

PAN HONG HOLDINGS GROUP LIMITED

(Incorporated in Bermuda)
(Registration Number: 37749)



RESPONSES TO SGX-ST'S QUERIES ON THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2021

The Board of Directors of Pan Hong Holdings Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to its annual report for the financial year ended 31 March 2021 (“**FY2021**”) released to Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 9 July 2021 and would like to provide its responses to the following queries raised by SGX-ST:

We refer to provision 10.4 of the Report on Corporate Governance on page 37 of the Company's Annual Report for the Financial Year Ended 31 March 2021 announced on 9 July 2021. We note that the internal audit function of the Group is carried out by an in-house IA, Ms Zhu Huili.

Question 1

Please disclose the resources and qualifications of the internal audit team that is led by Ms Zhu Huili.

Company's response to question 1

The internal audit team comprises employees whose roles and responsibilities are dedicated to carrying out the internal audit function for the Company. In FY2021, the internal audit team was headed by Ms. Zhu Huili, who is a Certified Internal Auditor (“**CIA**”) with the Institute of Internal Auditors (“**IIA**”) and has 10 years of internal audit experience.

Taking into account the nature, size and scope of the Group's business operations, the Board, with the concurrence of the Audit Committee (“**AC**”), is of the view that the internal audit team comprising three members, Ms. Zhu and two assistants who possess Intermediate-level Accountant qualification in the People's Republic of China (the “**PRC**”) and have experience in management accounting up to 12 years, is adequately resourced to perform its function effectively and objectively. None of the personnel of the internal audit team had any relationship or conflict of interest that could impair their objectivity and independence in conducting their internal audit function.

The internal audit team reports primarily to the AC and has full access to the documents, records, properties and personnel of the Company and of the Group and has appropriate standing and empowerment within the Company.

Question 2

Please provide details of Ms Zhu Huili's 30 years of experience in the accounting industry and 10 years internal audit experience, including her roles and designation, the jurisdiction of such experiences, as well as when Ms Zhu Huili assumed the role as the in-house IA of the Company.

Company's response to question 2

Ms. Zhu Huili, aged 53, started her career in 1987 as a cost accountant in a state-owned tannery company and her major duties included cost calculation and assistance on execution of audit procedures imposed by the National Audit Office of the PRC.

From 1994 to 2007, Ms. Zhu was the deputy finance manager at a stated-owned municipal construction company and her duties included the review of construction contracts, preparation of consolidated financial statements and handling tax-related matters.

From 2007 to 2011, Ms. Zhu was the finance manager of a glass-fibre manufacturing company and her duties included overseeing the finance function of the company and handling tax-related matters.

Ms. Zhu had joined the Group in 2011 as the internal auditor and her major duties include drafting of annual internal audit plan and conducting internal audits on the adequacy and effectiveness of the Group's key internal controls including management of financial, operational and compliance risks, performance of internal audit procedures according to the internal audit plan (including but not limited to interviewing the leaders/officers of other departments, examining the internal financial records and accounting vouchers, reviewing the compliance relating to internal control processes/systems of the various departments), and compiling internal audit report on material non-compliances (if any) and recommendations for improvements based on the internal audit work performed, for the review and approval by the AC and the Board of Directors of the Company.

As the in-house IA, Ms. Zhu reports primarily and directly to the AC Chairman on all internal audit matters and findings, if any, from the audit process. The internal auditor reports to the AC at least four times a year regarding the progress and major findings of the Group's internal audit processes.

Question 3

It was disclosed that she is a certified IA with the Institute of Internal Auditors. However, the internal audit work is carried out by the in-house IA according to the Chinese Internal Auditing Standards set by the China Institute of Internal Audit ("CIIA"). Please disclose whether this is in line with the standards expected by the Institute of Internal Auditors in Singapore.

Company's response to question 3

Since the Group's business is primarily carried out and its major operating subsidiaries are established in the PRC, the internal audit work is performed under the framework of Chinese Internal Auditing Standards ("**Chinese IA Standards**").

Insofar as the AC is aware, the Chinese IA Standards are undergoing continuing modifications and reformation to be aligned with the International Standards for the Professional Practice of Internal Auditing set by the IIA¹.

The CIIA and IIA have been conducting academic communications on a continuing basis². Since the CIA examination was first introduced to the PRC in 1998³, the CIA qualification is the only qualification recognised by the National Audit Office of the PRC for the internal audit profession in the country.

¹ <http://www.audit.gov.cn/n4/n20/n526/c132682/content.html>

² <http://www.ciaa.com.cn/cndetail.html?id=78283>

³ <http://www.ciaa.com.cn/cndetail.html?id=77411>

Question 4

Please disclose whether the IA had reviewed the processes relating to the interested party loans and complied with the procedures set out in paragraph 2.5 of the shareholders' circular dated 20 Jan 2020.

As set out under section 2.5 of the Company's circular to shareholders dated 20 January 2020 ("**Circular**"), the Company confirmed that the internal auditor had conducted a review of the Group's interested person transactions, including a review of the procedures of the Proposed Loan Facility (as defined in the Circular) for the financial year ended 31 March 2021.

By Order of the Board

Wong Sum
Executive Chairman
23 July 2021