

PAN HONG HOLDINGS GROUP LIMITED

(Incorporated in Bermuda)
(Registration Number: 37749)



THE ENTERING INTO OF A JOINT VENTURE AGREEMENT

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Pan Hong Holdings Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the Company’s announcement dated 6 October 2015 (the “**Announcement**”) in relation to the entering into of a strategic cooperation framework agreement (the “**Framework Agreement**”) between (i) Sino Harbour Bio Technology Limited (“**SH BioTech HK**”); (ii) Zhejiang University of Technology Assets Operation Limited (浙江工業大學資產經營有限公司) (“**Uni Assets Ltd**”) and (iii) Irvine Pharmaceutical Services, Inc. (“**IPS**”). SH BioTech HK is a wholly and indirectly owned subsidiary of Sino Harbour Holdings Group Limited (“**Sino Harbour**”) which is listed on the Main Board of The Stock Exchange of Hong Kong Limited and approximately 73.05% owned by the Company.

Further to the Announcement, the Board wishes to announce that SH BioTech HK has on 15 December 2015, entered into a joint venture agreement (the “**JV Agreement**”) with Uni Assets Ltd and IPS in relation to an incorporation of a joint venture company (the “**New Company**”) in the People’s Republic of China (the “**PRC**”).

2. CONSIDERATION AND PAYMENT

All parties have agreed that the New Company shall have a registered capital of RMB64.00 million upon establishment.

SH BioTech HK will be injecting a capital of RMB38.40 million (the “**Consideration**”) by cash to subscribe for a 60% equity stake in the New Company (the “**Subscription**”). 30% of the Consideration (i.e. RMB11.52 million) will be settled within 1 month after the issuance of business license of the New Company (the “**Issuance**”). The remaining 70% of the Consideration will be paid in accordance with the operation needs of the New Company within 6 years after the Issuance. Pursuant to the JV Agreement, SH BioTech HK can transfer 8% of the equity stake of the New Company to qualified employees of the New Company. The board of directors of the New Company shall determine the list of qualified employees and implementation rules. Upon the completion of the Subscription, the New Company will be a subsidiary of the Company.

Uni Assets Ltd will be injecting a capital of RMB12.80 million by cash to subscribe for a 20% equity stake in the New Company. 30% of its capital contribution (i.e. RMB3.84 million) will be settled within 1 month after the Issuance. The remaining 70% of its capital contribution will be paid in accordance with the operation needs of the New Company within 6 years after the Issuance.

IPS will be injecting its intangible assets (including but not limited to the drawings, operation systems, standard operation procedures and other documents and information) which are required for the operation of the New Company in an aggregate fair value of RMB12.80 million in return for a 20% equity stake in the New Company. The fair value of the intangible assets shall be set on an arms’ length basis in accordance with a third party’s independent valuation report in PRC and subject to the relevant PRC authorities’ approval.

3. PRINCIPAL TERMS OF THE JV AGREEMENT

A summary of the salient terms of the JV Agreement is set out as follows:

- (a) The name of the New Company shall be named “Zhejiang IPS Pharmaceutical Technology Co., Ltd. (浙江美測藥品科技有限公司)”.
- (b) Uni Assets Ltd and IPS shall provide the necessary support and assistance to the New Company in relation to the establishment of a service centre for pharmaceutical services including third-party pharmaceutical quality research and standard inspection, customized synthesis, prescription technology, new drug research, drug safety evaluation and clinical trial in the PRC and the Asian-Pacific region (the “**Pharmaceutical Centre**”).
- (c) Uni Assets Ltd shall rent the necessary facilities to the New Company for its operation. The rental price shall be set on an arms’ length basis in accordance with a third party’s independent valuation report.
- (d) Uni Assets Ltd and IPS shall provide the necessary assistance to enable the Pharmaceutical Centre to pass the relevant U.S. Food and Drug Administration (“**FDA**”) inspection and/or audit so that the Pharmaceutical Centre will be qualified to issue testing and analytical reports according to the regulations promulgated and enforced by the FDA. Subject to FDA’s satisfactory review, the Pharmaceutical Centre will be one of the first batch of approved qualified laboratories in the PRC.
- (e) The Pharmaceutical Centre will apply to the relevant authorities of the PRC for the qualification of China Metrology Accreditation (中國計量認證) and China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會).
- (f) The New Company shall develop a trading platform to assist pharmaceutical products from the PRC to enter into the markets in the United States of America (“**USA**”), Canada and the European Union.
- (g) The New Company shall involve in the provision of drug quality standards and the third-party arbitration services.
- (h) The New Company shall provide training on FDA related services and standards for Chinese drug manufacturing enterprises.
- (i) The New Company shall provide services of FDA application and advices for Chinese drug manufacturing enterprises.
- (j) The New Company shall establish branch offices in the major pharmaceutical regional centres in the PRC to expand its market share.
- (k) The Collaborative Innovation Centre of Yangtze River Delta Region Green Pharmaceuticals (長三角綠色製藥協同創新中心) (“**YRD Innovation Centre**”) and the Zhejiang University of Technology (浙江工業大學) (“**ZH Tech University**”) shall cooperate with the New Company to expand the New Company’s influence and the market share as well as provide sufficient technology and human resources support to the New Company.
- (l) For ensuring an effective operation of the New Company, the New Company will acquire 100% equity interest in Hangzhou IPS Pharmaceutical Technology Co., Ltd. (“**Hangzhou IPS**”) from the Uni Assets Ltd.

4. NON-COMPETITION ARRANGEMENT

All parties to the JV Agreement shall not engage in a business which is in competition with the New Company in the PRC (Including Taiwan, Hong Kong and Macau) within the term of the JV Agreement and five years after termination of the JV Agreement.

5. CONDITION OF THE JV AGREEMENT

The JV Agreement shall only be effective upon the approval by ZH Tech University.

6. BACKGROUND OF UNI ASSETS LTD AND IPS

Uni Assets Ltd is an asset management company established by ZH Tech University in November 2002. ZH Tech University is a reputable comprehensive university in the PRC. The YRD Innovation Centre, which is led by ZH Tech University and associated with several reputable pharmaceutical enterprises and research organisations, is one of the fourteen collaborative innovation centres selected into the “The Enhancement Program of Innovation Ability for Institutions of Higher Education (高等學校創新能力提升計劃)” in the first batch nationally. Moreover, the YRD Innovation Centre is the only pharmaceutical collaborative innovation centre among the fourteen collaborative innovation centres. “The Enhancement Program of Innovation Ability for Institutions of Higher Education”, also called “2011 Program (2011計劃)”, was jointly implemented by the Ministry of Education and the Ministry of Finance of the PRC. The 2011 Program advocates the improvement of the innovation capabilities of the institutions of higher education through the collaboration of institutions of higher education, enterprises and government authority.

Hangzhou IPS is wholly-owned by Uni Assets Ltd, which is a pharmaceutical research, development and analytical services company. The principal activities of Hangzhou IPS include pharmaceutical quality test technology development, pharmaceutical technology consultancy service and medical device quality inspection technology development.

IPS is a reputable pharmaceutical development and manufacturing company established in 1988 under the laws of California, the USA. IPS is a pharmaceutical inspection company approved by the review of FDA with a package of services under the regulations enforced by FDA, which include pharmaceutical analysis and inspection, drug device testing, analytical chemistry and biopharmaceutical development. The founder, who is also the Chief Executive Officer of IPS has over 30 years of experience in pharmaceutical science and biochemistry and has extensive knowledge in FDA regulation. If the Pharmaceutical Centre is qualified under the review requirements of FDA, IPS can issue the inspection reports accredited by FDA for the pharmaceutical inspection performed by the Pharmaceutical Centre.

7. RATIONALE OF SUBSCRIPTION

The Group is principally engaged in property development in the PRC. The Group had invested in the stem cell biological technology enterprise in the PRC in September 2013, an announcement of which was released to the SGX-ST on 13 September 2013.

In line with the increasing gross national income, health consciousness of the public has increased. Therefore, there will be a huge market demand and potential in the medical treatment industry which is expected to grow rapidly. In addition, as the PRC pharmaceutical industry will focus on high-end pharmaceutical products progressively, there will be a demand for the New Company's pharmaceutical services. In accordance with the *Opinions Of The CPC Central Committee On Deepening The Reform Of The Institutional Mechanisms And Accelerate The Implementation Of Innovation Driven Development Strategy* (中共中央關於深化體制機制改革加快實施創新驅動發展戰略的若干意見) issued by the State Council of the PRC (中華人民共和國國務院) on 13 March 2015, the

PRC government stated that it will expedite the specialisation and market reform of third party's inspection institutes.

Jiangxi Asia City Real Estate Development Co., Ltd., a wholly-owned subsidiary of Sino Harbour had entered into a subscription agreement to subscribe for 30% equity interest in Zhejiang Davi Pharmaceutical Co., Ltd. with other independent third parties on 27 November 2015, with an intention to enter into the pharmaceutical related industry. The Board is of the view that the entering into of the JV Agreement will provide further opportunity for the Group to enter into the pharmaceutical inspection industry and potentially expand its income sources. The relevant announcement was released to the SGX-ST on 27 November 2015.

The Board considers that the terms of the JV Agreement are fair and reasonable and in the best interest of the Group and its shareholders as a whole.

The incorporation of the New Company will be funded by the Group's internal resources, bank borrowings and/or issue of new equity and/or debt instruments, as the Board shall consider suitable.

8. RELATIVE FIGURES COMPUTED PURSUANT TO RULE 1006 OF THE LISTING MANUAL OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST LISTING MANUAL")

Rule 1006 (a) Net Asset Value	Not applicable as this transaction is not a disposal of assets.
Rule 1006 (b) Net Profits	Not applicable as there are no profits attributable from the Acquisition.
Rule 1006 (c) Market Capitalisation	The capital contribution to be paid, RMB38,400,000 (equivalent to approximately S\$8,439,374 based on the exchange rate of S\$1.00 : RMB4.5501) represents approximately 7.84% of the Company's market capitalisation of S\$107,585,315 as at 14 December 2015.
Rule 1006 (d) Equity Securities	Not applicable as the Purchase Consideration is to be fulfilled by cash payment.

The Subscription is classified as a discloseable transaction for the purposes of Chapter 10 of the Listing Manual as the relative figure under Rule 1006(c) of the SGX-ST Listing Manual exceeds 5% but does not exceed 20%.

9. FINANCIAL IMPACTS OF THE SUBSCRIPTION

The Subscription is not expected to have any material impact on the Group's earnings per share and net tangible assets for the current financial year ending 31 March 2016.

10. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the directors or substantial shareholders of the Company have any interest, direct or indirect, in the New Company, Uni Assets Ltd, Hangzhou IPS and IPS (other than through their direct or indirect shareholdings in the Company).

11. SERVICES CONTRACTS

No person is proposed to be appointed as a director of the Company or Sino Harbour in connection with the Subscription.

12. DOCUMENTS FOR INSPECTION

A copy of the agreement is available for inspection during normal business hours at the following addresses for three months from the date of this announcement:

- (i) Company's registered office
Clarendon House,
2 Church Street, Hamilton, HM 11,
Bermuda
- (ii) B.A.C.S. Private Limited,
8 Robinson Road #03-00 ASO Building,
Singapore 048544

13. FURTHER ANNOUNCEMENTS

The Company will make further announcement(s) to keep shareholders informed, as and when there are further updates pertaining to the above matters or if there are any material developments.

14. CAUTIONARY STATEMENT

Shareholders and potential investors should exercise caution when trading in the shares of the Company, as mentioned in aforesaid point 5, the JV Agreement shall not be effective unless certain condition is met. There is no certainty or assurance as at the date of this announcement that all necessary approval for the JV Agreement will be granted. In the event of any doubt as to the action they should take, shareholders should consult their stockbrokers, bank managers, solicitors or other professional advisers.

By Order of the Board

Wong Lam Ping
Executive Chairman

15 December 2015