

PAN HONG PROPERTY GROUP LIMITED

(Incorporated in Bermuda)
(Registration Number: 37749)

1. PLACEMENT OF UP TO 10,000,000 NEW ORDINARY SHARES (THE "PLACEMENT SHARES") IN THE SHARE CAPITAL OF PAN HONG PROPERTY GROUP LIMITED (THE "COMPANY") AT S\$0.81 FOR EACH PLACEMENT SHARE

2. MEMORANDUM OF UNDERSTANDING WITH HWA HONG CORPORATION LIMITED

The Placement

The Directors of the Company ("**Directors**") wish to announce that the Company had on 18 October 2007 entered into a placement agreement (the "**Placement Agreement**") with CIMB-GK Securities Pte. Ltd. as placement agent for the Company (the "**Placement Agent**"). Subject to and upon the terms and conditions of the Placement Agreement, the Placement Agent has agreed, on a best endeavours basis, to procure subscribers and payment for up to 10,000,000 Placement Shares at S\$0.81 (the "**Placement Price**") for each Placement Share (the "**Placement**").

The Placement Shares (assuming all 10,000,000 are issued) represent approximately 2.1% of the issued and paid-up capital of the Company as at the date of this announcement. The Placement Shares shall be issued free from all claims, pledges, mortgages, charges, liens and encumbrances and shall rank in all respects *pari passu* with the then existing issued ordinary shares of the Company (the "**Shares**") at the time of the issue except that the Placement Shares will not rank for any dividends, rights, allotments or other distributions the record date for which falls on or before the date of the issue of the Placement Shares.

The Placement Price represents a discount of approximately 1.85% to the volume-weighted average price of \$0.8253 of the Shares traded on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") based on the trades done on the SGX-ST on 17 October 2007 and up to 12.30 p.m. on 18 October 2007, being the preceding market day and the half day up to the time the Placement Agreement is signed.

The Directors are also pleased to announce that Hwa Hong Corporation Limited ("**Hwa Hong**"), which holds an approximate 4.48% indirect equity interest in the Company as at the date of this announcement, has also indicated its intention to subscribe for 3,800,000 Placement Shares. Accordingly, after the completion of the Placement (assuming all 10,000,000 Placement Share are subscribed for), Hwa Hong's (direct and indirect) equity interest in the Company, will increase to approximately 5.16% and will become a substantial shareholder of the Company.

In conjunction with the proposed Placement, the Company has also today entered into a memorandum of understanding with Hwa Hong to forge a strategic alliance to jointly develop properties in the People's Republic of China (the "**PRC**"). The proposed strategic alliance will enable the Company and Hwa Hong to tap on their combined financial strengths to develop larger scale property projects in the PRC. The proposed strategic alliance also allows the Company and Hwa Hong to leverage their combined technical knowledge and expertise in such joint property developments.

Shareholders' Mandate

The Placement Shares will be allotted and issued pursuant to the general share issue mandate obtained from the shareholders of the Company on 25 April 2007.

Use of Proceeds

The net proceeds from the Placement (assuming all 10,000,000 Placement Shares are subscribed for), after deducting expenses pertaining thereto, are estimated at approximately S\$8.0 million. The net proceeds will be used for working capital purposes of the Group.

Pending the deployment of the net proceeds from the Placement as set out above, such net proceeds may be deposited with banks and/or financial institutions or invested in short-term money markets and/or marketable securities, or used for any other purpose on a short-term basis, as the Directors may deem fit.

Financial Effects

The financial effects of the Placement set out below are strictly for illustrative purposes and do not necessarily reflect the actual future financial position and results of the Group following the Placement.

- (a) The effect of the Placement on the share capital of the Company as at the date of this announcement is set out below :

	Before the Placement		After the Placement and assuming all the Placement Shares are subscribed for	
	HK\$ '000	No. of Shares ('000)	HK\$ '000	No. of Shares ('000)
Issued and paid-up share capital	288,000	480,000	294,000	490,000

- (b) The effect of the Placement on the net asset value of the Group ("**NAV**") and the NAV per Share based on the unaudited balance sheet of the Group as at 30 June 2007 are as follows:-

	As at 30 June 2007	After the Placement and assuming all the Placement Shares are subscribed for
NAV (RMB'000)	593,064	634,064
Number of shares ('000)	480,000	490,000
NAV per Share (RMB cents)	123.5	129.4 ⁽¹⁾

- (c) The financial effects of the Placement on the earnings per Share of the Group (“EPS”) based on the audited consolidated income statement of the Group for the financial year ended 31 December 2006 (“FY2006”) are as follows:-

	FY2006	After the Placement and assuming all the Placement Shares are subscribed for
Profit attributable to Shareholders (RMB'000)	49,440	49,440
Weighted average number of Shares ('000)	393,863	403,863
Basic EPS (RMB cents)	12.55	12.24 ⁽²⁾

Notes:

- (1) Adjusted for the net proceeds from the Placement of approximately RMB 41 million based on the currency exchange rate of SGD to RMB of 1:5.13.
- (2) The EPS after adjusting for the Placement is calculated on the assumption that the Placement Shares are issued at the beginning of FY2006 and that the net proceeds from the Placement have no impact on the profit for FY2006 of approximately RMB 49.6 million.

Condition Precedent

The Company will be making an application to the SGX-ST for the listing and quotation of the Placement Shares shortly. Completion of the Placement under the Placement Agreement is conditional upon, *inter alia*, the approval in-principle being obtained from the SGX-ST for the listing and quotation of the Placement Shares on the Mainboard of the SGX-ST.

General

None of the Placement Shares will be placed by the Company with any person or groups of person prohibited by SGX-ST as set out under Rule 812 of the SGX-ST Listing Manual.

Save as disclosed above, none of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Placement.

BY ORDER OF THE BOARD

Wong Lam Ping
Executive Chairman

Date: 18 October 2007

Note:

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