Restated)		(Unaudited)	(Unaudited) (Restated)	
Revenue	3,492	12,777	(72.7%)	32,771	17,750	84.6%
Cost of Sales	(1,730)	(6,582)	(73.7%)	(18,192)	(9,153) (note 1)	98.8%
Gross Profit	1,762	6,195	(71.6%)	14,579	8,597	69.6%
Other income and gains	3,154	12,964	(75.7%)	8,925	33,632 (note 2)	(73.5%)
Selling expenses	(3,600)	(785)	358.6%	(6,182)	(2,678)	130.8%
Administrative expenses	(6,136)	(4,302)	42.6%	(14,433)	(10,303)	40.1%
Other operating expenses	(202)	(1,422)	(85.8%)	(905)	(1,601)	(43.5%)
Operating (loss) / profit	(5,022)	12,650	(139.7%)	1,984	27,647	(92.8%)
Finance costs	(1,440)	(101)	1325.7%	(3,040)	(101)	2909.9%
Share of loss of a jointly controlled entity	(14)	-	NM	(540)	-	NM
(Loss) / Profit before taxation	(6,476)	12,549	(151.6%)	(1,596)	27,546 (note 3)	(105.8%)
Taxation	(2,490)	(1,671)	49.0%	(4,512)	(2,203) (note 1)	104.8%
(Loss) / Profit for the period	(8,966)	10,878	(182.4%)	(6,108)	25,343	(124.1%)
Attributable to:						
Equity holders of the Company	(8,931)	10,321	(186.5%)	(6,070)	24,845	(124.4%)
Minority interests	(35)	557	(106.3%)	(38)	498	(107.6%)
	(8,966)	10,878	(182.4%)	(6,108)	25,343	(124.1%)
(Loss) / Earnings per share (in RMB cents):						
- Basis	(1.82)	2.15	(184.7%)	(1.24)	5.18	(123.9%)
- Diluted	N/A	N/A	NM	N/A	N/A	NM

NM: Not Meaningful

Notes:

Certain comparative figures for the 3 months and 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. Details of the restatement are set out in notes 1 and 2 below.

1) In light of the discussion of the International Financial Reporting Interpretations Committee on the scope of IAS 12, Income Taxes, and after reviewing the Group's accounting policies on land appreciation tax ("LAT") in the People's Republic of China ("PRC"), the directors of the Company decided that it is more appropriate to account for and present LAT as income tax under IAS 12.

   The cost of sales amount for the 9 months ended 30 September 2007 was reduced by approximately RMB 217,000 (3 months ended 30 September 2007: RMB147,000) while the taxation for the same period was increased by approximately RMB 217,000 (3 months ended 30 September 2007: RMB147,000) as a result of this change.

2) 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) below, 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.

3)

	Group			
RMB'000	3 months ended 30/09/2008 (Unaudited)	3 months ended 30/09/2007 (Unaudited)	9 months ended 30/09/2008 (Unaudited)	9 months ended 30/09/2007 (Unaudited) (Restated)
(Loss)/Profit before taxation is arrived at after charging:				
Finance costs wholly repayable within five year				
- Bank loans	5,165	1,918	7,519	5,888
- Other loans	468	-	1,953	-
Less: amount capitalised in properties held under development	(4,193)	(1,817)	(6,432)	(5,787)
	1,440	101	3,040	101
Cost of properties held for sale recognised as expense	1,555	5,864	16,559	8,240
Depreciation of property, plant and equipment	121	219	360	537
Less: amount capitalised in properties held under development	(54)	(91)	(165)	(190)
	67	128	195	347
Fair value gain for financial assets at fair value through profit or loss	191	-	-	-
Operating lease charges in respect of land and buildings	4	-	4	252
Less: amount capitalised in properties held under development	-	-	-	(26)
	4	-	4	226
Staff costs, including directors' remuneration				
- wages and salaries	1,547	876	5,411	3,716
- retirement benefit scheme contributions - defined contribution plans	8	-	44	32
Less: amount capitalised in properties held under development	(501)	-	(1,649)	(957)
	1,054	876	3,806	2,791
and crediting :				
Interest income				
- from bank deposits and cash at banks	1,753	2,683	3,227	4,233
Exchange gain	986	-	990	-
Fair value gain for financial assets at fair value through profit or loss	-	-	1,112	-
Profit on disposal of property, plant and equipment	-	-	-	17

Note: There was no non-audit fee incurred during the period (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.

	Group		Company	
	30/09/2008	31/12/2007	30/09/2008	31/12/2007
RMB'000	Unaudited	Audited	Unaudited	Audited
ASSETS AND LIABILITIES				
NON-CURRENT ASSETS				
Property, plant and equipment	9,040	8,312	-	-
Investment properties	79,911	81,013	-	-
Leasehold interest in land	7,241	8,206	-	-
Goodwill	6,030	6,030	-	-
Interests in subsidiaries	-	-	278,608	278,608
Interests in a jointly controlled entity	73,327	49,702	-	-
Other receivables	20,000	20,000	-	-
Deposit paid	30,000	30,000	-	-
Deferred tax assets	11,482	11,000	-	-
	237,031	**214,263**	**278,608**	**278,608**
CURRENT ASSETS				
Properties held under development	612,256	405,914	-	-
Properties held for sale	103,839	125,010	-	-
Account receivables	19,227	57,007	-	-
Deposits, prepayments and other receivables	135,318	200,453	169	1,564
Financial assets at fair value through profit or loss	8,901	-	-	-
Amounts due from related parties	2,121	538	237,931	248,626
Pledged bank deposits	121,591	12,805	-	-
Cash and bank equivalents	111,920	243,906	92	92
	1,115,173	**1,045,633**	**238,192**	**250,282**
CURRENT LIABILITIES				
Account payables	16,371	2,105	-	-
Accruals, receipts in advance and other payables	82,830	161,343	16	-
Provision for tax	99,854	109,048	-	-
Amounts due to related parties	71	91	6,908	6,395
Bank and other loans	166,467	105,563	-	-
	365,593	**378,150**	**6,924**	**6,395**
NET CURRENT ASSETS	**749,580**	**667,483**	**231,268**	**243,887**
TOTAL ASSETS LESS CURRENT LIABILITIES	**986,611**	**881,746**	**509,876**	**522,495**
NON-CURRENT LIABILITIES				
Bank and other loans	183,280	66,140	-	-
Shareholder's loan	17,794	17,794	-	-
Deferred tax liabilities	11,153	8,495	-	-
	212,227	92,429	-	-
NET ASSETS	**774,384**	**789,317**	**509,876**	**522,495**
EQUITY				
Share capital	298,164	298,164	298,164	298,164
Share premium	153,080	153,080	153,080	153,080
Reserves	262,404	277,299	58,632	71,251
EQUITY ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS	713,648	728,543	509,876	522,495
MINORITY INTERESTS	60,736	60,774	-	-
TOTAL EQUITY	**774,384**	**789,317**	**509,876**	**522,495**

Notes:

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 30 September 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 30 September 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 30/09/2008		As at 31/12/2007	
Secured	Unsecured	Secured	Unsecured
RMB’000	RMB’000	RMB’000	RMB’000
162,072	4,395	75,682	29,881

Amount repayable after one year

As at 30/09/2008		As at 31/12/2007	
Secured	Unsecured	Secured	Unsecured
RMB’000	RMB’000	RMB’000	RMB’000
183,280	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 RMB213,777,000 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 30 September 2008. Bank and other loan of approximately RMB131,575,000 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 30 September 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 30/09/2008 (Unaudited)	3 Months ended 30/09/2007 (Unaudited) (Restated)	9 Months ended 30/09/2008 (Unaudited)	9 Months ended 30/09/2007 (Unaudited) (Restated)
Cash flows from operating activities				
(Loss)/Profit before taxation	(6,476)	12,549	(1,596)	27,546
Adjustments for:				
Interest income	(1,753)	(2,683)	(3,227)	(4,233)
Interest expense	1,440	101	3,040	101
Depreciation	67	128	195	347
Fair value (loss)/gain for financial assets at fair value through profit or loss	191	-	(1,112)	-
Share of loss of of a jointly controlled entity	14	-	540	-
Operating cash flow before working capital change	(6,517)	10,095	(2,160)	23,761
Increase in properties held under development & for sales	(82,366)	(59,855)	(178,574)	(295,321)
Decrease in account and other receivables, prepayments and deposits paid	25,294	17,731	105,394	48,846
Increase in financial assets at fair value through profit or loss	(421)	-	(7,789)	-
(Increase)/Decrease in amounts due from related parties, including jointly controlled entity	(25,104)	-	(31,583)	1,406
(Decrease)/Increase in account and other payables, accruals and receipts in advance	(3,375)	191,571	(69,952)	384,663
(Decrease)/Increase in amounts due to related parties	(8)	13	(20)	(9)
Cash (used in)/generated from operations	(92,497)	159,555	(184,684)	163,346
Tax refund	-	2,493	-	-
Income taxes paid	(80)	-	(8,761)	(3,242)
Net cash (used in)/generated from operating activities	(92,577)	162,048	(193,445)	160,104
Cash flows from investing activities				
Purchases of property, plant and equipment	(1,177)	(3,485)	(1,373)	(4,105)
Purchases of available-for-sales financial assets	-	-	-	(120)
Investment in a jointly controlled entity	-	-	-	(50,946)
Acquisition of a subsidiary, net	-	(30,411)	-	(29,740)
Interest received	1,753	2,683	3,227	4,233
Net cash generated from/(used in) investing activities	576	(31,213)	1,854	(80,678)
Cash flows from financing activities				
New loan made to a minority shareholder	-	-	-	(2,000)
Repayment to loan made to a minority shareholder	-	-	-	392
New borrowings	94,374	75,000	401,343	75,000
Repayment of borrowings	(62,971)	(3,418)	(210,162)	(3,418)
Dividend paid	-	(1,571)	(9,178)	(6,371)
Decrease in shareholder's loan	-	(45)	-	-
Decrease/(Increase) in pledged bank deposits	11,989	-	(108,786)	-
Interest paid	(4,334)	(101)	(8,173)	(101)
Net cash generated from financing activities	39,058	69,865	65,044	63,502
Net (decrease)/increase in cash and cash equivalents	(52,943)	200,700	(126,547)	142,928
Effect of foreign exchange difference	2,130	(4,316)	(5,439)	(6,703)
Cash and cash equivalents at beginning of period	162,733	161,197	243,906	221,356
Cash and cash equivalents at end of period	111,920	357,581	111,920	357,581

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								Minority interests	Total equity
	Share capital	Share premium	Merger reserve	Statutory reserve	Capital reserve	Exchange reserves	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 July 2007 (restated)	292,164	116,727	(2,243)	6,058	-	(3,765)	114,124	523,065	44,609	567,674
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	-	-	-	-	-	-	-	-	(1,571)	(1,571)
Transfer to Statutory Reserves	-	-	-	2,037	-	(2,037)	-	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	7,814	7,814
At 30 September 2007 (restated)	292,164	116,727	(2,243)	8,095	-	(5,788)	124,445	533,400	51,409	584,809
At 1 July 2008	298,164	153,080	(2,243)	4,257	3,838	(12,313)	274,550	719,333	60,771	780,104
Loss for the period	-	-	-	-	-	-	(8,931)	(8,931)	(35)	(8,966)
Exchange difference (net income / (expense) recognized directly to the equity)	-	-	-	-	-	3,246	-	3,246	-	3,246
Total income and expenses recognized during the period	-	-	-	-	-	3,246	(8,931)	(5,685)	(35)	(5,720)
At 30 September 2008	298,164	153,080	(2,243)	4,257	3,838	(9,067)	265,619	713,648	60,736	774,384

Company (Unaudited)	Share capital	Share premium	Contributed surplus	(Accumulated losses) / Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 July 2007	292,164	116,727	59,579	(256)	468,214
Loss for the period	-	-	-	(771)	(771)
At 30 September 2007	292,164	116,727	59,579	(1,027)	467,443
At 1 July 2008	298,164	153,080	59,579	759	511,582
Loss for the period	-	-	-	(1,706)	(1,706)
At 30 September 2008	298,164	153,080	59,579	(947)	509,876

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 preceeding year.

	As at 30/09/2008	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 30 September 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 financial year beginning on or after 1 January 2008. 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 30/9/2008	3 Month ended 30/9/2007	9 Month ended 30/9/2008	9 Month ended 30/9/2007
(Loss) / Earnings per ordinary share (in RMB cents):				(Restated)
(a) Basic	(1.82)	2.15	(1.24)	5.18
(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 RMB8,931,000 for 3 months ended 30 September 2008 (3 months ended 30 September 2007 : Profit of RMB10,321,000) and RMB6,070,000 for 9 months ended 30 September 2008 (9 months ended 30 September 2007: Profit of RMB24,845,000) divided by the weighted average of 490,000,000 (9 months ended 30 September 2007 : 480,000,000) ordinary shares during the period.

Diluted (loss)/earnings per share for the periods has not been presented as there is no dilutive potential share for the three months and nine months ended 30 September 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 30/09/2008	**As at 31/12/2007**	**As at 30/09/2008**	**As at 31/12/2007**
Net asset value per ordinary share (in RMB cents)	158.04	161.09	104.06	106.63

Note:
The number of ordinary shares of the Company as at 30 September 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:

(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 report on.

(a) REVIEW OF FINANCIAL RESULTS FOR THE QUARTER ENDED 30 SEPTEMBER 2008 ("3M Sep08") COMPARED TO THE PREVIOUS CORRESPONDING QUARTER ENDED 30 SEPTEMBER 2007 ("3Q07")

	Group			
	3 Month ended 30/9/2008	3 Month ended 30/9/2007	9 Month ended 30/9/2008	9 Month ended 30/9/2007
		(Restated)		(Restated)
Revenue (RMB'000)				
Residential	3,492	5,629	31,142	8,118
Commercial and others	-	7,148	1,629	9,632
	3,492	12,777	32,771	17,750
Gross Profit (RMB'000)				
Residential	1,762	2,678	14,014	3,641
Commercial and others	-	3,517	565	4,956
	1,762	6,195	14,579	8,597

The Group has changed its financial year end from 31 December to 31 March. Accordingly, the current financial period will cover a period of 15 months from 1 January 2008 to 31 March 2009 (“FP2009”). The following review of the Group’s results covers the financial period from July to September 2008 (“3M Sep08”); and the previous corresponding period is from July to September 2007 (“3Q07”).

Revenue

Group revenue for 3M Sep08 was derived mainly from sales of the remaining residential units of Nanchang Honggu Kaixuan Phase 1 (南昌红谷凯旋第一期) and Huzhou Liyang Jingyuan Phase 1 (湖州丽阳景苑第一期). Although the Group had launched the pre-sale of the second phase of its Nanchang Honggu Kaixuan property in July 2008, the pre-sold residential units would not be recognised as Group revenue, until the handover of these units were completed.

Amid cautious consumers’ sentiment, the Group had sold and delivered only 4 residential units of Nanchang Honggu Kaixuan Phase 1 during 3M Sep08. These units, with a total GFA of around 498 sq m, fetched total revenue of RMB 2.9 million or an average price of RMB 5,840 per sq m. As at the end of September 2008, 91.8% or 1,035 units of the total residential units at Nanchang Honggu Kaixuan Phase 1 were sold and delivered.

The remainder of Group revenue in 3M Sep08 was derived from sales of residential units of Huzhou Liyang Jingyuan Phase 1. As at 30 September 2008, 98.6% of the residential units of Huzhou Liyang Jingyuan Phase 1 were sold.

Compared to the corresponding financial quarter a year ago (3Q07), Group revenue for 3M Sep08 decreased by 72.7% to RMB 3.5 million, from RMB 12.8 million. The aggregate GFA sold in 3M Sep08 was significantly lower at approximately 646 sq m compared to around 4,420 sq m in 3Q07, owing to the sluggish property market conditions in the PRC.

For the first nine months ended 30 September 2008 ("9M Sep08"), Group revenue increased by 84.6% to RMB 32.8 million compared to the same period last year ("9M07"), driven primarily by the sales of completed units of Nanchang Honggu Kaixuan Phase 1. This project was first launched in May 2007, and the handover of sold residential units began from the last quarter of 2007.

As the Group is primarily engaged in the 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.

Cost of sales and Gross Profit Margin

In tandem with the lower revenue, the Group's cost of sales declined 73.7% to RMB 1.7 million during 3M Sep08. Despite an environment of higher construction costs, gross profit margin was around 50.5% in 3M Sep08, which was higher than the gross profit margin of 48.5% in 3Q07. This was lifted primarily by the residential sales from Nanchang Honggu Kaixuan Phase 1 which yielded higher profit margins relative to the properties that were sold in 3Q07.

On a nine-month basis, the Group posted a gross profit margin of 44.5% for 9M Sep08. This was slightly below the gross profit margin of 48.4% during 9M07, which was lifted mainly by the sales of commercial units of Huzhou Liyang Jingyuan Phase 1 in the first quarter of FY2007.

Other Income and Gains

The Group's other income and gains decreased 75.7% year-on-year to RMB 3.2 million in 3M Sep08 as it recorded lower agency fee and commission during the period under review.

As a result, the Group's other income and gains decreased 73.5% to RMB 8.9 million for 9M Sep08.

Selling Expenses

The Group's selling expenses jumped to RMB 3.6 million in 3M Sep08, from RMB 785,000 in 3Q07, due primarily to advertising and promotional expenses related to Nanchang Honggu Kaixuan Phase 2 (南昌红谷凯旋二期), which was launched on 26 July 2008, and for its Hua Cui Ting Yuan (湖州华萃庭園); as well as higher salaries of sales personnel.

Accordingly, the Group's selling expenses for 9M Sep08 increased to RMB 6.2 million compared to RMB 2.7 million in the last corresponding period.

Administrative Expenses

Administrative expenses in 3M Sep08 were up 42.6% to RMB 6.1 million, from RMB 4.3 million in 3Q07, which could be attributed to handling fees related to bank loans, and legal costs. On a nine-month basis, administrative expenses increased 40.1% to RMB 14.4 million for 9M Sep08.

Loss Before Taxation and Loss Attributable to Equity Holders of the Company

As a result of lower revenue, other income and gains, and higher expenses in 3M Sep08, the Group incurred a loss before tax of RMB 6.5 million. After taxation of RMB 2.5 million, the Group posted a loss attributable to equity holders of RMB 9.0 million in 3M Sep08.

While Group revenue and gross profits were higher on a nine-month basis, the Group incurred a loss attributable to equity holders of RMB 6.1 million in 9M Sep08, due primarily to the significant reduction in other income and gains, as well as increase in selling and administrative expenses.

(b) Review of Financial Position as at 30 September 2008 and Cash Flow for 3M September08

Interests in a Jointly Controlled Entity

The Group's 50% interests in Jiangxi Ganghong Industrial Co. Ltd ("Jiangxi Ganghong"), which is a joint-venture company for its development project in Yichun city, increased by approximately RMB 23.6 million to RMB 73.3 million at 30 September 2008. The increase was due to a fund transfer from the Group via short-term loan arrangement with Jiangxi Ganghong.

Properties Under Development

As at 30 September 2008, the Group's properties held under development increased to around RMB 612.3 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 103.8 million at the end of 30 September 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 9M Sep08.

Accounts Receivables

The Group's accounts receivables owing from purchasers of property units and banks stood at 19.2 million as at 30 September 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 30 September 2008, the Group had deposits, prepayments and other receivables that amounted to RMB 135.3 million. This amount comprises primarily deposits of RMB 44.0 million as collateral for borrowings and RMB 90.0 million deposit for the acquisition of land in Fuzhou.

Pledged Bank Deposits

Pledged bank deposits increased to RMB 121.6 million from RMB 12.8 million at 31 December 2007. The increase was due primarily to RMB 95.6 million of deposits that were used as collateral to secure bank borrowings. The balance of RMB 26.0 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 the end of September 2008, the Group's accounts payables was RMB 16.4 million, which comprised primarily of amounts owing to suppliers for construction costs incurred on its properties under development. On the other hand, the Group pared down its accruals, advance receipts and other payables to RMB 82.8 million as at 30 September 2008, compared to RMB 161.3 million at 31 December 2007.

Bank and Other Loans

The Group had total short-term and long-term borrowings of 367.5 million as at 30 September 2008, a net increase of RMB 31.5 million from 30 June 2008. During 3M Sep08, the Group obtained new borrowings by drawing down another RMB 50.0 million from its RMB 150 million loan facility that was secured by the Group's land in Nanchang, as well as through bank loans of around RMB 44 million. The Group also repaid borrowings of RMB 63.0 million in 3M Sep08.

The total borrowings as at the end of September 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 3M June08 and 3M Sep08.

As at the end of September 2008, the Group had healthy cash and bank equivalents of RMB 111.9 million. At the same time, the Group also had cash deposits of RMB 139.6 million used as collateral for borrowings. The Group's gearing ratio (total borrowings less deposit collateral / total equity) as at 30 September 2008 was 29.4%.

Cash Flow Analysis

During 3M Sep08, the Group recorded negative cash flow from operating activities of RMB 92.6 million, due largely to the cash used in properties held under development and for sales which rose by approximately RMB 82.4 million over 3M Sep08.

Net cash from financing activities totalled RMB 39.1 million in 3M Sep08. This was boosted primarily by new borrowings of RMB 94.4 million, which was offset by a repayment of borrowings of RMB 63.0 million as well as a decrease in pledged bank deposits of RMB 12.0 million.

The Group closed the financial period under review with cash and cash equivalents of RMB 111.9 million, and shareholders' equity of RMB 713.6 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 3M Sep08 is in line with the profit guidance announced on 5 November 2008.

It was stated in the last results announcement on 7 August 2008 that the Group was cautiously optimistic of the revenue and earnings for the financial period from 1 January 2008 to 31 March 2009, barring unforeseen circumstances. In the light of the current economic slowdown, the Group foresees substantially lower revenue for the financial period from 1 January 2008 to 31 March 2009.

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 property market in the PRC has remained challenging in recent months as sales transactions continued to be sluggish which has resulted in pressure on property developers to drop their selling prices. The global credit crisis and impending slowdown of the world's economy are expected to create greater uncertainty for the PRC's property sector in the near term.

As a key pillar of the country's economic growth, the increasing weakness of the PRC's property industry has recently prompted the government to unwind several policies that were set in place previously to stem speculation and rein in the persistent increase of property prices. More than a dozen cities, including Shanghai, Hangzhou and Nanjing have rolled out new measures to encourage home purchases in an effort to stablise and stimulate the sector's growth. These measures include cuts in taxes, mortgage rates and downpayments, as well as offering cash subsidies to home buyers. Property developers also stand to benefit from lower taxes and fees.

While they are positive, the effectiveness of these measures in reviving the PRC's property market may be visible only after a period of time. Coupled with the near-term risk of a possible over-supply situation in the property sector, the outlook for property developers is expected to remain challenging.

Notwithstanding the present market sentiment, the Group maintains its positive long-term outlook of China's property sector, particularly in the second- and third-tier cities due to increasing consumer affluence and urbanization. Given its management experience and sound financial position, the Group believes it is well-placed to weather the current slowdown, as well as ready to capitalise on opportunities when they arise.

Update on the Group's Plans

The Group has originally planned to launch four projects in second half of 2008, namely Nanchang Honggu Kaixuan Phase 2 in Nanchang city, Hua Cui Ting Yuan in Huzhou city, Hangzhou Liyang Yuan in Hangzhou city, and Huzhou Liyang Jingyuan Phase 2 in Huzhou city.

To-date, the Group has launched pre-sales of the first batch of 270 residential units at Nanchang Honggu Kaixuan Phase 2 on 26 July 2008. Up to 3 November 2008, the Group has pre-sold 56 units (with a GFA of around 7,004 sq m) for an aggregate value of RMB 38.2 million. This translates into an average selling price of RMB 5,455 per sq m, which is higher than the average selling price of the residential units under Phase 1. The pre-sales volume reflects the current market sentiment and the Group will monitor the market situation closely in planning for the subsequent launches of the residential units.

Phase 2 of Nanchang Honggu Kaixuan comprises a total of 1,003 residential units, retail space and an office tower, yielding an estimated aggregate GFA of 218,718 sq m. In view of the continued development of the services sector in China, the Group may consider retaining commercial properties in its Nanchang Honggu Kaixuan project as investment properties to enhance stability of revenue streams.

In view of the current weak market sentiment, the Group plans to defer the launch of the remaining residential units of Nanchang Honggu Kaixuan Phase 2. As such, the construction progress of this project will be slowed to keep pace with the launch plans. In tandem with this project schedule, the Group anticipates the handover of sold properties to begin only from the end of 2009.

Likewise, the Group also intends to adjust the launch schedule for the three other projects in Huzhou and Hangzhou. Tentatively, the Group's plans are to unveil Hua Cui Ting Yuan, Huzhou Liyang Jingyuan Phase 2 and Hangzhou Liyang Yuan before 31 March 2009.

The Group is closely monitoring market conditions to determine an appropriate time for its property launches. The schedule of property development and launch is subject to changes in market conditions. With a healthy financial position to support its current working capital needs and projects in prime locations, the Group has the flexibility to make appropriate adjustments to its project schedule, taking into consideration the expected take-up rates and selling prices.

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

Amid the backdrop of softer market conditions in the PRC's property industry, the Group has held back the property launch plans that it had outlined at the start of the year. In view of the deferment of the launch of new property projects, and the uncertain outlook of this sector in the short-term, the Group foresees significantly lower revenue for FP2009, as compared to the financial year ended 2007 ("FY2007") when the property market in the PRC was relatively more upbeat. This in turn could have a negative impact on its profitability.

With a healthy current ratio (total current assets / total current liabilities) of 3.1 times, the Group believes that it is in a position to withstand the present market challenges. Additionally, the Group is also well-prepared in its property projects to ride on opportunities 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?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared or recommended for the financial period ended 30 September 2008.

BY ORDER OF THE BOARD

Wong Lam Ping
Chairman
12 November 2008

Note:

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

NEGATIVE ASSURANCE CONFIRMATION

<u>Statement by Directors pursuant to SGX Listing Rule 705(4)</u>

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 30 September 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 November 2008