

CIRCULAR DATED 20 JANUARY 2020

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the contents herein or course of action that you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax advisor or other professional adviser immediately.

If you have sold or transferred all your shares in the share capital of Pan Hong Holdings Group Limited (the “**Company**”), you should immediately forward this Circular, together with the Notice of SGM (as herein defined) and the accompanying Proxy Forms (as herein defined), to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.



汎港控股
PAN HONG HOLDINGS

PAN HONG HOLDINGS GROUP LIMITED

(Incorporated in Bermuda on 20 December 2005)

(Company Registration Number: 37749)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

THE PROPOSED RMB150 MILLION REVOLVING LOAN FACILITY TO HANGZHOU GANGLIAN REAL ESTATE COMPANY LIMITED, WHICH CONSTITUTES AN INTERESTED PERSON TRANSACTION UNDER THE LISTING MANUAL

INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE PROPOSED LOAN FACILITY



RHB SECURITIES SINGAPORE PTE. LTD.

(Incorporated in the Republic of Singapore)

(Company Registration No. 198701140E)

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Forms	:	3 February 2020 at 10 a.m.
Date and time of Special General Meeting	:	5 February 2020 at 10 a.m.
Venue of Special General Meeting	:	Frankel Room, Level 3, Grand Mercure Singapore Roxy, 50 East Coast Road, Roxy Square, Singapore 428769

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DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:

“Bermuda Companies Act”	:	The Companies Act of Bermuda 1981, as amended, supplemented or modified from time to time
“Board”	:	The Board of Directors of the Company
“Borrower”	:	Hangzhou Ganglian Real Estate Company Limited
“Bye-laws”	:	The bye-laws of the Company
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 20 January 2020
“Companies Act”	:	The Companies Act (Chapter 50) of Singapore, as amended, supplemented or modified from time to time
“Company”	:	Pan Hong Holdings Group Limited
“Depositor Proxy Form”	:	A form for a Depositor to appoint proxy(ies) to attend and vote at the SGM on behalf of the Depositor
“Directors”	:	The directors of the Company as at the Latest Practicable Date
“Facility Termination Date”	:	The earlier of (i) 2 years from the date of obtaining the Shareholders’ approval for the Proposed Loan Facility; (ii) immediate repayment in the event of any of the events set out in Section 2.1 (i); and (iii) immediate repayment upon 30 days written notice from the Lender to the Borrower in the event the Group requires funds for its own working capital / operations
“Group”	:	The Company and its subsidiaries
“Guarantor”	:	Mr. Wong Lam Ping
“Guarantor’s Shares”	:	The 323,395,494 Shares that the Guarantor is directly and deemed interested in, which is approximately 63.12% of all the issued Shares
“HKD”	:	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region
“IFA”	:	RHB Securities Singapore Pte. Ltd., being the independent financial adviser to the Non-Interested Directors in relation to the Proposed Loan Facility
“IFA Letter”	:	A copy of the letter dated 20 January 2020 from the IFA to the Non-Interested Directors in relation to the Proposed Loan Facility as an interested person transaction, as set out in Appendix A to this Circular
“Latest Practicable Date”	:	13 January 2020, being the latest practicable date prior to the printing of this Circular

“Lender”	:	Huzhou Pan Hong Runhe Property Development Limited
“Listing Manual”	:	The listing manual of SGX-ST, as amended, supplemented or modified from time to time
“Loan”	:	Each loan drawn down in accordance with the terms of the Loan Agreement pursuant to the Proposed Loan Facility
“Loan Agreement”	:	The RMB150 million revolving loan facility agreement dated 10 January 2020 entered into between the Lender and the Borrower
“Management”	:	The management of the Company, comprising the Group Financial Controller and the Finance Manager
“Member Proxy Form”	:	A form for a Shareholder (not being a Depositor) to appoint proxy(ies) to attend and vote at the SGM on behalf of such Shareholder
“Non-Interested Directors”	:	Ms. Wang Cuiping, Mr. Sim Wee Leong, Dr. Choo Kian Koon and Dr. Zheng Haibin
“Notice of SGM”	:	The notice of SGM in respect of the Proposed Loan Facility set out on pages 32 and 33 of this Circular
“NTA”	:	Net tangible assets
“Outstanding Loans”	:	All outstanding Loans and the interest accrued on such Loans
“PRC”	:	The People’s Republic of China
“Proposed Loan Facility”	:	The proposed RMB150 million revolving loan facility to be extended by the Lender to the Borrower pursuant to the Loan Agreement
“Proxy Forms”	:	Collectively, the Depositor Proxy Form and the Member Proxy Form
“Register of Members”	:	The register of members of the Company kept in accordance with Section 65 of the Bermuda Companies Act
“RMB”	:	The currency of the PRC
“SGM”	:	The special general meeting of the Company, notice of which is given on pages 32 and 33 of this Circular
“SGX RegCo”	:	Singapore Exchange Regulation Pte Ltd
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“SH Group”	:	Sino Harbour and its subsidiaries
“Shareholder”	:	The registered holders of the Shares
“Shares”	:	Ordinary shares in the issued and paid-up share capital of the Company
“Singapore Share Transfer Agent”	:	B.A.C.S. Private Limited
“Sino Harbour”	:	Sino Harbour Holdings Group Limited

- “Substantial Shareholder”** : In relation to the Company, a person who has an interest in one or more Shares, and the total votes attached to such Shares represent not less than 5.0% of the total votes attached to all the Shares
- “%” or “per cent.”** : Percentage or per centum
- “S\$” and “cents”** : Singapore dollars and cents, respectively

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore.

The term **“subsidiary”** shall have the meaning ascribed to it in Section 5 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*.

Words importing the masculine gender shall, where applicable, include the feminine and neuter genders.

Reference to persons shall include corporations and limited liability partnerships.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Bermuda Companies Act or the Companies Act or any amendment or modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning ascribed to it under the Bermuda Companies Act or the Companies Act or such amendment or modification thereof, as the case may be.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof (if any) are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

LETTER TO SHAREHOLDERS



汎港控股
PAN HONG HOLDINGS

PAN HONG HOLDINGS GROUP LIMITED

(Incorporated in Bermuda on 20 December 2005)

(Company Registration Number: 37749)

Directors

Wong Lam Ping (Executive Chairman)
Wang Cuiping (Executive Director)
Chan Kin Sang (Non-Independent and Non-executive Director)
Sim Wee Leong (Lead Independent Director)
Dr Choo Kian Koon (Independent Director)
Dr Zheng Haibin (Independent Director)

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

20 January 2020

To: The Shareholders of Pan Hong Holdings Group Limited

Dear Sir / Madam

THE PROPOSED RMB150 MILLION REVOLVING LOAN FACILITY TO HANGZHOU GANGLIAN REAL ESTATE COMPANY LIMITED, WHICH CONSTITUTES AN INTERESTED PERSON TRANSACTION UNDER THE LISTING MANUAL

1. INTRODUCTION

1.1 Background

On 10 January 2020, the Company announced that Huzhou Pan Hong Runhe Property Development Limited, a wholly-owned subsidiary of the Company incorporated in the PRC (the “**Lender**”), had on 10 January 2020 entered into a RMB150 million revolving loan facility agreement with Hangzhou Ganglian Real Estate Company Limited (the “**Borrower**”, and the loan facility, the “**Proposed Loan Facility**”).

The Audit Committee and the Board (save for Mr. Wong Lam Ping and Mr. Chan Kin Sang, who are interested in the Proposed Loan Facility) consider the Proposed Loan Facility to be beneficial for the Group as it utilises the excess cash in the Group.

The Group engages in property development in the PRC and would in the normal course of business, receive advance payments from its customers, and be required to settle the payment of the construction costs and other overheads according to the construction progress or agreed terms with the suppliers and/or contractors. As there may be some time lapsed from the day the Group receives advance payments from its customers and the day it is required to settle the payment of the construction costs, the Group may end up holding excess cash at any particular point in time. Liquidity management is therefore one of the key operations of the Group’s treasury function, to ensure that the Group is able to meet its payment obligations when they fall due and at the same time is able to maximise its profits through various means, including placing fixed deposits in banks and extending guaranteed/secured loans to third parties.

Accordingly, the disbursement of the Loans pursuant to the Proposed Loan Facility is one of the options for the treasury operations and liquidity management of the Group during periods when the Group has excess cash. It is in this context that the Audit Committee is of the view that the Proposed Loan Facility and disbursement of the Loans thereunder are of a revenue or trading nature and are part of the normal course of the Company's business, and this is consistent with the terms of the Proposed Loan Facility where the Company has absolute discretion to decide whether or not to disburse the Loans under the Proposed Loan Facility.

As at 30 September 2019, the Group had RMB269.9 million in cash and bank balances, RMB36.1 million in pledged deposits and RMB139.0 million in structured bank balances. On the assumption that the Proposed Loan Facility is fully drawn down, the Company would have a remaining balance of RMB119.9 million in its cash and bank balances. That said, the Company has the absolute discretion to decide whether or not to disburse the Loans under Proposed Loan Facility and if so, the quantum and term of such Loan. Accordingly, the disbursement of the Loans should not materially affect the cash flow and operating needs of the Group for reason that the Company will disburse the Loans from time to time only when the Group has excess cash. As the Loans will be disbursed by the Lender only when the Group has excess cash, none of the Loans disbursed will be drawn from the Company's existing fixed deposits secured for the Company's existing loan facilities. The Loans, when repaid, will be returned to the Group's reserve pool for operations and working capital purposes, as the case may be.

The Proposed Loan Facility, if fully drawn down for a term of two years at a fixed interest rate of 9.35% per annum, can generate interest income of up to approximately RMB28.1 million for the Group over the two-year period. For illustrative purpose only, should the funds remain in a PRC bank deposit account, the interest income generated would only amount to approximately RMB4.5 million to RMB9.0 million, based on a fixed interest rate of approximately 1.5% to 3.0% per annum.

Salient terms of the Proposed Loan Facility are set out in Section 2.1 of this Circular.

1.2 **The Proposed Loan Facility as an Interested Person Transaction**

The Borrower, which is a company incorporated in the PRC and primarily engaged in the business of real estate development, is a subsidiary of Sino Harbour. Mr. Wong Lam Ping, a Director and Executive Chairman of the Company, is directly and deemed interested in approximately 48.25% of the shareholding interests in Sino Harbour.

Mr. Wong Lam Ping is also directly and deemed interested in approximately 64.11% of the shareholding interests in the Company. Accordingly, the Borrower is deemed to be an "interested person" for the purposes of Chapter 9 of the Listing Manual.

On the assumption that the Proposed Loan Facility is fully drawn down for a term of two years at a fixed interest rate of 9.35% per annum, the maximum transaction value of the Proposed Loan Facility, being the value of the loan that has been drawn down and the interest payable on such loan, will exceed 5% of the latest consolidated audited NTA of the Group. Accordingly, the Proposed Loan Facility is subject to the approval of the Shareholders.

Please refer to Section 2 of this Circular for further information on the Proposed Loan Facility as an interested person transaction.

1.3 **Purpose of this Circular**

The Directors are convening the SGM to seek Shareholders' approval for the Proposed Loan Facility.

The purpose of this Circular is to provide Shareholders with information relating to, and the rationale for, the Proposed Loan Facility, and to seek Shareholders' approval for the same at the SGM. The Notice of the SGM is set out on pages 32 and 33 of this Circular.

2. THE PROPOSED LOAN FACILITY

2.1 Salient Terms of the Proposed Loan Facility

A summary of the salient terms of the Proposed Loan Facility is set out below:

- (a) Proposed Loan Facility: RMB150 million revolving loan facility.
- (b) Term of Proposed Loan Facility: The earlier of (i) 2 years from the date of obtaining the Shareholders' approval for the Proposed Loan Facility; (ii) immediate repayment in the event of any of the events set out in Section 2.1(i); and (iii) immediate repayment upon 30 days written notice from the Lender to the Borrower in the event the Group requires funds for its own working capital/operations (the "**Facility Termination Date**").
- (c) Term of each loan drawn down pursuant to the Proposed Loan Facility (each, a "Loan"): The term of each Loan drawn down shall be agreed to between the Lender and the Borrower, subject to repayment of all Loans and interest accrued thereon by no later than the Facility Termination Date.
- (d) Use of Loan proceeds: Loan proceeds may only be applied by the Borrower for real estate development purposes and not for any other purposes, including repayment of loans.
- (e) Condition Precedent: The Proposed Loan Facility is subject to Shareholders' approval obtained at the SGM.
- (f) Commitment: Each Loan disbursement is subject to the Company's absolute discretion. There is no commitment to disburse the Loans on the part of the Group.
- (g) Interest: The interest rate for each Loan is a per annum fixed rate, accruing on a daily basis, which is based on the then prevailing People's Bank of China's short-term (i.e. up to 1 year) lending benchmark rate plus 5%. All outstanding interest shall be settled half yearly, on the earlier of 30 June, 31 December or the agreed date of repayment of each Loan.

As an illustration, based on the People's Bank of China's short-term lending benchmark rate of 4.35%, the interest rate for a Loan will be 9.35% per annum, accrued on a daily basis. For the avoidance of doubt, the interest rate for each Loan is subject to a point for point adjustment should there be any changes to the People's Bank of China's short-term lending benchmark rate.

- (h) Guarantee: The Loan Facility will be supported by a personal guarantee issued by Mr. Wong Lam Ping (the "**Guarantor**") executed under deed. The Audit Committee confirms that it has access to sufficient funds from the Company to enforce the personal guarantee executed under deed, and is able to draw down on such funds if and when such need occurs.
- (i) Adjustments to the Proposed Loan Facility: The Borrower would be deemed to have breached the terms of the Proposed Loan Facility in the event of the following and the Lender and/or the Audit Committee would have the sole discretion to adjust, reduce or terminate the amount that can be drawn down pursuant to the Proposed Loan Facility and the term of the Proposed Loan Facility, and all outstanding Loans and the interest accrued on such Loans will become immediately repayable by the Borrower (the "**Outstanding Loans**"):
 - (i) failure of the Borrower to repay the Loan and all interest accrued as and when they fall due;
 - (ii) failure of the Borrower to only use the Loan proceeds for real estate development purposes;
 - (iii) the Borrower breaches any of the terms of the Loan Agreement and fails to rectify the same within 30 days after receiving notice from the Lender;

- (iv) based on the Lender's reasonable judgment, circumstances arise which substantially deteriorated the Borrower's operation and debt repaying ability; and/or
- (v) the consolidated gearing ratio of the SH Group as announced in its interim and annual financial information exceeds 100%.

The proposed interest rate referred to in Section 2.1(g), which is based on the then prevailing People's Bank of China's short-term lending rate plus 5%, is higher than the effective interest rates of the Group's secured bank loans as at 30 September 2019, which range from 2.6% to 4.5% per annum. Approximately RMB15.0 million of these bank loans have a term of more than 5 years, with the principal to be repaid in half-yearly instalments and interests to be payable monthly or quarterly, at the Group's discretion. Approximately RMB33.3 million of these bank loans have a term of six months, with the principal to be repaid in full upon maturity and interests to be payable quarterly. The Group does not have any unsecured loans.

According to Sino Harbour's unaudited interim results for the six months ended 30 September 2019, the financial position and performance of Sino Harbour are summarized below:

Financial position (RMB'000)	As at 30 September 2019	As at 31 March 2019
Cash and bank balances	269,049	279,841
Pledged deposits	253,526	216,399
Total assets	4,052,867	3,826,082
Bank and other loans	(660,048)	(1,165,233)
Total liabilities	(2,432,374)	(2,223,900)
Net assets	1,620,493	1,602,182
Gearing ratio	29.3%	61.7%

Performance (RMB'000)	6 months ended 30 September 2019	6 months ended 30 September 2018
Revenue	229,899	334,804
Profit for the period – Owners of the company	29,539	12,926
Net cash generated from operating activities	560,826	117,203

Further, based on the consolidated balance sheet of the SH Group as at 31 March 2019, being the latest audited financial statements of the SH Group, the SH Group has a total bank and other loans amounting to approximately RMB1.17 billion and the borrowing cost of the SH Group ranged from 2.20% to 10.55% per annum. Please see the breakdown below compiled from Sino Harbour's annual report for the financial year ended 31 March 2019:

Bank and other loans (RMB'000)	As at 31 March 2019	Interest rates
Bank loans - secured	1,149,233	2.20% to 10.55%
Other loans - unsecured	16,000	4.6% to 9.0%
Total	1,165,233	

In this regard, the interest rate of 9.35% for the Proposed Loan Facility is on the higher end of the interest rates for the secured loans taken up by the SH Group and higher than the interest rates for the unsecured loans taken up by the SH Group. Further, the interest rates of the latest bank loans taken up by the SH Group in January 2019 and June 2019 are 10.55% and 9.0% respectively, which is 6.2% and 4.65% respectively higher than the People's Bank of China's short-term lending benchmark rate of 4.35%. The interest rate of 9.35% for the Proposed Loan Facility is within the range of the interest rates for these two latest loans and higher than the interest rate of 9.0% for the latest loan taken up in June 2019. Accordingly, the Company is of the view that the 5% margin is on normal commercial terms.

For Section 2.1(i)(v), it is noted that based on the consolidated balance sheet of the SH Group as at 30 September 2019, being the latest publicly available information on the SH Group, the SH Group has a gearing ratio of 29.3% and current ratio of 1.61 times. Based on the closing price of HKD0.140 on 13 January 2020, Sino Harbour has a market capitalisation of HKD345.0 million. The Company identified a list of companies (the "SH Comparable Companies") based on the following and compared their gearing ratio to that of the SH Group:

- (i) listed and traded on the Stock Exchange of Hong Kong;
- (ii) engaged in property development business; and
- (iii) have a market capitalisation of less than HKD1 billion based on the closing price on 13 January 2020.

Ticker	Name	Market Cap (HKD millions)	Net debt-to-Shareholders Equity (%)
938 HK Equity	Man Sang International Limited	857.8	109.2
727 HK Equity	Crown International Corp Limited	768.3	22.6
565 HK Equity	Art Group Holdings Ltd	752.9	26.8
149 HK Equity	China Agri-Products Exchange Limited	746.5	99.9
432 HK Equity	Pacific Century Premium Developments Limited	627.4	129.8
9 HK Equity	Nine Express Limited	599.6	84.2
1560 HK Equity	Star Properties Group (Cayman Islands) Limited	455.5	283.0
2349 HK Equity	China City Infrastructure Group Limited	447.3	73.0
989 HK Equity	Ground International Development Limited	411.3	41.9
231 HK Equity	Ping An Securities Group (Holdings) Limited	356.4	0.5
1218 HK Equity	Easyknit International Holdings Limited	347.0	27.5
760 HK Equity	Talent Property Group Limited	319.1	17.2
996 HK Equity	Carnival Group International Holdings Ltd	308.0	111.5
313 HK Equity	Richly Field China Development Ltd	256.7	387.4
115 HK Equity	Grand Field Group Holdings	245.0	38.8
2379 HK Equity	Zhongtian International Limited	237.9	230.9
864 HK Equity	Wing Lee Property Investments Limited	200.8	6.3
1369 HK Equity	Wuzhou International Holdings Limited	199.6	266.0
262 HK Equity	Deson Development International Holdings Ltd	198.5	23.7
8155 HK Equity	South China Assets Holdings	178.9	471.5
275 HK Equity	Master Glory Group Limited	133.9	105.3
	Mean		121.8
	Median		84.2

Source: Bloomberg L.P.

Based on the analysis, the debt to total equity ratio of Sino Harbour, being 29.3%, and the net debt¹ to total equity ratio of Sino Harbour, being 12.7%, are below the mean and median of the gearing ratios of the SH Comparable Companies. The Audit Committee, having reviewed the above list of SH Comparable Companies, unanimously agree with the analysis.

2.2 Chapter 9 of the Listing Manual

Chapter 9 of the Listing Manual governs transactions between a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be at risk, with the listed company's interested persons.

Except for any transaction which is below S\$100,000 in value and certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and hence are excluded from the ambit of Chapter 9, when this Chapter applies to a transaction with an interested person and the value of the transaction alone or in aggregation with other transactions conducted with the same interested person during the financial year reaches or exceeds certain materiality thresholds (which are based on the listed company's latest audited consolidated NTA, the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders' approval for the transaction. In particular, shareholders' approval is required for an interested person transaction of a value equal to, or exceeding:

- (a) 5% of the listed company's latest audited consolidated NTA; or
- (b) 5% of the listed company's latest audited consolidated NTA, when aggregated with the values of all other transactions entered into with the same interested person (as such term is construed under Chapter 9 of the Listing Manual) during the same financial year.

Under the Listing Manual:

- (a) an “**entity at risk**” means:
 - (i) the listed company;
 - (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
 - (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the “**listed group**”), or the listed group and its interested person(s), has control over the associated company;
- (b) an “**interested person**” means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder;
- (c) an “**associate**” in relation to an interested person who is a director, chief executive officer, substantial shareholder or controlling shareholder (being an individual), includes an immediate family member (that is, the spouse, child, adopted child, step-child, sibling or parent) of such director, chief executive officer, substantial shareholder or controlling shareholder, the trustees of any trust of which the director/his immediate family, the chief executive officer/his immediate family, the substantial shareholder/his immediate family or the controlling shareholder/his immediate family is a beneficiary, or in the case of a discretionary trust, is a discretionary object, and any company in which the director/his immediate family, the chief executive officer/his immediate family, the substantial shareholder/his immediate family or the controlling shareholder/his immediate family has or have an aggregate interest

¹ Net debt is defined as the difference between total bank and other loans (net of pledged deposits for bank loans) and cash and bank balances.

(directly or indirectly) of 30% or more, and, where a substantial shareholder or a controlling shareholder is a corporation, its subsidiary or holding company or fellow subsidiary or a company in which it and/or its subsidiary and/or its holding company and/or its fellow subsidiary have an aggregate interest (directly or indirectly) of 30% or more;

- (d) an “**approved exchange**” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles as Chapter 9 of the Listing Manual;
- (e) an “**interested person transaction**” means a transaction between an entity at risk and an interested person; and
- (f) a “**transaction**” includes the provision or receipt of financial assistance; the acquisition, disposal or leasing of assets; the provision or receipt of services; the issuance or subscription of securities; the granting of or being granted options; and the establishment of joint ventures or joint investments, whether or not in the ordinary course of business, and whether or not entered into directly or indirectly.

2.3 Amount at Risk of the Proposed Loan Facility

Based on the latest audited consolidated financial statements of the Company for the financial year ended 31 March 2019, the consolidated NTA of the Group is approximately RMB670.9 million. On the assumption that the Proposed Loan Facility is fully drawn down for a term of two years at a fixed interest rate of 9.35% per annum, the maximum transaction value of the Proposed Loan Facility is approximately RMB178.1 million, being the value of the Loan that has been drawn down and the interest payable on such Loan over the two-year term. Such maximum transaction value is approximately 26.5% of the Group’s latest audited consolidated NTA, which exceeds the 5% threshold mentioned above. Consequently, the Proposed Loan Facility will be subject to the approval of the Shareholders.

The Company had sought feedback from Singapore Exchange Regulation Pte Ltd (“**SGX RegCo**”) on the Proposed Loan Facility. In SGX RegCo’s reply to the Company dated 2 August 2019, SGX RegCo stated that:

- (a) unless the Audit Committee is able to confirm that the extension of the Proposed Loan Facility is of a revenue or trading nature and is part of the normal course of the Company’s business, the Loans should not normally be granted by the Company to interested persons;
- (b) the Audit Committee must confirm that they have sufficient and effective safeguards implemented for the Proposed Loan Facility and these safeguards should be disclosed. These safeguards should include arrangements by the Audit Committee to monitor that the Loans are repaid on the Facility Termination Date. The Audit Committee should also implement safeguards such as ensuring that the interested person’s shares in the Company will be locked up as a security for the personal guarantee that the interested person is providing;
- (c) Shareholders’ approval must be obtained for the Proposed Loan Facility;
- (d) the Audit Committee must unanimously agree that the Proposed Loan Facility is in the best interest of the Company and its minority Shareholders;
- (e) an independent financial advisor’s opinion will be required to be disclosed in the circular stating whether the Proposed Loan Facility is on normal commercial terms and whether it is prejudicial to the interests of the Group and its minority Shareholders;
- (f) Mr. Wong Lam Ping and any associate of his must not vote on the resolution, nor accept appointments as proxies unless specific instructions as to voting are given; and
- (g) the Audit Committee must submit an undertaking that in the event the credit standing of the Borrower is at risk, the Audit Committee will ensure that the Proposed Loan Facility will be immediately repaid and this repayment can be undertaken.

- 2.4 In respect of Section 2.3(a), the Audit Committee has furnished the requisite written confirmation to SGX RegCo and please also refer to Section 2.7 and Section 3 below.
- 2.5 In respect of Section 2.3(b), the Audit Committee confirms that the following safeguards implemented for the Proposed Loan Facility are sufficient and effective:

- (a) the Guarantor will provide a personal guarantee to the Company for all Outstanding Loans which will remain in place until the later of (i) the Facility Termination Date and (ii) the date the Outstanding Loans are fully repaid. The Company is of the view that the Guarantor, being the single largest Shareholder of the Company and a reputable merchant in the region with an extensive business network, has the financial means to fulfil his obligations as a Guarantor, especially in view of him placing the Guarantor's Shares, which are unencumbered, under moratorium.

The Guarantor is an entrepreneur with more than 30 years of commercial experience in the People's Republic of China. He has not only built up an extensive business network over this time, but has also been awarded the World Outstanding Chinese Award (世界杰出华人奖) in 2006 in respect of his notable contribution to society and outstanding achievements in the commercial field.

The Guarantor has held and is currently holding leading/key positions in various commercial and governmental organisations. He is currently the Chairman of Jiangxi Chaoshan Chamber of Commerce (江西潮汕商会) and Honorary Chairman of the Guangdong Chamber of Commerce in Zhejiang (浙江省广东商会). He was also a former committee member of the Chinese People's Political Consultative Conference of Guangxi Zhuang Autonomous Region (广西壮族自治区政协) and the former Chairman of the Huzhou General Chamber of Commerce with Overseas Chinese Investment (湖州市侨资企业协会).

The Audit Committee has requested for financial documents from the Guarantor, and based on the information furnished by him, including verification that all the Shares of the Guarantor are unencumbered, the Audit Committee is of the view that the Guarantor's net assets exceed the amount of the Proposed Loan Facility and that the Guarantor is capable to assume the guarantee obligation.

The Audit Committee is of the view that security of real estate is not required from the Guarantor for the following reasons:

- (i) the Group's net tangible assets as at 30 September 2019 is approximately RMB761.4 million. As the Guarantor is directly and deemed interested in approximately 64.11% of all the issued Shares, the value of his Shares based on the net tangible asset value of the Group is approximately RMB488.1 million, which is approximately 3.3 times the amount of the Proposed Loan Facility. In the event the Proposed Loan Facility is not repaid, the Group's adjusted net tangible assets will be approximately RMB611.4 million and the value of the Shares of the Guarantor based on the net tangible asset value of the Group is approximately RMB391.9 million, which is approximately 2.6 times the amount of the Proposed Loan Facility;
- (ii) as at 30 September 2019, the Group is in a net cash position and is slightly geared with bank loans of approximately RMB48.3 million compared to net tangible assets of approximately RMB761.4 million; and
- (iii) the Guarantor has not defaulted on any loans.
- (b) save for 5,068,700 Shares held at Phillip Securities Pte Ltd, the remaining Shares of the Guarantor (both directly and deemed interested), amounting to 323,395,494 Shares, which is approximately 63.12% of all the issued Shares (the "**Guarantor's Shares**"), will be locked up and be under a moratorium until the later of (i) the Facility Termination Date and (ii) the date the Outstanding Loans are fully repaid. The Audit Committee will ensure that the Guarantor's Shares will be marked and moratorised by the CDP "Not for Transfer

until further notice by the Company”, which shall be the later of the Facility Termination Date and when all Outstanding Loans are fully repaid. Taking the share price on 13 January 2020, being S\$0.126 per Share, the Guarantor’s Shares amount to approximately S\$40.7 million, which is approximately RMB209.3 million. The Audit Committee had not requested for the Guarantor to top up the number of Shares under the moratorium as the SH Group is in a good financial position with healthy cash flow and has good credit. Furthermore, a drop in the share price of the Shares has no bearing on the Borrower’s ability to repay any Outstanding Loans;

- (c) the Group Financial Controller will monitor all public announcements released by Sino Harbour on the Stock Exchange of Hong Kong on a continuing basis and will immediately report to the Audit Committee and the Board (i) the financial standing of the SH Group upon the release of the SH Group’s financial results, and (ii) any announcements containing material adverse information relating to the business and/or financial condition of the SH Group. The Management will also report to the Audit Committee and the Board the amount of the Outstanding Loans as at the end of each financial quarter of the Company, that is, the end of March, June, September and December. The Management will also monitor the Lender’s bank accounts at the expiry of the term of each Loan to ensure that the Loan and interest accruing thereto is fully repaid by the Borrower;
- (d) when a drawdown application is received from the Borrower, the Group Financial Controller will review the SH Group’s latest available financial results and consolidated gearing ratio and report the same to Ms. Wang Cuiping, a non-interested Executive Director, who will then decide whether to approve the drawing down of such Loan pursuant to the Proposed Loan Facility. As mentioned in Section 2.5(c), the Audit Committee will take a supervisory role in monitoring the amount of the Outstanding Loan and the financial standing of the SH Group by receiving updates from the Management. The Audit Committee may also call for an Audit Committee meeting to discuss whether the Lender should exercise any of its powers under the Loan Agreement if it deems necessary;
- (e) the Company will make the requisite announcements and/or seek Shareholders’ approval in accordance with the requirements of Chapter 9 of the Listing Manual if there are changes made to the terms of the Proposed Loan Facility;
- (f) the internal auditor will conduct a review of the Group’s interested person transactions, including a review of the procedures of the Proposed Loan Facility at least on an annual basis; and
- (g) under the circumstances as set out in Section 2.1(i), the Lender has the sole discretion to adjust, reduce or terminate the amount that can be drawn down pursuant to the Proposed Loan Facility and the term of the Loan Agreement, and all Outstanding Loans will become immediately repayable by the Borrower.

2.6 In respect of Section 2.3(c), the Company is proposing to convene a SGM to seek Shareholders’ approval for the Proposed Loan Facility on 5 February 2020.

2.7 In respect of Section 2.3(d), the Audit Committee unanimously agreed that the Proposed Loan Facility is in the best interest of the Company and its minority Shareholders for the following reasons:

- (a) the Lender has absolute discretion to decide whether or not to disburse the Loans under the Proposed Loan Facility, allowing flexibility to the Group’s liquidity management and providing the Group’s treasury operation an additional option during periods when the Group has excess cash; and

- (b) the Audit Committee also considered whether to recommend to the Board to distribute the excess cash to Shareholders in the form of dividends instead when considering the Proposed Loan Facility. The Audit Committee ultimately decided not to recommend to the Board to declare dividends as the Group has already committed to some new investment opportunities, for example the acquisition of a parcel of land in June 2019 for RMB275.0 million, and is continuously seeking to invest in other investment opportunities which may require funding in the near future. Declaring dividends now may restrict the Group's liquidity management and the Group may be required to seek equity or debt financing which will incur significant finance costs.

As a reference, based on the Group's consolidated balance sheet as at 30 September 2019, the Group has bank loans amounting to approximately RMB48.3 million, and a gearing ratio of 6.3%. The borrowing cost of the Group's secured bank loans as at 30 September 2019 range from 2.6% to 4.5%.

- 2.8 In respect of Section 2.3(e), please see the independent financial advisor's opinion in Section 7.
- 2.9 In respect of Section 2.3(f), Mr. Wong Lam Ping and his associates will not vote on the resolution, nor accept appointments as proxies unless specific instructions as to voting are given.
- 2.10 In respect of Section 2.3(g), the terms of the Proposed Loan Facility provide that the Lender may adjust, reduce or terminate the amount that can be drawn down pursuant to the Proposed Loan Facility and all Outstanding Loans will become immediately repayable by the Borrower in the event that (i) the Borrower fails to repay the Outstanding Loan as and when they fall due, (ii) the Borrower fails to only use the Loan proceeds for real estate development purposes, (iii) the Borrower breaches any of the terms of the Loan Agreement and fails to rectify the same within 30 days after receiving notice from the Lender, (iv) based on the Lender's reasonable judgment, circumstances arise which substantially deteriorated the Borrower's operation and debt repaying ability, and/or (v) the consolidated gearing ratio of the SH Group as announced in its interim and annual financial information exceeds 100%.

As mentioned in Section 2.5(c) above, the Management will monitor all public announcements released by Sino Harbour on the Stock Exchange of Hong Kong on a continuing basis and will immediately report to the Audit Committee and the Board (i) the financial standing of the SH Group upon the release of the SH Group's financial results, and (ii) any announcements containing material adverse information relating to the business and/or financial condition of the SH Group. The Audit Committee may call for an Audit Committee meeting to discuss whether the Lender should exercise any of its powers under the Loan Agreement if it deems necessary. Internal and external auditors will also review to ensure that the above processes are complied with and will report the same to the Audit Committee.

3. RATIONALE AND BENEFITS

The Board (save for Mr. Wong Lam Ping and Mr. Chan Kin Sang, who have abstained as they are interested in the Proposed Loan Facility) agrees with the Audit Committee's views set out in Section 2.7. The Audit Committee and the Board (save for Mr. Wong Lam Ping and Mr. Chan Kin Sang, who have abstained as they are interested in the Proposed Loan Facility) consider the Proposed Loan Facility to be beneficial for the Group as it utilises the excess cash in the Group and therefore approve the Proposed Loan Facility.

The Group engages in property development in the PRC and would in the normal course of business, receive advance payments from its customers, and be required to settle the payment of the construction costs and other overheads according to the construction progress or agreed terms with the suppliers and/or contractors. As there may be some time lapsed from the day the Group receives advance payments from its customers and the day it is required to settle the payment of the construction costs, the Group may end up holding excess cash at any particular point in time. Liquidity management is therefore one of the key operations of the Group's treasury function, to ensure that the Group is able to meet its payment obligations when they fall due and at the same time is able to maximise its profits through various means, including placing fixed deposits in banks and extending guaranteed/secured loans to third parties.

Accordingly, the disbursement of the Loans pursuant to the Proposed Loan Facility is one of the options for the treasury operations and liquidity management of the Group during periods when the Group has excess cash. It is in this context that the Audit Committee is of the view that the Proposed Loan Facility and disbursement of the Loans thereunder are of a revenue or trading nature and are part of the normal course of the Company's business, and this is consistent with the terms of the Proposed Loan Facility where the Company has absolute discretion to decide whether or not to disburse the Loans under the Proposed Loan Facility.

As at 30 September 2019, the Group had RMB269.9 million in cash and bank balances, RMB36.1 million in pledged deposits and RMB139.0 million in structured bank balances. On the assumption that the Proposed Loan Facility is fully drawn down, the Company would have a remaining balance of RMB119.9 million in its cash and bank balances. That said, the Company has the absolute discretion to decide whether or not to disburse the Loans under Proposed Loan Facility and if so, the quantum and term of such Loan. Accordingly, the disbursement of the Loans should not materially affect the cash flow and operating needs of the Group for reason that the Company will disburse the Loans only when the Group has excess cash. As the Loans will be disbursed only when the Group has excess cash, none of the Loans disbursed will be drawn from the Company's existing fixed deposits secured for the Company's existing loan facilities. The Loans, when repaid, will be returned to the Group's reserve pool for operations and working capital purposes.

The Proposed Loan Facility, if fully drawn down for a term of two years at a fixed interest rate of 9.35% per annum, can generate interest income of approximately RMB28.1 million for the Group over the two-year period. For illustrative purpose only, should the funds remain in a PRC bank deposit account, the interest income generated would only amount to approximately RMB4.5 million to RMB9.0 million, based on a fixed interest rate of approximately 1.5% to 3.0% per annum.

4. DISCLOSURE

The Company will announce the aggregate value of transactions conducted with interested persons (including the Proposed Loan Facility) for the financial periods that it is required to report on pursuant to Rule 705 of the Listing Manual within the time required for the announcement of such report.

Disclosure of the following will be made in the Company's annual report and in the Company's annual reports for the subsequent financial years, in accordance with the requirements and form set out in Chapter 9 of the Listing Manual:

- (a) the aggregate value of the transactions conducted with interested persons (including the Proposed Loan Facility) during the relevant financial year; and
- (b) SH Group's financial position and its ability to meet its repayment obligations based on the latest available financial results of the SH Group.

5. ABSTENTION FROM VOTING

Mr Wong Lam Ping, a Director and Executive Chairman of the Company, Ms Chan Heung Ling, spouse of Mr Wong Lam Ping, and Extra Good Enterprises Limited, a Substantial Shareholder, will abstain and shall procure their respective associates to abstain from voting on the Ordinary Resolution to approve the Proposed Loan Facility. They will also not act as proxies in relation to the Ordinary Resolution unless specific voting instructions have been given by a Shareholder.

6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

6.1 **Directors' Interests in Shares.** Based on the Register of Directors' Shareholdings of the Company as at the Latest Practicable Date, the interests of the Directors in the Shares are as follows:

Name of Director	Direct Interest		Deemed Interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾
Mr Wong Lam Ping ⁽²⁾	26,020,894	5.07	302,443,300	59.04
Ms Wang Cuiping	689,900	0.13	–	–
Mr Chan Kin Sang	–	–	–	–
Mr Sim Wee Leong	–	–	–	–
Dr Choo Kian Koon	–	–	–	–
Dr Zheng Haibin	–	–	–	–

Notes:

- (1) Based on 512,311,024 Shares, being the total number of Shares in issue (excluding treasury shares) as at the Latest Practicable Date.
- (2) Mr Wong Lam Ping and Ms Chan Heung Ling hold 52% and 48% of the issued share capital of Extra Good Enterprises Limited respectively. Ms Chan Heung Ling is the spouse of Mr Wong Lam Ping. As such, Mr Wong Lam Ping is deemed interested in the 288,000,000 and 14,443,300 Shares held by Extra Good Enterprises Limited and Ms Chan Heung Ling respectively. Mr Wong Lam Ping holds 5,068,700 Shares through Phillip Securities Pte Ltd.

6.2 **Substantial Shareholders' Interests in Shares.** Based on the Register of Substantial Shareholders of the Company as at the Latest Practicable Date, the interests of the Substantial Shareholders in the Shares are as follows:

Name of Substantial Shareholder	Direct Interest		Deemed Interest	
	Number of Pan Hong Shares	% ⁽¹⁾	Number of Pan Hong Shares	% ⁽¹⁾
Extra Good Enterprises Limited	288,000,000	56.22	–	–
Mr Wong Lam Ping ^{(2) (3) (4)}	26,020,894	5.07	302,443,300	59.04
Ms Chan Heung Ling ^{(2) (3)}	14,443,300	2.82	314,020,894	61.29

Notes:

- (1) Based on 512,311,024 Shares, being the total number of Shares in issue (excluding treasury shares) as at the Latest Practicable Date.
- (2) Mr Wong Lam Ping and Ms Chan Heung Ling hold 52% and 48% of the issued share capital of Extra Good Enterprises Limited respectively. As such, both are deemed to be interested in the Shares held by Extra Good Enterprises Limited.
- (3) Ms Chan Heung Ling is the spouse of Mr Wong Lam Ping and they are deemed to be interested in the Shares held by each other.
- (4) Mr Wong Lam Ping holds 5,068,700 Shares through Phillip Securities Pte Ltd.

7. OPINION OF THE IFA

RHB Securities Singapore Pte. Ltd. (the "IFA") has been appointed as the independent financial adviser to the Non-Interested Directors in relation to the Proposed Loan Facility. A copy of the IFA Letter is set out in Appendix A to this Circular.

Based on the analysis undertaken and subject to the qualifications and assumptions made in the IFA Letter, the IFA is of the opinion that the terms of the Proposed Loan Facility are, on balance, on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

8. CONSENT

The IFA has given and has not withdrawn its consent to the issue of this Circular with the inclusion herein of its name and all references to its name in the form and context in which it appears in this Circular.

9. STATEMENT FROM THE AUDIT COMMITTEE

The Audit Committee, comprising Mr Sim Wee Leong, Dr Choo Kian Koon and Dr Zheng Haibin, all of whom are considered independent for the purposes of considering the Proposed Loan Facility, having considered, amongst others, the terms, rationale and benefits of the Proposed Loan Facility as well as the opinion of the IFA as set out in Appendix A to this Circular, is unanimously of the view that the Proposed Loan Facility is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

10. NON-INTERESTED DIRECTORS' RECOMMENDATION

Having considered, amongst others, the rationale for and the terms and benefit of the Proposed Loan Facility, the opinion of the IFA as set out in Appendix A to this Circular, and the statement of the Audit Committee as set out in Section 9 of this Circular, the Non-Interested Directors are of the opinion that the Proposed Loan Facility is in the best interests of the Company and its Shareholders. Accordingly, the Non-Interested Directors recommend that Shareholders vote in favour of the Ordinary Resolution to approve the Proposed Loan Facility.

The Non-Interested Directors, in rendering their recommendation above, have not had regard to the specific investment objectives, financial situation, tax position and/or unique needs and constraints of any Shareholder. As different Shareholders would have different investment objectives, the Non-Interested Directors recommend that any individual Shareholder who may require specific advice in relation to the Proposed Loan Facility should consult his stockbroker, bank manager, solicitor, accountant or other professional advisers.

11. SPECIAL GENERAL MEETING

The SGM, notice of which is set out on pages 32 and 33 of this Circular, will be held on 5 February 2020 at Frankel Room, Level 3, Grand Mercure Singapore Roxy, 50 East Coast Road, Roxy Square, Singapore 428769, at 10 a.m., for the purpose of considering and, if thought fit, passing the resolution relating to the Proposed Loan Facility set out in the Notice of SGM.

12. ACTIONS TO BE TAKEN BY SHAREHOLDERS

- 12.1 Appointment of proxies.** Shareholders who are unable to attend the SGM and who wish to appoint a proxy or proxies to attend and vote at the SGM on their behalf should complete, sign and return the Member Proxy Form accompanying this Circular in accordance with the instructions printed thereon. The completed and signed Member Proxy Form should then be returned as soon as possible and, in any event, so as to arrive at the Singapore Share Transfer Agent, B.A.C.S. Private Limited, at 8 Robinson Road #03-00 ASO Building Singapore 048544, not less than 48 hours before the time fixed for the SGM. Shareholders who have completed and returned the Member Proxy Form may still attend and vote in person at the SGM, if they so wish, in place of their proxy. Only Shareholders whose names are entered in the Register of Members of the Company and who are entitled to attend and vote at a general meeting of the Company will receive a Member Proxy Form with this Circular. A proxy need not be a Shareholder of the Company.

12.2 **Notice for Depositors.** A Depositor shall not be regarded as a Shareholder entitled to attend the SGM and to speak and vote thereat. Depositors who are individuals and who wish to attend and vote at the SGM, and whose names are shown in the records of CDP as at a time not earlier than 48 hours prior to the time of the SGM supplied by CDP to the Company, may attend as CDP's proxies. Such Depositors who wish to attend the SGM in person need not take any further action and can attend and vote at the SGM without the lodgment of any Proxy Form. Depositors who are individuals and are unable to attend the SGM personally and wish to appoint their nominee or nominees to attend and vote on their behalf and Depositors who are not individuals must complete, sign and return the Depositor Proxy Form accompanying this Circular in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the office of the Singapore Share Transfer Agent, B.A.C.S. Private Limited, at 8 Robinson Road #03-00 ASO Building Singapore 048544, not later than 48 hours prior to the time of the SGM or any adjournment thereof. The completion and return of a Depositor Proxy Form by an individual Depositor does not preclude him from attending and voting in person at the SGM if he so wishes, in place of his nominee or nominees.

13. **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Loan Facility and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

14. **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the office of the Singapore Share Transfer Agent, B.A.C.S. Private Limited, at 8 Robinson Road #03-00 ASO Building Singapore 048544, during normal business hours on any weekday (public holidays excepted) from the date of this Circular up to and including the date of the SGM:

- (a) the Loan Agreement;
- (b) the Memorandum of Association and Bye-laws of the Company;
- (c) the Annual Report of the Company for the financial year ended 31 March 2019;
- (d) the IFA Letter set out in Appendix A of this Circular; and
- (e) the written consent of the IFA referred to in Section 8 of this Circular.

Yours faithfully

For and on behalf of the Board of Directors of
PAN HONG HOLDINGS GROUP LIMITED

Sim Wee Leong
Lead Independent Director

APPENDIX A – IFA LETTER

LETTER FROM RHB SECURITIES SINGAPORE PTE. LTD. TO THE NON-INTERESTED DIRECTORS OF PAN HONG HOLDINGS GROUP LIMITED

20 January 2020

The Non-Interested Directors of
Pan Hong Holdings Group Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Dear Sirs,

THE PROPOSED RMB150 MILLION REVOLVING LOAN FACILITY TO HANGZHOU GANGLIAN REAL ESTATE COMPANY LIMITED, WHICH CONSTITUTES AN INTERESTED PERSON TRANSACTION UNDER THE LISTING MANUAL

Unless otherwise defined or the context requires otherwise, all terms used herein have the same meanings as defined in the Circular to Shareholders of the Company dated 20 January 2020 (the “Circular”).

1. INTRODUCTION

On 10 January 2020, Pan Hong Holdings Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) announced that Huzhou Pan Hong Runhe Property Development Limited, a wholly-owned subsidiary of the Company incorporated in the PRC (the “**Lender**”), had on 10 January 2020 entered into a RMB150 million revolving loan facility agreement with Hangzhou Ganglian Real Estate Company Limited (the “**Borrower**”, and the loan facility, the “**Proposed Loan Facility**”).

The Borrower, which is a company incorporated in the PRC and primarily engaged in the business of real estate development, is a subsidiary of Sino Harbour Holdings Group Limited (“**Sino Harbour**” and together with its subsidiaries, the “**SH Group**”). Mr. Wong Lam Ping, a Director and Executive Chairman of the Company, is directly and deemed interested in approximately 48.25% of the shareholding interests in Sino Harbour.

Mr. Wong Lam Ping is also directly and deemed interested in approximately 64.11% of the shareholding interests in the Company. Accordingly, the Borrower is deemed to be an “interested person” for the purposes of Chapter 9 of the Listing Manual.

In accordance with Rule 906 of the Listing Manual, where the value of an interested person transaction, or when aggregate with other transactions entered into with the same interested person during the same financial year, is equal to or exceeds 5% of the Group’s latest audited net tangible assets (“**NTA**”), the approval of Shareholders is required to be obtained either prior to the transaction being entered into, or if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction, as the case may be.

Pursuant to Rule 909 of the Listing Manual, the value of the transaction is the amount of risk to the issuer and in the case of lending funds to an interested person, the value of the transaction is the interest payable on the loan and the value of the loan. Based on the latest audited consolidated financial statements of the Company for the financial year ended 31 March 2019, the consolidated NTA of the Group is approximately RMB670.9 million. On the assumption that the Proposed Loan Facility is fully drawn down for a term of two years at a fixed interest rate of 9.35% per annum, the maximum transaction value of the Proposed Loan Facility is approximately RMB178.1 million, being the value of the Loan that has been drawn down and the interest payable

on such Loan over the two-year term. Such maximum transaction value is approximately 26.5% of the Group's latest audited consolidated NTA, which exceeds the 5% threshold mentioned above. Consequently, the Proposed Loan Facility will be subject to the approval of the Shareholders who are not interested persons as defined in Chapter 9 of the Listing Manual for the purposes of the Proposed Loan Facility ("**Independent Shareholders**").

In connection with the above and pursuant to the requirements of Chapter 9 of the Listing Manual, RHB Securities Singapore Pte. Ltd. ("**RHBSec**") was appointed by the Company as the independent financial adviser ("**IFA**") to advise the Directors who are deemed to be independent in respect of the Proposed Loan Facility ("**Non-Interested Directors**") whether the terms of the Proposed Loan Facility are on normal commercial terms and are not prejudicial to the interests of the Company and its Independent Shareholders.

This letter ("**Letter**") sets out, *inter alia*, our evaluation of the Proposed Loan Facility as an interested person transaction, and our advice to the Non-Interested Directors in relation to their recommendations to the Independent Shareholders on the Proposed Loan Facility and forms part of the Circular providing, *inter alia*, details of the Proposed Loan Facility and the recommendations of the Non-Interested Directors in respect thereof.

2. TERMS OF REFERENCE

RHBSec has been appointed to advise the Non-Interested Directors only in respect of whether the Proposed Loan Facility is on normal commercial terms and is not prejudicial to the interests of the Company and its Independent Shareholders.

RHBSec is neither a party to the negotiations or discussions in relation to the Proposed Loan Facility nor were we involved in the deliberations leading up to the decision on the part of the Company to enter into the Proposed Loan Facility. We do not, by this Letter, in any way advise on the merits of the Proposed Loan Facility other than to form an opinion on whether the Proposed Loan Facility is on normal commercial terms and is not prejudicial to the interests of the Company and its Independent Shareholders.

Our terms of reference do not require us to evaluate or comment on the strategic, commercial, financial merits or risks (if any) of the Proposed Loan Facility or to compare their relative merits vis-à-vis alternative transactions previously considered by the Company (if any) or that may otherwise be available to the Company currently or in the future, and we do not express any opinion on any of the aforesaid.

We are not required to and have not made any independent appraisal or valuation of the assets and liabilities of the Company, the Group, the SH Group and/or the Borrower and we have not been furnished with any such appraisal or valuation. Any such evaluation, comment, comparison, consideration, appraisal or valuation remains and is solely the responsibility of the Directors and the management of the Company ("**Management**"), but we may draw upon their views or make comments in respect thereof (to the extent we deem necessary or appropriate and at our sole discretion) in arriving at our opinion as set out in this Letter. We have also relied on information on the Company, the Group, the SH Group and/or the Borrower, including the disclosures and representations made by the Company on the values of the assets and liabilities of the Company, the Group, the SH Group and/or the Borrower stated herein (if any).

For the purpose of our advice and opinion, we have relied on publicly available information collated by us, information set out in the Circular, and information (including representations, opinions, facts and statements) provided to us by the Directors, Management and the advisers of the Company. We have relied on the assurances of the Directors and Management that they jointly and severally accept full responsibility for the accuracy, truth, completeness and adequacy of such information. They have confirmed to us that, upon making all reasonable enquiries and to the best of their respective knowledge, information and belief, all material information in connection with the Proposed Loan Facility, the Company, the Group, the SH Group and the Borrower have been disclosed to us, that such information is true, complete, accurate and/or fair in all material respects and that there is no other information or fact, the omission of which would cause any information disclosed to or relied upon by us or the facts of or in relation to the Proposed Loan Facility, the Company, the Group, the SH Group and/or the Borrower to be inaccurate, untrue, incomplete, unfair or misleading in any material respect.

We have not independently verified any of the aforesaid information whether written or verbal, and have assumed its accuracy, truth, completeness and adequacy, including without limitation any information on the assets and liabilities of the Company, the Group, the SH Group and/or the Borrower. Accordingly, we cannot and do not represent or warrant (expressly or impliedly), and do not accept any responsibility for the accuracy, truth, completeness or adequacy of such information. We have further assumed that all statements of fact, belief, opinion and intention made by the Directors and the Management to us or in the Circular have been reasonably made after due and careful inquiry. We have exercised care in reviewing the information which we have relied on, and made such reasonable enquiries and exercised our judgment on the reasonableness of such information as we deemed necessary and have found no reason to doubt the accuracy or reliability of the information.

The scope of our appointment does not require us to conduct a comprehensive independent review of the business, operations or financial conditions of the Company, the Group, the SH Group and/or the Borrower, or to express, and we do not express, any view on the future growth prospects, value and earnings potential of the Company, the Group, the SH Group and/or the Borrower. Such review or comment, if any, remains the responsibility of the Directors and the Management and/or the Group, although we may draw upon their views or make such comments in respect thereof (to the extent required by the Listing Manual and/or deemed necessary or appropriate by us) in arriving at our advice as set out in this Letter. We have not obtained from the Company, the Group, the SH Group and/or the Borrower any projection of the future performance including financial performance of the Company, the Group, the SH Group and/or the Borrower and further, we did not conduct discussions with the Directors and management of the Company, the Group, the SH Group and/or the Borrower on, and did not have access to, any business plan and financial projections of the Company, the Group, the SH Group and/or the Borrower. We also do not express any opinion herein as to the prices at which the shares of the Company may trade or the future value, financial performance or condition of the Company and/or the Group, upon or after completion of the Proposed Loan Facility.

Our advice and opinion herein is based upon market, economic, industry, monetary and other conditions prevailing on, and the information provided to us as of the Latest Practicable Date. Such conditions may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in light of, and this Letter does not take into account, any subsequent development after the Latest Practicable Date that may affect our opinion herein.

The Company has been separately advised by its advisers in the preparation of the Circular (other than this Letter). We have no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Circular (other than this Letter).

We have not regarded the general or specific investment objectives, financial situation, tax position, risk profile or unique needs and constraints of any individual Shareholder. As different Shareholders would have different investment portfolios and objectives, we would advise the Non-Interested Directors to recommend that any individual Shareholder who may require specific advice in relation to his or her investment portfolio should consult his or her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers.

This Letter is prepared pursuant to Listing Rule 921(4)(a) as well as for the use and benefit of the Non-Interested Directors and the recommendations made by them to the Shareholders are the responsibility of the Non-Interested Directors. Shareholders should also take note of any announcements relevant to the Proposed Loan Facility which may be released by the Company after the Latest Practicable Date.

3. THE PROPOSED LOAN FACILITY

Information on the salient terms of the Proposed Loan Facility has been extracted from Section 2.1 of the Circular and set out below in italics. Shareholders are advised to read Section 2.1 of the Circular carefully.

“2.1. Salient Terms of the Proposed Loan Facility

A summary of the salient terms of the Proposed Loan Facility is set out below:

- (a) *Proposed Loan Facility: RMB150 million revolving loan facility.*
- (b) *Term of Proposed Loan Facility: The earlier of (i) 2 years from the date of obtaining the Shareholders’ approval for the Proposed Loan Facility; (ii) immediate repayment in the event of any of the events set out in Section 2.1(i); and (iii) immediate repayment upon 30 days written notice from the Lender to the Borrower in the event the Group requires funds for its own working capital/operations (the “**Facility Termination Date**”).*
- (c) *Term of each loan drawn down pursuant to the Proposed Loan Facility (each, a “Loan”): The term of each Loan drawn down shall be agreed to between the Lender and the Borrower, subject to repayment of all Loans and interest accrued thereon by no later than the Facility Termination Date.*
- (d) *Use of Loan proceeds: Loan proceeds may only be applied by the Borrower for real estate development purposes and not for any other purposes, including repayment of loans.*
- (e) *Condition Precedent: The Proposed Loan Facility is subject to Shareholders’ approval obtained at the SGM.*
- (f) *Commitment: Each Loan disbursement is subject to the Company’s absolute discretion. There is no commitment to disburse the Loans on the part of the Group.*
- (g) *Interest: The interest rate for each Loan is a per annum fixed rate, accruing on a daily basis, which is based on the then prevailing People’s Bank of China’s short-term (i.e. up to 1 year) lending benchmark rate plus 5%. All outstanding interest shall be settled half yearly, on the earlier of 30 June, 31 December or the agreed date of repayment of each Loan.*

As an illustration, based on the People’s Bank of China’s short-term lending benchmark rate of 4.35%, the interest rate for a Loan will be 9.35% per annum, accrued on a daily basis. For the avoidance of doubt, the interest rate for each Loan is subject to a point for point adjustment should there be any changes to the People’s Bank of China’s short-term lending benchmark rate.

- (h) *Guarantee: The Loan Facility will be supported by a personal guarantee issued by Mr. Wong Lam Ping (the “**Guarantor**”) executed under deed. The Audit Committee confirms that it has access to sufficient funds from the Company to enforce the personal guarantee executed under deed, and is able to draw down on such funds if and when such need occurs.*
- (i) *Adjustments to the Proposed Loan Facility: The Borrower would be deemed to have breached the terms of the Proposed Loan Facility in the event of the following and the Lender and/or the Audit Committee would have the sole discretion to adjust, reduce or terminate the amount that can be drawn down pursuant to the Proposed Loan Facility and the term of the Proposed Loan Facility, and all outstanding Loans and the interest accrued on such Loans will become immediately repayable by the Borrower (the “**Outstanding Loans**”):*
 - (i) *failure of the Borrower to repay the Loan and all interest accrued as and when they fall due;*

- (ii) *failure of the Borrower to only use the Loan proceeds for real estate development purposes;*
- (iii) *the Borrower breaches any of the terms of the Loan Agreement and fails to rectify the same within 30 days after receiving notice from the Lender;*
- (iv) *based on the Lender's reasonable judgment, circumstances arise which substantially deteriorated the Borrower's operation and debt repaying ability; and/or*
- (v) *the consolidated gearing ratio of the SH Group as announced in its interim and annual financial information exceeds 100%."*

4. ASSESSMENT OF THE PROPOSED LOAN FACILITY

In evaluating and assessing the terms of the Proposed Loan Facility, we have given due consideration to the following:-

- (a) rationale for and benefits of the Proposed Loan Facility;
- (b) comparison of the key terms of the Proposed Loan Facility vis-à-vis the key terms of the existing loans of the SH Group;
- (c) comparison of the interest rate of the Proposed Loan Facility vis-à-vis the interest rates of the Group's existing borrowings and the prevailing deposit interest rates in the PRC;
- (d) review of the proposed safeguards for the Proposed Loan Facility; and
- (e) other considerations.

4.1 RATIONALE FOR AND BENEFITS OF THE PROPOSED LOAN FACILITY

It is not within our terms of reference to comment or express an opinion on the merits of the Proposed Loan Facility or the future prospects of the Group in view of the Proposed Loan Facility. Nevertheless, we have reviewed the rationale for and benefits of the Proposed Loan Facility as set out in Section 3 of the Circular as well as the Audit Committee's views set out in Section 2.7 of the Circular and reproduced the respective sections in italics below for your reference. Shareholders are advised to read the information carefully.

"3. RATIONALE AND BENEFITS

The Board (save for Mr. Wong Lam Ping and Mr. Chan Kin Sang, who have abstained as they are interested in the Proposed Loan Facility) agrees with the Audit Committee's views set out in Section 2.7. The Audit Committee and the Board (save for Mr. Wong Lam Ping and Mr. Chan Kin Sang, who have abstained as they are interested in the Proposed Loan Facility) consider the Proposed Loan Facility to be beneficial for the Group as it utilises the excess cash in the Group and therefore approve the Proposed Loan Facility.

The Group engages in property development in the PRC and would in the normal course of business, receive advance payments from its customers, and be required to settle the payment of the construction costs and other overheads according to the construction progress or agreed terms with the suppliers and/or contractors. As there may be some time lapsed from the day the Group receives advance payments from its customers and the day it is required to settle the payment of the construction costs, the Group may end up holding excess cash at any particular point in time. Liquidity management is therefore one of the key operations of the Group's treasury function, to ensure that the Group is able to meet its payment obligations when they fall due and at the same time is able to maximise its profits through various means, including placing fixed deposits in banks and extending guaranteed/secured loans to third parties.

Accordingly, the disbursement of the Loans pursuant to the Proposed Loan Facility is one of the options for the treasury operations and liquidity management of the Group during periods when the Group has excess cash. It is in this context that the Audit Committee is of the view that the Proposed Loan Facility and disbursement of the Loans thereunder are of a revenue or trading nature and are part of the normal course of the Company's business, and this is consistent with the terms of the Proposed Loan Facility where the Company has absolute discretion to decide whether or not to disburse the Loans under the Proposed Loan Facility.

As at 30 September 2019, the Group had RMB269.9 million in cash and bank balances, RMB36.1 million in pledged deposits and RMB139.0 million in structured bank balances. On the assumption that the Proposed Loan Facility is fully drawn down, the Company would have a remaining balance of RMB119.9 million in its cash and bank balances. That said, the Company has the absolute discretion to decide whether or not to disburse the Loans under Proposed Loan Facility and if so, the quantum and term of such Loan. Accordingly, the disbursement of the Loans should not materially affect the cash flow and operating needs of the Group for reason that the Company will disburse the Loans only when the Group has excess cash. As the Loans will be disbursed only when the Group has excess cash, none of the Loans disbursed will be drawn from the Company's existing fixed deposits secured for the Company's existing loan facilities. The Loans, when repaid, will be returned to the Group's reserve pool for operations and working capital purposes.

The Proposed Loan Facility, if fully drawn down for a term of two years at a fixed interest rate of 9.35% per annum, can generate interest income of approximately RMB28.1 million for the Group over the two-year period. For illustrative purpose only, should the funds remain in a PRC bank deposit account, the interest income generated would only amount to approximately RMB4.5 million to 9.0 million, based on a fixed interest rate of approximately 1.5% to 3.0% per annum.”

“2.7. In respect of Section 2.3(d), the Audit Committee unanimously agreed that the Proposed Loan Facility is in the best interest of the Company and its minority Shareholders for the following reasons:

- (a) the Lender has absolute discretion to decide whether or not to disburse the Loans under the Proposed Loan Facility, allowing flexibility to the Group's liquidity management and providing the Group's treasury operation an additional option during periods when the Group has excess cash; and
- (b) the Audit Committee also considered whether to recommend to the Board to distribute the excess cash to Shareholders in the form of dividends instead when considering the Proposed Loan Facility. The Audit Committee ultimately decided not to recommend to the Board to declare dividends as the Group has already committed to some new investment opportunities, for example the acquisition of a parcel of land in June 2019 for RMB275.0 million, and is continuously seeking to invest in other investment opportunities which may require funding in the near future. Declaring dividends now may restrict the Group's liquidity management and the Group may be required to seek equity or debt financing which will incur significant finance costs.

As a reference, based on the Group's consolidated balance sheet as at 30 September 2019, the Group has bank loans amounting to approximately RMB48.3 million, and a gearing ratio of 6.3%. The borrowing cost of the Group's secured bank loans as at 30 September 2019 range from 2.6% to 4.5%.”

4.2 COMPARISON OF THE KEY TERMS OF THE PROPOSED LOAN FACILITY VIS-À-VIS THE KEY TERMS OF THE EXISTING LOANS OF THE SH GROUP

In evaluating whether the terms of Proposed Loan Facility are on normal commercial terms and are not prejudicial to the interests of the Company and its Independent Shareholders, we have compared the key terms of the Proposed Loan Facility with the key terms of the SH Group's existing loans.

Shareholders should note that the following analysis is solely for illustrative purposes as the general market condition at the time of grant for the respective loans would have been different from the prevailing market conditions, and the terms offered for the respective loans would be dependent on various considerations by the respective lenders at the time of granting the loan.

Based on Sino Harbour's annual report for the financial year ended 31 March 2019, the SH Group has the following loans as at 31 March 2019:-

	As at 31 March 2019 RMB'000
Bank loans – secured	1,149,233
Other loans – unsecured	16,000
Total	1,165,233

Based on the information that we have obtained, we note the following in respect of the SH Group's bank and other loans as at 31 March 2019:-

(a) Secured loans

- (i) the effective interest rates of the SH Group's secured bank loans ranged from 2.20% to 10.55% per annum;
- (ii) secured loans comprise nine (9) loans with loan tenures between one (1) and ten (10) years; and
- (iii) principal amount for secured loans ranges from approximately RMB40.0 million to RMB263.9 million.

(b) Unsecured loans

- (i) the effective interest rates of the SH Group's unsecured loans ranged from 4.6% to 9.0% per annum;
- (ii) unsecured loans comprise three (3) loans with loan tenures between one (1) and three (3) years; and
- (iii) principal amount for unsecured loans ranges from approximately RMB1.0 million to RMB10.0 million.

Based on the above, we note that the interest rate of 9.35% per annum for the Proposed Loan Facility is:

- (a) within the range of the interest rates of all the secured loans;
- (b) above the interest rates of all the unsecured loans; and
- (c) based on the Management's understanding, the Proposed Loan Facility has the second highest interest rate among all the secured and unsecured loans of the SH Group.

In addition, we note that the Proposed Loan Facility will be supported by a personal guarantee issued by Mr. Wong Lam Ping executed under deed.

Based on Sino Harbour's unaudited interim results for the six months ended 30 September 2019, total borrowings were reduced to approximately RMB660.0 million due to repayment of bank loans.

4.3 COMPARISON OF THE INTEREST RATE OF THE PROPOSED LOAN FACILITY VIS-À-VIS THE INTEREST RATES OF THE GROUP'S EXISTING BORROWINGS AND THE PREVAILING DEPOSIT INTEREST RATES IN THE PRC

Based on the Company's latest announced unaudited consolidated half-year financial statements ended 30 September 2019, the Group's bank loans as at 30 September 2019 are as follows:

	As at 30 September 2019 RMB'000
Bank loans – secured	48,326

The effective interest rates of the Group's secured bank loans ranged from 2.6% to 4.5% per annum. Approximately RMB15.0 million of these bank loans have a term of more than 5 years, with the principal to be repaid in half-yearly instalments and interests to be payable monthly or quarterly, at the Group's discretion. Approximately RMB33.3 million of these bank loans have a term of six months, with the principal to be repaid in full upon maturity and interests to be payable quarterly. The Group does not have any unsecured loans.

As set out in Section 4.1 of this Letter, we understand that the interest income generated from the Proposed Loan Facility is expected to be higher than that from a PRC bank deposit account. A summary of the 12-month and 24-month RMB fixed deposit rates of selected PRC banks as at the Latest Practicable Date is set out as follows:

Name	12-month interest rate (%)	24-month interest rate (%)
Agricultural Bank of China	1.75	2.25
Bank of China	1.75	2.25
China Construction Bank	1.75	2.25
Industrial and Commercial Bank of China	1.75	2.25

Source: Website of the respective PRC banks as at the Latest Practicable Date

Based on the above, we note that the interest rate of 9.35% per annum for the Proposed Loan Facility is:-

- (a) above the range of interest rates of the Group's secured loans; and
- (b) significantly higher than the 12-month and 24-month RMB fixed deposit rates offered by the selected PRC banks.

4.4 REVIEW OF THE PROPOSED SAFEGUARDS FOR THE PROPOSED LOAN FACILITY

We have reviewed the safeguards to be implemented for the Proposed Loan Facility as set out in Section 2.5 of the Circular and noted the following:

- (a) Mr. Wong Lam Ping, as the Guarantor, will provide a personal guarantee to the Company for all Outstanding Loans which will remain in place until the later of (i) the Facility Termination Date and (ii) the date the Outstanding Loans are fully repaid.

As at the Latest Practicable Date, Mr. Wong Lam Ping is directly and deemed interested in 328,464,194 Shares, representing approximately 64.11% of the Company's issued Shares. Save for 5,068,700 Shares held at Phillip Securities Pte Ltd, the remaining 323,395,494 Shares (the "**Guarantor's Shares**") will be locked up and be under a moratorium until the later of (i) the Facility Termination Date and (ii) the date the Outstanding Loans are fully repaid.

- (b) The Audit Committee has assessed Mr. Wong Lam Ping's ability to assume the guarantee obligation, including verification that the Guarantor's Shares are unencumbered, the value of the Shares in which Mr. Wong Lam Ping is directly and deemed interested vis-à-vis the amount of the Proposed Loan Facility and his credit standing, among other things and is of the view that Mr. Wong Lam Ping is capable to assume the guarantee obligation.
- (c) All drawdown applications will be approved by Ms. Wang Cuiping, a non-interested Executive Director.
- (d) The Group Financial Controller will monitor all public announcements released by Sino Harbour and immediately update the Audit Committee and the Board, as and when Sino Harbour releases financial results or any announcements containing material adverse information relating to the business and/or financial condition of the SH Group. The Management will also monitor the Group's exposure and repayments by the Lender and update the Audit Committee and the Board quarterly.
- (e) The Audit Committee will take a supervisory role in monitoring the amount of the Outstanding Loans and the financial standing of the SH Group by receiving updates from the Management and where necessary ensure that the Borrower repays all outstanding Loans immediately.
- (f) The Company will make the requisite announcements and/or seek Shareholders' approval in accordance with the requirements of Chapter 9 of the Listing Manual if there are changes made to the terms of the Proposed Loan Facility.
- (g) The internal auditor will conduct a review of the Group's interested person transactions, including a review of the procedures of the Proposed Loan Facility at least on an annual basis.

Shareholders are advised to read Section 2.5 of the Circular carefully.

4.5 OTHER CONSIDERATIONS

4.5.1 Undertaking from the Audit Committee

As set out in Section 2.3(g) of the Circular, the Audit Committee must submit an undertaking that in the event the credit standing of the Borrower is at risk, the Audit Committee will ensure that the Proposed Loan Facility will be immediately repaid and this repayment can be undertaken. Details on the undertaking is set out in Section 2.10 of the Circular and reproduced in italics below for your reference. Shareholders are advised to read the information carefully.

"2.10 In respect of Section 2.3(g), the terms of the Proposed Loan Facility provide that the Lender may adjust, reduce or terminate the amount that can be drawn down pursuant to the Proposed Loan Facility and all Outstanding Loans will become immediately repayable by the Borrower in the event that (i) the Borrower fails to repay the Outstanding Loan as and when they fall due, (ii) the Borrower fails to only use the Loan proceeds for real estate development purposes, (iii) the Borrower breaches any of the terms of the Loan Agreement and fails to rectify the same within 30 days after receiving notice from the Lender, (iv) based on the Lender's reasonable judgment, circumstances arise which substantially deteriorated the Borrower's operation and debt repaying ability, and/or (ii) the consolidated gearing ratio of SH Group as announced in its interim and annual financial information exceeds 100%.

As mentioned in Section 2.5(c) above, the Management will monitor all public announcements released by Sino Harbour on the Stock Exchange of Hong Kong on a continuing basis and will immediately report to the Audit Committee and the Board (i) the financial standing of the SH Group upon the release of the SH Group's financial results, and (ii) any announcements containing material adverse information relating to the business and/or financial condition of the SH Group. The Audit Committee may call for an Audit Committee meeting to discuss whether the Lender should exercise any of its powers under the Loan Agreement if it deems necessary. Internal and external auditors will also review to ensure that the above processes are complied with and will report the same to the Audit Committee."

4.5.2 Outlook and Financial Resources of the Group

In the Company's results announcement for the six months ended 30 September 2019, the following commentary was made on 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 from the date of the results announcement:

“Industry Outlook

There are no significant changes to the prospects of the property market in the People's Republic of China (“PRC”) as evidenced by official data published by the National Bureau of Statistics. Official data indicated that new home prices recorded a month-on-month increase in August and September 2019 of 55 and 53 out of a statistical pool of 70 major PRC cities respectively. On a year-on-year basis, the 70 major cities recorded a higher price in September 2019.”

“Company Strategies

The Group will continue to work on the sales and construction of its existing projects. The Group is also exploring suitable business opportunities to diversify its core business as it believes that this will provide opportunities to expand its income sources.”

Shareholders are advised to read the entire text of the abovementioned results announcement and all other recent announcements concerning the Group's developments and financial performance.

The Directors have represented to us that having considered the industry outlook, the Group's strategies in the near future and the Proposed Loan Facility, among other things, they are of the opinion that barring unforeseen circumstances, the Group has sufficient financial resources to meet its operational requirements and debt repayment obligations.

4.5.3 Past lending activities undertaken by the Company

On 5 January 2019, the Company announced that a subsidiary had entered into a loan agreement with a third party in relation to the provision of an unsecured guaranteed loan of RMB70.0 million (the “**Entrusted Loan**”) to the latter. The Entrusted Loan was extended for a 6-month period and the interest payable on the Entrusted Loan was 11.0 percent (11.0%) per annum. The primary purpose of extending the Entrusted Loan was to utilise the excess cash in the Group.

We have had discussions with the Management and understood that the interest rate for the Entrusted Loan had been agreed upon after taking into account the prevailing circumstances at the time of the transaction, the availability of alternative financing options and relative costs.

We also understand from the Company that the Entrusted Loan was fully repaid on 3 July 2019 and the borrower decided not to seek an extension for the Entrusted Loan after taking into consideration the interest rate charged by the Company and its then liquidity position.

4.5.4 Support from Controlling Shareholder

As set out in Sections 2.1 and 2.5 of the Circular, Mr. Wong Lam Ping will be providing a personal guarantee to support the Proposed Loan Facility and the Guarantor's Shares, being 323,395,494 Shares in which he is directly and deemed interested, will be locked up and be under moratorium until the later of (i) the Facility Termination Date and (ii) the date the Outstanding Loans are fully repaid.

4.5.5 Use of Loan proceeds

We note that the Loan proceeds may only be applied by the Borrower for real estate development purposes. The Borrower is a subsidiary of Sino Harbour and is a real estate development company incorporated in the PRC. Sino Harbour was previously the subsidiary of the Company until March 2018. The risk profile of the property development business would be similar to that of the Group.

4.5.6 Sino Harbour's financial performance and credit standing

Sino Harbour is a company listed on the Main Board of the Stock Exchange of Hong Kong. As at the Latest Practicable Date, Sino Harbour's market capitalisation was approximately HKD345.0 million.

Based on publicly available information, Sino Harbour has been profitable for the financial years ended 31 March 2017, 2018 and 2019 ("FY2017", "FY2018" and "FY2019", respectively) and the six-month period ended 30 September 2019 ("1H2020") and generated positive net cash from operating activities for FY2017, FY2019 and 1H2020 as set out below:

(RMB'000)	FY2017 (audited)	FY2018 (audited)	FY2019 (audited)	1H2020 (unaudited)
Revenue	693,512	134,082	384,282	229,899
Profit for the year/period attributable to the owners of the company	52,364	4,883	20,730	29,539
Net cash generated from / (used in) operating activities	99,739	(238,054)	46,236	560,826

Source: Sino Harbour's annual reports and announcements

We also note that the SH Group has net assets amounting to approximately RMB1,620.5 million or net assets attributable to the owners of the company amounting to approximately RMB1,368.5 million as at 30 September 2019. The SH Group's gearing ratio was 29.3% as at 30 September 2019 as disclosed in Sino Harbour's interim results for 1H2020. After taking into consideration the cash and bank balances and pledged deposits, the SH Group's net gearing ratio was 10.0% as at 30 September 2019 as detailed below:

	As at 30 September 2019 RMB'000
Total bank loans	660,048
Less: Cash and bank balances	269,049
Pledged deposits	253,526
Net debt	137,473
Equity attributable to owners of Sino Harbour (" Equity ")	1,368,458
Net debt-to-Equity (%)	10.0

We understand from the Management that Sino Harbour has not defaulted on any loans.

5. RECOMMENDATION

In arriving at our opinion in respect of the Proposed Loan Facility, we have taken into account the factors which we consider would have a significant bearing on our assessment as set out in the earlier sections.

Having regard to the considerations set out in this Letter and the information available to us as at the Latest Practicable Date, we are of the opinion that the terms of the Proposed Loan Facility are, on balance, on normal commercial terms and are not prejudicial to the interests of the Company and its Independent Shareholders. **We therefore advise you to recommend that Independent Shareholders vote in favour of the Proposed Loan Facility to be proposed at the special general meeting to be convened ("SGM").**

The Non-Interested Directors should note that our recommendation is based upon market, economic, industry, monetary and other conditions prevailing and information made available to us as at the Latest Practicable Date.

This Letter is prepared pursuant to Listing Rule 921(4)(a) and is addressed to the Non-Interested Directors for their use and benefit, in connection with and for the purposes of their consideration of the Proposed Loan Facility. Their recommendations to the Independent Shareholders in respect of the Proposed Loan Facility shall remain their responsibility. Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose other than for the purpose of the SGM and for the purpose of the Proposed Loan Facility, at any time in any manner without our prior written consent in each specific case.

Yours faithfully
For and on behalf of
RHB Securities Singapore Pte. Ltd.

Lien I Ping
Deputy Director
Corporate Finance

Wong Kee Seong
Deputy Director
Corporate Finance



汎港控股
PAN HONG HOLDINGS

PAN HONG HOLDINGS GROUP LIMITED

(Incorporated in Bermuda on 20 December 2005)

(Company Registration Number: 37749)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a SPECIAL GENERAL MEETING (the “**SGM**”) of Pan Hong Holdings Group Limited (the “**Company**”) will be held at Frankel Room, Level 3, Grand Mercure Singapore Roxy, 50 East Coast Road, Roxy Square, Singapore 428769 on 5 February 2020 at 10 a.m. for the purpose of considering and, if thought fit, passing the ordinary resolution set out below.

*All references to the Circular in this Notice of Special General Meeting (the “**Notice of SGM**”) shall mean the Company’s Circular to Shareholders dated 20 January 2020 (the “**Circular**”). All capitalised terms not otherwise defined herein shall have the meanings given to them in the Circular.*

AS ORDINARY RESOLUTION

RESOLUTION 1 – THE PROPOSED RMB150 MILLION REVOLVING LOAN FACILITY TO HANGZHOU GANGLIAN REAL ESTATE COMPANY LIMITED, WHICH CONSTITUTES AN INTERESTED PERSON TRANSACTION UNDER THE LISTING MANUAL

That:

- (a) for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**Chapter 9**”):
- (i) the entry by Huzhou Pan Hong Runhe Property Development Limited, a wholly-owned subsidiary of the Company, into the Loan Agreement with Hangzhou Ganglian Real Estate Company Limited, a subsidiary of Sino Harbour Holdings Group Limited, and into any document or transaction in relation to or in connection with the Proposed Loan Facility, and
 - (ii) from time to time, the disbursement of Loan(s) by the said Huzhou Pan Hong Runhe Property Development Limited to the said Hangzhou Ganglian Real Estate Company Limited in accordance with the terms of the Loan Agreement pursuant to the Proposed Loan Facility,

where the entry into the Loan Agreement, the extension of the Proposed Loan Facility and the disbursement of the Loan(s) constitute interested person transactions under Chapter 9, be and are hereby approved; and

- (b) the Directors of the Company and each of them be and are hereby authorised to do all acts and things as they may in their discretion deem necessary, desirable or expedient in the interests of the Company to give effect to the Loan Agreement, the Proposed Loan Facility, the Loan(s), the Ordinary Resolution set out in this Notice of SGM and the transactions contemplated by the Proposed Loan Facility and/or authorised by the Ordinary Resolution set out in this Notice of SGM.

BY ORDER OF THE BOARD

Sim Wee Leong
Lead Independent Director

Singapore
20 January 2020

Notes:

- (1) A member of the Company (other than CDP) who is entitled to attend and vote at the special general meeting of the Company (the “**SGM**”) is entitled to appoint not more than two proxies to attend and vote in his/her stead. A member who wishes to appoint a proxy to attend and vote on his behalf thereat should complete, sign and return the attached Member Proxy Form in accordance with the instructions printed thereon. A proxy need not be a member of the Company.
- (2) A Depositor who is an individual and whose name appears in the Depository Register as maintained by CDP at a time not earlier than forty-eight (48) hours prior to the time fixed for the holding of the SGM and who is unable to attend the SGM personally and wishes to nominate a person to attend and vote on his behalf thereat as CDP’s proxy and Depositors which are not individuals, should complete, sign and return the attached Depositor Proxy Form in accordance with the instructions printed thereon. An individual Depositor that has nominated a person to attend and vote at the SGM on his behalf as CDP’s proxy may attend and vote in person as CDP’s proxy at the SGM if he so wishes.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Special General Meeting and/or any adjournment thereof, a member of the Company or a Depositor, as the case may be, (i) consents to the collection, use and disclosure of the member or Depositor’s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Special General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Special General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”), (ii) warrants that where the member or a Depositor discloses the personal data of the member or Depositor’s proxy(ies) and/or representative(s) to the Company (or its agents), the member or Depositor has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member or Depositor will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member or Depositor’s breach of warranty.

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