

PAN HONG HOLDINGS GROUP LIMITED

(Incorporated in Bermuda)
(Registration Number: 37749)



汎港控股
PAN HONG HOLDINGS

ENTERING INTO OF A SUBSCRIPTION AGREEMENT

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 Jiangxi Asia City Real Estate Development Co., Ltd. (江西亞洲城房地產開發有限公司) (“**JX Asia City**”), 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 27 November 2015, entered into a subscription agreement (“**Subscription Agreement**”) to subscribe for the equity interest in Zhejiang Davi Pharmaceutical Co., Ltd. (浙江大為藥業有限公司) (the “**Target Company**”) at a consideration of USD3,200,000 (the “**Consideration**”), which is equivalent to 30% equity interest of the enlarged registered capital of the Target Company (the “**Subscription**”).

2. Information of Target Company

The Target Company was incorporated in 2004 in the People's Republic of China (the “**PRC**”) with a registered capital of USD8,000,000 (the “**Existing Registered Capital**”). Currently, it has a paid-up capital of USD4,420,784.21 and is wholly owned by Smartway Trading Limited (“**Smartway**”). The principal activities of the Target Company are research and development, manufacturing and sale of active pharmaceutical ingredients and intermediates.

The Target Company has been classified as a National New and High Technology Enterprise (國家級高新科技企業) in the PRC since August 2013. It possesses an experienced research and development team and a senior engineer team in active pharmaceutical ingredients and intermediates.

The Target Company has a facility of 35,000 square metres for its operation. It was awarded the Certificate of Good Manufacturing Practices for Pharmaceutical Products People's Republic of China (GMP) (中國藥品生產質量管理規範證書) in May 2010. The facility of the Target Company is established according to the standards of the U.S. Food and Drug Administration (FDA). In October 2015, the Target Company obtained the certificate of FAMI-QS. Currently, only a few companies have obtained the FAMI-QS qualification in the PRC. FAMI-QS is the “Community Guide to Good Practice” recognised by the European Commission. With the accreditation of FAMI-QS, the Target Company is able to export its products to Europe.

The major products of the Target Company are calcium folinate, calcium levofolate, methotrexate, methotrexate sodium, omeprazole magnesium, esomeprazole magnesium and esomeprazole sodium.

3. Principal Terms of the Subscription Agreement

3.1 Consideration and Payment

Smartway has agreed to waive its pre-emptive right of the subscription for new entity interest in the Target Company while JX Asia City has agreed to subscribe for, 30% of

the equity interest in the Target Company as enlarged by the increase of its registered capital by way of capital injection into the Existing Registered Capital at the consideration of USD3,200,000. Upon the completion of the Subscription, the Target Company will be an associated company of the Company.

The Consideration will be settled in Renminbi (RMB) and translated at a designated exchange rate of RMB6.375 : USD1.000. Hence, the total Consideration to be paid by JX Asia City for the Subscription shall be RMB20,400,000 (equivalent to USD3,200,000).

55.26% of the Consideration (the “**First Tranche of the Consideration**”) (i.e. RMB11,273,000 or equivalent to USD1,768,313) will be settled within 15 days after the date of the entering into of the Subscription Agreement (the “**Payment Date**”). The remaining 44.74% of the Consideration (i.e. RMB9,127,000 or equivalent to USD1,431,687) will be paid in accordance with the operation needs of the Target Company and at the same time when Smartway pays the remaining tranche of the Existing Registered Capital. If JX Asia City is not able to settle the First Tranche of the Consideration within 3 days from the Payment Date, Smartway has the right to rescind the Subscription Agreement.

The Consideration was arrived at after arm’s length negotiations amongst JX Asia City, Smartway and the Target Company on normal commercial terms.

In the event that the change of particulars of the business registration of the Target Company in the PRC (the “**Change**”) is not able to be completed within two months from the date of the entering into of the Subscription Agreement, JX Asia City has the right to rescind the Subscription Agreement. However, if the Target Company, for any of its own reason, is not able to complete the Change pursuant to the relevant legal procedures, JX Asia City has the right to request the Target Company to refund the First Tranche of the Consideration before 25 January 2016. An interest of 13% per annum will be charged on the Consideration paid by JX Asia City if the Target Company is not able to refund the Consideration paid before 25 January 2016.

Upon the completion of the Subscription, the Existing Registered Capital of the Target Company will be increased to USD11,200,000 and JX Asia City and Smartway will hold 30% and 70% of the equity interest in the Target Company respectively.

3.2 *Exit Arrangement*

JX Asia City would be able to exit the Subscription in the Target Company under any one of the following conditions:

- a) The audited net profit of the Target Company for the financial year ending 31 December 2016 is less than RMB7,000,000;
- b) The audited net profit of the Target Company for the financial year ending 31 December 2017 is less than RMB9,000,000;
- c) The audited net profit of the Target Company for the financial year ending 31 December 2018 is less than RMB11,000,000; or
- d) The aggregate audited net profit of the Target Company for the financial years ending 31 December 2016, 2017 and 2018 is less than RMB27,000,000.

Upon JX Asia City exits the Subscription, Smartway would have to refund all the tranches of the Consideration paid by JX Asia City, with an additional amount equivalent

to 13% per annum of all the tranches of the Consideration paid as from 1 January 2016 and excluding any dividend distributed and paid to JX Asia City (the “**Exit Arrangement**”).

Even if all the conditions mentioned under 3.2(a), 3.2(b), 3.2(c) and 3.2(d) are met, JX Asia City can still choose to exit the Subscription in accordance with the Exit Arrangement.

4. Rationale of the Subscription

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

In recent years, the PRC government has started to reform the national medical system by introducing a series of policies. The medical reform aims to build a nationwide insurance system to provide all of PRC's population with affordable medical services. Driven by favourable government policies, the pharmaceutical industry is expected to become a growth industry in the PRC. In addition, the aging population in the PRC is expected to continuously drive the demand for pharmaceutical products as it has the largest elderly population in the world, with its pharmaceutical industry experiencing a rapid growth.

On 5 October 2015, a wholly and indirectly owned subsidiary of Sino Harbour had entered into a strategic cooperation framework agreement with other independent third parties and with the intention to enter into the pharmaceutical inspection industry. The Board is of the view that the entering into of the Subscription Agreement will provide further opportunity for the Group to enter into the pharmaceutical industry and potentially expand its income sources. The Exit Arrangement mentioned under 3.2 above will help to safeguard the Group's investment.

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

5. Further information

The Subscription is classified as a non-disclosable transaction for the purposes of Chapter 10 of the Listing Manual as the relative figures under Rule 1006(c) of the Listing Manual are below 5%. As such, this is a voluntary announcement to provide stake users with information and an update of the Group.

The above transaction is not expected to have any material impact on the Group's earnings per share or net tangible assets for the current financial year ending 31 March 2016.

None of the Directors or controlling shareholders of the Company has any direct or indirect interest in the above transaction (other than their shareholdings in the Company).

The Company will provide further updates on the Subscription when appropriate and available.

By Order of the Board

Wong Lam Ping
Executive Chairman
27 November 2015