

UPDATE ON THE GROUP'S ONGOING DEVELOPMENTS

Pan Hong Property Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**") is pleased to provide an update on the sales progress of the Group's development projects and key corporate developments.

Wuxing Balidian Market

In view of the strong rental demand for quality retail space, as well as the upside potential in rental and capital values in the Balidian Wuxing district, our Group has decided to retain part of Wuxing Balidian Market, the only integrated commercial development in the vicinity, as rental property. Our Group has, on 13 October 2006, entered into a letter of intent to lease a floor space of approximately 3,234 sq m to a subsidiary of the Wang On Group. The Wang On Group is listed on the Hong Kong Stock Exchange Limited and is principally engaged in property development, property investment, management and sublicensing of wet markets, shopping centres, car park and retail business in Hong Kong. The proposed lease is for a period of 8 years commencing from 15 November 2006 and the rental is as follows:

- RMB193,980 per annum from 15 November 2006 to 14 November 2007 (with a 6-month rental-free period granted to the lessee to allow for renovation works to be carried out);
- RMB387,960 per annum from 15 November 2007 to 14 November 2008;
- RMB446,154 per annum from 15 November 2008 to 14 November 2010;
- RMB513,077 per annum from 15 November 2010 to 14 November 2011; and
- RMB590,039 per annum from 15 November 2012 to 14 November 2014.

Our Group has also sold two of the commercial units with a gross floor area of 285 sq m for RMB2.25 mil. Our Executive Directors understand that these two commercial units will primarily be rented to the Bank of Communications.

Balidian is one of the largest towns in Huzhou City, occupying a total area of 635,000 sq m. Wuxing Balidian Market is an integrated commercial development located within Balidian town and comprises an agricultural free market, supermarkets, retail shops and dining and leisure/entertainment area. It is designed with the capacity to serve the daily needs of the future 60,000 residents of Balidian.

Update on Ongoing Sales of Other Completed Projects

For the period from 1 July 2006 to 20 October 2006, our Group has sold or pre-sold the following: -

- Huzhou Zhili Phase 2 – we have sold 20 residential units for an aggregate purchase price of approximately RMB10.20 million. The average selling price of the units sold was approximately RMB2,615 per sq m;
- Huzhou Liyang Phase 1 – we have sold 11 residential units, 9 storeroom units, 2 commercial units and 3 parking lots for an aggregate purchase price of approximately RMB13.19 million. The average selling prices of the residential and commercial units were approximately RMB3,782 per sq m and RMB5,000 per sq m, respectively;
- Huzhou Xinya Jiayuan – we have sold 2 residential units, 6 storeroom units and 13 parking lots for an aggregate purchase price of approximately RMB3.18 million. The average selling price of the residential units was approximately RMB3,812 per sq m; and
- Wuxing Balidian Market – we have sold 23 commercial units for an aggregate purchase price of approximately RMB7.50 million. The average selling price of the commercial units was approximately RMB8,278 per sq m.

Tax Rebate for Re-investment of Profits

As disclosed in our prospectus dated 11 September 2006, as all of our subsidiaries are as foreign invested enterprises, we are entitled to preferential tax rebates when we reinvest after tax profits realised from existing foreign invested enterprises into other foreign invested enterprises pursuant to the relevant PRC tax laws and regulations.

We are pleased to inform that two of our Group subsidiaries, Huzhou Liyang Real Estate Development Co., Ltd and Huzhou Asia City Real Estate Development Co., Ltd, have recently applied to the local tax authorities for the refund of corporate income tax for re-investment in our other subsidiaries in the PRC amounting to approximately RMB7.5 million.

Future Projects

Our Directors continue to believe that with the expected continuous growth of the PRC economy in the coming years leading to an increase in disposal income, this will lead to rising consumer affluence and sophistication which will drive the demand for better quality housing. The expected increase in urbanisation in the PRC, coupled with government policies encouraging private property ownership in the recent years, should also contribute to this rise in demand.

We are pleased to inform that the progress of our future projects are on track with our schedule, with three major projects targeted to be launched in the first quarter of 2007. These include Nanchang Honggu Kaixuan, Huacui Tingyuan and Hangzhou Liyang Yuan.

None of the Company's directors or controlling shareholder has any interest, direct or indirect, in the above transactions.

The Initial Public Offering of the Company's shares was sponsored by CIMB-GK Securities Pte. Ltd.

ISSUED BY ORDER OF THE BOARD

Wong Chi Man

Company Secretary

Date: 23 October 2006