汎港地產集團 PAN HONG PROPERTY GROUP LIMITED
(Incorporated in Bermuda on 20 December 2005)
(Co. Reg. No: 37749)

2nd QUARTER FINANCIAL STATEMENT ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 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 2nd Quarter ended 30 June 2008. These figures have not been audited.

	Group						
RMB'000	3 months ended 30/6/2008	3 months ended 30/6/2007	Increase/ (Decrease)	6 months ended 30/6/2008	6 months ended 30/6/2007		Increase/ (Decrease)
	(Unaudited)	(Unaudited) (Restated)		(Unaudited)	(Unaudited) (Restated)		
Revenue	17,547	846	1974.1%	29,279	4,973		488.8%
Cost of Sales	(9,927)	(506)	1861.9%	(16,462)	(2,571)	(note 1)	540.3%
Gross Profit	7,620	340	2141.2%	12,817	2,402		433.6%
Other income and gains	3,214	18,894	(83.0%)	5,771	20,668	(note 2)	(72.1%)
Selling expenses	(1,452)	(313)	363.9%	(2,582)	(1,893)		36.4%
Administrative expenses	(3,200)	(3,259)	(1.8%)	(8,297)	(6,001)		38.3%
Other operating expenses	(703)	(9)	7711.1%	(703)	(179)		292.7%
Operating profit	5,479	15,653	(65.0%)	7,006	14,997		(53.3%)
Finance costs	(997)	-	NM	(1,600)	-		NM
Share of loss of a jointly controlled entity	(256)	-	NM	(526)	-		NM
Profit before taxation	4,226	15,653	(73.0%)	4,880	14,997	(note 3)	(67.5%)
Taxation	(389)	39	(1097.4%)	(2,022)	(532)	(note 1)	280.1%
Profit for the period	3,837	15,692	(75.5%)	2,858	14,465		(80.2%)
Attributable to:							
Equity holders of the Company	3,757	15,751	(76.1%)	2,861	14,524		(80.3%)
Minority interests	80	(59)	235.6%	(3)	(59)		(94.9%)
	3,837	15,692	(75.5%)	2,858	14,465		(80.2%)
Earnings per share (in RMB cents):							
- Basis	0.77	3.28	(76.5%)	0.58	3.03		(80.9%)
- Diluted	N/A	N/A	NM	N/A	N/A		NM

NM: Not Meaningful

Notes:

Certain comparative figures for the 3 months and 6 months ended 30 June 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 6 months ended 30 June 2007 was reduced by approximately RMB 70,000 while the taxation for the same period was increased by approximately RMB 70,000 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 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 June 2007 had been restated to exclude Ever Sure and its subsidiary 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)

RMB'000	Group 3 months ended 30/06/2008 (Unaudited)	3 months ended 30/06/2007 (Unaudited)	6 months ended 30/06/2008 (Unaudited)	6 months ended 30/06/2007 (Unaudited)
Profit before taxation is arrived at after charging:				
Finance costs wholly repayable within five year				
- Bank loans	1,810	2,000	2,354	3,970
- Other loans	944	-	1,485	-
Less: amount capitalised in properties held under development	(1,757)	(2,000)	(2,239)	(3,970)
	997	-	1,600	-
Cost of properties held for sale recognised as expense	9,033	465	15,004	2,376
Depreciation of property, plant and equipment	78	169	239	318
Less: amount capitalised in properties held under development	(55)	(49)	(111)	(99)
	23	120	128	219
Loss on disposal of property, plant and equipment	-	-	-	17
Operating lease charges in respect of land and buildings	-	5	-	252
Less: amount capitalised in properties held under development	-	-	-	(26)
	-	5	-	226
Staff costs, including directors' remuneration				
- wages and salaries	1,597	1,356	3,864	2,840
- retirement benefit scheme contributions - defined contribution plans	21	11	36	32
Less: amount capitalised in properties held under development	(465)	(466)	(1,148)	(957)
	1,153	901	2,752	1,915
and crediting :				
Interest income				
- from bank deposits and cash at banks	348	107	1,474	1,550
Exchange gain	8	-	4	-
Gain on disposal of financial assets at fair value through profit or loss	78	-	1,303	-

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	
	30/06/2008	31/12/2007	30/06/2008	31/12/2007
RMB'000	Unaudited	Audited	Unaudited	Audited
ASSETS AND LIABILITIES				
NON-CURRENT ASSETS				
Property, plant and equipment	7,980	8,312	-	-
Investment properties	79,900	81,013	-	-
Leasehold interest in land	7,229	8,206	-	-
Goodwill	6,030	6,030	-	-
Interests in subsidiaries	-	-	278,608	278,608
Interests in a jointly controlled entity	48,319	49,702	-	-
Other receivables	20,000	20,000	-	-
Deposit paid	30,000	30,000	-	-
Deferred tax assets	11,000	11,000	-	-
	210,458	**214,263**	**278,608**	**278,608**
CURRENT ASSETS				
Properties held under development	524,008	405,914	-	-
Properties held for sale	105,474	125,010	-	-
Account receivables	19,007	57,007	-	-
Deposits, prepayments and other receivables	159,520	200,453	169	1,564
Financial assets at fair value through profit or loss	8,671	-	-	-
Amounts due from related parties	2,009	538	239,151	248,626
Pledged bank deposits	133,580	12,805	-	-
Cash and bank equivalents	162,733	243,906	92	92
	1,115,002	**1,045,633**	**239,412**	**250,282**
CURRENT LIABILITIES				
Account payables	42,858	2,105	-	-
Accruals, receipts in advance and other payables	58,138	161,343	59	-
Provision for tax	89,715	109,048	-	-
Amount due to related parties	70	91	6,379	6,395
Bank and other loans	154,823	105,563	-	-
	345,604	**378,150**	**6,438**	**6,395**
NET CURRENT ASSETS	**769,398**	**667,483**	**232,974**	**243,887**
TOTAL ASSETS LESS CURRENT LIABILITIES	**979,856**	**881,746**	**511,582**	**522,495**
NON-CURRENT LIABILITIES				
Bank and other loans	163,355	66,140	-	-
Shareholder's loan	17,794	17,794	-	-
Deferred tax liabilities	18,603	8,495	-	-
	199,752	92,429	-	-
NET ASSETS	**780,104**	**789,317**	**511,582**	**522,495**
EQUITY				
Share capital	298,164	298,164	298,164	298,164
Share premium	153,080	153,080	153,080	153,080
Reserves	268,089	277,299	60,338	71,251
EQUITY ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS	719,333	728,543	511,582	522,495
MINORITY INTERESTS	60,771	60,774	-	-
TOTAL EQUITY	**780,104**	**789,317**	**511,582**	**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 June 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 June 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 30/06/2008		As at 31/12/2007	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
149,466	5,357	75,682	29,881

Amount repayable after one year

As at 30/06/2008		As at 31/12/2007	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
163,355	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 RMB163,852,000 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 June 2008. Bank and other loan of approximately RMB148,969,000 was secured by a deposit of RMB44,000,000 which was classified as "Deposits, prepayments and other receivables" under current assets and RMB117,500,000 which was classified as "Pledged bank deposits" as at 30 June 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.

	Group			
RMB'000	3 Months ended 30/06/2008	3 Months ended 30/06/2007 (Restated)	6 Months ended 30/06/2008	6 Months ended 30/06/2007 (Restated)
Cash flows from operating activities				
Profit before taxation	4,226	15,653	4,880	14,997
Adjustments for:				
Interest income	(348)	(107)	(1,474)	(1,550)
Interest expense	997	-	1,600	-
Depreciation	23	120	128	219
Gain on disposal of financial assets at fair value through profit or loss	(78)	-	(1,303)	-
Share of loss of of a jointly controlled entity	256	-	526	-
Operating cash flow before working capital change	5,076	15,666	4,357	13,666
Increase in properties held under development & for sales	(4,995)	(207,164)	(96,208)	(233,466)
(Increase)/Decrease in account and other receivables, prepayments and deposits paid	63,102	66,137	80,100	31,115
Increase in financial assets at fair value through profit or loss	(8,593)	-	(7,368)	-
Decrease/(Increase) in amount due from a related parties, including jointly controlled entity	491	1,406	(6,479)	1,406
Increase/(Decrease) in account and other payables, accruals and receipts in advance	(101,843)	178,942	(66,577)	172,557
(Decrease)/Increase in amount due to related parties	(12)	7	(12)	(22)
Cash (used in)/generated from operations	(46,774)	54,994	(92,187)	(14,744)
Income taxes paid	(3,579)	(5,239)	(8,681)	(5,735)
Net cash (used in)/generated from operating activities	(50,353)	49,755	(100,868)	(20,479)
Cash flows from investing activities				
Purchases of property, plant and equipment	(94)	(143)	(196)	(620)
Purchases of available-for-sales financial assets	-	-	-	(120)
Acquisition of a subsidiary, net	-	170	-	671
Dividend paid	-	(4,800)	-	(4,800)
Investment in a jointly controlled entity	-	(50,946)	-	(50,946)
Interest received	348	107	1,474	1,550
Net cash generated from/(used in) investing activities	254	(55,612)	1,278	(54,265)
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	236,969	20,580	306,969	20,580
Repayment of borrowings	(3,302)	-	(147,191)	-
Dividend paid	(9,178)	-	(9,178)	-
Increase in pledged bank deposits	(128,775)	-	(120,775)	-
Interest paid	(2,754)	(2,000)	(3,839)	(2,000)
Net cash from financing activities	92,960	18,580	25,986	16,972
Net increase/(decrease) in cash and cash equivalents	42,861	12,723	(73,604)	(57,772)
Effect of foreign exchange difference	(1,151)	(1,992)	(7,569)	(2,387)
Cash and cash equivalents at beginning of period	121,023	150,466	243,906	221,356
Cash and cash equivalents at end of period	162,733	161,197	162,733	161,197

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	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 April 2007 (restated)	292,164	116,727	(2,243)	6,058	-	(1,773)	98,373	4,800	514,106	32,663	546,769
Profit for the period	-	-	-	-	-	-	15,751	-	15,751	(59)	15,692
Exchange difference (net income / (expense) recognized directly to the equity)	-	-	-	-	-	(1,992)		-	(1,992)	-	(1,992)
Total income and expenses recognized during the period	-	-	-	-	-	(1,992)	15,751	-	13,759	(59)	13,700
Payment of dividend	-	-	-	-	-	-	-	(4,800)	(4,800)	-	(4,800)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	12,005	12,005
At 30 June 2007 (restated)	292,164	116,727	(2,243)	6,058	-	(3,765)	114,124	-	523,065	44,609	567,674
At 1 April 2008	298,164	153,080	(2,243)	4,257	3,838	(13,488)	270,793	9,178	723,579	60,691	784,270
Profit for the period	-	-	-	-	-	-	3,757	-	3,757	80	3,837
Exchange difference (net income / (expense) recognized directly to the equity)	-	-	-	-	-	1,175	-	-	1,175	-	1,175
Total income and expenses recognized during the period	-	-	-	-	-	1,175	3,757	-	4,932	80	5,012
Payment of dividend	-	-	-	-	-	-	-	(9,178)	(9,178)	-	(9,178)
At 30 June 2008	298,164	153,080	(2,243)	4,257	3,838	(12,313)	274,550	-	719,333	60,771	780,104

Company	Share capital	Share premium	Contributed surplus	Retained earnings	Proposed final dividend	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2007	292,164	116,727	59,579	51	4,800	473,321
Loss for the period	-	-	-	(307)	-	(307)
Payment of dividend					(4,800)	(4,800)
At 30 June 2007	292,164	116,727	59,579	(256)	-	468,214
At 1 April 2008	298,164	153,080	59,579	1,266	9,178	521,267
Loss for the period	-	-	-	(507)	-	(507)
Payment of dividend	-	-	-	-	(9,178)	(9,178)
At 30 June 2008	298,164	153,080	59,579	759	-	511,582

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 30/06/2008	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 June 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 amended International Financial Reporting Standards (IRFSs) which become effective for financial year beginning on or after 1 January 2008. 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.

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 30/6/2008	3 Month ended 30/6/2007	6 Month ended 30/6/2008	6 Month ended 30/6/2007
Profit per ordinary share (in RMB cents):				
(a) Basic	0.77	3.28	0.58	3.03
(b) Diluted	NA	NA	NA	NA

Note:
The calculation of basic profit per share is based on the profit attributable to equity holders of the Company of approximately RMB3,757,000 for 3 months ended 30 June 2008 (3 months ended 30 June 2007 : RMB15,751,000) and RMB2,861,000 for 6 months ended 30 June 2008 (6 months ended 30 June 2007: RMB14,524,000) divided by the weighted average of 490,000,000 (6 months ended 30 June 2007 : 480,000,000) ordinary shares during the period.

Diluted profit per share for the periods has been presented as there is no dilutive potential share for the three months and six months ended 30 June 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 30/06/2008	**As at 31/12/2007**	**As at 30/06/2008**	**As at 31/12/2007**
Net asset value per ordinary share (in RMB cents)	159.20	161.09	104.40	106.63

Note:
The number of ordinary shares of the Company as at 30 June 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 JUNE 2008 ("3M June08") COMPARED TO THE PREVIOUS CORRESPONDING QUARTER ENDED 30 JUNE 2007 ("2Q07")

	Group			
	3 Month ended 30/6/2008	3 Month ended 30/6/2007	6 Month ended 30/6/2008	6 Month ended 30/6/2007
Revenue (RMB'000)				
Residential	16,070	575	27,650	2,489
Commercial and others	1,477	271	1,629	2,484
	17,547	846	29,279	4,973
Gross Profit (RMB'000)				
Residential	7,181	189	12,252	963
Commercial and others	439	151	565	1,439
	7,620	340	12,817	2,402

The Group has changed its financial year end to 31 March instead of 31 December. As such, the current financial period will cover a period of 15 months from 1 January 2008 to 31 March 2009. The following review of the Group's profit and loss statement and financial position covers the financial period from April to June 2008 ("3M June08"); and the previous corresponding period is from April to June 2007 ("2Q07")

Revenue

Group revenue for 3M June08 was derived mainly from sales of remaining 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) as there were no new project launches in 3M June08.

During 3M June08, the Group sold and delivered 24 residential units of Nanchang Honggu Kaixuan Phase 1. These residential units, with total GFA of approximately 2,815 sq m, fetched total revenue of RMB 14.4 million. As at end June 2008, the Group has sold and completed the handover of 1,031 residential units or 91.5% of the total 1,127 residential units under Phase 1.

The remaining residential sales of around RMB 1.6 million in 3M June08 came from sales of residential units at Huzhou Liyang Jingyuan Phase 1. As at end June 2008, 97% of residential units at Huzhou Liyang Jingyuan Phase 1 has been sold.

Revenue from commercial and other properties of around RMB 1.5 million in 3M June08 were due primarily to the sale of commercial units at Huzhou Zhili Yazhoucheng Phase 2 (湖洲织里亞洲城二期). As such, the Group recorded total revenue of RMB 17.5 million in 3M June08.

For the same financial quarter a year ago (2Q07), Group revenue was significantly lower at RMB 846,000 due to lesser GFA sold from the remaining residential and commercial units of Huzhou Liyang Jingyuan Phase 1 and Huzhou Xinya Jiayuan (湖洲馨雅家园). In 3M June08, the Group sold a total GFA of approximately 3,567 sq m of residential, commercial and other properties compared to an aggregate GFA of approximately 194 sq m in 2Q07.

For the first six months ended 30 June 2008 ("6M June08"), Group revenue increased by almost 5 times to RMB 29.3 million compared to the same period last year ("1H07") due primarily to sales of residential units of Nanchang Honggu Kaixuan Phase 1. This property 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 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 line with higher revenue recorded in 3M June08, the Group's cost of sales rose to RMB 9.9 million for the quarter. Gross profit rose at a faster pace than the revenue of RMB 7.6 million in 3M June08.

Gross profit margin was around 43.4% in 3M June08, which is slightly higher than the 40.2% recorded in 2Q07. This was attributed primarily to the higher gross profit margin from residential sales of Nanchang Honggu Kaixuan Phase 1 compared to the profit margins from residential sales in 2Q07.

On half-year basis, the Group's gross profit margin for 6M June08 was 43.8%, compared to 48.3% in 1H07 which was boosted by sales of commercial units in the first quarter of FY2007.

Other Income and Gains

The Group's other income and gains decreased 83.0% to RMB 3.2 million in 3M June08 from RMB 18.9 million in 2Q07 as the Group recorded lower agency fee and commission during the period under review.

As a result, the Group's other income and gains decreased 72.1% to RMB 5.8 million for 6M June08.

Selling Expenses

The Group's selling expenses increased to RMB 1.5 million in 3M June08, from RMB 313,000 in 2Q07. The higher selling expenses incurred during 3M June08 were due to the promotional and advertising expenses incurred for Nanchang Honggu Kaixuan Phase 2 (南昌红谷凯旋二期) as well as an increase in salaries of the sales team. Group selling expenses were up 36.4% to RMB 2.6 million in 6M June08.

Administrative Expenses

The Group's administrative expenses in 3M June08 of RMB 3.2 million was similar to that in 2Q07 of RMB 3.3 million. Including the RMB 5.1 million in three months ended 31 March 2008 ("3M March08"), the Group recorded a 38.3% increase in administrative expenses to RMB 8.3 million for 6M June08.

Operating Profit and Profit Attributable to Equity Holders of the Company

Despite achieving higher gross profit in 3M June08, the Group's operating profit declined 65.0% to RMB 5.5 million due primarily to lower other income and gains recorded in 3M June08. Finance costs amounted to around RMB 1.0 million due to interest incurred on bank borrowings to fund working capital requirements.

The PRC income tax has been revised to 25% with effect from January 2008, a reduction from the 33% in 2007. Total taxation expense for 3M June08 amounted to RMB 0.4 million after including a provision for LAT of RMB 0.7 million which was partially offset by a reduction in tax payable due to the change in PRC.

As a result of the above factors, profit attributable to equity holders of the Company decreased 76.1% to RMB 3.8 million in 3M June08, and declined 80.3% to RMB 2.9 million in 6M June08.

(b) Review of Financial Position as at 30 June 2008 and Cash Flow Statement for 3M June08

Properties Under Development

As at 30 June 2008, the Group's properties held under development increased to around RMB 524.0 million from RMB 405.9 million as at 31 December 2007, due mainly to the development costs for new property projects including Hua Cui Ting Yuan (湖州华萃庭園), 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).

Compared to 31 December 2007, properties held under development increased in line with the construction progress of the aforesaid four projects by approximately RMB 118.1 million.

Properties Held for Sale

Properties held for sale declined to RMB 105.5 million at end of 30 June 2008, compared to RMB 125.0 million as at 31 December 2007. This was due primarily to the progressive handover of sold residential units at Nanchang Honggu Kaixuan Phase 1 to the purchasers of the units in 3M June08.

Accounts Receivables

Despite higher revenue, the Group's accounts receivables owing from purchasers of property units and banks, declined to RMB19.0 million at 30 June 2008 from RMB 57.0 million at 31 December 2007.

Deposits, Prepayments and Other Receivables

On the other hand, the Group's deposits, prepayments and other receivables stood at RMB 159.5 million at end of 30 June 2008, a decline of RMB 41.0 million from RMB 200.5 million as at 31 December 2007. The RMB 159.5 million of deposits, prepayments and other receivables 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 133.6 million from RMB 12.8 million at 31 December 2007. The increase was due primarily to RMB 117.5 million of deposits that were used as collateral to secure bank borrowings. The balance of RMB 16.1 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

Accounts payables has increased to RMB 42.9 million at 30 June 2008, from RMB 2.1 million at 31 December 2007, due primarily to the construction costs for projects currently under development.

The Group pared down its accruals, advance receipts and other payables substantially to RMB 58.1 million at 30 June 2008, compared to RMB 161.3 million at 31 December 2007.

Bank and Other Loans

The Group has total short-term and long-term borrowings of RMB 336.0 million as at 30 June 2008, a net increase of RMB 229.9 million from 31 March 2008.

In May 2008, the Group secured two term loans (each with maturity period of 18 months) with a bank for an aggregate amount of RMB 108.0 million to finance the development of Hua Cui Ting Yuan and Hangzhou Liyang Yuan. The Group also obtained another bank loan facility (maturity period of 36 months) for the amount of RMB 150.0 million, of which the Group has already drawn down RMB 50.0 million. This loan facility is intended to be used for the development of the Group's project in Nanchang. In addition, the Group has obtained new loans amounting to HKD 99.1 million during 3M June08 for working capital requirements

At the end of June 2008, the Group has healthy cash and bank equivalents of RMB 162.7 million. At the same time, the Group also has cash deposits of RMB 161.5 million used as collateral for borrowings. The Group's gearing ratio (total borrowings less deposit collateral / total equity) as at 30 June 2008 was 22.4%.
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Cash Flow Analysis

During 3M June08, the Group recorded negative cash flow from operating activities of RMB 50.4 million due primarily to the decrease in accruals, advance receipts and other payables.

Net cash from financing activities was RMB 93.0 million in 3M June08. This was boosted primarily by new borrowings of RMB 237.0 million, which was offset by an increase in pledged bank deposits of RMB 128.8 million.

As a result, the Group had cash and cash equivalents of RMB 162.7 million at the end of June 2008.

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 Review

According to figures released by the National Development and Reform Commission, the average house prices in the 70 largest cities in China rose 8.2% in June 2008 from a year ago, but were flat when compared to average prices in May 2008.

Sales transaction volumes have come under pressure in certain cities in recent months as many prospective home buyers are taking a "wait-and-see" approach in anticipation of a correction of property prices in future.

To curb property speculation, ensure healthy and stable development of the property and capital markets, the government has rolled out a series of regulations and measures, including tightening credit to property developers and stipulating higher requirements for second-home mortgage loans. These measures have already reduced property speculation and encouraged many prospective home buyers to delay their purchases.

Industry watchers and property developers are generally anticipating a recovery in transaction volumes after the third quarter of 2008.

While the near-term market environment for property developers is challenging, 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. The Group believes it has a relatively sound foundation underpinned by:

- Extensive management experience and a reputable brand name in the property sector
- Substantial, strategically located and diversified land reserves for future development
- Sound financial position
- High credit-worthiness with banks

Update on the Group's Plans

The Group currently has plans 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. The Group's schedule of property development and launch is subject to changes in market conditions.

On 26 July 2008, the Group has launched sales of the first batch of 270 residential units at Nanchang Honggu Kaixuan Phase 2. Up to 3 August 2008, the Group has 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.

Construction of the above-mentioned four projects is progressing as planned. The construction of Nanchang Honggu Kaixuan Phase 2 is expected to be completed progressively from early 2009.

As the Group is primarily engaged in the property development business, revenue recognition is dependent on 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. Barring any unforeseen circumstances, the Group is cautiously optimistic of the revenue and earnings for the financial period from 1 January 2008 to 31 March 2009.

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 June 2008.

BY ORDER OF THE BOARD

Wong Lam Ping
Chairman
7 August 2008

Note:

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

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 30 June 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: 7 August 2008