

PAN HONG HOLDINGS GROUP LIMITED

(Incorporated in Bermuda)

(Registration Number: 37749)



ENTRUSTED LOAN AGREEMENT BETWEEN HUZHOU PAN HONG RUNYUAN HOUSING AND LAND DEVELOPMENT COMPANY LTD AND DEQING LIANCHUANG KEJI XINCHENG CONSTRUCTION COMPANY LIMITED

1. INTRODUCTION

The Board of Directors (the “**Board**” or the “**Directors**”) of Pan Hong Holdings Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that Huzhou Pan Hong Runyuan Housing and Land Development Company Ltd, a corporation incorporated in the People’s Republic of China (the “**PRC**”) and an indirectly wholly-owned subsidiary of the Company (“**Huzhou Runyuan**”) has on 4 January 2019 entered into an entrusted loan agreement (the “**Loan Agreement**”) with Deqing Lianchuang Keji Xincheng Construction Company Limited (the “**Borrower**”) and China Merchants Bank Huzhou Branch in relation to the provision of an unsecured guaranteed loan of RMB70.0 million (the “**Entrusted Loan**”) by Huzhou Runyuan to the Borrower.

The Entrusted Loan is guaranteed by Zhejiang Deqing Transportation Investment Group Limited (the “**Guarantor**”), a state-owned entity of the PRC, with joint and several obligations to the loan principal and interest payable under the Loan Agreement.

2. DETAILS OF THE ENTRUSTED LOAN

2.1 Borrower

The Borrower is a PRC state-owned enterprise engaging in the development of basic infrastructure and public facilities, and with a credit rating of “AA” rated by the Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.

2.2 Guarantor

The Guarantor is a PRC state-owned enterprise engaging in transportation and infrastructure investment.

2.3 Rationale and Purpose of the Entrusted Loan

The Entrusted Loan is a one-off transaction and is not meant to be a new business of the Group. Instead, the primary purpose of extending the Entrusted Loan is to utilise the excess cash in the Group.

The Entrusted Loan is expected to generate approximately RMB3.9 million of interest income for the Group over the 6-month term, which compares favourably with interest income of approximately RMB0.5 million to RMB0.7 million should the funds remain in a PRC bank deposit account, where most banks are offering a 6-month bank annualised deposit rate of around 1.5% to 2%.

2.4 Term

The Entrusted Loan is extended for a 6-month period starting from the date of principal drawdown (the “**Drawdown Date**”). The Entrusted Loan and the interest payable on the Entrusted Loan are due on the date after 6 months of the Drawdown Date (the “**Repayment Date**”).

2.5 Interest

The interest payable on the Entrusted Loan is 11.0 percent (11.0%) per annum, calculated on the basis of a 360-day year, commencing from the Drawdown Date and shall be paid by the Borrower to the Huzhou Runyuan together with the full Entrusted Loan amount on the Repayment Date.

3. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDER

None of the Directors or controlling shareholder of the Company has any interest, direct or indirect, in the Entrusted Loan Agreement, other than through their respective shareholdings in the Company (if any).

4. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Loan Agreement is available for inspection at the Company's business office at Room 1214, 12 Floor, Tower B, Hunghom Commercial Centre, 37-39 Ma Tau Wai Road, Hunghom, Hong Kong during normal business hours for three months from the date of this announcement.

By Order of the Board

Wong Lam Ping
Executive Chairman

5 January 2019