
THE ENTERING INTO OF A STRATEGIC COOPERATION FRAMEWORK AGREEMENT

1. INTRODUCTION

The Board of Directors of Pan Hong Holdings Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that Sino Harbour Bio Technology Limited (“**SH BioTech HK**”), a wholly and indirectly owned subsidiary of Sino Harbour Holdings Group Limited (formerly known as Sino Harbour Property Group Limited) which is listed on the Main Board of The Stock Exchange of Hong Kong Limited and 75% owned by the Company, has on 5 October 2015 entered into a strategic cooperation framework agreement (“**Framework Agreement**”) with (i) Zhejiang University of Technology Assets Operation Limited (浙江工業大學資產經營有限公司) (“**Uni Assets Ltd**”) and (ii) Irvine Pharmaceutical Services, Inc. (“**IPS**”).

According to the Framework Agreement, all parties will leverage on their respective expertise to enter into the pharmaceutical inspection industry (the “**Cooperation**”). A new company (“**New Company**”) in the People’s Republic of China (the “**PRC**”) will be set up for the Cooperation purposes. A summary of the salient terms of the Framework Agreement is set out as follows:

- (a) All parties have agreed that the New Company shall have a registered capital of RMB64.00 million upon establishment. SH BioTech HK and Uni Assets Ltd will be injecting a capital of RMB33.28 million and RMB12.80 million by cash for a 52% and 20% equity stake respectively in the New Company. IPS will be injecting its intangible assets for a 20% equity stake in the New Company. The remaining 8% equity stake of the New Company will be distributed to the qualified employees of the New Company pursuant to a proposed share incentive plan.
- (b) Uni Assets Ltd has a facility of 3,300 square metres, which is established according to the U.S. Food and Drug Administration (“**FDA**”) standards (the “**Facility**”). Uni Assets Ltd shall rent the Facility and the corresponding laboratory facilities to the New Company for a period of not less than ten years. The rental price shall be set on an arms’ length basis in accordance with a third party’s independent valuation report.
- (c) Uni Assets Ltd and IPS shall provide the necessary support and assistance to the New Company in relation to the establishment of a service centre for pharmaceutical services including third-party pharmaceutical testing, customized synthesis, prescription technology, new drug research, drug safety evaluation and clinical trial in the PRC and the Asian-Pacific region (the “**Pharmaceutical Centre**”).
- (d) Uni Assets Ltd and IPS shall provide the necessary assistance to enable the Pharmaceutical Centre to pass the relevant FDA inspection and/or audit so that the Pharmaceutical Centre will be qualified to issue testing and analytical reports according to the regulations promulgated and enforced by the FDA. Subject to FDA’s satisfactory review, the Pharmaceutical Centre will be one of the first batch of approved qualified laboratories in the PRC.
- (e) The Pharmaceutical Centre will apply to the relevant authorities of the PRC for the qualification of China Metrology Accreditation (中國計量認證) of China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會).

- (f) The New Company shall develop a trading platform to assist pharmaceutical products from the PRC to enter into the markets in the United States of America (the “USA”), Canada and the European Union.
- (g) The Collaborative Innovation Centre of Yangtze River Delta Region Green Pharmaceuticals (長三角綠色製藥協同創新中心) (“YRD Innovation Centre”) and the Zhejiang University of Technology (浙江工業大學) (“ZH Tech University”) shall cooperate with the New Company to expand the influence and the market share as well as provide sufficient technology and human resources support to the New Company.
- (h) For ensuring the effective operation of the New Company, the New Company will acquire 100% equity interest in Hangzhou IPS Pharmaceutical Technology Co., Ltd. (“Hangzhou IPS”) from the Uni Assets Ltd.

2. BACKGROUND OF UNI ASSETS LTD AND IPS

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

Hangzhou IPS is wholly-owned by Uni Assets Ltd, which is a pharmaceutical research, development and analytical services company. The principal activities of Hangzhou IPS include pharmaceutical quality test technology development, pharmaceutical technology consultancy service and medical device quality inspection technology development. As mentioned above, Uni Assets Ltd has a facility of 3,300 square metres, which is established according to the FDA standards.

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

3. RATIONALE OF COOPERATION

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

In line with the increasing gross national income, health consciousness of the public has increased. Therefore, there will be a huge market demand and potential in the medical treatment industry which is expected to grow rapidly. In addition, as the PRC pharmaceutical industry will focus on high-end

pharmaceutical products progressively, there will be a demand for the New Company's pharmaceutical services. In accordance with the *Opinions Of The CPC Central Committee On Deepening The Reform Of The Institutional Mechanisms And Accelerate The Implementation Of Innovation Driven Development Strategy* (中共中央關於深化體制機制改革加快實施創新驅動發展戰略的若干意見) issued by the State Council of the PRC (中華人民共和國國務院) on 13 March 2015, the PRC government stated that it will expedite the specialisation and market reform of third party's inspection institutes.

The Board is of the view that the entering into of the Framework Agreement will provide an opportunity for the Group to enter into pharmaceutical inspection industry and expand its income sources.

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

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

4. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

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

5. FURTHER ANNOUNCEMENTS

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

6. CAUTIONARY STATEMENT

Shareholders and potential investors should exercise caution when trading in the shares of the Company, as the Framework Agreement is non-binding and there is no certainty or assurance as at the date of this announcement that the parties will progress with signing the definitive agreement(s). In the event of any doubt as to the action they should take, shareholders should consult their stockbrokers, bank managers, solicitors or other professional advisers.

By Order of the Board

Wong Lam Ping
Executive Chairman

6 October 2015