Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Pan Hong Holdings Group Limited

Stock code: P36

Meeting details:
Date: 28 July 2022
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. In his statement to shareholders, the chairman gave a market review of the real estate sector in China which included the following observations:

- Tightened regulatory and control measures under the national policy
- Introduction of deleveraging requirements, mortgage concentration management and concentrated land supply auctions
- Decline in market confidence as well as property prices
- Financial uncertainty over some large highly leveraged property developers
- Investment appetite of potential property buyers expected to remain weak in the short to medium term

(i) **Shanwei Project: When will the group be launching its flagship development that is in Guangdong Province? Does management anticipate that the secular demand for real estate will be dampened given the national policies? What is the targeted range of average selling price for the Shanwei Project?**

(ii) **Run Ze Yuan (润泽园):** The project is expected to be completed in the third quarter of 2023. **With just 3% in pre-sold units amounting to RMB26.3 million, is this sales rate in line with past projects and management's expectations?**

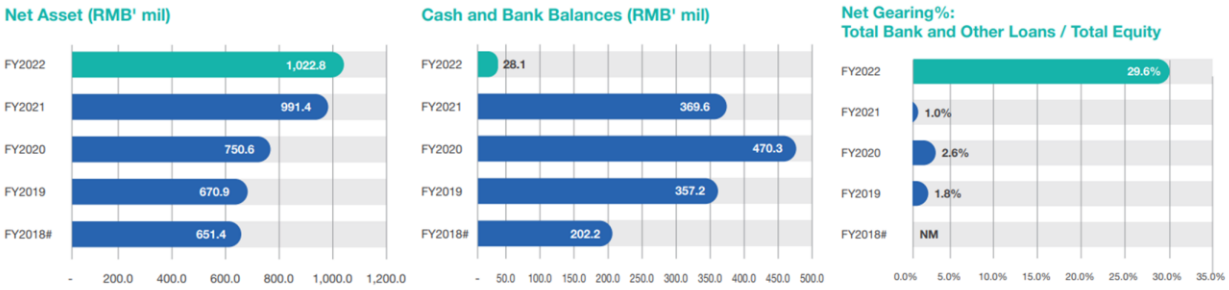
(iii) **Run Hong Yuan (润泓园): How will the launch/pre-sale of Run Hong Yuan be adjusted given the latest developments in the real estate sector?** In addition, the group would be required to own 35% of the gross floor area in the project, for a period of 8 years post-completion. **What are management's plans for these units?**

(iv) **Has the construction progress been affected by lockdowns, manpower constraints or supply chain disruption?**

Q2. As noted in the consolidated statement of cash flows (pages 66 and 67), the group used net cash of RMB(693) million in its operating activities. It generated net cash of RMB18.8 million from investing activities, from the sale of property, plant and equipment. With new borrowings amounting to RMB295 million and advance from related parties amounting to RMB86 million, the group generated RMB330 million from financing activities.

Cash and cash equivalents decreased to RMB24.5 million from RMB369 million a year ago.

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(Adapted from company annual report)

Even as the group's net assets grew significantly over the past 5 years, the cash and bank balances fell to RMB28.1 million and net gearing jumped to 30%. In fact, the company obtained cash advance of RMB78 million from the associate of a controlling shareholder of the company to part-finance the acquisition of the land use rights.

(i) **Would the board/management help shareholders better understand the group's capital management framework, especially with regard to the group's cash holdings and net gearing?**

(ii) **Given the weak market sentiment in the Chinese real estate sector and the widely expected monetary tightening by regulators, has the board identified the risks to the group to leverage up at this point? How will the group be hedging/mitigating the risks?**

(iii) **Is the Shanwei project too big for the company at this stage of its growth? Does the group have the working capital to fund the development given that it relied on advances from the associate of a controlling shareholder to finance the land acquisition?**

As shown in Note 21 (page 102; Prepayments and other receivables), the group's prepayments increased to RMB802 million mainly due to the successful bid for the land use right of a land located in Shanwei City, Guangdong Province.

21. PREPAYMENTS AND OTHER RECEIVABLES

		Group		Company	
	Notes	**2022**	2021	**2022**	2021
		RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments	(a)	**802,004**	61,767	**125**	125
Other receivables	(b)	**83,804**	202,055	**–**	–
		885,808	263,822	**125**	125

Notes:

(a) On 30 April 2021, the Group has made a successful bid for the land use right of a land located in Shanwei City, Guangdong Province of PRC at a total consideration of RMB717,000,000, which were paid by the Group during the year ended 31 March 2022. The amount included in prepayment as at 31 March 2022 and the land use rights certificates are yet to be obtained by the Group up to the date of this report.

As at 31 March 2022, prepayment included advances of RMB61,566,000 (2021: RMB60,409,000) made to contractors for purchase of construction materials.

(Source: company annual report)

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(iv) The group made the successful bid on 30 April 2021. **Is the group facing delays in obtaining the land use rights certificates from the local government?**

(v) In addition, the group has made advances to contractors for the purchase of construction materials amounting to RMB61.6 million as at 31 March 2022 (FY2021: RMB60.4 million; FY2020: RMB30.7 million). **Are there any long outstanding unfulfilled orders? What is the average length of time from prepayment to receipt of the construction materials?**

Q3. The board comprises five directors, with three non-executive directors who are also deemed independent directors. All three were appointed on 14 August 2006. As such, the directors have each served for nearly 16 years. The directors had obtained shareholders' approval via a two-tier voting process to continue as independent directors at the AGM held on 28 July 2021.

The directors are:
- Mr. Sim Wee Leong (also lead independent director)
- Dr. Zheng Haibin
- Dr. Choo Kian Koon

On 30 November 2021, Mr Tan Boon Gin, chief executive of Singapore Exchange Regulation (SGX RegCo), gave guidance that companies are expected to use the two-tier rule sparingly to promote renewal and succession planning[1]. In the report on corporate governance, the company acknowledged that it is expected to use the two-tiered voting sparingly (page 29) and the board has the intention to make changes to the composition of the board, which includes the progressive renewal of the independent directors in the near future.

(i) **For shareholders' benefit, what is the search and nomination process for new directors, especially independent directors? Will the nominating committee be using a third- party search firm and/or professional body to cast its net wider for potential candidates?**

(ii) **Are there any challenges faced by the board in identifying and onboarding of new board members?**

(iii) **What is the progress made by the board in identifying new candidates to the board as directors? When will the new independent directors be appointed?**

[1] https://www.businesstimes.com.sg/companies-markets/answer-my-question-before-i-vote-sgx-regco-sets-new-timelines-for-companies-to

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^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)