

# PAN HONG HOLDINGS GROUP LIMITED

(Incorporated in Bermuda)  
(Registration Number: 37749)



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## THE ENTERING INTO OF A STRATEGIC COOPERATION FRAMEWORK AGREEMENT

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### 1. INTRODUCTION

The Board of Directors (the “**Board**”) 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 (“**Sino Harbour**”), which is listed on the Main Board of The Stock Exchange of Hong Kong Limited and approximately 73.05% owned by the Company, has on 22 February 2016, entered into a strategic cooperation framework agreement (the “**Framework Agreement**”) with (i) The First Affiliated Hospital of Shantou University Medical College (汕頭大學醫學院第一附屬醫院) (“**Shantou Uni Hospital**”), (ii) Zhejiang Gene Stem Cell Biotech Company Limited (浙江金時代生物技術有限公司) (“**Zhejiang GSCB**”) and (iii) Beijing Sanyouli Technology Development Company Limited (北京三有利科技發展有限公司) (“**BJ Sanyouli**”).

According to the Framework Agreement, all parties will leverage on their respective expertise and resources to participate in the stem cells industry (the “**Cooperation**”). A new company (the “**New Company**”) will be set up by SH BioTech HK, Zhejiang GSCB and BJ Sanyouli in the People’s Republic of China (the “**PRC**”) for such Cooperation purposes. SH BioTech HK will be the largest shareholder of the New Company. The shareholding structure of the New Company will be further negotiated.

### 2. PRINCIPAL TERMS OF THE FRAMEWORK AGREEMENT

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

- (a) Shantou Uni Hospital shall provide necessary support and management to the operation of the New Company including human resources and medical resources. Shantou Uni Hospital shall receive an annual management fee of 6% calculated based on the operating income of the New Company for the services provided. Operating income represents the New Company’s operating revenue from production, storage and therapy services, excluding income from outbound research, capital market operation, corporate valuation appreciation and transfer of technology.

The New Company shall enter into a separate agreement with Shantou Uni Hospital for the scope of services to be provided by Shantou Uni Hospital.

The New Company shall also enter into other agreements with Shantou Uni Hospital in respect of any further cooperation at a fee to be agreed.

- (b) Shantou Uni Hospital will offer the New Company a preferential right of handling the stem cells collection and storage business from its Obstetrics and Gynecology Department.
- (c) The plaques and signs of “The First Affiliated Hospital of Shantou University Medical College (汕頭大學醫學院第一附屬醫院)” can be used by the New Company for its stem cells business.

- (d) The New Company will be mainly engaged in comprehensive stem cells business, including but not limited to:
  - i) collection and storage of stem cells, including cord blood stem cells, umbilical cord mesenchymal stem cells and adipose-derived stem cells;
  - ii) proliferation of stem cells, clinical study and applied investigation of stem cells and research and development of products in stem cells; and
  - iii) transplantation of stem cells and medical treatments by stem cells.
- (e) The contracting parties intend to establish hospitals or cooperate with relevant local hospitals for health and anti-aging therapy, cancer therapy and dental services in Shantou City, Guangdong Province, the PRC. Relevant agreements will be further negotiated and entered into separately by all parties.
- (f) The contracting parties may explore the stem cells business, especially in self-immune system storage technology, in other countries outside the PRC.
- (g) The contracting parties propose to rent premises in Shantou City, Guangdong Province, the PRC for the New Company's start-up operation. The New Company may apply to the government for land to meet its operation needs for medical and research and development use.
- (h) The Cooperation shall expire on 20 February 2036. Upon the expiry, the contracting parties may enter into another agreement to extend the Cooperation as mutually agreed.

### **3. BACKGROUND OF SHANTOU UNI HOSPITAL, ZHEJIANG GSCB AND BJ SANYOULI**

Shantou Uni Hospital is a provincial *Class Three Grade A* (三级甲等) public hospital located at Shantou City, Guangdong Province, the PRC. *Class Three Grade* is the highest rank under *The Measurement for the Administration of the Hospital Grade* (醫院分級管理辦法) of the PRC. Shantou Uni Hospital has a construction area of approximately 110,000 square metres. In 2013, Shantou Uni Hospital, the core hospital, formed a Medical Treatment Combination (醫療聯合體) which covers several Class One Grade to Class Three Grade medical institutions.

Zhejiang GSCB engages in the business of commercialization of stem cell technology in the PRC. It is one of the implementation units of the *National High-tech R&D Program* of the PRC (國家高技術研究發展計劃). *National High-tech R&D Program*, also called *863 Program* (863計劃), is implemented by the Ministry of Science and Technology of the PRC (中華人民共和國科學技術部), and advocates to boost the innovation capacity of high-tech sectors. Zhejiang GSCB has an expertise in stem cell technology, including but not limited to liquid separation, extraction, cultivation and enlargement of stem cells. In 2015, the founder of Zhejiang GSCB, Dr. Lu Min (陸敏博士) obtained a commendation certificate issued by the State Council of the PRC (中華人民共和國國務院) for his contribution. The Group is the third largest shareholder of Zhejiang GSCB by holding its 10% equity interest and the said investment is classified as an available-for-sale investment.

BJ Sanyouli engages in stem cells technology operation. It has advanced knowledge of using stem cell technology in dental therapy and established the first dental cell resources storehouse in the PRC. The founder of BJ Sanyouli, Wu Zuze (吳祖澤) is Member of the Chinese Academic of Sciences (中國科學院院士) and is a well-known hematopoietic stem cells expert in the world. He is also hailed as the father of hematopoietic stem cells in the PRC (中國造血幹細胞之父). In 2015, an asteroid discovered

by the Purple Mountain Observatory, Chinese Academy of Science (中國科學院紫金山天文台) was named as “Wu Zuze Asteroid” (吳祖澤星) for his special contribution.

#### **4. RATIONALE OF COOPERATION**

The Group is principally engaged in property development in the PRC.

In December 2012, the State Council of the PRC announced the *Regulations on Bio Industry Development* (生物產業發展規劃), that bio industry was proposed to be developed as a pillar of the national economy in year 2020.

In July 2015, the People’s Government of Guangdong Province of the PRC (中國廣東省人民政府) announced the *Action Plan for Advancement of Health Services Development in Guangdong Province (2015-2020)* (廣東省促進健康服務業發展行動計劃(2015-2020)), which emphasized the advancement of high-end technology including stem cells therapy, tumour immunotherapy and gene therapy, in order to develop an international high-end medical industry cluster.

In August 2015, the National Health and Family Planning Commission of the PRC (中華人民共和國國家衛生和計劃生育委員會) and China Food and Drug Administration (國家食品藥品監管總局) jointly announced the *Clinical Scientific Research and Development in Stem Cells Management Pilot Program* (幹細胞臨床研究管理辦法(試行)) to define the rules and regulations of clinical study of stem cells.

Driven by favourable national policies as mentioned above, the stem cells industry is expected to become a growth industry in the PRC. In addition, the relaxation of the one child policy and the rising of aging population in the PRC are expected to continuously drive the demand for the biomedical industry. With favourable demographic trends, the Board is of the view that the biomedical industry will be in a long growth cycle.

Jiangxi Asia City Real Estate Development Co., Ltd., a wholly-owned subsidiary of Sino Harbour had entered into a subscription agreement to subscribe for a 30% equity interest in a pharmaceutical company with other independent third parties on 27 November 2015, with an intention to enter into the pharmaceutical and medical related industry. The relevant announcement was released to the SGX-ST on 27 November 2015.

On 15 December 2015, SH BioTech HK had entered into a joint venture agreement to subscribe for 60% equity interest in a new company which will engage in pharmaceutical inspection business. The relevant announcement was released to the SGX-ST on 15 December 2015.

By entering into the Framework Agreement, the Board is of the view that it will expand the Group’s foothold in the bio technology and health care industries and potentially expand its income sources.

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

The Cooperation 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.

#### **5. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

None of the directors or substantial shareholders of the Company have any interest, direct or indirect (other than through their direct or indirect shareholdings in the Company), in the New Company, Shantou Uni Hospital, Zhejiang GSCB and BJ Sanyouli.

## **6. 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.

## **7. 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**

22 February 2016