
**RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)
ON THE COMPANY'S ANNUAL REPORT FOR FINANCIAL YEAR ENDED 31 MARCH 2020**

The Board of Directors (“**Board**”) of Pan Hong Holdings Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”), refers to questions raised by Securities Investors Association (Singapore) (“**SIAS**”) in relation to the Company’s annual report for the financial year ended 31 March 2020 (“**Annual Report 2020**”).

The questions raised by SIAS and the Company’s corresponding responses are set out below:

- Q1. In his message to shareholders, the chairman noted that Phase 2 of the group’s iconic project Pan Hong Run Yuan (汎港潤園) was the main contributor to the strong results in FY2020.

In addition, in the business and operations review (page 10 of the annual report), it is shown that the pre-sale of another iconic project, Pan Hong Run He (汎港潤合), has reached RMB 1.3 billion as at 15 May 2020. The expected completion date for the project is Q3 CY2020.

- (i) **Can management help shareholders understand the time needed to hand over the units at Pan Hong Run He (汎港潤合) once the construction is completed?**

[Company’s response to Q1\(i\)](#)

Upon the completion of construction of Pan Hong Run He, the hand over of the units to buyers could, barring any unforeseen circumstances, normally be completed in the same quarter. Part of the completed units were handed over to the buyers as at mid-July 2020.

The group’s land bank for future development stands at 130,432 sqm (total planned saleable GFA). The remaining projects are Huzhou Delong and Huzhou Fenghuang, each about 65,000 sqm in planned gross floor area. In comparison, the GFA for Pan Hong Run He is 175,138 sqm (with 166,804 sqm for residential).

- (ii) **What is management’s strategy to acquire land parcels with good development potential to build up its land bank?**

[Company’s response to Q1\(ii\)](#)

The management keeps track of the local land market and the release of new land use rights for auction from the Chinese government. The management would perform assessment (primarily) on the locations, sales prospects, and existence of any imposed restrictions, it would then decide whether to participate in the auction and the acceptable price range.

- (iii) **What are the second-to-third-tier cities that are being considered?**

[Company’s response to Q1\(iii\)](#)

The Group is currently focusing on property development in Huzhou city of Zhejiang Province as it is familiar with the local property market prospect and customers’ preference. The Group had previously developed a property project in Hangzhou city, which is also located in Zhejiang Province.

- (iv) In particular, are there any reasons for the delay in obtaining the ownership/land use right certificate for the land in Fenghuang West, Wuxing District, Huzhou City which has been earmarked for the Huzhou Fenghuang Project?

[Company's response to Q1\(iv\)](#)

The land use right certificate was duly obtained in mid-July 2020, which is in line with the terms of the Land Grant Contract.

- Q2. As can be seen from the statements of financial position (pages 58 & 59), the group has exposure to non-core activities such as structured bank balances (in the previous financial year), unlisted equity investment in biotechnology (Note 16 – Financial assets at fair value through other comprehensive income) and listed equity securities held for trading (Note 22 – Financial assets at fair value through profit or loss).

Structured bank balances are interest-bearing and not quoted in an active market. The principal and interest earned are linked to the investments associated with equity instruments, debt instruments including corporate bonds, and money market instruments of certain banks in the PRC.

Previously, the group had also bought certain held-to-maturity assets.

- (i) What is the level of oversight by the board in the group's noncore/ financial investments and activities? Has the board evaluated the risks associated with these?
(ii) How strategic are these other investments/activities?

[Company's response to Q2\(i\) and \(ii\)](#)

The Group engages in property development in the People's Republic of China ("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 lapse 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, earning interest income through placing deposits in principal-protected instruments offered by PRC banks is one of the options for the treasury operations and liquidity management of the Group during periods when the Group has excess or idle cash.

Relevant balance would be reported to the Audit Committee and the Board by the management on a quarterly basis, and the financial statements would be audited by the Company's external auditor on an annual basis. To-date, there has been no default and/or loss on principal for such investments and the Board is satisfied with the risk level associated.

Should there be any proposed investments that fall under Chapter 10 of the listing manual which are substantial, the management would submit the relevant proposal to the Board for consideration and, amongst others, assessment on the risk associated with such investment.

As shown in the table of interested person transactions (page 39), an outstanding principal amount of RMB62 million has been granted to Hangzhou Ganglian Real Estate Company Limited, a subsidiary of Sino Harbour.

On 29 March 2018, the company distributed the ordinary shares of Sino Harbour Holdings Group Limited by way of a dividend in specie. Sino Harbour and its subsidiaries ceased to be subsidiaries of the group and was deconsolidated from the group.

Shareholders approved the proposed RMB150 million revolving loan facility to Hangzhou Ganglian Real Estate Company Limited, which constitutes an interested person transaction under the listing manual at a Special General Meeting held on 5 February 2020.

- (iii) **Would the board elaborate further on the strategic value of extending loans to other property developers and to reconcile the loan to a subsidiary of Sino Harbour given that the group had spun off Sino Harbour as a separate entity?**

[Company's response to Q2\(iii\)](#)

This loan is an interested person transaction under Chapter 9 of the SGX Listing Manual, and is a RMB150 million revolving loan facility which shareholders have approved at a Special General Meeting held on 5 February 2020. Details of risk management and assessment, and rationale and benefits for the said loan are set out in the Company's circular to shareholders dated 20 January 2020 (the "**Circular**").

- (iv) **Given the group's non-core investments and the revolving loan to Hangzhou Ganglian, would the board consider a review of the group's capital structure and to return excess capital to shareholders? That way, the growth of Sino Harbour can still be supported by the controlling shareholder directly while shareholders of the company would benefit from a more efficient capital structure and be given the choice to make their own investment decisions.**

[Company's response to Q2\(iv\)](#)

As stated in the Circular, the Audit Committee had also considered whether to recommend to the Board to distribute the excess cash to the Company's 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 had 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.

For more information, please refer to the Company's Circular.

- Q3. As disclosed in the Report on corporate governance (page 21), there were several changes to the board and the senior management team, including:

- Mr. Wong Sum was appointed as executive chairman and a nominating committee ("NC") member on 31 March 2020
- Mr. Wong Lam Ping resigned as executive chairman, Group CEO and a NC member on 31 March 2020
- Ms. Wang Cuiping was appointed as the Group CEO on 31 March 2020
- Mr. Chan Kin Sang resigned as non-executive and non-independent director and a remuneration committee member on 31 March 2020

- (i) **Would the NC help shareholders understand the reasons for the significant and abrupt changes to the board?**

Company's response to Q3(i)

As stated in the respective announcements relating to the resignations of Mr. Wong Lam Ping and Mr. Chan Kin Sang released to the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 31 March 2020, Mr. Wong Lam Ping and Mr. Chan Kin Sang have informed the Board that they have been invited to join the Board of Sino Harbour Holdings Group Limited, which both of them have accepted.

The NC has held various discussions and formal meetings and discussed at length to review the composition of the Board to best serve the interests of the Group and its stakeholders. Such discussions include the composition and structure of the Board and its Board Committees, which have taken into consideration (i) the succession plans of the Group; (ii) the diversity of the Board in accordance with its Board Diversity Policy, (iii) the progressive renewal of the Board, and (iv) compliance with the recommendations of the Code of Corporate Governance 2018 (the “Code”).

For more information and details on the changes to the composition of the Board and Board Committees, please refer to the Company’s announcement dated 31 March 2020.

- (ii) **Were the changes part of its regular succession planning? If so, would the NC consider how it could make board transitions smoother to ensure that institutional knowledge is kept in the board?**

Company's response to Q3(ii)

The changes were part of the Board’s succession planning and was effected with the resignations of the former Directors.

Before joining the Company as an Executive Chairman, Mr. Wong Sum has worked as a Project Manager of Pan Hong Investment Limited, a subsidiary of Pan Hong Holdings Group Limited. As such, Mr Wong Sum is familiar with the formulation and execution of the overall business strategies and policies of the Group.

The Board, with the concurrence of the NC, having considered (i) the qualifications and experience of Mr. Wong Sum; and (ii) his contributions to the Group, is of the view that Mr. Wong Sum has the requisite experience and capabilities to assume the responsibilities as the Executive Chairman.

Together with the appointment of Mr. Wong Sum, the Board has also appointed Ms. Wang Cuiping as the Chief Executive Officer with effect from 31 March 2020. Ms. Wang Cuiping has been an Executive Director of the Company on 14 August 2006 and is responsible for planning and financial management, and human resource management of the Group. Before joining the Group in 2002, she spent 13 years from 1982 with the Inner Mongolia Hai Bo Wan Mining Bureau handling accounting matters, eventually becoming the head of the financial department from 1992 to 1995. From 1995 to 2002, she worked as a tax expert for the Inner Mongolia Wu Hai City State Administration of Taxation and subsequently joined 999 Huzhou Pharmaceutical Company as the head of the financial department.

The Board, with the concurrence of the NC, having considered (i) the qualifications and experience of Ms Wang Cuiping; and (ii) her contributions to the Group, is of the view that Ms Wang Cuiping has the requisite experience and capabilities to assume the responsibilities as an Executive Director and the Group CEO.

Of note is that 4 out of 5 of the current Directors of the Board were also Directors of the Board prior to the recent change of Board composition. Therefore, the NC is of the view that this

change of Board composition has been a smooth transition, and that institutional knowledge has been kept in the Board.

At the annual general meeting scheduled to be held on 29 July 2020, Mr. Wong Sum would be retiring pursuant to Bye-Law 85(6) of the Bye-Laws of the Company and is seeking his re-election. The additional information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST on directors seeking re-election can be found on pages 124-125 of the annual report. A snapshot of the information on Mr Wong Sum is reproduced below.

ADDITIONAL INFORMATION REQUIRED PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST ON DIRECTORS SEEKING FOR RE-ELECTION

(as at 13 July 2020)

The following additional information on Mr. Wong Sum who is seeking re-election as a Director at this Annual General Meeting, is to be read in conjunction with his biography on page 16 of this Annual Report.

Wong Sum	
Date of Appointment	31 March 2020
Date of last re-appointment (if applicable)	Not applicable
Age	29
Country of principal residence	Hong Kong
The Board's comments on this appointment (In the Company's case, the Board's comments on this re-election)	<p>The Nominating Committee ("NC"), having considered Mr. Wong Sum's contribution to the business and operations of the Company as well as Board processes, had recommended to the Board the re-election of Mr. Wong Sum who will be retiring pursuant to Article 85(6) of the Company's Bye-Law at the forthcoming Annual General Meeting ("AGM").</p> <p>The Board supported the NC's recommendation.</p> <p>Mr. Wong Sum had abstained from voting on any resolution and making any recommendation and/or participate in respect of his own re-election.</p>

(Source: company annual report)

- (iii) **Can the NC elaborate further on its recommendation and help shareholders understand how it had evaluated Mr Wong Sum and considered him suitable for appointment (and re-election) as the executive chairman given his relatively short working experience? As executive chairman, Mr Wong Sum is responsible for, among others, leading the board to ensure its effectiveness on all aspects of its roles.**

Company's response to Q3(iii)

The NC had evaluated and recognised Mr. Wong Sum's suitability to serve as the Executive Chairman.

Mr. Wong Sum holds a master degree in Finance from Peking University and a bachelor degree in Management from the University of Warwick and had worked in the finance and banking sector from 2015 to 2017.

Mr. Wong also holds key positions in several political and economic organisations, such as being a member of the Heilongjiang Provincial Committee of the Chinese People's Political Consultative Conference (中国人民政治协商会议黑龙江省委员会), the Vice President of the Hong Kong Heilongjiang Economic Association (香港黑龙江经济合作促进会) and a Vice Secretary General of the Jiangxi Youth Federation (江西省青年联合会).

As the son of the Group's founder and the Company's controlling shareholder, Mr. Wong Lam Ping, the appointment of Mr. Wong Sum ensures a smoother Board transition and that institutional knowledge is kept in the Board.

The NC had also considered diversity, including age diversity, in its review and recommendation of the appointment of Mr. Wong Sum. A diverse board guards against groupthink and fosters more robust discussions, which in turn facilitates better decision-making. Having a younger member on the Board refreshes perspectives, in particular, on matters relating to the technology and digital economy.

Mr. Wong Sum's role and responsibilities as the Executive Chairman include:

- leading the Board to ensure its effectiveness on all aspects of its roles;
- scheduling meetings for the Board to discharge its duties, including setting the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
- promoting a culture of openness and debate at the Board;
- coordinating activities of the Independent Directors and Non-Executive Directors and facilitate the effective contribution of Non-Executive Directors;
- exercising control over quality, quantity and timeliness of the flow of information between the management and the Board to ensure that the Directors receive complete, adequate and timely information;
- encouraging constructive relations within the Board and between the Board and Management;
- ensuring effective communication with shareholders; and
- promoting high standards of corporate governance.

Based on Mr. Wong Sum's qualifications, experience and contributions to the Group (see the response to Q3(ii)), the NC is of the view Mr. Wong Sum is able to discharge his responsibilities as Executive Chairman. For more information and details on the changes to the composition of the Board and Board Committees, please refer to the Company's announcement dated 31 March 2020.

- (iv) **Given that Mr Wong Sum has no experience as a director of a listed issuer on SGX, how does the company ensure that the board is effective at providing entrepreneurial leadership and guiding and setting strategic objectives and directions?**

Company's response to Q3(iv)

The Board has been working closely to make collective decision on matters requiring Board's approval, including setting the Group's strategic objectives and directions. Directors facing conflicts of interest are required to recuse themselves from discussions and decisions involving the issues of conflict. They are also required to avoid situations in which their own personal or business interests directly or indirectly conflict, or appear to conflict, with the interests of the Group.

After the change of the board composition, with 4 out of 5 of the current Directors from the Board of Directors prior to the change, and with Mr. Wong Sum being the newly appointed Executive Chairman, the Board believes that the current Board strikes a good balance between continuing existing strategic objectives while under a renewed entrepreneurial leadership. In addition, the Board believes that experience as a director of a listed issuer on SGX may not be directly related to an individual's ability to provide entrepreneurial leadership and guiding and setting strategic objective and directions of a company.

- (v) **Has the company made arrangements for Mr Wong Sum to attend training on the roles and responsibilities of a director of a listed issuer as prescribed by SGX?**

[Company's response to Q3\(v\)](#)

The Company has made arrangements for Mr. Wong Sum to attend training on the roles and responsibilities of a director of a listed issuer as the prescribed by the SGX. To-date, Mr. Wong Sum has attended certain modules of the said training and will complete the remaining modules of the training on 7 and 8 October 2020.

By Order of the Board

Wong Sum
Executive Chairman

28 July 2020