



汎港控股  
PAN HONG HOLDINGS



Pan Hong Holdings Group Limited  
Annual Report 2018 - 2019



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# CORPORATE INFORMATION

## COMPANY REGISTRATION NUMBER

37749

## BOARD OF DIRECTORS

### Executive:

Wong Lam Ping (*Chairman*)  
Wang Cuiping

### Non-Executive:

Chan Kin Sang (*Non-Independent Director*)  
Sim Wee Leong (*Lead Independent Director*)  
Choo Kian Koon (*Independent Director*)  
Zheng Haibin (*Independent Director*)

## AUDIT COMMITTEE

Sim Wee Leong (*Chairman*)  
Choo Kian Koon  
Zheng Haibin

## NOMINATING COMMITTEE

Choo Kian Koon (*Chairman*)  
Sim Wee Leong  
Wong Lam Ping

## REMUNERATION COMMITTEE

Zheng Haibin (*Chairman*)  
Choo Kian Koon  
Chan Kin Sang

## COMPANY SECRETARIES

Ngai Ting Fung, Ian  
Toh Li Ping, Angela

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton, HM 11  
Bermuda

## BUSINESS OFFICE

Room 1214, 12 Floor, Tower B  
Hung Hom Commercial Centre  
37-39 Ma Tau Wai Road  
Hung Hom, Hong Kong  
Tel: 852-2363-1300  
Fax: 852-2764-2160

## ASSISTANT SECRETARY/ BERMUDA SHARE REGISTRAR

Codan Services Limited  
Clarendon House  
2 Church Street  
Hamilton, HM 11  
Bermuda

## SHARE TRANSFER AGENT

B.A.C.S. Private Limited  
8 Robinson Road #03-00  
ASO Building  
Singapore 048544

## JOINT AUDITORS

BDO Limited  
Certified Public Accountants  
25th Floor Wing On Centre  
111 Connaught Road Central Hong Kong

BDO LLP  
Public Accountants and Chartered  
Accountants, Singapore  
600 North Bridge Road  
#23-01 Parkview Square  
Singapore 188778

## AUDIT DIRECTOR AND PARTNER-IN-CHARGE

BDO Limited  
*Certified Public Accountants*  
Lam Hung Yun, Andrew  
(Appointed with effect from financial year 31  
March 2016)

BDO LLP  
*Public Accountants and Chartered Accountants*  
Philip Aw Vern Chun  
(Appointed with effect from financial year 31  
March 2017)

## CORPORATE PROFILE

Headquartered in Hong Kong, Pan Hong Holdings Group Limited (汎港控股集團) (the “Company”) and its subsidiaries (“Pan Hong” or the “Group”) is a property developer focused on developing high quality residential and commercial properties in the second and third-tier cities in People’s Republic of China (“PRC”).

Pan Hong is an early entrant in the property development sector in these lower-tier cities. Backed by over 20 years of management experience in the PRC’s property development industry, Pan Hong has established its presence in Hangzhou and Huzhou cities in Zhejiang Province.

As a testament to the strong brand identity that Pan Hong has established in the second and third-tier cities as well as the quality of its property developments, the Group has received several awards for its projects. The Group’s Huzhou Run Yuan Project (湖洲潤園項目) had received “2014 Huzhou Most Expected Property Project (2014湖洲最期待樓盤)” and “2015 Huzhou Most Influential Property Selling Project (2015年度湖洲最具影響力營銷事件樓盤)”. The Group’s Huzhou Hua Cui Ting Yuan was awarded “2015 Huzhou Good Living Property Project (2015年度湖洲宜居樓盤)”.

Pan Hong was listed on the Main Board of the Singapore Exchange Securities Trading Limited on 20 September 2006.

While the Group is currently principally engaged in the business of property development, it has been exploring and seeking new opportunities to broaden revenue and improve profitability. To efforts being made in diversifying the Group’s business and better reflect or align with the business nature and principal activity of the Company, namely investment holding and the future business activities of the possibly and gradually diversified Group, the Group change its name to Pan Hong Holdings Group Limited from Pan Hong Property Group Limited with effect from 9 September 2015.

On 29 March 2018, following the completion of the distribution of Sino Harbour Holdings Group Limited (“Sino Harbour”)’s ordinary shares by way of a dividend in specie (“Distribution”), Sino Harbour and its subsidiaries (collectively “Sino Harbour Group”) ceased to be subsidiaries of the Group and were deconsolidated from the Group.

Pan Hong Holdings Group Limited will integrate all the advantages of the Group, attract excellent professionals, to develop in a diversified way.



# FINANCIAL HIGHLIGHTS



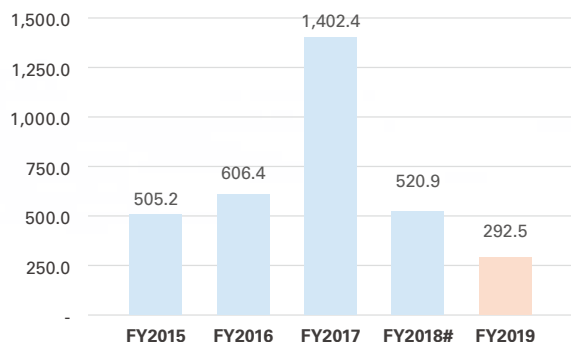
## FINANCIAL HIGHLIGHTS

RMB'000	FY2019	FY2018	Change
<b>PROFIT AND LOSS</b>			
<b>– FROM CONTINUING OPERATIONS</b>			
Revenue	292,548	386,842	(24.4%)
Gross profit	90,251	55,656	62.2%
Gross profit margin	30.8%	14.4%	16.4pts
Profit after tax	54,753	23,729	130.7%
Profit attributable to the owners of the Company	54,753	24,558	123.0%
<b>REVENUE ANALYSIS BY TYPE OF PROPERTIES</b>			
Residential	287,862	357,112	(19.4%)
Commercial and others	4,686	29,730	(84.2%)

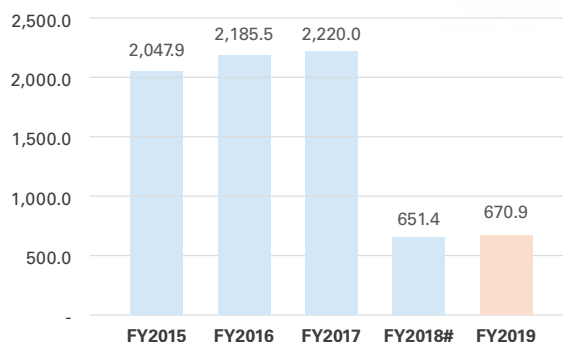


# FINANCIAL HIGHLIGHTS

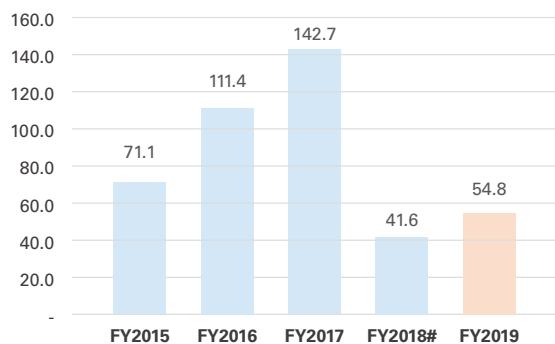
Revenue\* (RMB' mil)



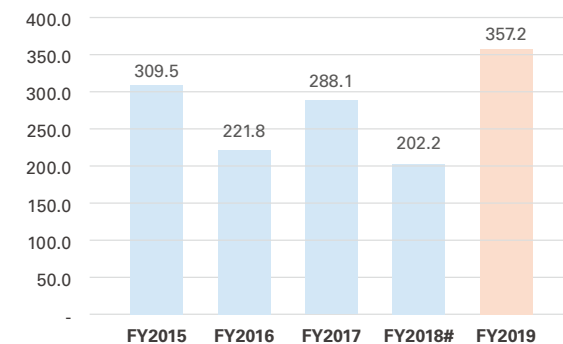
Net Asset (RMB' mil)



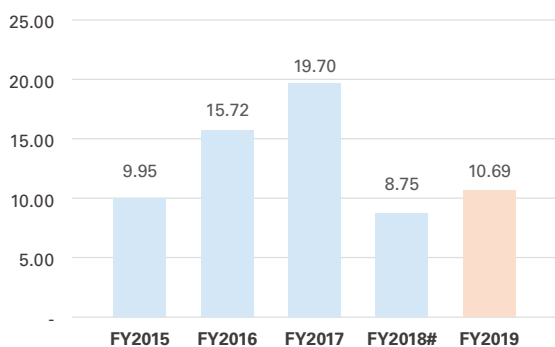
Profit after tax\* (RMB' mil)



Cash and Bank Balances (RMB' mil)

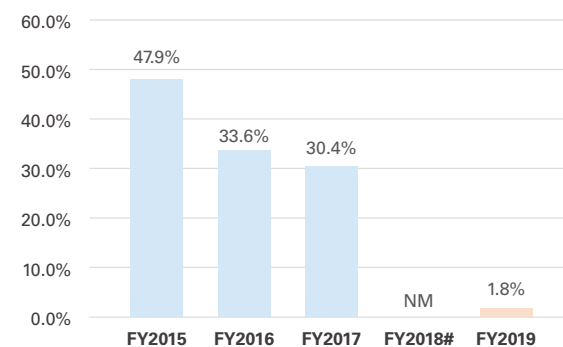


Earning per share attributable to Owners\* (RMB cents)

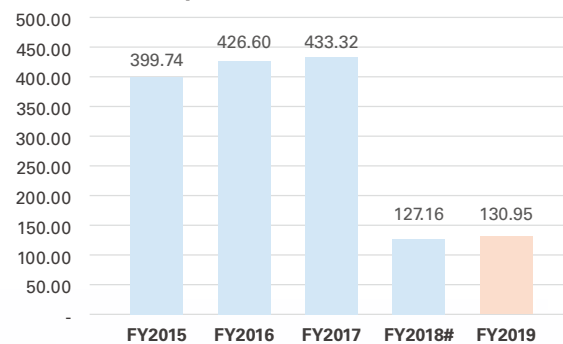


Net Gearing %:

Total bank deposit less collateral/Total equity



Net Asset Value per share (RMB cents)



Notes:

NM: Not meaningful

\* Comprises of continuing and discontinued operations.

# On 29 March 2018, Sino Harbour and its subsidiaries ceased to be subsidiaries of the Group and was deconsolidated from the Group.

# CHAIRMAN'S STATEMENT





# CHAIRMAN'S STATEMENT

## Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present to the shareholders of the Company the results in the financial performance of the Group for the year ended 31 March 2019.

## RESULT AND FINAL DIVIDEND

The Group's continuing operation had recorded a revenue of RMB292.5 million and a net profit of RMB54.8 million for the year ended 31 March 2019. Profit attributable to shareholders amounted to RMB54.8 million and basic earnings per share was RMB10.69 cents.

Taking into account the Group's business development needs and Shareholders' return on investment, the Board is pleased to propose a final dividend of S\$0.01 per share, subject to the approval of shareholders at the forthcoming Annual General Meeting to thank our shareholders for their continued support.

## MARKET REVIEW

There are no significant changes to the prospects of the property market in the People's Republic of China ("PRC") as evidenced by official data published by the National Bureau of Statistics. Official data indicated that new home prices recorded a month-on-month increase in March and April 2019 of 65 and 67 out of a statistical pool of 70 major PRC cities respectively. On a year-on-year basis, 70 out of 70 PRC cities recorded a higher price in April 2019.

In recent months, the PRC Central government has emphasised on the use of residential properties for owner occupation rather than investment purposes. The local governments have also continued to control housing prices to prevent the formation of bubbles and to cut excess real estate inventories concurrently. Due to such policy headwinds, the Group believes that a negative impact on the overall real estate industry is inevitable in the short term but it should be positive from a long-term macro perspective.

## BUSINESS OUTLOOK

The Group's iconic project Pan Hong Run Yuan (汎港潤園) Phase 2 was the main contributors to the Group's revenue in FY2019.

Going forward, the Group will continue to focus on the sales of our existing projects and the pre-sale of another iconic project – Pan Hong Run He (汎港潤合).

Focusing on pre-sales and quickening its pace of property development will continue to be the key strategies of the Group. The Group will continue seeking opportunities to acquire land parcels in second- to third-tier cities and consider expanding its property investments portfolio to provide more stable returns through rental income in the longer term.

The Group may also consider exploring suitable business opportunities to broaden its revenue base and diversifying its core business.

Barring any unforeseen circumstances, the Group is cautiously optimistic to remain profitable in the next financial year.

# CHAIRMAN'S STATEMENT

## APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation to our shareholders, business partners and associates for your continued confidence in the Group. I would like to also thank the Board for their contributions and support. Last but not least, to my management and staff, thank you for your concerted efforts in building the business and enhancing the reputation of Pan Hong in the PRC. Together, we look forward to forging a better future for Pan Hong.

**Wong Lam Ping**  
*Executive Chairman*

28 June 2019



# **BUSINESS, OPERATIONS AND FINANCIAL REVIEW**



## BUSINESS AND OPERATIONS REVIEW

### OVERVIEW OF OUR BUSINESS

During the year under review, the Group achieved revenue of RMB292.5 million mainly from the sales of Pan Hong Run Yuan Phase 2. The total gross floor area of the residential and commercial properties (excluding car parking spaces and others) sold in FY2019 amounted to approximately 33,903 sq. m.

The following table presents an analysis of the Group's revenue in FY2019:

	Year ended 31 March 2019
<b>(i) Residential</b>	
– GFA sold (in sq. m.)	33,876
– Average selling price (RMB per sq. m.)	8,498
– Revenue (approx RMB'000)	287,862
<b>(ii) Commercial</b>	
– GFA sold (in sq. m.)	27
– Average selling price (RMB per sq. m.)	3,208
– Revenue (approx RMB'000)	88
<b>(iii) Car parking spaces and others</b>	
– Revenue (approx RMB'000)	4,598

### PROPERTY PRE-SALES

As of 21 May 2019, the Group's aggregate pre-sales value from Pan Hong Run Yuan Phase 2 and Pan Hong Run He had a total unbilled sales of RMB1,190.3 million. The status of the sales of our property developments are summarised as follows:

Name of Project	Province	Type of units	Est. total GFA released for sales (sq. m.)	Percentage of pre-sold units	<sup>^</sup> Unbilled sales (RMB'million)
Pan Hong Run Yuan Phase 2	Zhejiang	Residential	96,720	99%	550.9
Pan Hong Run He	Zhejiang	Residential	107,978	69%	639.4
Total					1,190.3

<sup>^</sup> Unbilled sales is computed as follows: pre-sales at the beginning period plus new pre-sales during the period less those handed over to buyers as at 31 March 2019

## BUSINESS AND OPERATIONS REVIEW

### CONSTRUCTION PROGRESS AND DEVELOPING PROJECTS

The Group will maintain its scale and pace of construction activities in order to have enough GFA available for sale and for delivery to support our growth in the coming year. Currently, the Group's property projects under construction are as follows:

<b>Name of Project</b>	<b>Province</b>	<b>City</b>	<b>Planned Gross Floor Area</b>	<b>Expected Completion Date</b>
Pan Hong Run He	Zhejiang	Huzhou	Residential: 166,801 Commercial: 8,335	Q2 CY2020

### LAND BANK

As at 31 March 2019, the Group had land bank with total planned saleable GFA of 191,301 sq. m. in Huzhou in the PRC. The Group's land bank as at 31 March 2019 was as follows:

	<b>Landbank</b> (sq. m.)
Properties under development	175,136
Properties held for future development	16,165
<b>Total</b>	<b>191,301</b>

# FINANCIAL REVIEW

## FINANCIAL RESULT

	Group	
	FY2019	FY2018
<b>Continuing Operations</b>		
<b>Revenue (RMB'000)</b>		
Residential	<b>287,862</b>	357,112
Commercial and others	<b>4,686</b>	29,730
Total Revenue	<b>292,548</b>	386,842

### Revenue

The Group's revenue in FY2019 was RMB292.5 million compared to RMB386.8 million in FY2018, a decrease of 24.4%. The revenue in FY2019 was primarily derived from the transfer of control of a portion of residential units of Pan Hong Run Yuan (汎港潤園) Phase 2. In comparison, the revenue in FY2018 was mainly attributable to more transfer of control of property units of Pan Hong Run Yuan Phase 1 and Huzhou Hua Cui Ting Yuan (湖州華萃庭院) Phase 2.

As the Group is primarily engaged in property development business, revenue recognition is dependent on the launch of new projects and transfer of control of sold properties. Consequently, revenue and profit for the Group looking across quarters will appear irregular.

### Cost of Sales and Gross Profit Margin

In line with the decrease in revenue, cost of sales decreased from RMB331.2 million in FY2018 to RMB202.3 million in FY2019 due to lesser transfer of control of residential units.

Gross profit margin increased from 14.4% in FY2018 to 30.8% in FY2019 as a result of higher selling prices (with average unit price of around RMB8,500/sq. m. after tax) in respect of the residential units sold for Pan Hong Run Yuan Phase 2 compared to those units sold for Pan Hong Run Yuan Phase 1 and Huzhou Hua Cui Ting Yuan Phase 2 (with average unit price of around RMB6,000/sq. m. after tax) in FY2018.

### Other Income and Other Gains and Losses

Other income and other gains and losses increased by 125.6% from RMB11.3 million in FY2018 to RMB25.6 million in FY2019. The increase was mainly due to an increase in interest income from bank deposits, structured bank balances and entrusted loan provided by the Group in January 2019, and a decrease of net fair value loss on financial assets at fair value through profit or loss.

## FINANCIAL REVIEW

### Selling and Distribution Expenses

Selling and distribution expenses increased by 35.7% from RMB9.4 million in FY2018 to RMB12.7 million in FY2019. The higher selling expenses in FY2019 was mainly due to an increase in marketing expenses incurred for Pan Hong Run Yuan Phase 2 and Pan Hong Run He (汎港潤合).

### Administrative Expenses

Administrative expenses decreased by 21.6% from RMB18.8 million in FY2018 to RMB14.7 million in FY2019. It was mainly due to strengthened cost control measures and a decrease in pre-operating expenses of Pan Hong Run He project incurred in FY2019. In addition, the higher administrative expenses in FY2018 was due to legal and professional fees and related expenses incurred for the Distribution.

### Finance Costs

Finance costs decreased by 19.0% from RMB2.5 million in FY2018 to RMB2.0 million in FY2019 mainly due to a decrease in bank loans balances.

### Income Tax Expense

Income tax expense increased from RMB12.6 million in FY2018 to RMB30.1 million in FY2019. The increase was mainly attributable to an increase in corporate income tax provision in line with an increase in profit in FY2019.

### Profit for the Year from Continuing Operations

As a cumulative effect of the foregoing factors, the Group recorded a profit after tax from continuing operations of RMB54.8 million in FY2019, an increase from RMB23.7 million in FY2018.

## FINANCIAL REVIEW

### Profit for the Year From Discontinued Operations

The consolidated profit for the period from 1 April 2017 to 29 March 2018 from the discontinued operations is set out below:

	<b>For the period from 1 April 2017 to 29 March 2018</b>
	RMB'000
<b>Discontinued operations</b>	
<b>Revenue</b>	134,082
Cost of sales	(89,321)
<b>Gross profit</b>	44,761
Other income and other gains and losses	62,996
Selling and distribution expenses	(10,776)
Administrative expenses	(48,750)
<b>Operating profit</b>	48,231
Finance costs	(5,113)
Share of results of joint ventures	(501)
Share of results of an associate	(1,315)
<b>Profit before income tax</b>	41,302
Income tax expense	(40,114)
<b>Profit after tax</b>	1,188
Gain on reclassification of foreign currency translation reserve from equity to profit or loss in relation to Sino Harbour Group and its subsidiaries	16,725
<b>Profit for the period</b>	17,913

### Exchange Differences on Translation of Financial Statements of Foreign Operations

Exchange differences on translation of financial statements of foreign operations decreased from a gain of RMB27.8 million in FY2018 to a loss of RMB400,000 in FY2019. The decrease was mainly due to the depreciation of RMB against Hong Kong Dollar ("HKD") during the financial period that resulted in a translation loss of the Group's subsidiaries with significant bank loan balances which were denominated in HKD.

Reclassification adjustment for foreign operations discontinued during FY2018 was due to the reclassification of foreign exchange reserve of Sino Harbour Group and its subsidiaries from equity to profit or loss in relation to the Distribution.



## FINANCIAL REVIEW

### Total Comprehensive Income for the Year

As a cumulative effect of the above factors, the Group recorded a total comprehensive income for the year of RMB57.8 million in FY2019, compared to a total comprehensive income for the year of RMB52.7 million in FY2018.

### FINANCIAL POSITION

#### Property, Plant and Equipment

As at 31 March 2019, the Group had property, plant and equipment of RMB47.8 million, compared to RMB37.0 million as at 31 March 2018. The increase was mainly due to a transfer of property units from properties held for sale of RMB8.8 million for the Group's self-usage.

#### Investment Properties

As at 31 March 2019, the Group had investment properties of RMB21.0 million, compared to RMB20.8 million as at 31 March 2018. The increase was attributable to an upward fair value adjustment.

#### Other Financial Assets and Financial Asset at Fair Value Through Other Comprehensive Income ("FVOCI")

As at 31 March 2019, within other financial assets, balance of approximately RMB23.5 million (31 March 2018: RMB20.0 million) represented carrying amount of 10% equity interest (the "Investment") in Zhejiang Gene Stem Cell Biotech Company Limited ("Zhejiang GSCB") acquired by the Group. Prior to 1 April 2018, the Investment was designated as available-for-sale financial assets and has no fixed maturity date or coupon rate and was stated at cost less impairment.

Upon adoption of IFRS 9 on 1 April 2018, this equity investment in Zhejiang GSCB was irrevocably designated at financial asset at FVOCI as the Group considers these investments to be strategic in nature.

#### Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss included listed equity securities in Hong Kong and the PRC, and principal-protected unlisted investments issued by a PRC bank, increased to RMB56.2 million as at 31 March 2019 from RMB8.1 million as at 31 March 2018. The increase was due to the net effect of acquisition of the principal-protected unlisted investments and net fair value loss from the listed equity securities during the financial year.

The principal-protected unlisted investments were mature and settled in April 2019.

## FINANCIAL REVIEW

### Properties Held Under Development

The Group's properties held under development decreased by RMB41.8 million from RMB788.6 million as at 31 March 2018 to RMB746.8 million as at 31 March 2019. The decrease was mainly due to the net effect of transfer of property units of Pan Hong Run Yuan Phase 2 to properties held for sale and construction progress of Pan Hong Run He during the year.

### Properties Held for Sale

Properties held for sale increased from RMB130.6 million as at 31 March 2018 to RMB551.5 million as at 31 March 2019, mainly due to the completion of Pan Hong Run Yuan Phase 2 which was transferred from properties held under development to properties held for sale.

### Accounts Receivable

Accounts receivable decreased from RMB1.4 million as at 31 March 2018 to zero balance as at 31 March 2019, mainly due to receipt of the accounts receivable for various parking lots sold.

### Prepayments and Other Receivables

The Group's prepayments and other receivables increased from RMB157.2 million as at 31 March 2018 to RMB310.4 million as at 31 March 2019. The increase was mainly due to an increase of prepayments and prepaid other taxes for the developments of Pan Hong Run He and an entrusted loan of RMB70 million provided by the Group during the year.

### Held-to-maturity Investments

As at 31 March 2018, the Group had held-to-maturity investments which bore interest rates ranging from 4.3% to 4.6% per annum and had maturity up to one month. The Group had disposed all of these investments and the balance was nil as at 31 March 2019.

### Tax Recoverable

Tax recoverable increased from approximately RMB7.8 million as at 31 March 2018 to approximately RMB26.4 million as at 31 March 2019 mainly due to the prepaid income taxes in association to Pan Hong Run He.

### Pledged Deposits

Pledged deposits decreased from RMB109.6 million as at 31 March 2018 to RMB34.8 million as at 31 March 2019. The decrease was mainly due to a decrease in deposits pledged and secured against bank loans which were settled during FY2019.

## FINANCIAL REVIEW

### Accounts Payable, Accruals, Receipts in Advance and Other Payables

Accounts payable increased to RMB31.9 million as at 31 March 2019 from RMB7.5 million as at 31 March 2018, which was mainly due to reclassification of accruals upon receipt of invoices.

Accruals and other payables mainly comprised the accrued construction costs and project-related expenses that are based on the progress of project development but are not due for payment.

Accruals and other payables increased from approximately RMB240.8 million as at 31 March 2018 to approximately RMB365.7 million as at 31 March 2019. The increase was mainly due to the increment of the provision of the construction costs and project-related expenses.

Contract liabilities were the advance receipts from customers in respect of the deposits and prepayments for pre-sales of the Group's properties.

Contract liabilities increased from approximately RMB557.2 million as at 1 April 2018 to approximately RMB1,030.9 million as at 31 March 2019. The increase was mainly due to the receipts during pre-sale stage of Pan Hong Run He.

### Current Tax Liabilities

Current tax liabilities decreased from RMB58.0 million as at 31 March 2018 to RMB54.4 million as at 31 March 2019. The decrease was mainly attributable to payment of income tax liabilities.

### Amounts Due to Related Parties

Amounts due to related parties remain unchanged at RMB11.4 million as at 31 March 2019.

### Bank Loans

As at 31 March 2019, the Group had bank loans of RMB46.6 million, a decrease from RMB100.4 million as at 31 March 2018, mainly due to the repayment of bank borrowing during the period.

Bank loans of approximately RMB15.3 million were secured by the Group's property, plant and equipment as at 31 March 2019. Bank loans of approximately RMB31.3 million were mainly secured by deposits of RMB34.8 million which were classified as pledged deposits as at 31 March 2019.

Based on the Group's total equity of RMB670.9 million and deposit collateral of RMB34.8 million, the Group recorded a net gearing ratio (total bank and other loans/total equity) of 6.9% as at 31 March 2019, compared to 15.4% as at 31 March 2018.

## FINANCIAL REVIEW

### Deferred Tax Liabilities

Deferred tax liabilities remain unchanged at RMB3.8 million as at 31 March 2019.

### Cash Flow Analysis

In FY2019, the Group recorded RMB30.1 million of net cash used in operating activities which was mainly due to the net effect of advance receipts from customers for pre-sale of properties, the progress payment for the construction and payment of income tax.

Net cash generated from investing activities in FY2019 amounted to RMB179.0 million, mainly due to proceeds from disposal of other financial assets at amortised cost and decrease in pledged deposits with original maturity over three months.

Net cash used in financing activities in FY2019 amounted to RMB95.7 million, mainly due to decrease in bank borrowings and dividend paid during the financial year.

Included in bank balances and cash are restricted bank balances of RMB101.4 million (31 March 2018: nil) which can only be applied in the designated property development projects. As at 31 March 2019, the Group had cash and cash equivalents of RMB255.8 million.

## BOARD OF DIRECTORS

**Mr. Wong Lam Ping** is our Executive Chairman, Chief Executive Officer and Founder of our Group. He was appointed to our Board on 3 January 2006 and was last re-elected on 29 July 2016. Mr. Wong is responsible for the formulation and execution of overall business strategies and policies as well as the overall management of our Group. Mr. Wong has over 30 years of property development experience since he established Pan Hong Co., Ltd. in 1983. Mr. Wong also sits on the board of several investment holding companies. In 2004, he was appointed a director of Chaozhou Jinaote Sanitary Ware Ltd. Mr. Wong completed a postgraduate course in Economics of Science and Technology and Management from Zhejiang University of Technology in 2000. He holds an honorary degree of a Doctor of Business Management from Armstrong University.

**Ms. Wang Cuiping** was appointed as our Executive Director on 14 August 2006 and was last re-elected on 30 July 2018. She joined our Group in 2002, and is responsible for planning and financial management, and human resource management of the Group. Before joining Pan Hong, she spent 13 years from 1982 with the Inner Mongolia Hai Bo Wan Mining Bureau (內蒙古海勃灣礦務局) 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 (內蒙古烏海市國稅局). She later joined 999 Huzhou Pharmaceutical Company (三九湖州藥業) as the head of the financial department, before joining our Group as senior accountant in 2002. Ms. Wang graduated from the Inner Mongolia Coal Industrial School (內蒙古煤炭工業學校) in 1982 with a degree in Financial Accounting, and from the Inner Mongolia Broadcast and Television University (內蒙古廣播電視大學) with a degree in Industrial Accounting in 1986. She was certified as a PRC Certified Tax Expert by the PRC Ministry of Finance, State Administration of Taxation in 2000 and as a PRC Certified Public Accountant by the Chinese Institute of Certified Public Accountants in 2004.

**Mr. Chan Kin Sang** is our Non-Executive and Non-Independent Director. He was appointed to our Board on 14 August 2006 and was last re-elected on 30 July 2018. He is currently the senior partner of Messrs. Peter K.S. Chan & Co, Solicitors and Notaries. He has been a practising solicitor in Hong Kong since 1982. Mr. Chan graduated from the University of Hong Kong with a Bachelor of Laws degree in 1979. He was admitted as a Notary Public in 1997 and as a China-appointed Attesting Officer in 2000. He is currently a Fellow of the Hong Kong Institute of Directors.

Mr. Chan is currently an independent non-executive director of another Singapore listed company, namely Luxking Group Holdings Limited and four Hong Kong listed companies, namely China Fortune Financial Group Limited, Pak Tak International Limited, Huakang Biomedical Holdings Company Limited and Tianhe Chemicals Group Limited. Mr. Chan is also a director of Guanghe Landscape Culture Communication Co., Ltd., ShanXi which is listed on the Shanghai Stock Exchange. For the past 3 years, Mr. Chan also held directorships in the following Hong Kong listed companies, namely Munsun Capital Group Limited (formerly known as China Precious Metal Resources Holding Co., Ltd.), CEFC Hong Kong Financial Investment Company Limited (formerly known as Runway Global Holdings Company Limited), Tianjin TEDA Biomedical Engineering Company Limited, Combest Holdings Limited, China Healthcare Enterprise Group Limited and China Taifeng Beddings Holdings Limited.

## BOARD OF DIRECTORS

**Mr. Sim Wee Leong** is our lead Independent Director. He was appointed to our Board on 14 August 2006 and was last re-elected on 30 July 2018. He is currently practising as a Chartered Accountant (Singapore) in Smalley & Sims PAC, a well established local accounting practice. He started his professional career in 1989 with an international accounting firm, before leaving in 1997 to join his current firm. He graduated with a Bachelor of Accountancy from the National University of Singapore in 1989.

**Dr. Choo Kian Koon** is our Independent Director. He was appointed to our Board on 14 August 2006 and was last re-elected on 29 July 2016. Dr. Choo has over 35 years of experience in the property industry. He is currently the chairman of VestAsia Group Pte Ltd, a real estate advisory services company and independent director of Manulife US Real Estate Management Pte. Ltd. (Manager of Manulife US Real Estate Investment Trust). He is also an adjunct associate professor at the Department of Real Estate, National University of Singapore. For the past 3 years, Dr. Choo also held directorship in Ascendas Hospitality Trust (A-HTrust).

Dr. Choo was formerly the CEO of the Real Estate Developers' Association of Singapore. Before that he was the Senior Vice President at CapitaLand and CapitaLand Residential Limited, and was on the board of United Malayan Land Bhd, a real estate developer listed on Bursa Malaysia. Prior to joining the CapitaLand group of companies, Dr. Choo was the National Director and head of Research and Consultancy at Jones Lang LaSalle Property Consultants Pte Ltd where he was the Asia Pacific regional head of research. Before that, he was with Richard Ellis Property Consultants as the Director and the Head of Development and Consultancy. Dr. Choo was also previously a senior lecturer with the School of Building and Estate Management of the National University of Singapore.

Dr. Choo obtained a Doctorate in Urban Planning from the University of Washington with a Certificate of Achievement in Urban Design in 1988, a Master of Philosophy in Environmental Planning from the University of Nottingham in 1979, and a Bachelor of Science in Estate Management from the University of Singapore in 1974. He is a fellow of the Singapore Institute of Surveyors and Valuers and an affiliate member of the Singapore Institute of Planners.

**Dr. Zheng Haibin** is our Independent Director. He was appointed to our Board on 14 August 2006 and was last re-elected on 30 July 2018. He is presently a Director of CCH High-Tech Enterprise Ltd. and a Director of Shenzhen Scinfo Venture Capital Management Co., Ltd. He was also a visiting Assistant Professor at the University of Waterloo from 1989 to 1991. Dr. Zheng graduated from Copenhagen University with a Doctorate in Natural Science in 1987 and a Bachelor degree from Zhongshan University in 1982.

*Mr. Chan Kin Sang is the nephew of Mr. Wong Lam Ping. Save as disclosed, none of our Directors is related to each other or to any of our Executive Officers.*

*None of our Directors had been appointed pursuant to any arrangement or understanding with a substantial shareholder, customer or supplier.*

## KEY MANAGEMENT PERSONNEL

**Mr. Wang Yinjian** is the General Manager and Managing Director of the principal subsidiaries of the Group. Mr. Wang is our Group's Human Resources Manager, and is responsible for our Group's human resource management. He joined the Zhejiang Provincial Bureau of Materials Chemical and Light Industrial Company (浙江省物資局化工輕工總公司) in 1983 and rose to become Head of the Planning Department. In 1993, he became the Import and Export Manager of the same company for the next five years. Concurrently, he was also appointed Assistant General Manager of the China Chemical Construction Zhejiang Material Trading Company Ltd. (中國化工建設浙江物化有限公司). He then became Trading Manager of both Huzhou Jinqian Trading Co., Ltd. (湖州金泉貿易有限公司) as well as Huzhou Yiyuan Trading Co., Ltd. (湖州怡源有限公司), from 1998 to 2002. He subsequently joined Huzhou Longhai Biological Pharmaceutical Co. Ltd. (湖州龍海生物藥業有限公司) as the Assistant General Manager before joining our Group in 2004. Mr. Wang graduated from Zhejiang University of Technology (浙江工業大學) in 1983 with a Bachelor degree in Inorganic Chemical Engineering. He was later conferred a Master of Business Administration degree by the Zhejiang Province Degree Committee (浙江省學位委員會) in 2000. Mr. Wang was also certified as an Economist by the Zhejiang Provincial Bureau of Materials (浙江省物資局) in 1991.

**Mr. Xu Guangquan** is our Group's Property Management Manager. He is responsible for the property management, decoration management and development, as well as the management of certain of our subsidiaries. He has over 37 years of work experience, with the greater part of the last decade based in the real estate industry. Mr. Xu started working in 1967 with the Hangzhou Machine Tool Group Co., Ltd. (杭州機床廠) where he rose to become Head of the Supply and Marketing Department. In 1988, he joined Hangzhou City Jiang Ping Sales and Trading Centre (杭州市江平供銷貿易中心) as Business Manager. He joined our Group as General Manager of our subsidiary, Hangzhou Asia City Company in 1997, before being appointed as General Manager of Hangzhou Liyang Company in 2004. Mr. Xu graduated from Zhejiang Radio and TV University (浙江廣播電視大學) in 1988 with a Bachelor of Laws degree.

**Mr. Ngai Ting Fung, Ian** joined our Group as the Group Financial Controller and Company Secretary on 1 August 2018. He is responsible for the Group's finance and accounting functions, and statutory compliance and corporate governance of the Group. Before joining the Group, he was working in Deloitte Touche Tohmatsu CPA LLP (Beijing Branch) from 2011 to 2015 and Deloitte & Touche Financial Advisory Services Limited (Shenzhen) from 2015 to 2018. Mr. Ngai is a member of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Business Administration in Accounting and Finance from the University of Hong Kong.

*None of our key management personnel are related to each other or to any of our Directors or substantial shareholders.*

*None of our key management personnel had been appointed pursuant to any arrangement or understanding with a substantial shareholder, customer or supplier.*

# REPORT ON CORPORATE GOVERNANCE

The Board of Directors (“the Board”) of Pan Hong Holdings Group Limited is committed to maintaining high standards of corporate governance within the Company and its subsidiaries. The Board recognises that good corporate governance establishes and maintains a legal and ethical environment, which is essential for preserving and enhancing the interests of all stakeholders. This report describes the Group’s corporate governance framework and practices that were in place throughout the financial year under review. The Board confirms that the Company had adhered to the principles and guidelines of the Code of Corporate Governance 2012 (“Code”), where they are applicable, relevant and practicable to the Group. Any deviations from the guidelines of the Code or areas of non-compliance have been explained accordingly.

## (A) BOARD MATTERS

### PRINCIPLE 1: BOARD’S CONDUCT OF ITS AFFAIRS

The Board, in addition to its statutory responsibilities, is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. It sets the overall strategy, values and standards (including ethical standards) of the Group and has the duty to protect and enhance long-term shareholders’ value. Board members are expected to act in good faith and exercise independent judgement in the best interests of the Group. It believes that when making decisions, all Directors of the Board discharge their duties and responsibilities at all times as fiduciaries and act objectively in the interests of the Company. To fulfil this role, the Board’s responsibilities include:

- (i) providing effective entrepreneurial leadership, guiding and setting strategic objectives and directions to ensure that the necessary financial and human resources are in place for the Group to achieve its objectives;
- (ii) reviewing the processes relating to risk management systems and adequacy and effectiveness of internal controls, including financial, operational, compliance and information controls identified by the Audit Committee (“AC”) that are required to be strengthened for assessment and its recommendations on actions to be taken to address and monitor the areas of concern;
- (iii) advising Management on major policy initiatives and significant issues and approving board policies, strategies and financial objectives of the Company;
- (iv) reviewing the performance of the Group towards achieving adequate shareholders’ values, including but not limited to approving announcements relating to the financial results of the Group and the audited financial statements, and timely announcements of material transactions;
- (v) identifying key stakeholder groups and recognise that their perceptions affect the Group’s reputation;
- (vi) approving annual budgets, key operational matters, major funding proposals, investment and divestment proposals, corporate or financial restructuring, material acquisitions and disposal of assets and interested person transactions of a material nature, dividend payment (if any) and convening of shareholders’ meetings, approving share buybacks, if any, and making decisions in the interests of the Group;



## REPORT ON CORPORATE GOVERNANCE

- (vii) approving all Board appointments or re-appointments and appointments of key management personnel;
- (viii) establishing and maintaining a framework of good corporate governance within the Group, including risk management systems and prudent, adequate and effective internal controls to safeguard shareholders' interests and the Group's assets;
- (ix) evaluating the performance and compensation of directors and key management personnel; and
- (x) overseeing the proper conduct of the Company's business and assuming responsibility for its corporate governance processes.

The Board will consider sustainability issues such as environmental and social factors as part of its strategic formulation in line with the Code. To facilitate effective management and assist the Board in executing its responsibilities and to enhance the Group's corporate governance framework, the Board delegates specific authority to three Board Committees which comprise the AC, Nominating Committee ("NC") and Remuneration Committee ("RC"). All Board Committees, save for the AC which comprises only Independent Directors, are chaired by an Independent Director and a majority of the members are Independent Directors. These Committees function within clearly defined terms of reference and operating procedures which are reviewed on a regular basis to ensure their continued relevance. The effectiveness of each committee is also constantly monitored.

The Board accepts that while these Board Committees with the delegated power to make decisions, execute actions or make recommendations in their specific areas respectively and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility for the decisions and actions rests with the Board.

The Board meets on a quarterly basis to review *inter alia* the financial results and accounting policies. Ad-hoc meetings will be held as and when required to address any significant issues that may arise in-between scheduled meetings. These meetings are scheduled in advance to facilitate the individual Director's planning in view of their ongoing commitments.

Where physical Board and Board Committees' meetings are not possible, timely communication with members of the Board or Board Committees can be achieved through electronic means and circulation of written resolutions for approval by the relevant Board and Board Committees' members. The Company's Bye-laws provides for meetings to be held via telephone, electronic or other communication facilities which permit all persons participating in the meeting to communicate with each other simultaneously.

Directors may request further explanations, briefing or discussion on any aspect of the Group's operations or business from Management. When circumstances require, Board members exchange views outside the formal environment of Board meetings. The Board conducts an annual review of its processes to ensure that it is able to carry out its functions in the most effective manner.

## REPORT ON CORPORATE GOVERNANCE

The approval of the Board is required for any matters which is likely to have a material impact on the Group's operating units and/or financial positions as well as matters other than in the ordinary course of business. The matters reserved for the Board's decision and the types of material transactions that are likely to have a material impact on the Group's operating units and/or financial position as well as matters other than in the ordinary course of business, are as follows:

- Quarterly, half-year and full year financial results;
- The Group's strategic plans including long-term strategic plans;
- The Group's annual operating plan and budget;
- Potential joint venture, merger, acquisition, divestment or other changes in the Company's assets, if any;
- Management changes or changes in effective control of the Company, if any;
- Firm evidence of significant improvement or deterioration in near term earnings prospects, if any;
- Subdivision of shares or stock dividends, if any;
- Acquisition or loss of significant contract, if any;
- Significant new product or discovery, if any;
- Public or private sale of significant amount of additional securities of the Company, if any;
- Share Buyback, if any;
- Share Option or share schemes, if any;
- Scrip Dividend Scheme, if any;
- Interested Person Transactions, if any;
- Borrowing of a significant amount of funds, if any;
- Occurrence of an event of default under debt or other securities or financing or sale agreements, if any;
- Significant litigation, if any;
- Significant change in capital investment plans e.g. building of factories, increasing plant and machinery and increasing production lines, if any;
- Significant dispute(s) with customers or suppliers, or with any parties, if any;
- Material financial loss/damage caused by disaster and/or loss of credibility arising from corporate scandals and other fraudulent activities pursuant to any reports received under the Whistle Blowing Policy adopted by the Company, if any;
- Appointment and removal of Secretary;
- Tender offer for another company's securities, if any; and
- Valuation of the Group's assets that has a significant impact on the Group's financial position and/or performance.

## REPORT ON CORPORATE GOVERNANCE

Details of Board and Board committees' meetings held in respect of the financial year ended 31 March 2019 ("FY2019") are summarised in the table below:

Meeting	Board of Directors	AC	NC	RC
Total meetings held in FY2019	4	4	1	1

Name of Director	Attended	Attended	Attended	Attended
Mr. Wong Lam Ping	2/4	N.A.	1/1	N.A.
Ms. Wang Cuiping	4/4	N.A.	N.A.	N.A.
Mr. Sim Wee Leong	4/4	4/4	1/1	N.A.
Dr. Choo Kian Koon	4/4	4/4	1/1	1/1
Dr. Zheng Haibin	4/4	4/4	N.A.	1/1
Mr. Chan Kin Sang	4/4	N.A.	N.A.	1/1

### PRINCIPLE 2: BOARD COMPOSITION AND BALANCE

The current composition of the Directors in the Board and Board Committees is as follows:-

Name of Director		AC	RC	NC
Mr. Wong Lam Ping	(Executive Chairman)	–	–	M
Ms. Wang Cuiping	(Executive Director)	–	–	–
Mr. Sim Wee Leong	(Lead Independent Director)	C	–	M
Dr. Choo Kian Koon	(Independent Director)	M	M	C
Dr. Zheng Haibin	(Independent Director)	M	C	–
Mr. Chan Kin Sang	(Non-Executive and Non-Independent Director)	–	M	–

*C – Chairman*

*M – Member*

The Board comprises two Executive Directors, and four Non-Executive Directors, of whom three are Independent. No alternate directors have been appointed to any Directors. There is a strong and independent element on the Board, with Independent Directors making up at least half of the Board.

The size and composition of the Board is reviewed annually by the NC to ensure that the size of the Board is appropriate so as to facilitate effective decision making. The review will ensure that there is an appropriate mix of expertise and experience, which the Group may tap on for assistance in furthering its business objectives and shaping its business strategies. The Board, with the concurrence of the NC, is of the opinion that its current board size of six members is appropriate, taking into account the nature and scope of the Group's operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board committees.

## REPORT ON CORPORATE GOVERNANCE

Together, the Board and Board Committees comprise Directors who as a group provide a broad range and an appropriate balance and diversity of expertise in areas such as accounting, finance, legal, knowledge of the Company's business, management and industrial experience, strategic planning experience and customer-based experience, knowledge and gender (1 female Director) as well as familiarity with regulatory requirements. The diversity of the Directors' experience allows for useful exchange of ideas and views.

Non-Executive Directors contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. When challenging Management's proposals or decisions, they bring independent judgement to bear on business activities and transactions involving conflicts of interest and/or other complexities.

The information on Directors' position, date of initial appointment, date of last re-election and directorships/chairmanships held by the Company's Directors in other listed companies are as follows:–

<sup>(1)</sup> Name of Director	Position	Date of Initial Appointment	Date of Last Re-election	Directorships in other listed companies	
				Current	Past 3 Years
Mr. Wong Lam Ping	Executive Chairman	3 January 2006	29 July 2016	Nil	Nil
Ms. Wang Cuiping	Executive Director	14 August 2006	30 July 2018	Nil	Nil
Mr. Sim Wee Leong	Lead Independent Director	14 August 2006	30 July 2018	Nil	Nil
Dr. Choo Kian Koon	Independent Director	14 August 2006	29 July 2016	(i) Manulife US Real Estate Management Pte. Ltd. (Manager of Manulife US Real Estate Investment Trust)	(i) Ascendas Hospitality Trust (A-HTRUST)
Dr. Zheng Haibin	Independent Director	14 August 2006	30 July 2018	Nil	Nil
Mr. Chan Kin Sang	(Non-Executive and Non-Independent Director	14 August 2006	30 July 2018	(i) Luxking Group Holdings Limited (ii) Tianhe Chemicals Group Limited <sup>(2)</sup> (iii) China Fortune Financial Group Limited <sup>(2)</sup> (iv) Guanghe Landscape Culture Communication Co., Ltd., ShanXi <sup>(3)</sup> (v) Pak Tak International Limited <sup>(2)</sup> (vi) Huakang Biomedical Holdings Company Limited <sup>(2)</sup>	(i) Munsun Capital Group Limited (formerly known as China Precious Metal Resources Holdings Co., Ltd) <sup>(2)</sup> (ii) CEFC Hong Kong Financial Investment Company Limited (formerly known as Runway Global Holdings Limited) <sup>(2)</sup> (iii) Tianjin TEDA Biomedical Engineering Company Limited <sup>(2)</sup> (iv) Combest Holdings Limited <sup>(2)</sup> (v) China Taifeng Beddings Holdings Limited <sup>(2)</sup> (vi) China Healthcare Enterprise Group Limited <sup>(2)</sup>

- (1) The principal commitment of the Directors, if any, and other key information regarding the Directors are set out in the "Board of Directors" section in this Annual Report
- (2) Listed on The Stock Exchange of Hong Kong Limited
- (3) Listed on the Shanghai Stock Exchange

# REPORT ON CORPORATE GOVERNANCE

## PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER (“CEO”)

Mr. Wong Lam Ping (“Mr. Wong”), the founder of the Group, is the Executive Chairman and also the CEO of the Group.

As the Executive Chairman, his principal duties and responsibilities include:

- Leading the Board to ensure its effectiveness on all aspects of its roles;
- Scheduling meetings for the Board and Board Committees to discharge its duties with the assistance of the Group Financial Controller and the Company Secretaries, including setting the agenda and ensuring 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 Non-Executive Directors and facilitating the effective contribution of Non-Executive Directors;
- Exercising control over quality, quantity and timeliness of the flow of information between Management and the Board to ensure that the Directors receive complete, adequate and timely information;
- Maintaining regular dialogue with Management on all operational matters;
- Encouraging constructive relations within the Board and between the Board and Management;
- Ensuring effective communication with Shareholders; and
- Assisting in ensuring the Company’s compliance with corporate governance guidelines and promote high standards of corporate governance.

As the Group CEO, Mr. Wong is responsible for the business strategy and directions, formulation and execution of overall business strategies and policies, including but not limited to, decision making and day-to-day running of the Group’s operations. He plays a key role in developing the business of the Group and provides the Group with strong leadership and vision.

Although the roles and responsibilities for the Chairman and the CEO are vested in Mr. Wong, this being a deviation from the guideline of the Code, the Board believes that vesting the roles of both Chairman and CEO in the same person who is knowledgeable in the business of the Group provides the Group with a strong and consistent leadership and hence, allowing more effective planning and execution of long-term business strategies.

To ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making, all major proposals by Mr. Wong, such as proposed investments, are reviewed by the Board before any decisions are made. The Board believes that there are adequate safeguards and checks in place to ensure that the process of decision making by Board is independent and based on collective decisions without any individual exercising any considerable concentration of power of influence. As such, there is a balance of power and authority and therefore no one individual can control or dominate the decision-making process of the Company. The Board is not considering separating the roles of the Chairman and the CEO at this moment. The NC will review the need to separate the roles from time to time and make its recommendation when necessary.

## REPORT ON CORPORATE GOVERNANCE

The Executive Chairman and CEO's performance and appointment to the Board are reviewed periodically by the NC and his remuneration package is reviewed by the RC when his Service Agreement is due for renewal. Both the NC and RC are chaired by Independent Directors. Mr. Wong also abstained from voting on any matter in respect of his own re-election and remuneration.

In line with the guidelines of the Code, Mr. Sim Wee Leong was appointed Lead Independent Director of the Company to coordinate and lead the Independent Directors to provide a non-executive perspective and to contribute a balanced viewpoint to the Board. Mr. Sim, being one of the key contacts listed in the Group's Whistle Blowing Policy, is also available to address the concerns, if any, of the Company's shareholders for which contact through the normal channels of the Chairman and CEO or the Group Financial Controller has failed to resolve or is inappropriate.

The Independent Directors, led by the Lead Independent Director, will meet every quarter without the presence of the other Directors and the Lead Independent Director will provide feedback to the Chairman after such meetings so as to facilitate effective discussion with the Chairman and between the Board on strategic issues and any other issues that may arise. The Non-Executive and Non-Independent Director is encouraged to join the meeting, if required. For FY2019, the Independent Directors had met every quarter without the presence of other Directors and the feedback, if any, had been provided to the Chairman accordingly.

### PRINCIPLE 4: BOARD MEMBERSHIP

The NC is regulated by a set of written terms of reference which are in line with the Code. The NC comprises three members, a majority of whom, including the Chairman, are Independent Directors. The composition of the NC is as follows:–

Dr. Choo Kian Koon (*Chairman*)  
Mr. Sim Wee Leong  
Mr. Wong Lam Ping

The NC is responsible for, including but not limited to, the following key terms of reference:

- (i) making recommendations to the Board on all Board appointments and re-appointments (including Alternate Directors, if applicable), or re-elections, having regard to the Director's competencies, commitments, contributions and performance;
- (ii) reviewing the Board and Board Committees' structure, size and composition and making recommendations to the Board with regard to any adjustments, where appropriate;
- (iii) determining the process for search, nomination, selection and appointment of new Board members and assessing nominees or candidates for appointment or re-election to the Board, determining whether or not such nominee has the requisite qualifications and whether or not he/she is independent, including disclosure on the search and nomination process;
- (iv) reviewing Board succession plans for Directors, in particular, the Chairman and CEO and progressive renewal of the Board by considering each Director's competencies, commitment, contribution and performance such as attendance, preparedness, participation and candour, including if applicable, as an Independent Director;

## REPORT ON CORPORATE GOVERNANCE

- (v) determining annually whether a Director is independent, bearing in mind the circumstances set forth in the Code and any other salient factors;
- (vi) determining whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company, having regard to the competing time commitments that are faced particularly when he has multiple board representations and other principal commitments and to recommend to the Board guidelines to address competing time commitments faced by Directors, if any, who serve on multiple boards;
- (vii) determining how the Board's performance may be evaluated and proposing objective performance criteria, as approved by the Board, that allows comparison with its industry peers, and address how the Board has enhanced long term shareholders' value;
- (viii) assessing the effectiveness of the Board as a whole and its Board Committees and to assess the contribution by the Chairman and each individual Director to the effectiveness of the Board; and
- (ix) reviewing training and professional development programmes for the Board.

The NC has in place a Process for Selection and Appointment of New Directors. In selecting potential new Directors, the NC will seek to identify the competencies and expertise required to enable the Board to fulfil its responsibilities. Although the Board does not have a written policy with regards to diversity in identifying director nominees, it will consider the benefits of all aspects of diversity, including diversity of skills, experience, background, gender, age, ethnicity and other relevant factors. The NC will evaluate the suitability of the nominee or candidate based on his/her qualifications, business and related experience, commitment, ability to contribute to the Board process and such other qualities and attributes that may be required by the Board before making its recommendations to the Board.

Newly appointed Directors will be provided with background information about the history, the Group's structure, business operations, vision and values, strategic direction, policies and governance practices. They will also be briefed and given an orientation by the Management to familiarise themselves with the businesses and operations of the Group. Directors who do not have prior experience or are not familiar with the duties and obligations required of a Director of a listed company in Singapore, will undergo the necessary training and briefing.

The Directors also have the opportunity to visit the Group's operating facilities and meet with Management to gain a better understanding of the Group's business operations and governance practices. The Directors may join institutes and group associations of specific interests, and attend relevant training seminars or informative talks at the Company's expense from time to time to apprise themselves of legal, financial and other regulatory developments, if required. As an ongoing exercise, the Directors will also be briefed by professionals during Board meetings or at separate seminars on amendments and requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST") and other statutory and regulatory changes which may have an important bearing on the Company and the Directors' obligations to the Company, from time to time. For FY2019, the Company did not appoint any new Director and/or first-time Director.

## REPORT ON CORPORATE GOVERNANCE

Upon the appointment of each Director, the Executive Directors are provided with a Service Agreement setting out the terms and conditions of his/her appointment. The Service Agreement is reviewed and subject to the RC's recommendation, be renewed upon expiry or unless terminated by either party.

The NC, which is responsible for reviewing the independence of each Director on an annual basis, had adopted the Code's definition of an Independent Director and guidelines as to relationships in determining the independence of a Director. In addition, the NC requires each Non-Executive Director to assess his own independence by completing a Confirmation of Independence form which is drawn up in accordance with the guidelines of the Code and state whether he considers himself independent despite having any of the Directorships identified in the Code which would deem him not to be independent, if any.

For FY2019, the NC had reviewed the independence of the Board members with reference to the guidelines set out in the Code. All Independent Directors, namely, Dr. Choo Kian Koon, Mr. Sim Wee Leong and Dr. Zheng Haibin, have served on the Board beyond nine years from the date of their first appointment. In addition to the Confirmation of Independence forms submitted by Dr. Choo Kian Koon, Mr. Sim Wee Leong and Dr. Zheng Haibin, the NC has conducted a rigorous review of their independence and contributions to the Board to determine if they still remain independent and carry out their duties objectively, taking into account the need for progressive refreshing of the Board. The review included but was not limited to the completion of a questionnaire of their independence with a mixture of close-ended and open-ended questions in respect of whether there are any conflicts of interest or relationship that is/are likely to affect their independence; whether they continue to express their views objectively and seek clarification and amplification when deemed necessary; whether they continue to debate issues objectively; whether they continue to Scrutinise and challenge Management on important issues raised at meetings and whether they are able to bring judgement to bear in the discharge of his duties as a Board member and committee member. The questionnaire was completed by each of the Director concerned.

The Board concurred with the NC's view that they are independent in character and judgement, there were no circumstances which would likely affect or appear to affect their judgement and that they are free from any relationships outlined in the Code. The Board acknowledges their combined strength of characters, objectivity and wealth of useful and relevant experience bring themselves to continue effectively as Independent Directors. The Board also acknowledges and recognises the benefits of the experience and stability brought by these long-serving Independent Directors. In the determination of Mr. Sim, Dr. Choo and Dr. Zheng's independence, they have excused themselves respectively when it comes to the deliberation and determination of their own independence.

The NC had also considered the declaration of Mr. Chan Kin Sang, a Non-Executive Director who is the nephew of the Chairman/CEO, Mr. Wong. Although he does not have any relationships as contemplated by the Code, for good corporate governance practice, he is considered not independent and will remain as a Non-Executive and Non-Independent Director of the Company. Save as disclosed, none of the other Non-Executive Directors are related and do not have any relationships with the Company, its related corporations, its substantial shareholder with a shareholding of 10% or more, or its officers or are in any circumstances that could interfere or be reasonably perceived to interfere with the exercise of their independent business judgement with a view to the best interests of the Company. The Board concurred with the NC's views.



## REPORT ON CORPORATE GOVERNANCE

Pursuant to its Terms of Reference, the NC is required to determine if a Director has been adequately carrying out his duties as a Director of the Company, particularly if he has multiple Board representations in listed company and other principal commitments. In view of this, the NC, having considered the confirmations received by the Non-Executive Directors, is of the view that such multiple board representations (where applicable) do not hinder each Non-Executive Director from carrying out his duties as a Director of the Company. The NC is satisfied that sufficient time and attention have been accorded by these Directors to the affairs of the Company. The Board concurred with the NC's views.

In determining whether each Director is able to devote sufficient time to discharge his duty, the NC has taken cognisance of the Code's requirement, but is of the view that its assessment should not be restricted to the number of board representations of each Director and his respective principal commitments per se. The contributions by Directors to and during meetings of the Board and Board Committees as well as their attendance at such meetings, in addition to each of their principal commitments, should also be taken into account. The NC and the Board will review the number of listed company board representations of the Directors on an annual basis or from time to time when the need arises.

In accordance with the provisions of the Company's Bye-laws, all Directors will submit themselves for renomination and re-election at regular intervals of at least once every three years and newly appointed Directors will submit themselves for re-nomination and re-election at the next Annual General Meeting ("AGM") following their appointment.

The NC having considered the attendance and participation of the following Directors at the Board and Board Committees meetings in particular, their contributions to the business and operations of the Company as well as Board processes, had recommended to the Board their re-election at the forthcoming AGM.

### Bye-law 86(1)

Mr. Wong Lam Ping  
Dr. Choo Kian Koon

All Directors retiring by rotation have consented to continue in office and the Board had accepted the recommendation of the NC and accordingly, the above Directors will be offering themselves for re-election.

Each member of the NC had abstained from voting on any resolution and making any recommendation and/or participate in respect of his re-election, if any, as Director.

# REPORT ON CORPORATE GOVERNANCE

## PRINCIPLE 5: BOARD PERFORMANCE

The Company acknowledges the importance of a formal assessment of Board performance and has in place a system to assess the performance of the Board as a whole.

Currently, the Board does not assess the performance of each Director or at the Board Committees' level. The Board is of the view that given the Board's size, cohesiveness of Board members and attendance of Directors at Board Committees meetings, there is no value-add in having assessments of Board Committees and individual Board members. To-date, no external facilitator has been used.

The evaluation of the Board's performance is conducted annually by the NC. Each Director is required to complete a questionnaire relating to the size and composition of the Board, information flow to the Board, Board procedures and accountability as well as matters concerning CEO/Senior Management and standard of conduct of its Board members.

For the year under review, an evaluation of the Board's performance was conducted. The evaluation exercise provided feedback from each Director, his views on the Board, procedures, processes and effectiveness of the Board as a whole. The results of the Board performance evaluation were collated and the findings presented to the NC for discussion with comparatives from the previous year's results.

The NC is generally satisfied with the Board performance for FY2019 which indicated areas of strengths and those that could be improved further. No significant problems were identified. The NC had discussed the results with Board members who agreed to work on those areas that could be improved further. The NC will continue to evaluate its process for such review and its effectiveness from time to time. No external facilitator was appointed.

## PRINCIPLE 6: ACCESS TO INFORMATION

Management has an obligation to supply the Board with complete, adequate information in a timely manner.

The Executive Directors and Management keep the Board informed of the Group's operations and performance through regular updates and reports as well as through informal discussions. Prior to any meetings of the Board or Board Committees, Directors are provided, where appropriate, with management information to enable them to participate at the meetings. Management also provides to the Board every half-yearly the Group's budget and quarterly updates on the sale and status of the Group's properties, including industry updates, to enable the AC and Board to understand its business, the business and financial environment as well as the risks faced by the Company. The Executive Chairman/CEO and Management are present at Board and Board Committees' meetings to address any queries which the Board may have. In addition, Board members have separate and independent access to Management and the Company Secretaries.

The Company Secretaries and/or their representatives attend all Board and Board Committees' meetings and provide secretarial support to the Board, ensuring that Board procedures and all other rules and regulations applicable to the Company are adhered to.

## REPORT ON CORPORATE GOVERNANCE

The appointment and/or change of the Company Secretaries are subject to approval by the Board.

Where decisions to be taken require expert opinion or specialised knowledge, the Directors, whether as a group or individually, may seek independent professional advice as and when necessary in furtherance of their duties at the Company's expense. The appointment of such independent professional advisor is subject to approval by the Board.

### (B) REMUNERATION MATTERS

#### PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The RC is regulated by a set of written terms of reference which are in line with the Code. The RC comprises three Non-Executive Directors, a majority of whom, including the Chairman, are Independent Directors. The composition of the RC is as follows:–

Dr. Zheng Haibin (*Chairman*)  
Dr. Choo Kian Koon  
Mr. Chan Kin Sang

The RC is responsible, including but not limited to, the following key terms of reference:

- (i) reviewing and recommending to the Board a framework of remuneration and determining the specific remuneration packages and terms of employment for each Executive Director and key management personnel of the Group and employees related to the Directors or controlling shareholders of the Group. Such remuneration package should be in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility;

The service contracts of the Executive Directors and key management personnel should contain the following contractual provisions:

- (a) to allow the Group to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatements of financial results or of misconduct resulting in financial loss of the Group; and
  - (b) to consider what compensation commitments the Executive Directors and key management personnel's contracts of service, if any, would entail in the event of termination with a view to be fair and reasonable and avoid rewarding poor performance.
- (ii) recommending the remuneration of Non-Executive Directors, taking into account factors such as their efforts, time spent and their responsibilities;

The Non-Executive Directors should not be overly compensated to the extent that their independence may be compromised. The RC may consider implementing schemes to encourage Non-Executive Directors to hold shares in the Company so as to better align their interests with the interests of the shareholders;

## REPORT ON CORPORATE GOVERNANCE

- (iii) recommending to the Board long term incentive schemes which may be set up from time to time; and
- (iv) carrying out its duties in the manner that it deems expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board of Directors from time to time.

The scope of the RC's review covers all aspect of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind. The remuneration packages take into consideration the long-term interests of the Group, industry standards and ensure that the interests of the Executive Directors align with that of the shareholders. The recommendation of the RC for the Directors' remuneration would be submitted to the Board for endorsement.

No Director or member of the RC is involved in deciding his own remuneration.

The Company did not appoint any remuneration consultant. If required, the RC will seek expert's advice inside and/or outside the Company on remuneration of all Directors and key management personnel.

### PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

The remuneration packages are set such that the Directors are adequately but not excessively remunerated compared to other comparable companies in the industry in view of present market conditions and which takes into account the individual's and the Company's performance.

Mr. Wong Lam Ping (Executive Chairman and CEO of the Group) and Ms. Wang Cuiping (Executive Director) had each entered into separate service agreements with the Company which will be subject to review and renewal upon expiry or unless terminated by a notice in writing of not less than 3 months served by either party on the other.

The Company does not have any contractual provision which allows the Company to reclaim incentive components of remuneration from Executive Directors and/or key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company as such provisions will stifle the Company's ability to effectively attract and retain the right individuals. The RC will review the Company's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC also aims to be fair and avoid rewarding poor performance.

An annual review of the remuneration packages of all Directors was carried out by the RC to ensure that the remuneration of the Directors and key management personnel commensurate with their performance, giving due consideration to the financial and commercial health and business needs of the Group. For FY2019, the RC is satisfied with the Executive Directors and key management personnel's remuneration packages and recommended the same for Board approval. The Board had approved the recommendations accordingly.

## REPORT ON CORPORATE GOVERNANCE

The RC, with the concurrence of the Board, is of the view that the current remuneration of the Non-Executive Directors is appropriate to the level of contribution, taking into account factors such as efforts and time spent, and responsibilities of the Directors. Other than Directors' fees, which have to be approved by shareholders at every AGM, the Non-Executive Director and Independent Non-Executive Directors do not receive any other forms of remuneration from the Company.

The RC had recommended to the Board an amount of S\$175,450 as Directors' fees for the year ending 31 March 2020, payable quarterly in arrears. These recommendations have been endorsed by the Board and will be tabled at the forthcoming AGM for shareholders' approval.

No Director is involved in deciding his or her own remuneration.

Presently, the Company does not have a share option scheme or long term incentive scheme in place.

### PRINCIPLE 9: DISCLOSURE ON REMUNERATION

The range of remuneration of Directors of the Group for the financial year ended 31 March 2019 is set out below:

#### Directors' Remuneration

Name of director	Fees	<sup>(a)</sup> Fixed Component	<sup>(b)</sup> Variable Component	Benefits in Kind	Other		Total
					Long Term Incentives		
	%	%	%	%	%	%	%
S\$250,000 and below							
Mr. Wong Lam Ping	–	86	13	1	–	–	100
Ms. Wang Cuiping	–	81	19	–	–	–	100
Mr. Sim Wee Leong	100	–	–	–	–	–	100
Dr. Choo Kian Koon	100	–	–	–	–	–	100
Dr. Zheng Haibin	100	–	–	–	–	–	100
Mr. Chan Kin Sang	100	–	–	–	–	–	100

(a) Fixed Component refers to base salary and Annual Wage Supplement, if applicable, for the financial year ended 31 March 2019.

(b) Variable Component refers to variable or performance related bonus paid in the financial year ended 31 March 2019.

## REPORT ON CORPORATE GOVERNANCE

### Remuneration of Top 3 Key Management Personnel

Name of key management personnel	<sup>(a)</sup> Fixed	<sup>(b)</sup> Variable	Benefits in Kind	Other Long Term Incentives	Total
	Component	Component			
	%	%	%	%	%
S\$250,000 and below					
Mr. Wang Yinjian	83	17	–	–	100
Mr. Xu Guangquan	75	25	–	–	100
Mr. Ngai Ting Fung Ian	86	12	2	–	100

(a) Fixed Component refers to base salary and Annual Wage Supplement, if applicable, for the financial year ended 31 March 2019.

(b) Variable Component refers to variable or performance related bonus paid in the financial year ended 31 March 2019.

Notwithstanding Guideline 9.1 of the Code, as there were only 3 key management personnel during the financial year ended 31 March 2019, disclosure was only made in respect of the remuneration of these 3 key management personnel of the Group.

The aggregate remuneration paid to the top 3 key management personnel is approximately S\$143,470.65.

For FY2019, there were no termination, retirement and post-employment benefits granted to Directors and the top 3 key management personnel (who are not Directors or the CEO).

Due to the confidentiality and commercial sensitivity attached to remuneration matters, in particular those of our key management personnel, given the highly competitive environment the Group operates in, the Company does not fully disclose the remuneration of each individual director and the key management personnel. However, the disclosures had been provided in applicable bands of S\$250,000 as above, with a breakdown in percentage of the remuneration earned through fees, fixed component, variable component, benefits in kind, and/or other long term incentives.

There are no employees of the Group who are immediate family members of a Director or the CEO and whose remuneration exceeds S\$50,000 for the financial year ended 31 March 2019.

# REPORT ON CORPORATE GOVERNANCE

## (C) ACCOUNTABILITY AND AUDIT

### PRINCIPLE 10: ACCOUNTABILITY

The Board provides shareholders with a detailed, balanced and understandable explanation and analysis of the Company's performance, position and prospects extends to interim and other price sensitive public reports, and reports to regulators on a quarterly basis within the timeline as stipulated in the Listing Manual of the SGX-ST. All the financial information presented in the results announcement or Annual Report have been prepared in accordance with the International Financial Reporting Standards and approved by the Board before the release to the SGX-ST and the public via SGXNET.

The Board would take adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the SGX-ST and where appropriate and required, by establishing written policies.

In line with SGX-ST listing requirements, negative assurance statements were issued by the Board to accompany its quarterly financial results announcements, confirming to the best of its knowledge that, nothing had come to its attention which would render the Company's quarterly results to be false or misleading in any material aspect. The Company is not required to issue negative assurance statements for its full year results announcement.

The Company has also procured undertakings from all Directors and Executive Officers in compliance with Rule 720(1) of the SGX-ST Listing Manual.

### PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it is responsible for the overall internal control framework and maintaining a sound system of internal controls to safeguard the shareholders' investments and the Group's assets.

The Group's control environment provides the foundation upon which all other components of internal controls are built upon. It provides discipline and structure, setting the tone of the organization and influencing the control consciousness of its staff. A weak control environment foundation hampers the effectiveness of even the best designed internal control procedure.

The Company does not have a Risk Management Committee. However, Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC.

The AC, with the assistance of the internal auditors, reviews the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls, and risk management policies and systems established by the Management on an annual basis.

## REPORT ON CORPORATE GOVERNANCE

The internal auditor and external auditors have, during the course of their audit, carried out a review of the adequacy and effectiveness of key internal controls within the scope of their audit. Material non-compliance and internal control weaknesses noted, if any, during their respective audits and their recommendations are reported to the AC. In the review work performed by both the internal and external auditors for FY2019, no exceptions were noted. The AC will review the internal auditor's comments and findings and ensure that adequate and effective internal controls are in place in the Group and follow up on actions implemented.

In line with the Code, the AC, with the concurrence of the Board, had adopted a Management Assurance Confirmation Statement ("Management Assurance Statement"). For FY2019, the Executive Chairman and CEO and the Group Financial Controller had provided a Management Assurance Statement confirming that:

- (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances;
- (ii) to the best of their knowledge, nothing has come to their attention as Management, which would render the interim financial statements to be false or misleading in any material aspect;
- (iii) they are aware of their responsibilities for establishing, maintaining and evaluating the effectiveness of the risk management and internal control systems of the Company;
- (iv) they are not aware of any known significant deficiencies in the risk management and internal control systems relating to preparation and reporting of financial data, or of any fraud; and
- (v) the internal controls, including financial, operational, compliance and information technology controls, and risk management systems are adequate and effective.

The Board recognises that no internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The review of the Group's internal control systems is a concerted and continuing process.

No known significant deficiencies or lapses in risk management and internal controls systems were noted in FY2019.

In view of the above, the Board, with the concurrence of the AC, is of the opinion that the internal controls, addressing financial, operational, compliance and information technology controls, and risk management systems are adequate and effective. As recommended by the SGX-ST, the opinion of the Board pursuant to Rule 1207(10) of the Listing Manual of the SGX-ST is also set out in the Directors' Report under page 58 of the Annual Report.



# REPORT ON CORPORATE GOVERNANCE

## PRINCIPLE 12: AUDIT COMMITTEE

The AC is regulated by a set of written terms of reference which are in line with the Code. The AC comprises all Independent Directors and its composition is as follows:–

Mr. Sim Wee Leong (*Chairman*)  
Dr. Choo Kian Koon  
Dr. Zheng Haibin

The Board is of the view that all AC members are appropriately qualified, having the necessary recent and relevant accounting and/or related financial management expertise or experience as the Board interprets such qualification in its business judgement, to discharge their responsibilities. None of the members nor the AC Chairman are former partners or Directors of the Group's existing auditing firm nor does any of them has any financial interests in the auditing firm.

The AC meets at least four times a year and, as and when deemed appropriate to carry out its function, where applicable, the following key terms of reference:

- (i) reviewing with the internal and external auditors the audit plans, their evaluation of the system of internal controls, audit reports, letters to Management and Management's response respectively;
- (ii) reviewing the Group's quarterly and full year financial results and announcements before submission of the Board for approval so as to ensure the integrity of the Company's financial statements, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards and compliance with the Listing Manual and any other relevant statutory, stock exchange or regulatory requirements;
- (iii) reviewing annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management policies;
- (iv) ensuring where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by Management;
- (v) reviewing the internal control and procedures to ensure co-ordination between the internal auditors and external auditors and co-operation from Management and assistance given to facilitate their audit and problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of Management, where necessary);
- (vi) reviewing and discussing with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and Management's response;

## REPORT ON CORPORATE GOVERNANCE

- (vii) reviewing the scope and results of the internal audit programme/procedures and review at least annually the adequacy of effectiveness of the Company's internal audit function including ensuring it is staffed with persons with the relevant qualifications and experience and has appropriate standing within the Company;
- (viii) reviewing annually the scope and results of the audit and its cost effectiveness as well as independence and objective of the External Auditors;
- (ix) ensuring the co-ordination between the Internal and External Auditors and where more than one auditing firm or corporation is involved;
- (x) reviewing the appointment and re-appointment of the Internal and External Auditors and matters relating to resignation or dismissal of the auditors;
- (xi) reviewing Interested Person Transactions (if any) falling within the scope of Chapter 9 of the Listing Manual including reviewing and approving of proposed sale(s) of any units of property projects to the Company's interested persons and/or relatives of a Director, CEO or controlling shareholders;
- (xii) undertaking such other reviews and projects as may be requested by the Board, and will report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- (xiii) generally undertaking such other functions and duties as may be required by the statute or the SGX-ST Listing Manual, or by such amendments as may be made thereto from time to time.

The AC has the explicit powers to conduct or the authority to investigate any of the abovementioned matter. The AC has full access to and co-operation of Management and also full discretion to invite any Director or executive officer to attend its meetings or be provided with reasonable resources to enable it to discharge its functions properly.

The Company has put in place a Whistle-Blowing Policy which is in line with the Code and provides well-defined and accessible channels in the Group through which staff and any other persons may in confidence, raise their concerns and possible improprieties, fraudulent activities, malpractices within the Group in a responsible and effective manner in matters of financial reporting or other matters. The objective of the Policy is to ensure that arrangements and processes are in place, to facilitate independent investigation of such concerns and for appropriate follow-up action. There were no reports of whistle blowing received in FY2019.

## REPORT ON CORPORATE GOVERNANCE

The AC meets with the Group's internal auditor and external auditors and Management to review accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained in the Group. In performing its functions for FY2019, the AC had:

- (i) held 4 meetings in the financial year with Management, internal auditors and the external auditors, and met once with the internal auditor and the external auditors without the presence of Management.
- (ii) reviewed and is satisfied with the independence of the external auditors for FY2019. For FY2019, the aggregate amount of fees paid to the external auditors was RMB706,000 and there were no fees paid for non-audit services.

The external auditors had also confirmed their independence in this respect.

- (iii) recommended the re-appointment of Messrs BDO Limited, Certified Public Accountants, Hong Kong ("BDO-HK") and Messrs BDO LLP, Public Accountants and Chartered Accountants, Singapore ("BDO-SG") to act jointly and severally as the Company's Auditors.

BDO-HK is a member of BDO International Limited in Hong Kong and BDO-SG, which is registered with the Accounting and Corporate Regulatory Authority, is a member firm of BDO International Limited in Singapore.

The Board, with the concurrence of the AC, is of the view that the re-appointment of BDO-HK and BDO-SG to act jointly and severally as the Auditors has enabled the Company to comply with and meet the objective and spirit of Rule 712 of the Listing Manual of SGX-ST.

- (iv) confirmed that the Company had complied with Rule 715 of the SGX-ST Listing Manual in relation to the appointment of the same auditing firm to audit, its foreign-incorporated subsidiaries. The Group's significant subsidiaries are disclosed under Note 15 to the Financial Statements on pages 130 to 132 of this Annual Report.

The External Auditors and/or the Internal Auditor and the Group Financial Controller also kept the AC abreast of changes to accounting standards and issues, if any, which have a direct impact on financial statements through updates and/or reports from time to time, where applicable and relevant. In addition, the AC is entitled to seek clarification from Management, the External Auditor and/or the Internal Auditor or independent professional advice, or attend relevant seminars, informative talks at the Company's expense from time to time to apprise themselves of accounting standards/financial updates.

# REPORT ON CORPORATE GOVERNANCE

## PRINCIPLE 13: INTERNAL AUDIT

The Group has an in-house internal audit team (“Internal Auditor”) to carry out internal audits. The head of the internal audit team reports primarily and directly to the AC Chairman on all internal audit matters and findings, if any, from the audit process.

The Internal Auditor has unfettered access to all the Group’s documents, records, properties and personnel, including access to the AC.

The AC will review the findings of the internal auditor and will ensure that the Group follows up on the auditors’ recommendations. The AC will review the adequacy of the internal audit function annually to ensure that the internal audit function is adequately resourced and able to perform its function effectively and objectively. For FY2019, the AC is satisfied that the internal audit function is independent, effective and adequately resourced.

## PRINCIPLE 14: SHAREHOLDER RIGHTS

## PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS

In line with continuous disclosure obligations, the Group is committed to regular and proactive communication with its shareholders and facilitate the exercise of ownership rights by all shareholders. All major developments that impact the Group pursuant to the SGX-ST Listing Rules would be communicated to shareholders on a timely basis through:

- (i) SGXNET announcements on major developments of the Group;
- (ii) the Group’s website at [www.pan-hong.com](http://www.pan-hong.com);
- (iii) financial statement containing a summary of the financial information and affairs of the Group for the quarterly and full year via SGXNET;
- (iv) annual reports or circulars that are sent to all shareholders; and
- (v) notices and explanatory notes for general meetings.

The Company does not practice selective disclosure, and in the event of any inadvertent disclosure is made to a select group, the Company will make the same disclosure publicly to all others as promptly as possible.

General meetings are the principal forum for dialogue with shareholders. Shareholders are encouraged to attend the AGM and Special General Meeting (“SGM”) to ensure high level of accountability and to stay informed of the Group’s strategy and goals. At the general meetings, shareholders are informed of the rules, including voting procedures, that govern general meetings and also given opportunity to share and communicate their views and seek clarification with the Board on issues relating to the Group’s performance either informally or formally at or after the AGM.

## REPORT ON CORPORATE GOVERNANCE

The Company is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved. Nonetheless, Shareholders can vote at the general meetings in person or by appointing up to 2 proxies, through proxy forms which are sent together with the Annual Reports or circulars, as the case may be. The duly completed and signed proxy forms are required to be submitted to the Company's Share Transfer Agent's address 48 hours before the general meeting. The notices of the general meeting are dispatched to shareholders, together with explanatory notes at least 14 clear days before each meeting for ordinary resolutions and at least 21 clear days for special resolutions to be passed. The notice is also advertised in a national newspaper.

Each distinct issue is proposed as a separate resolution at the general meeting.

The Chairmen of the AC, RC and NC or their representatives, the Lead Independent Director and the external auditors will be available at the forthcoming AGM to attend to queries raised by shareholders. The Company Secretary(ies) record(s) minutes of every AGM and the minutes will be made available to the shareholders upon their request.

The Company conducts its votings in general meetings by poll where shareholders are accorded rights proportionate to the shareholding and all votes are counted. An announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages will be released via the SGXNET after the meeting. The Board believes that this will enhance transparency of the voting process and encourage greater shareholder participation.

The Company does not have a dedicated investor relations team. Other than communicating with Directors and Management at general meetings, the shareholders may contact the Company's Group Financial Controller on any investor relations matters at [panhong@pan-hong.com](mailto:panhong@pan-hong.com).

The Company does not have a policy on payments of dividends. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. The Company endeavours to pay dividend and where dividends are not paid, the Company will disclose its reason(s) accordingly.

For FY2019, the Board has recommended the payment of a final dividend of S\$0.010 per share (tax not applicable), subject to the Shareholders' approval at the forthcoming Annual General Meeting to be held on 26 July 2019.

### DEALING IN SECURITIES

The Group has adopted a set of code of conduct to provide guidance to its officers regarding dealings in the Company's securities, in compliance with Rule 1207(19) of the SGX-ST Listing Manual. In accordance with the said rule, the officers of the Company shall not deal in the Company's securities on short-term consideration and shall not deal in the Company's securities during the period beginning 1 month and 2 weeks before the date of the announcement of the full year or quarterly results respectively and ending on the date of the announcement of the relevant results. Directors and employees are also advised against dealing in the securities when they are in possession of any unpublished material price-sensitive information of the Group at all times.

# REPORT ON CORPORATE GOVERNANCE

## INTERESTED PERSON TRANSACTIONS ("IPT")

The Group had adopted an internal policy governing procedures for the identification, approval and monitoring of IPT. All IPTs are subject to review by the AC at its quarterly meetings.

It was noted that the IPTs that were transacted during FY2019 were below the threshold limits as set out under Chapter 9 of the SGX-ST Listing Rules and no announcements or shareholders' approval were, therefore, required:

	<b>Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual)</b>	<b>Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than S\$100,000)</b>
Rental income received from Sino Harbour Limited	RMB308,124 (equivalent to approximately SGD62,380)	Nil
Purchase of used vehicle from Sino Harbour Limited	RMB181,879 (equivalent to approximately SGD36,821)	
Car Park Rental Expenses paid to Chan Heung Ling	RMB38,416 (equivalent to approximately SGD7,777)	
Decoration service received from *Nanchang Liyang Decoration Limited	RMB2,321,450 (equivalent to approximately SGD469,977)	
Total	RMB2,849,869 (equivalent to approximately SGD576,955)	

\* Both Nanchang Liyang Decoration Limited and Sino Harbour Limited is a company indirectly controlled by Mr. Wong Lam Ping and Ms. Chan Heung Ling.

The Group does not have a general mandate from shareholders for IPTs.

## MATERIAL CONTRACTS

Save for the Service Agreements entered into with the Executive Directors, there are no material contracts entered into by the Group involving the interests of the CEO, any director or controlling shareholder subsisting for the year ended 31 March 2019.

# SUSTAINABILITY REPORT

## FOR PAN HONG HOLDINGS GROUP LIMITED

### 1. Business Review

Pan Hong Holdings Group Limited (“Pan Hong” or “the Group”) is a niche property development firm headquartered in Hong Kong. The Group was listed on the Main Board of the Singapore Exchange Security Trading Limited on 20 September 2006.

While the Group is principally engaged in the business of property development, it has been exploring and seeking new opportunities to increase profitability. To diversify the Group’s business and better reflect the business nature and principal activity of the Company, the Group had changed its name to Pan Hong Holdings Group Limited from Pan Hong Property Group Limited with effect from 9 September 2015.

The Group strives to conduct its business in a transparent and honest manner. Pan Hong has zero tolerance for corruption. All employees and other persons representing Pan Hong are prohibited from offering, accepting, paying or authorising any bribes or any form of corruption in any business interaction that involves Pan Hong, government officials, clients, contractors, suppliers, or employees. Internal control manual and project bidding management system were established against bribery, extortion, fraud and money laundering among the contractors and suppliers. Whistle-blowing policies were implemented to all stakeholders to report suspected misconduct, malpractices or fraudulent activities. Audit Committee and Executive Management shall be responsible for the investigation of the reported cases.

With the philosophy of emphasising on honesty to gain client’s trust, the Group endeavours to enhance its credibility and deliver the best service to its clients.

### 2. Scope and Framework

#### Scope and Boundary

This annual Sustainability Report covers sustainability progress from 1 April 2018 to 31 March 2019 and discusses Pan Hong’s achievements and performance towards Environmental, Social and Governance (“ESG”) issues on its operation in Hong Kong and Mainland China. In this report, workers of contractors and subcontractors and outsourced service workers are not regarded as employees of the Group.

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option and applied the GRI Reporting Principles for Report Content and Report Quality. The GRI Standards were selected because they offer a globally relevant framework that supports a standardised approach for businesses to report on critical sustainability issues, encourages a degree of transparency and consistency, and makes information useful to markets and society.

This report is published in accordance with the Singapore Exchange Limited (“SGX”) Sustainability Reporting requirements set out in Listing Rule 711A and 711B. Reference has also been made to the SGX Sustainability Reporting Guide of Practice Note 7.6. This report has not been externally assured, and the Group may consider seeking external assurance as the sustainability reporting process matures over time.

# SUSTAINABILITY REPORT

## FOR PAN HONG HOLDINGS GROUP LIMITED

### Contact Details

We welcome any feedback and suggestions regarding this report. Please feel free to provide your comments or questions at [panhong@pan-hong.com](mailto:panhong@pan-hong.com).

### 3. Board Statement

#### Dear stakeholders,

We are pleased to present Pan Hong's second annual Sustainability Report.

Since early nineties, the Group has seized the opportunity in the economic growth in Mainland China and started its Property development projects in Zhejiang Province. Over the years, we have developed numerous exemplary properties within the industry. The Group has consistently delivered projects of superior quality through innovative design, quality improvement, and sustainability governance.

We firmly believe that for companies to be successful, we must not only create financial value, but also social value by contributing to the environment and society. Given the rising concern in relation to climate change, product and service quality, and health and safety, we have placed a great emphasis on mitigating our eco-footprint, managing our product quality, and providing a safe working environment for our employees. Our sustainability strategy is to monitor and reduce our resource consumption, enhance and improve the quality of our products, nurture and inspire our employees, and ensure effective and ethical governance that stimulate sustainable economic growth. This report outlines our commitment to each sustainability area and shares our management approach.

### 4. Stakeholder Engagement and Material Issues

From amongst the broad spectrum of sustainability issues, Pan Hong prioritises the issues relevant to its stakeholders. The approach to materiality in this report is based on the recommendations of SGX Sustainability Reporting Guide of Practice Note 7.6. During the reporting period, the Group's materiality assessment process evaluated global sustainability challenges in the context of their importance to Pan Hong. As part of this exercise, internal stakeholders, including the Group's functional heads, contributed their perspectives regarding sustainability reporting and the broader ESG issues relevant to our business. The assessment also considered ESG issues relevant to the industry and the Group's operating locations. Relevant ESG issues were identified based on feedback from internal stakeholders, sustainability indices and the ESG reports of Pan Hong's local and international industry peers. Pan Hong's senior executives validated the range of ESG issues being reported and assured the results of materiality assessment reflects important issues of its business. Issues were grouped as "high importance" and "low importance".



# SUSTAINABILITY REPORT

## FOR PAN HONG HOLDINGS GROUP LIMITED

As a result, this report highlights ESG issues determined to be of importance to our business as listed below:

- Procurement Practices
- Anti-Corruption
- Energy
- Water
- Emissions
- Environmental Compliance
- Employment
- Occupational Health and Safety
- Training and Education
- Child Labour
- Forced and Compulsory Labour
- Socioeconomic Compliance

### 5. Corporate Governance

A sound corporate governance is critical in managing Pan Hong's risks and opportunities. A combination of effective Board of Directors, practical policies and procedures helps to prevent corruption, employment of child labour and forced and compulsory labour, wastage of energy and water of the Group. The corporate governance is underpinned by the Group's vision, mission and values.

The Board of Directors provides oversight and strategic formulation to achieve the Group's vision and mission. The Board comprises Directors with core competencies in fields of accounting and finance, and sustainable development. For more information on Pan Hong's Board composition (Principle 2), nomination criteria (Principle 4) and the steps taken to mitigate conflict of interest (Principle 12), please refer to Pan Hong's Annual Report 2018–2019, Corporate Governance section.

### 6. Reducing Environmental Impacts

Facing the challenge of climate change and resource scarcity, the Group has recognised the importance of environmental friendly business operation, and as part of the community, the Group is committed to supporting local environmental laws and regulations.

#### Emission Reduction

In accordance with the Group's environmental policy and sustainable property development tenant, the Group is committed to continuously improving its preventive measures for contractors to manage the onsite emissions.

In addition, contractors are required to set up on-site preventive measures for emission control. The Group strives to reduce its Greenhouse Gas emission through reducing electricity consumption.

# SUSTAINABILITY REPORT

## FOR PAN HONG HOLDINGS GROUP LIMITED

Moreover, Greenhouse Gas emissions control relating to electricity efficiency and saving across the property development projects and office works is implemented.

### Overview of Pan Hong's Greenhouse Gas Emissions (the "GHG")\*

<b>Scope 1 Direct Emission (tonnes of CO2 equivalent)(tCO2e)</b>	20.7
<b>Scope 2 Indirect Emission (tCO2e)</b>	1,508.4
<b>Total GHG Emission (tCO2e)</b>	1,529.1
<b>GHG Intensity (tCO2e in '000/RMB'M Revenue)</b>	5.2

\* The reported figures represent greenhouse gas emissions from the major business units of the Group

Noise generated from construction is carefully monitored and regularly assessed. The contractors are required to implement noise control measures and comply with relevant laws and regulations. Low-noise construction facilities are encouraged to use onsite to further reduce the noise emission.

The Group strives to comply with the laws and regulations relating to construction waste through establishing policies to restrict constructions' on-site practices. The waste sorting process is monitored by Pan Hong to ensure that the recycling of waste is maximised. Disposal records are regularly monitored by the Group to identify areas of improvements.

During the reporting period, the operation of the Group and its contractors have complied with all relevant environmental laws and regulations regarding waste handling.

### Overview of Non-hazardous Waste Data\*

<b>Paper consumption (tonnes)</b>	0.2
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\* The reported figure represents non-hazardous waste from the major business units of the Group

### Resource Conservation

Efficiency in energy consumption in terms of electricity, gas and fuel, is crucial to the Group's business sustainable performance. The Group strives to achieve energy reduction through a variety of initiatives across the property development projects. During designing and planning phases of its properties, preference is given to energy saving building materials and equipment.

### Overview of Energy Consumption\*

<b>Electricity Consumption (kWh in '000)</b>	1,512.9
<b>Energy Produced from Fuel (kWh in '000)</b>	25.2
<b>Total Energy Consumption (kWh in '000)</b>	1,538.1
<b>Energy Intensity (kWh in '000/RMB'M Revenue)</b>	5.3

\* The reported figures represent energy consumption from the major business units of the Group

# SUSTAINABILITY REPORT

## FOR PAN HONG HOLDINGS GROUP LIMITED

The Group has also incorporated water conservation apparatus in its building design, including central water reuse facilities and water-saving toiletries to improve the water efficiency. Contractors are encouraged to implement appropriate measures and prevent freshwater wastage on site.

### Overview of Water Consumption\*

<b>Total Water Consumption (m3)</b>	18,234
<b>Water Intensity m3/RMB'M Revenue)</b>	62.3

\* The reported figures represent water consumption from the major business units of the Group

## 7. Investing Our People

Employees are our internal stakeholders and are pivotal to our success. Pan Hong has established a labour union for certain of its employees in accordance with relevant laws and regulations.

### Employment Practice and Labour Standard

In order to meet the requirements of business development and give full play to wage incentive, Company Salary Management Policy and Labour Contract are formulated in accordance with national labour and personnel management policies such as Employment Contract Law of the People's Republic of China and Contract Law of the People's Republic of China. Pan Hong maintains beneficial plans for all employees such as contributions to pension, unemployment insurance, medical insurance, industrial injury insurance, birth insurance and housing pension.

Child and forced labour are strictly prohibited in the Group. Age confirmation and identification check-up shall be carried out by Human Resources Department before employment. Furthermore, whistleblowing mechanism was established to encourage employees to address the above concerns through confidential and appropriate reporting channel.

No relevant complaint has been received during the reporting year.

### Training and Development

Employees are the key contributors to the growth of our Group. The Group has provided subsidies for courses and examinations for our employees who wish to attend construction and property-related courses, such as civil engineering. In addition, the Group has established programmes to allow them to take no-paid leave or work part-time if they decide to further their education. Pan Hong also organizes external training courses for all-level staff by encouraging them to take vocational courses, such as construction and finance conducted by the relevant government agencies, to help raise their levels of technical expertise.

# SUSTAINABILITY REPORT

## FOR PAN HONG HOLDINGS GROUP LIMITED

### Health and Safety

The Group takes the responsibility of creating a safe workplace for its employees. According to relevant labour law, employees shall be notified of their working conditions by Pan Hong. In addition, for safety reasons, authorised permit is required to access the construction site.

Pan Hong enjoys harmonious working relationship with its employees and endeavours to improve its relationship. The Group praises the work of the employees and rewards their efforts through organizing company trips. The Group will continue to nurture talents as a foundation for growth and actively monitor the market for opportunity expansion. There has not been any incidence of labour strikes or disputes which affected the Group's operations.

### 8. Assuring Our Service Quality

With the spirit of "creating happiness for the clients, opportunities for the employees, value for the society and benefits for the enterprise" the Group strives to improve its service quality and deliver world-class products to its clients.

Pan Hong is committed to complying all the relevant laws and regulations during the entire property development process, including site selection and market research, land acquisition, project planning and design, construction work, sales of the property, delivery of property and after-sales service.

In order to ensure the quality of construction work, the Group evaluates and contracts with design and construction companies and suppliers with proven track records. Pan Hong also employs professional quality surveyors to oversee its quality management and control.

Internal guidelines, such as Project Bidding Management System and Materials or Equipment Procurement Management Methods, have been established and were strictly enforced to ensure control over documentation, record-keeping, internal audit, service standards and remedial actions.

The Group provides warranty to customers for the structure and certain fittings and facilities of its property developments in accordance with the relevant laws and regulations in Mainland China.

Pan Hong's business is not materially dependent on any intellectual property such as intellectual property, patent, patent rights, licences and processes or other intangible assets. There were no complaints received on its products with regards to health and safety, advertising or any privacy matters relating to products and services provided and method of redress during the reporting year.

# SUSTAINABILITY REPORT

## FOR PAN HONG HOLDINGS GROUP LIMITED

### 9. Contributing to the community

The Group recognises the intimate relationship between property development and community economics, and is aware of its social responsibility. While property development provides job opportunities to the community, the Group emphasises on employee welfare, through providing sports facilities and various workshop.

The Group hopes that the caring spirit can be extended to the community. It not only signifies Pan Hong's spirit of creating values to the society, but also demonstrates its charitable culture of selfless devotion.

### 10. Looking Forward

Going forward, under the leadership of its visionary and experienced management, the Group will continue to nurture talents, provide quality services, and improve its environmental performance.

The Group expects to drive potential opportunities for innovation from its sustainable development ambition for adapting challenging economic environment, and fully endorse its social responsibility. This will increase the corporate reputation, stakeholders' satisfaction and the market recognition.

### 11. GRI Content Index

Disclosure	Section/Page number(s)
<b>General Disclosures</b>	
Organisational Profile	
102-1 Name of the organisation	Business Review. Page 46
102-2 Activities, brands, products, and services	Business Review. Page 46
102-3 Location of headquarters	Business Review. Page 46
102-4 Location of operations	Business Review. Page 46
102-5 Ownership and legal form	Business Review. Page 46
102-6 Market served	Business Review. Page 46
102-7 Scale of the organisation	Business Review. Page 46
102-8 Information on employee and other workers	Investing Our People. Page 50–51
102-9 Supply chain	Assuring Our Service Quality. Page 51
102-10 Significant changes to the organization and its supply chain	There were no significant changes during the reporting period.
102-11 Precautionary principle and approach	Pan Hong does not specifically address the principles of the Precautionary approach.
102-12 External initiatives	Pan Hong does not subscribe to or endorse any external initiatives.

# SUSTAINABILITY REPORT

## FOR PAN HONG HOLDINGS GROUP LIMITED

Strategy	
102-14	Statement from senior decision-maker Board Statement. Page 47
102-15	Key impacts, risks, and opportunities Stakeholder Engagement and Material Issues. Page 47–48
Ethics and Integrity	
102-16	Values, principles, standards, and norms of behavior Business Review. Page 46
102-17	Mechanisms for advice and concerns about ethics Business Review. Page 46
Governance	
102-18	Governance structure Report on Corporate Governance. Page 23–45
Stakeholder Engagement	
102-40	List of stakeholder groups Stakeholder Engagement and Material Issues. Page 47–48
102-41	Collective bargaining agreements No collective bargaining agreements are in place.
102-42	Identify and selecting stakeholders Stakeholder Engagement and Material Issues. Page 47–48
102-43	Approach to stakeholder engagement Stakeholder Engagement and Material Issues. Page 47–48
102-44	Key topics and concerns raised Stakeholder Engagement and Material Issues. Page 47–48
Reporting Practice	
102-45	Entities included in the consolidated financial statement Scope and Framework. Page 46
102-46	Defining report content and topic boundaries Scope and Framework. Page 46
102-47	List of material topics Stakeholder Engagement and Material Issues. Page 47–48
102-48	Restatement of the information Not applicable.
102-49	Changes in reporting There were no changes in reporting.
102-50	Reporting period Scope and Framework. Page 46
102-51	Date of most recent report (if any) Not applicable.
102-52	Reporting cycle Scope and Framework. Page 46
102-53	Contact of reporting in accordance with the GRI Standards Scope and Framework. Page 46
102-54	Claims of reporting in accordance with the GRI Standards Scope and Framework. Page 46
102-55	GRI content index GRI Content Index. Page 52–56
102-56	External assurance Scope and Framework. Page 46

# SUSTAINABILITY REPORT

FOR PAN HONG HOLDINGS GROUP LIMITED

## Topic-Specific Disclosure

### Economic

#### GRI 204: Procurement Practices

103-1	Explanation of the material topic and its boundary	Assuring Our Service Quality. Page 51
103-2	The management approach and its components	Assuring Our Service Quality. Page 51
103-3	Evaluation of the management approach	Assuring Our Service Quality. Page 51

#### GRI 205: Anti-Corruption

103-1	Explanation of the material topic and its boundary	Business Review. Page 46
103-2	The management approach and its components	Business Review. Page 46
103-3	Evaluation of the management approach	Business Review. Page 46
205-3	Confirmed incidents of corruption and actions taken	No confirmed incidents of corruption during the reporting period.

### Environment

#### GRI 302: Energy

103-1	Explanation of the material topic and its boundary	Reducing Environmental Impacts. Page 49
103-2	The management approach and its components	Reducing Environmental Impacts. Page 49
103-3	Evaluation of the management approach	Reducing Environmental Impacts. Page 49

#### GRI 303: Water

103-1	Explanation of the material topic and its boundary	Reducing Environmental Impacts. Page 50
103-2	The management approach and its components	Reducing Environmental Impacts. Page 50
103-3	Evaluation of the management approach	Reducing Environmental Impacts. Page 50

#### GRI 305: Emissions

103-1	Explanation of the material topic and its boundary	Reducing Environmental Impacts. Page 48–49
103-2	The management approach and its components	Reducing Environmental Impacts. Page 48–49
103-3	Evaluation of the management approach	Reducing Environmental Impacts. Page 48–49

# SUSTAINABILITY REPORT

## FOR PAN HONG HOLDINGS GROUP LIMITED

### GRI 307: Environmental Compliance

103-1	Explanation of the material topic and its boundary	Reducing Environmental Impacts. Page 48–50
103-2	The management approach and its components	Reducing Environmental Impacts. Page 48–50
103-3	Evaluation of the management approach	Reducing Environmental Impacts. Page 48–50

### Society

#### GRI 401: Employment

103-1	Explanation of the material topic and its boundary	Investing Our People. Page 50
103-2	The management approach and its components	Investing Our People. Page 50
103-3	Evaluation of the management approach	Investing Our People. Page 50
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Investing Our People. Page 50

#### GRI 403: Occupational Health and Safety

103-1	Explanation of the material topic and its boundary	Investing Our People. Page 51
103-2	The management approach and its components	Investing Our People. Page 51
103-3	Evaluation of the management approach	Investing Our People. Page 51

#### GRI 404: Training and Education

103-1	Explanation of the material topic and its boundary	Investing Our People. Page 50
103-2	The management approach and its components	Investing Our People. Page 50
103-3	Evaluation of the management approach	Investing Our People. Page 50

#### GRI 408: Child Labour

103-1	Explanation of the material topic and its boundary	Investing Our People. Page 50
103-2	The management approach and its components	Investing Our People. Page 50
103-3	Evaluation of the management approach	Investing Our People. Page 50

#### GRI 409: Forced and Compulsory Labour

103-1	Explanation of the material topic and its boundary	Investing Our People. Page 50
103-2	The management approach and its components	Investing Our People. Page 50
103-3	Evaluation of the management approach	Investing Our People. Page 50



# SUSTAINABILITY REPORT

FOR PAN HONG HOLDINGS GROUP LIMITED

GRI 419: Socioeconomic Compliance		
103-1	Explanation of the material topic and its boundary	Financial Highlight. Page 4–6 Report on Corporate Governance. Page 23–45 Notes to the Financial Statement. Page 74–163
103-2	The management approach and its components	Financial Highlight. Page 4–6 Report on Corporate Governance. Page 23–45 Notes to the Financial Statement. Page 74–163
103-3	Evaluation of the management approach	Financial Highlight. Page 4–6 Report on Corporate Governance. Page 23–45 Notes to the Financial Statement. Page 74–163

## DIRECTORS' REPORT

The Directors present their report to the members together with the audited consolidated financial statements of Pan Hong Holdings Group Limited (the "Company") and its subsidiaries (collectively known as the "Group") for the financial year ended 31 March 2019 ("FY2019").

### DIRECTORS

The Directors of the Company in office at the date of this report are:

Mr. Wong Lam Ping	<i>(Chairman)</i>
Mr. Sim Wee Leong	<i>(Lead Independent Director)</i>
Dr. Choo Kian Koon	<i>(Independent Director)</i>
Dr. Zheng Haibin	<i>(Independent Director)</i>
Mr. Chan Kin Sang	<i>(Non-Executive and Non-Independent Director)</i>
Mr. Wang Cuiping	<i>(Executive Director)</i>

In accordance with the Company's Bye-laws, Mr. Wong Lam Ping and Dr. Choo Kian Koon shall retire at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

### ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

During and at the end of the financial year, neither the Company nor any of its subsidiaries was a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of director's shareholdings, the interests of Directors who held office at the end of the financial year are as follows:

	Direct interest		Deemed interest	
	At 01.04.2018	At 31.03.2019/ 21.04.2019	At 01.04.2018	At 31.03.2019/ 21.04.2019
<b>Ordinary shares</b>				
Wong Lam Ping <i>(Executive Chairman)</i> <sup>1</sup>	25,749,794	25,749,794	302,443,300	302,443,300
Sim Wee Leong <i>(Lead Independent Director)</i>	–	–	–	–
Choo Kian Koon <i>(Independent Director)</i>	–	–	–	–
Zheng Haibin <i>(Independent Director)</i>	–	–	–	–
Chan Kin Sang <i>(Non-Executive and Non-Independent Director)</i>	–	–	–	–
Wang Cuiping <i>(Executive Director)</i>	689,900	689,900	–	–

1 Wong Lam Ping and Chan Heung Ling hold 52% and 48% of the issued share capital of Extra Good Enterprises Limited ("Extra Good") respectively. Chan Heung Ling is the spouse of Wong Lam Ping. As such, Wong Lam Ping is deemed interested in the 288,000,000 and 14,443,300 shares held by Extra Good and Chan Heung Ling in the capital of the Company respectively. Wong Lam Ping held 4,797,600 shares through Phillip Securities Pte Ltd.

## **DIRECTORS' REPORT**

### **DIRECTORS' CONTRACTUAL BENEFITS**

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefits by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than in the normal course of business and except as disclosed in this report and the accompanying financial statements.

### **SHARE OPTIONS**

The Company does not have any share option scheme.

### **AUDIT COMMITTEE, NOMINATING COMMITTEE AND REMUNERATION COMMITTEE**

Details of the Company's Audit Committee ("AC"), Nominating Committee and Remuneration Committee are set out in the Corporate Governance Report under pages 23 to 45 of this annual report.

### **COMPLIANCE WITH RULE 1207(10) OF THE LISTING MANUAL OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST")**

The AC has reviewed the overall scope of both internal and external audits and the assistance given by Management to the internal and external auditors. The AC has also met once with the Company's internal and external auditors for FY2019 to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls without the presence of Management. Details on the duties and functions carried out by the AC, adequacy and effectiveness of the internal controls and internal audit during FY2019 are set out under pages 38 to 45 of the Report on Corporate Governance.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews carried out by Management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls, addressing financing, operational, compliance and information technology risks, and risk management systems were adequate and effective as at 31 March 2019.

### **MATERIAL CONTRACTS INVOLVING THE INTERESTS OF CHIEF EXECUTIVE OFFICER, EACH DIRECTOR OR CONTROLLING SHAREHOLDER**

Save for the Service Agreements entered into with the Executive Directors, there are no material contracts entered into by the Group involving the interests of the CEO, any director or controlling shareholder subsisting for the year ended 31 March 2019.

## DIRECTORS' REPORT

### AUDITORS

The AC has recommended to the Board of Directors the re-appointment of BDO Limited, Certified Public Accountants, Hong Kong and BDO LLP, Public Accountants and Chartered Accountants, Singapore to act jointly and severally as the Company's auditors at the forthcoming annual general meeting.

BDO Limited and BDO LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the Directors,

**Wong Lam Ping**  
*Director*

**Wang Cuiping**  
*Director*

28 June 2019

## DIRECTORS' OPINION STATEMENT

We, Wong Lam Ping and Wang Cuiping, being two of the directors of the Company, do hereby state that, in the opinion of the Directors:

- (i) the accompanying consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of financial position of the Company together with the notes thereto as set out on pages 67 to 163, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2019 and the results of the business, changes in equity and cash flows of the Group for the year then ended; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors,

**Wong Lam Ping**

*Director*

**Wang Cuiping**

*Director*

28 June 2019

# FINANCIAL SECTION

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67	Consolidated Statement of Comprehensive Income
69	Statements of Financial Position
71	Consolidated Statement of Cash Flows
73	Consolidated Statement of Changes in Equity
74	Notes to the Financial Statements

*Expressed in Renminbi ("RMB")*

# INDEPENDENT JOINT AUDITORS' REPORT



**To the shareholders of Pan Hong Holdings Group Limited 汎港控股集團有限公司  
(incorporated in Bermuda with limited liability)**

## OPINION

We have audited the financial statements of Pan Hong Holdings Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 67 to 163, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 March 2019;
- the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company give a true and fair view of the consolidated financial position of the Group and of the financial position of the Company as at 31 March 2019 and of the consolidated financial performance and consolidated cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore and the Hong Kong Institute of Certified Public Accountants ("HKICPA") Code of Ethics for Professional Accountants ("HKICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements, the ACRA Code and the HKICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# INDEPENDENT JOINT AUDITORS' REPORT

## KEY AUDIT MATTERS (Continued)

### Revenue recognition

The Group recognised revenue from sale of properties held for sale of RMB293 million for the year ended 31 March 2019. Revenue arising from the sale of properties held for sale is recognised at a point in time when customers accept the properties, unless at the time of entering into the contract, the sales and purchase agreement satisfied the criteria for recognising revenue over time by containing an enforceable right to payment for performance completed to date and the performance of the Group does not create an asset with an alternative use to the Group. Revenue from sale of properties held for sale is recognised upon the transfer of control of these properties held for sale to the customers. The revenue recognition is dependent on the contractual arrangements for the sale and the laws in the relevant jurisdiction and may require significant audit effort and management judgement.

### Related disclosures

*Refer to notes 3.5, 4.2 and 6 to the consolidated financial statements*

### Audit response

Our audit procedures included:

- Assessing the management's control over the point of time at which revenue from sales of properties held for sale is recognised by obtaining an understanding of the management's control process and testing the control on a sample basis;
- Reading the terms stated in the sales and purchase agreements, on a sample basis, and obtaining evidence regarding the completion and the delivery of properties, on a sample basis, including checking to completion certificates and delivery notices, to assess whether the criteria for revenue recognition set out in note 3.5 to the consolidated financial statements have been met;
- Reviewing the legal advice provided by the Group's legal advisor, including the legal advisor's interpretation of the applicable laws and the implication on the assessment of the enforceability of the right to payment; and
- Assessing the competency, experience and objectivity of the legal advisor engaged by the Group.



# INDEPENDENT JOINT AUDITORS' REPORT

## KEY AUDIT MATTERS (Continued)

### **Assessment of net realisable value of properties held for sale and properties held under development**

The Group has significant properties held for sale and properties held under development in the People's Republic of China (the "PRC"). Properties held for sale of RMB552 million and properties held under development of RMB747 million together represent the largest category of assets on the consolidated statement of financial position as at 31 March 2019.

Properties held for sale and properties held under development are stated at the lower of their costs and their net realisable values.

The determination of the estimated net realisable value of these properties held for sale and properties held under development is critically dependent upon the Group's estimation of future selling prices and costs to complete their projects.

### **Related disclosures**

*Refer to notes 3.9, 3.10, 4.1, 19 and 20 to the consolidated financial statements*

### **Audit response**

Our audit procedures included:

- Assessing the calculations of net realisable values of properties held for sale and properties held under development, and challenging the reasonableness and consistency of the assumptions used by management;
- Assessing the appropriateness of the Group's estimated selling prices, on a sample basis, by comparing them to, where available, recently transacted prices and prices of comparable properties located in the same vicinity as the development projects; and
- Assessing the appropriateness of construction costs and interest expenses estimated by the management, on sample basis, based on underlying documentation and reasonableness.

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the Company's 2019 annual report, but does not include the financial statements and our joint auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# INDEPENDENT JOINT AUDITORS' REPORT

## RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a joint auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our joint auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our joint auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

# INDEPENDENT JOINT AUDITORS' REPORT

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner and director on the audit resulting in this independent joint auditors' report are Philip Aw Vern Chun from BDO LLP, and Lam Hung Yun, Andrew from BDO Limited, respectively.

### **BDO LLP**

Public Accountants and Chartered Accountants  
Singapore

28 June 2019

### **BDO Limited**

Certified Public Accountants  
Hong Kong

28 June 2019

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2019

		Group	
	Notes	2019 RMB'000	2018 RMB'000
<b>CONTINUING OPERATIONS</b>			
<b>Revenue</b>	6	<b>292,548</b>	386,842
Cost of sales		<b>(202,297)</b>	(331,186)
<b>Gross profit</b>		<b>90,251</b>	55,656
Other income and other gains and losses	6	<b>25,606</b>	11,348
Selling and distribution expenses		<b>(12,748)</b>	(9,397)
Administrative expenses		<b>(14,733)</b>	(18,789)
Loss allowance on other receivables		<b>(1,497)</b>	–
<b>Operating profit</b>		<b>86,879</b>	38,818
Finance costs	7	<b>(2,004)</b>	(2,475)
<b>Profit before income tax</b>	8	<b>84,875</b>	36,343
Income tax expense	9	<b>(30,122)</b>	(12,614)
<b>Profit for the year from continuing operations</b>		<b>54,753</b>	23,729
<b>DISCONTINUED OPERATIONS</b>			
<b>Profit for the year from discontinued operations</b>	10	–	17,913
<b>Profit for the year</b>		<b>54,753</b>	41,642
<b>Other comprehensive income, net of tax</b>			
<b>Item that will not be reclassified to profit or loss:</b>			
Changes in fair value of equity instruments at fair value through other comprehensive income		<b>3,461</b>	–
<b>Items that may be reclassified to profit or loss:</b>			
Exchange differences on translation of financial statements of foreign operations		<b>(400)</b>	27,756
Reclassification adjustments for foreign operations discontinued during the year		–	(16,725)
<b>Other comprehensive income for the year</b>		<b>3,061</b>	11,031
<b>Total comprehensive income for the year</b>		<b>57,814</b>	52,673
<b>Profit for the year attributable to:</b>			
Owners of the Company			
– from continuing operations		<b>54,753</b>	24,558
– from discontinued operations		–	20,292
		<b>54,753</b>	44,850
Non-controlling interests		–	(3,208)
		<b>54,753</b>	41,642

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2019

		<b>Group</b>	
	Notes	<b>2019</b>	2018
		<b>RMB'000</b>	RMB'000
<b>Total comprehensive income attributable to:</b>			
Owners of the Company			
– from continuing operations		<b>57,814</b>	38,802
– from discontinued operations		–	13,438
		<b>57,814</b>	52,240
Non-controlling interests		–	433
		<b>57,814</b>	52,673
<b>Earnings per share for profit attributable to the owners of the Company during the year (in RMB cents):</b>			
– Basic and diluted	12	<b>10.69</b>	8.75
<b>Earnings per share for profit attributable to the owners of the Company during the year from continuing operations (in RMB cents):</b>			
– Basic and diluted	12	<b>10.69</b>	4.79

# STATEMENTS OF FINANCIAL POSITION

as at 31 March 2019

	Notes	Group		Company	
		31 March 2019 RMB'000	31 March 2018 RMB'000	31 March 2019 RMB'000	31 March 2018 RMB'000
<b>ASSETS AND LIABILITIES</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	47,793	37,038	–	–
Investment properties	14	21,027	20,841	–	–
Investments in subsidiaries	15	–	–	278,608	278,608
Other financial asset	17	–	20,000	–	20,000
Financial asset at fair value through other comprehensive income	17	23,461	–	23,461	–
Deferred tax assets	18	6,368	6,790	–	–
		<b>98,649</b>	84,669	<b>302,069</b>	298,608
<b>Current assets</b>					
Properties held under development	19	746,789	788,559	–	–
Properties held for sale	20	551,532	130,596	–	–
Accounts receivable	21	–	1,410	–	–
Prepayments and other receivables	22	310,438	157,168	109	113
Amounts due from subsidiaries	23	–	–	368,892	328,892
Financial assets at fair value through profit or loss	24	56,187	8,077	–	–
Held-to-maturity investments	25	–	90,303	–	–
Tax recoverable		26,432	7,765	–	–
Structured bank balances	26	33,500	50,000	–	–
Pledged deposits	27	34,800	109,629	–	–
Cash and bank balances	27	357,222	202,198	155	161
		<b>2,116,900</b>	1,545,705	<b>369,156</b>	329,166

# STATEMENTS OF FINANCIAL POSITION

as at 31 March 2019

	Notes	Group		Company	
		31 March 2019 RMB'000	31 March 2018 RMB'000	31 March 2019 RMB'000	31 March 2018 RMB'000
<b>Current liabilities</b>					
Accounts payable		31,887	7,462	–	–
Accruals, receipts in advance and other payables	28	365,693	797,951	23	899
Contract liabilities	6	1,030,931	–	–	–
Current tax liabilities		54,420	58,013	–	–
Amounts due to related parties	23	11,361	11,352	368,091	326,064
Bank loans	29	46,608	100,407	–	–
		<b>1,540,900</b>	975,185	<b>368,114</b>	326,963
<b>Net current assets</b>		<b>576,000</b>	570,520	<b>1,042</b>	2,203
<b>Total assets less current liabilities</b>		<b>674,649</b>	655,189	<b>303,111</b>	300,811
<b>Non-current liabilities</b>					
Deferred tax liabilities	18	3,794	3,748	–	–
Net assets		<b>670,855</b>	651,441	<b>303,111</b>	300,811
<b>EQUITY</b>					
<b>Equity attributable to the Company's owners</b>					
Share capital	30	52,241	52,241	52,241	52,241
Reserves	31	612,958	593,544	250,870	248,570
		<b>665,199</b>	645,785	<b>303,111</b>	300,811
<b>Non-controlling interests</b>		<b>5,656</b>	5,656	–	–
<b>Total equity</b>		<b>670,855</b>	651,441	<b>303,111</b>	300,811

**Wong Lam Ping**  
Director

**Wang Cuiping**  
Director

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2019

	Group	
	2019	2018
	RMB'000	RMB'000
<b>Cash flows from operating activities</b>		
Profit before income tax		
From continuing operations	<b>84,875</b>	36,343
From discontinued operations (including gain on reclassification of exchange reserve from equity to profit or loss in relation to foreign operation discontinued)	–	58,027
	<b>84,875</b>	94,370
Adjustments for:		
Interest income	<b>(25,208)</b>	(22,087)
Interest expense	<b>2,004</b>	7,588
Depreciation of property, plant and equipment	<b>1,090</b>	3,677
Amortisation of an intangible asset	–	600
(Gain)/loss on disposal of property, plant and equipment	<b>(6)</b>	91
Share of result of an associate	–	1,315
Share of results of joint ventures	–	501
Net fair value loss for financial assets at fair value through profit or loss	<b>1,935</b>	2,643
Fair value adjustment on investment properties	<b>(186)</b>	(14,675)
Loss allowance on other receivables	<b>1,497</b>	–
Other receivables written off	<b>999</b>	–
Impairment loss on other financial assets	–	360
Gain on reclassification of exchange reserve from equity to profit or loss in relation to foreign operation discontinued	–	(16,725)
Operating profit before working capital changes	<b>67,000</b>	57,658
Increase in properties held under development and properties held for sale	<b>(351,944)</b>	(44,502)
Increase in accounts and other receivables and prepayments	<b>(190,034)</b>	(250,511)
Increase in restricted bank balances	<b>(101,390)</b>	–
Increase in financial assets at fair value through profit or loss	<b>(50,045)</b>	–
Increase in accounts and other payables, accruals, receipts in advance and contract liabilities	<b>623,098</b>	192,658
Cash used in operations	<b>(3,315)</b>	(44,697)
Interest received	<b>25,208</b>	22,087
Income taxes paid	<b>(51,960)</b>	(34,487)
<i>Net cash used in operating activities</i>	<b>(30,067)</b>	(57,097)



# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2019

	Group	
	2019	2018
	RMB'000	RMB'000
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(2,710)	(15,727)
Proceeds from disposals of property, plant and equipment	31	51
Purchase of other financial assets	–	(21,890)
Proceeds from disposal of other financial assets	–	1,800
Proceeds from disposal of other financial assets at amortised cost	90,303	–
Purchase of held-to-maturity investments	–	(90,303)
Decrease in structured bank balances	16,500	70,100
Decrease in pledged deposits with original maturity over three months	74,829	38,977
<i>Net cash generated from/(used in) investing activities</i>	<b>178,953</b>	(16,992)
<b>Cash flows from financing activities</b>		
Repayment to a related company	–	(21,640)
Proceeds from new borrowings	39,366	732,893
Repayments of borrowings	(94,698)	(403,282)
Advance to a joint venture	–	(2)
Distributions to non-controlling interests by subsidiary	–	(5,887)
Net cash outflow on distribution in specie	–	(222,147)
Dividend paid	(38,400)	(25,202)
Interest paid	(2,004)	(65,679)
<i>Net cash used in financing activities</i>	<b>(95,736)</b>	(10,946)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>53,150</b>	(85,035)
<b>Effect of foreign exchange difference</b>	<b>484</b>	(889)
<b>Cash and cash equivalents at beginning of the year</b>	<b>202,198</b>	288,122
<b>Cash and cash equivalents at end of the year</b>	<b>255,832</b>	202,198
<b>Analysis of the balances of cash and cash equivalents:</b>		
Cash and bank balances	357,222	202,198
Less: restricted bank balances	(101,390)	–
	<b>255,832</b>	202,198

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2019

	Equity attributable to owners of the Company												
	Share capital	Treasury shares	Share premium	Merger reserve	Statutory reserve	Capital reserve	Other reserve	Fair value through other comprehensive income reserve	Exchange reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2017	313,446	(12,817)	203,250	(2,243)	100,529	3,838	87,128	-	(19,314)	958,841	1,632,658	587,305	2,219,963
<b>Transaction with owners</b>													
Dividend declared	-	-	-	-	-	-	-	-	-	(25,202)	(25,202)	-	(25,202)
Dividend by way of distribution in specie of subsidiaries (Note 39)	-	-	-	-	-	-	-	-	-	(1,013,911)	(1,013,911)	(588,195)	(1,602,106)
Capital reduction	(261,205)	-	(203,250)	-	-	-	-	-	-	464,455	-	-	-
Transfer upon distribution in specie of subsidiaries	-	-	-	-	(70,236)	-	-	-	-	70,236	-	-	-
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(5,887)	(5,887)
Capital contribution to a subsidiary	-	-	-	-	-	-	-	-	-	-	-	12,000	12,000
	(261,205)	-	(203,250)	-	(70,236)	-	-	-	-	(504,422)	(1,039,113)	(582,082)	(1,621,195)
Profit for the year	-	-	-	-	-	-	-	-	-	44,850	44,850	(3,208)	41,642
<b>Other comprehensive income</b>													
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	-	24,115	-	24,115	3,641	27,756
Reclassification adjustments relating to distribution of subsidiaries during the year	-	-	-	-	-	-	-	-	(16,725)	-	(16,725)	-	(16,725)
Total comprehensive income for the year	-	-	-	-	-	-	-	-	7,390	44,850	52,240	433	52,673
Transfer to statutory reserves	-	-	-	-	5,075	-	-	-	-	(5,075)	-	-	-
<b>At 31 March 2018</b>	<b>52,241</b>	<b>(12,817)</b>	<b>-</b>	<b>(2,243)</b>	<b>35,368</b>	<b>3,838</b>	<b>87,128</b>	<b>-</b>	<b>(11,924)</b>	<b>494,194</b>	<b>645,785</b>	<b>5,656</b>	<b>651,441</b>
<b>Transaction with owners</b>													
Dividend declared	-	-	-	-	-	-	-	-	-	(38,400)	(38,400)	-	(38,400)
	-	-	-	-	-	-	-	-	-	(38,400)	(38,400)	-	(38,400)
Profit for the year	-	-	-	-	-	-	-	-	-	54,753	54,753	-	54,753
<b>Other comprehensive income</b>													
Changes in fair value of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	3,461	-	-	3,461	-	3,461
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	-	-	(400)	-	(400)	-	(400)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,461</b>	<b>(400)</b>	<b>54,753</b>	<b>57,814</b>	<b>-</b>	<b>57,814</b>
Transfer to statutory reserves	-	-	-	-	7,380	-	-	-	-	(7,380)	-	-	-
<b>At 31 March 2019</b>	<b>52,241</b>	<b>(12,817)</b>	<b>-</b>	<b>(2,243)</b>	<b>42,748</b>	<b>3,838</b>	<b>87,128</b>	<b>3,461</b>	<b>(12,324)</b>	<b>503,167</b>	<b>665,199</b>	<b>5,656</b>	<b>670,855</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 1. GENERAL INFORMATION

Pan Hong Holdings Group Limited (the “Company”) was incorporated in Bermuda under the laws of Bermuda on 20 December 2005 as an exempted company with limited liability. The Company’s shares are listed on the Main Board of the Singapore Exchange Securities Trading Limited (the “SGX-ST”).

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at Room 1214, Tower B, Hunghom Commercial Centre, 37–39 Ma Tau Wai Road, Hunghom, Hong Kong. The Company does not have a place of business in Singapore as at the date of this report.

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries (together with the Company, known as the “Group”) are set out in note 15 to the financial statements.

As disclosed in Notes 10, 11 and 39, pursuant to a resolution of the board of directors (“Directors”) of the Company on 8 February 2018, the Company declared a dividend, satisfied by distribution in specie of approximately 73.05% of the issued capital of its then subsidiary, Sino Harbour Holdings Group Limited (“Sino Harbour”) to the Company’s shareholders (the “Distribution”). The Distribution was made by way of allocating 3.51349 Sino Harbour shares for every share held by the Company’s shareholders. The Distribution in specie by the Company was recognised at the carrying amount of the net assets of Sino Harbour and its subsidiaries (collectively referred to as “Sino Harbour Group”) attributable to the owners of Company as the directors of the Company considered that Sino Harbour was ultimately under the control of the same parties before and after the Distribution. Upon the Distribution, the Group held no interest in Sino Harbour Group and Sino Harbour Group ceased to be subsidiaries of the Company. Sino Harbour Group is engaged in property development. Sino Harbour Group’s profit for the period from 1 April 2017 to 29 March 2018 (immediately before completion of the Distribution) was presented as discontinued operations in the consolidated financial statements and the comparative figures were restated accordingly. Details of the discontinued operations are set out in Note 10.

The financial statements on pages 67 to 163 have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) which collective term includes all applicable individual International Financial Reporting Standards and Interpretations approved by the International Accounting Standards Board (“IASB”), and all applicable individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB. The financial statements also include the applicable disclosure requirements of the Listing Manual of the SGX-ST (the “Listing Manual”).

The consolidated financial statements of the Group and statement of financial position of the Company for the year ended 31 March 2019 were approved for issue by the Directors on 28 June 2019.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 2. ADOPTION OF NEW OR AMENDED IFRSs

In current year, the Group has adopted, for the first time, the following new and revised standards, amendments and interpretations (the “new IFRSs”) issued by IASB and the International Financial Reporting Interpretations Committee (the “IFRIC”) of the IASB, which are relevant to the Group’s operations effective for its financial statements for the annual period beginning on 1 April 2018.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 15	Revenue from Contracts with Customers (Clarifications to IFRS 15)
Amendments to IAS 40	Transfers of Investment Property
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration

### IFRS 9 – Financial Instruments

#### (i) Classification and measurement of financial instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of IFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The transition to IFRS 9 had no impact on the opening of retained earnings.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at fair value through profit or loss (“FVTPL”), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of IFRS 9 has no material impact on the Group’s accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the Group’s classification and measurement of financial assets is set out below.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 2. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

### IFRS 9 – Financial Instruments (Continued)

#### (i) Classification and measurement of financial instruments (Continued)

Under IFRS 9, except for certain accounts receivable (that the accounts receivable do not contain a significant financing component in accordance with IFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost (“amortised cost”); (ii) financial assets at fair value through other comprehensive income (“FVOCI”); or (iii) FVTPL (as defined in above). The classification of financial assets under IFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the “solely payments of principal and interest” criterion, also known as “SPPI criterion”). Under IFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 2. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

### IFRS 9 – Financial Instruments (Continued)

#### (i) Classification and measurement of financial instruments (Continued)

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (equity instrument)	Equity investment at fair value through other comprehensive income are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

As of 1 April 2018, an unlisted equity investment was reclassified from available-for-sale financial asset to FVOCI. The unquoted equity instrument has no quoted price in an active market. The Group intends to hold the unquoted equity investment for long term strategic purposes. In addition, the Group has designated such unquoted equity instrument at the date of initial application as measured at FVOCI.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 2. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

### *IFRS 9 – Financial Instruments (Continued)*

#### (i) Classification and measurement of financial instruments (Continued)

The following table summarizes the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 April 2018:

<b>Financial assets</b>	<b>Original classification under IAS 39</b>	<b>New classification under IFRS 9</b>	<b>Carrying amount under IAS 39 as at 1 April 2018</b> RMB'000	<b>Carrying amount as under IFRS 9 at 1 April 2018</b> RMB'000
Listed equity investments	Held-for-trading	FVTPL	8,077	8,077
Unlisted equity investment	Available-for-sale	FVOCI	20,000	20,000
Held-to-maturity investments	Held-to-maturity	Amortised cost	90,303	90,303
Accounts and other receivables	Loans and receivables	Amortised cost	76,989	76,989
Pledged deposits	Loans and receivables	Amortised cost	109,629	109,629
Structured bank balances	Loans and receivables	Amortised cost	50,000	50,000
Cash and bank balances	Loans and receivables	Amortised cost	202,198	202,198

#### (ii) Impairment of financial assets

The adoption of IFRS 9 has changed the Group's impairment model by replacing the IAS 39 "incurred loss model" to the "ECLs model". IFRS 9 requires the Group to recognised ECLs for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than IAS 39. Cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current period.

Under IFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 2. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

### IFRS 9 – Financial Instruments (Continued)

#### (ii) Impairment of financial assets (Continued)

##### **Measurement of ECLs**

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for accounts receivable using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 2. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

### IFRS 9 – Financial Instruments (Continued)

#### (ii) Impairment of financial assets (Continued)

##### **Presentation of ECLs**

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the assets.

##### **Impact of ECLs**

As mentioned above, the Group applies the IFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all accounts receivable. To measure the ECLs, accounts receivable have been grouped based on shared credit risk characteristics and the days past due. Applying the ECLs model results in immaterial impairment on 1 April 2018 and for the year ended 31 March 2019.

All of the Group's other debt investments at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months ECLs. Applying the ECLs model results in immaterial impairment on 1 April 2018. The loss allowances increased for RMB1,497,000 for other receivables during the year ended 31 March 2019.

#### (iii) Hedge accounting

Hedge accounting under IFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

#### (iv) Transition

The Group has applied the transitional provision in IFRS 9 such that IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 March 2018, but are recognised in the statement of financial position on 1 April 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for the year ended 31 March 2018 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 2. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

### IFRS 9 – Financial Instruments (Continued)

#### (iv) Transition (Continued)

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of IFRS 9 (the “DIA”):

- The determination of the business model within which a financial asset is held; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt instrument had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

### IFRS 15 – Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. IFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted IFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 April 2018). As a result, the financial information presented for 2018 has not been restated.

The transition to IFRS 15 had no impact on the opening balance of retained earnings.

The following table summarised the impact of adopting IFRS 15 on the Group’s consolidated statement of financial position as at 31 March 2018. There was no material impact on the Group’s consolidated statement of comprehensive income or consolidated statement of cash flows for the year ended 31 March 2018.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 2. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

### *IFRS 15 – Revenue from Contracts with Customers (Continued)*

Impact on the consolidated statement of financial position as of 31 March 2019:

	Amount prepared under		Increase/ (decrease) RMB'000
	IFRS 15 RMB'000	Previous IFRS RMB'000	
<b>Liabilities</b>			
Current liabilities			
Contract liabilities	1,030,931	–	1,030,931
Accruals, receipts in advance and other payables	365,693	1,396,624	(1,030,931)
<b>Total current liabilities</b>	<b>1,540,900</b>	<b>1,540,900</b>	<b>–</b>
<b>Total liabilities</b>	<b>1,544,694</b>	<b>1,544,694</b>	<b>–</b>

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below:

#### Revenue recognition

##### Sales of properties

Customers obtain control of the properties when the properties are delivered to and have been accepted. Revenue is thus recognised when the customers accept the properties. There is no other goods or services agreed to be provided in the contract and in practice. There is generally only one performance obligation.

#### Contract liability

A contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

Prior to the adoption of IFRS 15, the Group recognised its contract liabilities under accruals, receipts in advance and other payables as receipts in advance from customers in the consolidated statement of financial position. Upon the adoption of IFRS 15, reclassifications have been made from accruals, receipts in advance and other payables to contract liabilities.

As of 1 April 2018, an increase in contract liabilities of approximately RMB557,149,000 and a decrease in accruals, receipts in advance and other payables of approximately RMB557,149,000 were recognised.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 2. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

### Amendments IFRS 15 – Revenue from Contracts with Customers (Clarifications to IFRS 15)

The amendments to IFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted IFRS 15 and took up the clarifications in this, its first year.

### Amendments to IAS 40, Investment Property – Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred. The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

The adoption of these amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously assessed transfers.

### IFRIC-Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 2. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

### IFRIC-Int 22 – Foreign Currency Transactions and Advance Consideration (Continued)

The following new and amended IFRSs which are potentially relevant to the Group's financial statements have been issued but are not yet effective and have not been early adopted by the Group:

IFRS 16	Leases <sup>1</sup>
IFRIC 23	Uncertainty Over Income Tax Treatments <sup>1</sup>
Amendments to IFRS 3	Definition of a Business <sup>2</sup>
Amendments to IFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
Annual Improvements to IFRSs 2015–2017 Cycle	Amendments to: IFRS 3 Business Combinations <sup>1</sup> IAS 12 Income Taxes <sup>1</sup> IAS 23 Borrowing Costs <sup>1</sup>
Amendments to IAS 1 and IAS 8	Definition of Material <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2020

### IFRS 16 – Leases

IFRS 16, which upon the effective date will supersede IAS 17 “Leases” and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

The Group is currently assessing the impact of IFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. Upon adoption of IFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 2. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

### IFRIC 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of IAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

### Amendments to IFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at FVOCI if specified conditions are met – instead of at FVTPL.

### Annual Improvements to IFRSs 2014–2016 Cycle – Amendments to IFRS 12, Disclosure of Interests in Other Entities

- IFRS 3 Business Combinations: Clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.
- IAS 12 Income Taxes: Clarifies that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.
- IAS 23 Borrowing Costs: Clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 2. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

### Amendments to IFRS 3 – Definition of a Business

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

### Amendments to IAS 1 and IAS 8 – Definition of Material

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

Save as discussed above, other than IFRS 16, all new standards, amendments to standards and interpretations issued but not effective are not likely to have significant impact on the Group's consolidated financial statements.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied all the years presented unless otherwise stated. The adoption of new or amended IFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 2.

### 3.1 Basis of preparation

The consolidated financial statements have been prepared under the historical cost basis, except for investment properties, financial assets at FVTPL and financial asset at FVOCI which are stated at fair values. The measurement bases are fully described in the accounting policies below.

The financial statements are presented in RMB and all values are rounded to the nearest thousand ("RMB'000"), except when otherwise indicated.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.1 Basis of preparation (Continued)

It should be noted that the accounting estimates and assumptions are used in preparing these financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

### 3.2 Basis of consolidation and business combination

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss.

The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by IFRS. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.2 Basis of consolidation and business combination (Continued)

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, (except for disposal of subsidiaries by way of distribution in specie by the Company, where the disposed subsidiaries are ultimately under control of the same parties before and after the distribution), the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Upon loss of control of a subsidiary through distribution of shares in the subsidiary to the shareholders of the Company where the subsidiary is ultimately controlled by the same parties both before and after the distribution, the Group (a) derecognises the assets and liabilities of the subsidiary at their carrying amounts at the date when control is lost; and (b) measures the distribution and the liability to distribute at the carrying amount of the net assets to be distributed.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.3 Subsidiaries

Subsidiaries are entities over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

### 3.4 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

### 3.5 Revenue recognition (accounting policies applied from 1 April 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.5 Revenue recognition (accounting policies applied from 1 April 2018) (Continued)

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

For revenue from sale of properties and pre-completion contracts for the sale of development properties in the ordinary course of business, customers obtain control of the properties when the properties are delivered to and have been accepted. Revenue is thus recognised when the customers accept the properties. There is no other goods or services agreed to be provided in the contract and in practice. There is generally only one performance obligation. Payments are usually received in advance and recognised as contract liabilities. IFRS 15 did not result in significant impact on the Group's accounting policies.

Interest income is recognised on a time-proportion basis using the effective interest method.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease terms.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.6 Revenue recognition (accounting policies applied until 31 March 2018)

Revenue comprises the fair value of the consideration received or receivable for the sale of properties, rendering of services and the use by others of the Group's assets yielding interest, dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Revenue arising from sale of properties held for sale is recognised upon the transfer of the significant risks and rewards of ownership of these properties held for sale to the purchasers. Revenue is recognised upon the transfer of the legal title or the passing of possession to the buyer or a completion certificate by the relevant government authorities, whichever is the later. Deposits and instalments received from purchasers prior to the date of revenue recognition are included in current liabilities as receipts in advance.

Interest income is recognised on a time-proportion basis using the effective interest method.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease terms.

### 3.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is calculated to allocate the depreciable amounts of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold interests in land	2.5%
Buildings	2.5%
Computers and other equipment	20.0%
Leasehold improvement	5.0%
Motor vehicles	20.0%

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.7 Property, plant and equipment (Continued)

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted, if appropriate, at each reporting date.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### 3.8 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at fair value, unless it is still in the course of construction or development at the reporting date and its fair value cannot be reliably determined at that time.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.8 Investment properties (Continued)

Fair value is determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment properties. The carrying amounts recognised in the consolidated statement of financial position reflect the prevailing market conditions at the reporting date.

Gain or loss arising from either a change in fair value or the sale of investment properties is included in profit or loss for the period in which it arises.

For a transfer from properties held under development and properties held for sale to investment properties that is carried at fair value, any difference between fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in profit or loss.

### 3.9 Properties held under development

Properties held under development which are held for future sale are included in current assets and comprise certain leasehold interest in land (note 3.11) and capitalised depreciation of certain property, plant and equipment (note 13) and aggregate cost of development, materials and supplies, wages, and other expenses ("development costs"). Properties held under development are stated at the lower of cost and net realisable value. Other expenses included (a) those costs that are incurred in bringing the properties held under development to their present location and condition; and (b) a systematic allocation of fixed overheads that are incurred on development of properties. Fixed overheads are indirect costs which remain relatively constant regardless of the size or volume of the development.

On completion, the properties are transferred to properties held for sale. Cost is calculated using the weighted average method.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and applicable selling expenses.

Properties held under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.10 Properties held for sale

In case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. The cost of completed properties held for sale comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

### 3.11 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases where substantially all the risks and rewards of ownership of assets remain within the lessor are accounted for as operating leases. Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentive received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the period in which they are incurred.

Leasehold interests in land are up-front payments to acquire the land use right. The payments are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis over the lease term.

Certain leasehold interests in land are included in properties held under development and properties held for sale (notes 19 and 20).

Certain properties leased out under operating leases are included in the statement of financial position as investment properties. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line-basis over the lease term. The recognition of rental income is set out in note 3.5 and 3.6.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.12 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

### 3.13 Financial Instruments (accounting policies applied from 1 April 2018)

#### (i) Financial assets

A financial asset (unless it is an account receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. An account receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.13 Financial Instruments (accounting policies applied from 1 April 2018) (Continued)

(i) Financial assets (Continued)

Debt instruments (Continued)

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investment at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECLs on accounts receivable, and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.13 Financial Instruments (accounting policies applied from 1 April 2018) (Continued)

(ii) Impairment loss on financial assets (Continued)

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for accounts receivable using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset to be default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.13 Financial Instruments (accounting policies applied from 1 April 2018) (Continued)

(ii) Impairment loss on financial assets (Continued)

The Group considers a financial asset to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.13 Financial Instruments (accounting policies applied from 1 April 2018) (Continued)

(iii) Financial liabilities (Continued)

Financial liabilities at amortised cost

Financial liabilities at amortised cost including accounts payable, accruals and other payables, bank loans and amounts due to related parties. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in 3.13(ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of IFRS 15.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.13 Financial Instruments (accounting policies applied from 1 April 2018) (Continued)

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

### 3.14 Financial Instruments (accounting policies applied until 31 March 2018)

(i) Financial assets

The Group's accounting policies for financial assets are set out below.

Financial assets are classified into the following categories:

- financial assets at FVTPL
- loans and receivables
- held-to-maturity investments
- available-for-sale financial assets

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date. All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the receivables/investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.14 Financial Instruments (accounting policies applied until 31 March 2018) (Continued)

(i) Financial assets (Continued)

Financial assets at FVTPL

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

The Group has designated contingent consideration arising from acquisition of associate as financial assets at fair value through profit or loss upon initial recognition.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

At each reporting date, loans and receivables are reviewed to determine whether there is any objective evidence of impairment. Objective evidence of impairment of individual financial assets includes observable data that come to the attention of the Group about one or more of the following loss events:

- (a) significant financial difficulty of the debtor; a breach of contract, such as a default or delinquency in interest or principal payments;
- (b) it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- (c) significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtors; and
- (d) a significant or prolonged decline in the fair value of an investment in an equity instrument below its costs.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.14 Financial Instruments (accounting policies applied until 31 March 2018) (Continued)

(i) Financial assets (Continued)

Loans and receivables (Continued)

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs. In relation to accounts and notes receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Except for accounts and other receivables, the carrying amount of loans and receivables is directly reduced by any identified amount of impairment. The carrying amount of account and other receivables is reduced through the use of an allowance account. When any part of account and other receivables is determined as uncollectible, it is written off against the allowance account.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.14 Financial Instruments (accounting policies applied until 31 March 2018) (Continued)

(i) Financial assets (Continued)

Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.14 Financial Instruments (accounting policies applied until 31 March 2018) (Continued)

(i) Financial assets (Continued)

Available-for-sale financial assets (Continued)

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

(ii) Financial liabilities

The Group's financial liabilities include accounts payable, accruals and other payables, amounts due to related parties and bank loans.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the group's policy on borrowing costs (note 3.21). A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Bank loans

Bank loans are recognised initially at fair value, net of transaction cost incurred. Bank loans are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the loans using the effective interest method.

Bank loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.14 Financial Instruments (accounting policies applied until 31 March 2018) (Continued)

(ii) Financial liabilities (Continued)

Amounts due to related parties, accounts payable, and accruals and other payables

Amounts due to related parties and accounts payables, and accruals and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

(iii) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(iv) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within account and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.15 Foreign currency translation

The consolidated financial statements are presented in RMB, which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into the RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into RMB at the closing rates.

When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

### 3.16 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.16 Accounting for income tax (Continued)

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, an associate and joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under IAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Changes in deferred tax assets or liabilities are recognised in the profit or loss or in other comprehensive income or directly in equity if they relate to items that are charged or credited directly to other comprehensive income or directly in equity.

- (a) the Group has the legally enforceable right to set off the recognised amounts;
- (b) current tax assets and current tax liabilities are presented in net if, and only if, and;

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.16 Accounting for income tax (Continued)

- (c) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (i) the same taxable entity; or
  - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### 3.17 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, less pledged deposits.

### 3.18 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment and investments in subsidiaries and associates to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.18 Impairment of non-financial assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

### 3.19 Retirement benefit costs and short term employee benefits

#### Retirement benefits to employees

The Group operates a defined contribution scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance which is available to its employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are made based on a percentage of employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme.

Pursuant to the relevant regulations in the People's Republic of China ("PRC"), the Group has participated in a local municipal government retirement benefit scheme (the "Scheme"), whereby the Group is required to contribute a certain percentage of basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees in the PRC. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. The Group's contributions to the Scheme are expensed as incurred.

#### Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.20 Share capital, treasury shares and share premium

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

Share premium includes any premiums received on the issuance of shares over the par value. Any transaction costs associated with the issuance of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

### 3.21 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other finance costs are expensed.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are completed.

### 3.22 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.23 Contingent asset

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

### 3.24 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

### 3.25 Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to financial statements. Interim dividends are simultaneously proposed and declared and consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.26 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Company's parent.

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Group or the Company, directly or indirectly, including any directors (whether executive or otherwise) of the Group or the Company.

- (b) An entity is related to the Group if any of the following conditions apply:
- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) both entities are joint ventures of the same third party.
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) the entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
  - (vi) the entity is controlled or jointly controlled by a person identified in (a).
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.26 Related parties (Continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### Fair value of investment properties, and properties held for sale upon transfer to investment properties

Properties held under development and properties held for sale upon transfer to investment properties of the Group were stated at fair value in accordance with the accounting policy. The fair value of the investment properties is determined by a firm of independently qualified professional surveyors and the fair value of investment properties as at the reporting dates and properties held for sale upon transfer to investment properties are set out in notes 14 and 20 respectively. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. During the year ended 31 March 2018, properties held for sale with carrying amount of approximately RMB1,903,000 were transferred to investment properties.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

### 4.1 Critical accounting estimates and assumptions (Continued)

#### Impairment of accounts and other receivables

The Group's management assesses the collectability of accounts and other receivables by determining future cash flows. This estimate is based on assumptions about risk of default and expected loss rates. A considerable amount of judgment is required in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates. Management will reassess the provision at the reporting date. Where the expectation is different from the original estimate, such differences will affect the carrying value of receivables and thus the impairment loss in the period in which such estimate is changed. The carrying amounts of the Group's accounts and other receivables as at 31 March 2019 were approximately RMB178,318,000 (2018: RMB76,989,000) respectively.

#### Net realisable value of properties held for sale and properties held under development

Management determines the net realisable value of properties held for sale and properties held under development by using prevailing market data such as most recent sale transactions and valuation of the projects in its existing partially completed state of construction taking into account cost of work done, and cost to completion from gross development value assuming satisfactory completion.

These estimates require judgment as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions. The carrying amounts of the Group's properties held under development and properties held for sale as at 31 March 2019 were approximately RMB746,789,000 (2018: RMB788,559,000) and RMB551,532,000 (2018: RMB130,596,000) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

### 4.2 Critical judgments in applying the entity's accounting policies

#### Revenue recognition

Revenue from sales of properties is recognised at a point in time when the buyer obtains control of the completed property; otherwise, revenue is recognised over time when the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Due to the contractual restrictions with the customer, the Group shall not change or substitute the property unit or redirect the property unit for another use and thus the property unit does not have an alternative use to the Group. However, it requires management to exercise significant judgement to determine whether there is an enforceable right to payment for performance completed to date, which depends on the terms of sales and purchase agreement and the interpretation of the applicable laws that apply to the contract. The Group has obtained legal counsel opinion regarding the enforceability of the right to payment for sales and purchase agreements. Management uses judgments, based on legal counsel opinion, to classify sales and purchase agreements into those with right to payment for performance completed to date and those without the right.

The Group believes that its recognition basis of sales as set out in note 3.5 is appropriate and is the current practice in the PRC.

#### Estimates of current tax and deferred tax

The Group is subject to taxation in various jurisdictions. Significant judgment is required in determining the amount of the provision of taxation and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in periods in which such determination are made.

The Group is subject to Land Appreciation Tax ("LAT") in the PRC. However, the implementation and settlement of this tax varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its LAT calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of the land appreciation and its related LAT. The Group recognised LAT based on management's best estimates according to the understanding of the tax rules.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 5. SEGMENT INFORMATION

The Group is principally engaged in the business of property development in PRC. In prior years, the Group has identified the following reportable segments based on regions in which the properties are developed and sold:

- Northern Region, which including the Group's business in northern provinces or cities of the PRC (the country of domicile of the Company)
- Southern Region, which including the Group's business in southern provinces or cities of the PRC

During the year ended 31 March 2018, as discussed in note 1, Sino Harbour Group, which is engaged in the property development in the southern region, is considered as an operating segment and is presented as discontinued operations of the Group. Upon the discontinuation of the business in the southern region, management of the Group reassessed the Group's segment reporting and decided that for financial reporting purposes, the Group operates as a single operating segment.

The single operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segment, have been identified as the executive directors that make strategic decisions.

The Group's revenue from external customers is derived from the PRC (country of domicile) and its non-current assets (other than deferred tax assets) are located in the PRC. There is no single customer that contributed to 10% or more of the Group's revenue for the years ended 31 March 2019 and 2018.

The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the non-current assets is based on the physical location of the asset.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 6. REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES

The Group's revenue from contracts with customers recognised at a point in time, other income and other gains and losses from continuing operations recognised during the year are as follows:

	<b>Group</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
<b>Continuing operations</b>		
<b>Revenue</b>		
Sale of properties held for sale	<b>292,548</b>	386,842
<b>Other income and other gains and losses</b>		
Exchange gain, net	<b>747</b>	91
Net fair value loss on financial assets at FVTPL	<b>(1,935)</b>	(3,263)
Net fair value gain of investment properties	<b>186</b>	348
Gain on disposal of property, plant and equipment	<b>6</b>	–
Interest income		
– from bank deposits	<b>1,582</b>	4,227
– from other receivables	<b>10,319</b>	4,609
– from structured bank balances	<b>8,009</b>	4,051
– from others	<b>5,298</b>	–
	<b>25,208</b>	12,887
Rental income	<b>857</b>	975
Sundry income	<b>537</b>	310
	<b>25,606</b>	11,348

The following table provides information about contract liabilities from contracts with customers.

	<b>Group</b>	
	<b>31 March</b>	1 April
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Contract liabilities	<b>1,030,931</b>	557,149

Contract liabilities mainly relate to the deposits received from customers for sales of properties.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 6. REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES (Continued)

Contract liabilities of approximately RMB184,630,000 as of 1 April 2018 were recognised as revenue for the year ended 31 March 2019 from acceptance of properties by customers.

As at 31 March 2019, contract liabilities or the aggregated amount of the deposits received from the remaining performance obligations under the Group's existing contracts was RMB1,030,931,000. This amount represents revenue expected to be recognised in the future from approximately acceptance of properties by customers. The Group will recognise the expected revenue in future, which is expected to occur in the next 1 to 24 months.

## 7. FINANCE COSTS

	Notes	Group 2019 RMB'000	2018 RMB'000
<b>Continuing operations</b>			
<b>Interest charges on financial liabilities stated at amortised cost:</b>			
Bank loans	(a)	<b>2,004</b>	3,624
Less: amount capitalised in properties held under development	(b)	–	(1,149)
		<b>2,004</b>	2,475

Notes:

- (a) The analysis shows the finance costs of bank loans, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in the loan agreements. For the year ended 31 March 2019, the interests on bank loans contain a repayment on demand clause amounted to approximately RMB2,004,000 (2018: RMB1,011,000).
- (b) The weighted average capitalisation rate of borrowings was 2.14% per annum for the year ended 31 March 2018.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 8. PROFIT BEFORE INCOME TAX

Profit before income tax from continuing operations is arrived at after charging/(crediting):

	<b>Group</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
<b>Continuing operations</b>		
Auditors' remunerations		
– Audit service	<b>706</b>	611
– Non-audit service	<b>–</b>	42
Depreciation of property, plant and equipment (note 13)	<b>1,090</b>	822
Cost of properties held for sale recognised as expense	<b>200,571</b>	316,942
Operating lease charge in respect of land and buildings	<b>556</b>	164
Less: amount capitalised in properties held under development	<b>(24)</b>	(39)
	<b>532</b>	125
Outgoings in respect of investment properties that generated rental income during the year	<b>20</b>	98
Employee costs, including directors' remuneration		
– Wages and salaries	<b>9,966</b>	9,746
– Retirement benefit scheme contributions		
– defined contribution plans	<b>1,606</b>	1,180
Less: amount capitalised in properties held under development	<b>(3,163)</b>	(1,689)
	<b>8,409</b>	9,237
Loss allowance on other receivables	<b>1,497</b>	–
Other receivables written off	<b>999</b>	–
Other taxes	<b>2,211</b>	2,871



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 9. INCOME TAX EXPENSE

		Group	
	Notes	2019 RMB'000	2018 RMB'000
<b>Current tax – PRC</b>			
– Enterprise income tax (“EIT”)	(a)	<b>21,271</b>	13,212
– LAT	(b)	<b>8,383</b>	34,341
<b>Overprovision in prior years</b>			
– LAT	(b)	–	(3,000)
		<b>29,654</b>	44,553
<b>Deferred income tax (note 18)</b>		<b>468</b>	8,175
<b>Total income tax expense</b>		<b>30,122</b>	52,728

Notes:

- (a) EIT has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2018: 25%).

Under the law of the PRC on EIT, corporate withholding income tax is levied on the foreign investor for the dividends distributed out of the profits generated by the foreign investment enterprises. The Group's applicable withholding income tax rate is 5% (2018: 5%).

- (b) LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including cost and land use rights, borrowing costs, business tax and all property development expenditures. The tax is incurred upon transfer of property ownership. There are certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items (as defined in the relevant PRC tax laws). Sales of commercial properties are not eligible for such an exemption.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 9. INCOME TAX EXPENSE (Continued)

Reconciliation between income tax expense and accounting profit at the applicable tax rate is as follows:

	<b>Group</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Profit before income tax from continuing operations	<b>84,875</b>	36,343
Profit before income tax from discontinued operations	–	41,302
	<b>84,875</b>	77,645
Tax on profit before taxation, calculated at the rates applicable to profit in the jurisdiction concerned	<b>21,219</b>	19,411
Tax effect of non-taxable income	<b>(1,551)</b>	(2,657)
Tax effect of non-deductible expenses	<b>3,116</b>	9,697
Provision for LAT for the year	<b>8,383</b>	34,341
Over provision of LAT in prior years	–	(3,000)
Tax effect on EIT of LAT payable	<b>(2,096)</b>	(7,835)
Effect of withholding income tax on distributable profits of the Group's PRC subsidiaries	<b>1,051</b>	2,771
Total income tax expense	<b>30,122</b>	52,728
Total income tax expense from continuing operations	<b>30,122</b>	12,614
Total income tax expense from discontinued operations	–	40,114

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 10. DISCONTINUED OPERATIONS

Pursuant to a resolution of the board of directors of the Company on 8 February 2018 the Company declared a dividend, satisfied by distribution in specie of approximately 73.05% of the issued capital of its subsidiary, Sino Harbour, to the Company's shareholders. The Distribution was made by way of allocating 3.51349 Sino Harbour ordinary shares for every share held by the Company's shareholders. Upon the completion of the Distribution on 29 March 2018, the Group held no interest in Sino Harbour Group and Sino Harbour Group ceased to be subsidiaries of the Company. Details of the Distribution have been disclosed in the announcement of the Company dated 8 February 2018.

The consolidated profit for the period from 1 April 2017 to 29 March 2018 from the discontinued operations is set out below.

	<b>For the period from 1 April 2017 to 29 March 2018 RMB'000</b>
<b>Discontinued operations</b>	
<b>Revenue</b>	134,082
Cost of sales	(89,321)
<b>Gross profit</b>	44,761
Other income and other gains and losses	62,996
Selling and distribution expenses	(10,776)
Administrative expenses	(48,750)
<b>Operating profit</b>	48,231
Finance costs	(5,113)
Share of results of joint ventures	(501)
Share of results of an associate	(1,315)
<b>Profit before income tax</b>	41,302
Income tax expense	(40,114)
<b>Profit after tax</b>	1,188
Gain on reclassification of exchange reserve from equity to profit or loss in relation to Sino Harbour Group	16,725
<b>Profit for the period</b>	17,913

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 10. DISCONTINUED OPERATIONS (Continued)

Profit before income tax from discontinued operations is arrived at after charging/(crediting):

	<b>For the period from 1 April 2017 to 29 March 2018 RMB'000</b>
<b>Discontinued operations</b>	
Auditors' remuneration	841
Interest income	(9,200)
Interest charges on financial liabilities stated at amortised cost:	
– Bank loans	62,055
Less: amount capitalised in properties held under development	(56,942)
	5,113
Depreciation of property, plant and equipment (note 13)	2,855
Amortisation of an intangible asset	600
Loss on disposal of property, plant and equipment	91
Impairment loss on other financial assets	360
Cost of properties held for sale recognised as expense	86,330
Net fair value gain of investment properties	(14,327)
Net fair value gain on financial assets through profit or loss	(620)
Operating lease charge in respect of land and buildings	2,537
Outgoings in respect of investment properties that generated rental income during the year	329
Employee costs, including directors' remuneration	
– Wages and salaries	28,596
– Retirement benefit scheme contributions – defined contribution plans	3,086
Less: amount capitalised in properties held under development	(5,296)
	26,386

During the period from 1 April 2017 to 29 March 2018, Sino Harbour Group contributed to the Group's net operating cash outflows of approximately RMB238,054,000, paid approximately RMB42,184,000 in respect of investing activities and received approximately RMB238,414,000 in respect of financing activities.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 11. DIVIDENDS AND DISTRIBUTION

### (a) Dividends

Dividends of the Company attributable to the year are as follows:

	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Final dividends paid in respect of prior year	<b>38,400</b>	25,202

On 25 May 2017, the directors declared a final dividend of Singapore Dollar ("S\$") 0.01 per ordinary share (tax not applicable), amounting to approximately S\$5,123,000 (equivalent to RMB25,202,000) for the year ended 31 March 2017, and formal approval by the shareholders was obtained at the annual general meeting held on 28 July 2017.

On 25 May 2018, the directors declared a first and final dividend of S\$0.015 per ordinary share (tax not applicable), amounting to approximately S\$7,685,000 (equivalent to RMB38,400,000) for the year ended 31 March 2018, and formal approval by the shareholders was obtained at the annual general meeting held on 30 July 2018.

On 28 May 2019, the directors proposed a first and final dividend of S\$0.01 per ordinary share (tax not applicable), amounting to approximately S\$5,123,000 (equivalent to RMB25,690,000) for the year ended 31 March 2019, and will be submitted for formal approval by the shareholders at the annual general meeting held on 26 July 2019.

### (b) Distribution

On 8 February 2018, the Company declared a dividend, satisfied by distribution in specie of approximately 73.05% of the issued capital of its subsidiary, Sino Harbour to the Company's shareholders. The Distribution was made by way of allocating 3.51349 Sino Harbour shares for every share held by the Company's shareholders. The Distribution by the Company was recognised at the carrying amount of the net assets of Sino Harbour Group of approximately RM1,602,106,000 of which approximately RMB1,013,911,000 was attributable to the owners of the Company as the directors of the Company considered that Sino Harbour Group was ultimately under the control of the same parties before and after the Distribution.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 12. EARNINGS PER SHARE

#### For continuing and discontinued operations

The calculation of basic earnings per share attributable to owners of the Company is based on the following data:

	2019 RMB'000	2018 RMB'000
<b>Earnings</b>		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to the owners of the Company)	54,753	44,850
	2019	2018
<b>Number of shares</b>		
Number of ordinary shares in issue during the year for the purpose of calculating basic earnings per share	512,311,024	512,311,024

#### For continuing operations

The calculation of basic earnings per share for continuing operations attributable to owners of the Company is based on the following data:

	2019 RMB'000	2018 RMB'000
<b>Earnings</b>		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to the owners of the Company)	54,753	44,850
Less: profit for the year from discontinued operations	–	(20,292)
Earnings for the purpose of calculating basic earnings per share for continuing operations (profit for the year from continuing operations attributable to the owners of the Company)	54,753	24,558

The denominators used are the same as those detailed above for basic earnings per share for continuing and discontinued operations.

#### For discontinued operations

Basic earnings per share for discontinued operations for the year ended 31 March 2018 is RMB3.96 cents, based on the profit for the year from discontinued operations of approximately RMB20,292,000 and the denominators used are the same as those detailed above for basic earnings per share for continuing and discontinued operations.

No diluted earnings per share has been presented for the years ended 31 March 2019 and 2018 because there were no potential ordinary shares outstanding during the years.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 13. PROPERTY, PLANT AND EQUIPMENT

### Group

	Computers and other equipment RMB'000	Motor vehicles RMB'000	Leasehold interest in land RMB'000	Buildings RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
<b>At 1 April 2017</b>							
Cost	8,886	7,943	8,670	72,409	2,307	-	100,215
Accumulated depreciation	(6,801)	(6,542)	(3,219)	(5,304)	(1,816)	-	(23,682)
<b>Carrying amount</b>	<b>2,085</b>	<b>1,401</b>	<b>5,451</b>	<b>67,105</b>	<b>491</b>	<b>-</b>	<b>76,533</b>
<b>Year ended 31 March 2018</b>							
Opening carrying amount	2,085	1,401	5,451	67,105	491	-	76,533
Additions	3,151	1,479	-	-	11,097	-	15,727
Transfer from properties held for sale (note 20)	-	-	-	-	-	17,636	17,636
Disposals/written off	(70)	(72)	-	-	-	-	(142)
Disposal of subsidiaries (note 39)	(3,557)	(1,201)	-	(52,221)	(10,718)	-	(67,697)
Depreciation	(992)	(704)	(214)	(1,507)	(533)	-	(3,950)
Exchange difference	(2)	(35)	(707)	(272)	(53)	-	(1,069)
<b>Closing carrying amount</b>	<b>615</b>	<b>868</b>	<b>4,530</b>	<b>13,105</b>	<b>284</b>	<b>17,636</b>	<b>37,038</b>
<b>At 31 March 2018</b>							
Cost	3,091	2,657	7,963	15,703	2,107	17,636	49,157
Accumulated depreciation	(2,476)	(1,789)	(3,433)	(2,598)	(1,823)	-	(12,119)
<b>Carrying amount</b>	<b>615</b>	<b>868</b>	<b>4,530</b>	<b>13,105</b>	<b>284</b>	<b>17,636</b>	<b>37,038</b>
<b>Year ended 31 March 2019</b>							
Opening carrying amount	<b>615</b>	<b>868</b>	<b>4,530</b>	<b>13,105</b>	<b>284</b>	<b>17,636</b>	<b>37,038</b>
Additions	<b>220</b>	<b>184</b>	-	-	<b>2,306</b>	-	<b>2,710</b>
Transfer from properties held for sale (note 20)	-	-	-	<b>8,810</b>	-	-	<b>8,810</b>
Disposals/written off	<b>(4)</b>	<b>(21)</b>	-	-	-	-	<b>(25)</b>
Depreciation	<b>(310)</b>	<b>(498)</b>	<b>(229)</b>	<b>(237)</b>	<b>(98)</b>	-	<b>(1,372)</b>
Exchange difference	<b>1</b>	-	<b>434</b>	<b>167</b>	<b>30</b>	-	<b>632</b>
<b>Closing carrying amount</b>	<b>522</b>	<b>533</b>	<b>4,735</b>	<b>21,845</b>	<b>2,522</b>	<b>17,636</b>	<b>47,793</b>
<b>At 31 March 2019</b>							
Cost	<b>3,199</b>	<b>3,078</b>	<b>8,397</b>	<b>24,680</b>	<b>4,443</b>	<b>17,636</b>	<b>61,433</b>
Accumulated depreciation	<b>(2,677)</b>	<b>(2,545)</b>	<b>(3,662)</b>	<b>(2,835)</b>	<b>(1,921)</b>	-	<b>(13,640)</b>
<b>Carrying amount</b>	<b>522</b>	<b>533</b>	<b>4,735</b>	<b>21,845</b>	<b>2,522</b>	<b>17,636</b>	<b>47,793</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Buildings held by the Group are located in the PRC and Hong Kong. At 31 March 2019, the Group's certain buildings of approximately RMB6,361,000 (2018: RMB6,158,000) were pledged for bank loans (note 29) of the Group.

Depreciation charges have been included in:

	<b>Group</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Depreciation for the year	<b>1,372</b>	3,950
Capitalised in properties held under development	<b>(282)</b>	(273)
	<b>1,090</b>	3,677
Less: Attributable to discontinued operations		
Depreciation for the year	–	(3,108)
Capitalised in properties held under development	–	253
	–	(2,855)
	<b>1,090</b>	822

During the year ended 31 March 2019, properties held for sale with a carrying value of approximately RMB8,810,000 (2018:RMB17,636,000) were transferred to owner-occupied properties due to change in use (note 20).

### 14. INVESTMENT PROPERTIES

	<b>Group</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Carrying amount at beginning of the year	<b>20,841</b>	557,247
Transfer from properties held for sale	–	5,129
Net fair value gain charged to profit or loss	<b>186</b>	11,449
Disposal of subsidiaries (note 39)	–	(552,984)
Carrying amount at end of the year	<b>21,027</b>	20,841

The investment properties included leasehold interest in land located in the PRC with lease terms expiring from 2032 to 2046 (2018: 2032 to 2046). As at 31 March 2019, the building ownership certificates of certain investment properties of the Group with carrying amount of approximately RMB190,000 (2018: RMB190,000) have not yet been obtained. In the opinion of the independent PRC legal advisors of the Group, the Group is entitled to obtain the building ownership certificates without legal impediment and is entitled to lawfully and validly use the investment properties during the year.

Certain investment properties are leased to non-related parties under operating lease (note 35).



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 14. INVESTMENT PROPERTIES (Continued)

During the year ended 31 March 2018, properties held for sale with carrying amount of approximately RMB1,903,000 (note 20) were transferred to investment properties as these properties were under operating lease arrangements with third parties during the year to earn rental, rather than for sale in the ordinary course of business of the Group. The fair value of these properties upon transfer to investment properties was approximately RMB5,129,000.

The total net fair value gain of investment properties approximately RMB186,000 (2018: RMB14,675,000) was credited to profit or loss for the year ended 31 March 2019.

The fair value of the investment properties at 31 March 2019 and 2018 was revalued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a firm of independent qualified professional surveyors who have the recent experience in the location and category of property being valued, which were based on the direct comparison approach, assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market while appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject properties; and the income approach by taking into account the net rental income derived from its existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at an appropriate capitalisation rate.

The fair value of investment properties is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below.

	<b>Group</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Opening balance (level 3 recurring fair value)	<b>20,841</b>	557,247
Transfer from properties held for sale	–	5,129
Disposal of subsidiaries	–	(552,984)
Change in revaluation of investment properties	<b>186</b>	11,449
Closing balance (level 3 recurring fair value)	<b>21,027</b>	20,841
Unrealised gains or losses for the year included in profit or loss for assets held at 31 March	<b>186</b>	14,675

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 14. INVESTMENT PROPERTIES (Continued)

The following table shows the significant unobservable inputs used in the valuation model:

Properties	Fair value hierarchy	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable Inputs to fair value
Shop units in the PRC	3	Direct comparison approach	(Discount)/premium on quality of the property	(8.7)% (2018: (7.1)%)	The higher the discount, the lower the fair value; the higher the premium, the higher the fair value
Shop units in the PRC	3	Income approach	Term yield	5.0%–7.5% (2018: 5.0%–7.5%)	The higher the term yield, the lower the fair value.
			Reversionary yield	5.5%–7.5% (2018: 5.5%–7.5%)	The higher the reversionary yield, the lower the fair value

There were no changes to the valuation techniques during the year.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 15. INVESTMENTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Unlisted investments, at cost	<b>278,608</b>	278,608

Particulars of principal subsidiaries, each of which is a limited liability company, were as follows:

<b>Name</b>	<b>Place of incorporation/ establishment</b>	<b>Principal activities and place of business</b>	<b>Effective percentage of equity interest held by the Company</b>	
			<b>2019</b>	2018
<b>Directly held:</b>				
Modernland Developments Limited	British Virgin Islands ("BVI")	Investment holding, Hong Kong	<b>100%</b>	100%
Far East Construction Limited	Hong Kong	Investment holding, Hong Kong	<b>100%</b>	100%
Loerie Investments Limited	BVI	Investment holding, Hong Kong	<b>100%</b>	100%
Ho Hong (HK) Management Company Limited	Hong Kong	Investment holding, Hong Kong	<b>100%</b>	100%
Winner Champ Investment Limited	Hong Kong	Investment holding, Hong Kong	<b>100%</b>	100%
<b>Indirectly held:</b>				
Pan Hong Investment Limited	Hong Kong	Investment holding, Hong Kong	<b>100%</b>	100%
Wiseidea Investments Limited	BVI	Investment holding, Hong Kong	<b>100%</b>	100%
All Grace Corporation Limited	Hong Kong	Investment holding, Hong Kong	<b>100%</b>	100%
Hangzhou Liyang Housing and Landing Development Co., Ltd.	PRC	Property development and investment holding, PRC	<b>100%</b>	100%
Huzhou Liyang Housing and Landing Development Co., Ltd.	PRC	Property development, PRC	<b>100%</b>	100%
Huzhou Luzhou Housing and Landing Development Co., Ltd.	PRC	Property development, PRC	<b>100%</b>	100%

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 15. INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of principal subsidiaries, each of which is a limited liability company, were as follows: (Continued)

Name	Place of incorporation/ establishment	Principal activities and place of business	Effective percentage of equity interest held by the Company	
			2019	2018
Huzhou Delong Real Estate Co., Limited ("Huzhou Delong") (note (b))	PRC	Property development, PRC	64%	64%
Huzhou Hongjin Market Construction & Development Co., Limited	PRC	Property development and investment, PRC	100%	100%
Modern China Holdings Limited	Hong Kong	Investment holding, PRC	100%	100%
Huzhou Pan Hong Runyuan Housing and Land Development Company Limited	PRC	Property development, PRC	100%	100%
Huzhou Runhe Investment Management Co., Limited (formerly known as Huzhou Runho Import and Export Trading Limited)	PRC	Investment management, general trading and consultancy services, PRC	100%	100%
Huzhou Pan Hong Runhe Property Development Limited	PRC	Property development, PRC	100%	100%
Hangzhou Runtai Business Services Company Limited	PRC	Property consultation services, PRC	100%	100%
Huzhou Pogang Hotel Company Limited	PRC	Operating and managing hotel, PRC	100%	100%

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 15. INVESTMENTS IN SUBSIDIARIES (Continued)

The financial statements of the above subsidiaries were audited by BDO Limited, Hong Kong, for statutory purpose and/or for the purpose of the Group consolidation of the Company.

Notes:

- (a) The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.
- (b) Set out below are the summarised financial information for Huzhou Delong, a subsidiary that has non-controlling interests which is material to the Group, before any elimination.

### Huzhou Delong

#### Summarised statement of financial position

	2019 RMB'000	2018 RMB'000
<b>Current</b>		
Assets	<b>108,511</b>	108,511
Liabilities	<b>(92,799)</b>	(92,799)
<b>Total net current assets and net assets</b>	<b>15,712</b>	15,712
Accumulated non-controlling interests	<b>5,656</b>	5,656

#### Summarised statement of comprehensive income

	2019 RMB'000	2018 RMB'000
Revenue	–	–
Loss before income tax	–*	(2,303)
<b>Total comprehensive income</b>	<b>–*</b>	(2,303)
Total comprehensive income allocated to non-controlling interests	–*	(829)
Dividends paid to non-controlling interests	–	–

\* Represent the amount less than RMB1,000.

#### Summarised statement of cash flows

	2019 RMB'000	2018 RMB'000
<b>Cash flows from operating activities</b>		
Cash (used in)/generated from operations	<b>(1)</b>	404
Interest received	<b>1</b>	2
Net cash generated from operating activities	–	406
Net increase in cash and cash equivalents	–	406
Cash and cash equivalents at beginning of the year	<b>415</b>	9
<b>Cash and cash equivalent at the end of the year</b>	<b>415</b>	415

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 16. INTERESTS IN ASSOCIATES

	<b>Group</b>
	<b>2019</b>
	<b>RMB'000</b>
	2018
	RMB'000
Share of net assets	–
Goodwill on acquisition	–
	–

Details of the associates are as follows:

<b>Name</b>	<b>Place of establishment</b>	<b>Principal activities and place of operation</b>	<b>Paid-up registered capital</b>	<b>Percentage of equity interest held by the Group</b>
Shenzhen Qianhai Guang Shang Xin He Financial Holdings Company Limited (“Shenzhen Qianhai”) (note (a))	PRC	Dormant, PRC	Nil	30% (2018: 30%)
Yunnan Hanju Investment Co., Ltd. (“Yunnan Hanju”) (note (b))	PRC	Dormant, PRC	Nil	28.57% (2018: Nil)

Notes:

- (a) In June 2015, the Group established Shenzhen Qianhai with Jieyang Airport Economic Zone Xing Yu Investment Company Limited (揭陽空港經濟區興宇投資有限公司) (“Xing Yu”), Qinghai Da Hai Engineering & Construction Company Limited (青海大海工程建設有限公司) (“Qinghai Da Hai”), Jieyang Airport Zone Tai Xing Wine Company Limited (揭陽空港區台興酒業有限公司) (“Jieyang Tai Xing”) and Shenzhen Jia Qi Da Investment Consultants Company Limited (深圳市佳其達投資諮詢有限公司) (“Shenzhen Jia Qi Da”).

The shareholdings held by the Group, Xing Yu, Qinghai Da Hai, Jieyang Tai Xing and Shenzhen Jia Qi Da are 30%, 30%, 20%, 10% and 10% respectively.

Pursuant to the Shenzhen Qianhai’s Memorandum and Articles of Association, the Group will be injecting a capital of RMB45 million (the “Shenzhen Qianhai Consideration”) to invest 30% equity stake in Shenzhen Qianhai as its pro rata share of the registered capital. The Shenzhen Qianhai Consideration will be satisfied by payment of cash. The Group will be paying RMB9 million as partial payment of the Shenzhen Qianhai Consideration, and shall pay the remaining balance of RMB36 million within two years from the date of incorporation of Shenzhen Qianhai.

The registered capital of Shenzhen Qianhai remains unpaid by the Group, Xing Yu, Qinghai Da Hai, Jieyang Tai Xing and Shenzhen Jia Qi Da up to the date of this report.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 16. INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

- (b) In January 2019, the Group established Yunnan Hanju with Shanghai Dingxun Industries (Group) Co., Ltd. ("Shanghai Dingxun"), Hunan Hengcheng New Energy Technologies Co., Ltd. ("Hunan Hengcheng"), Shanghai Taiheng Investment (Group) Co., Ltd. ("Shanghai Taiheng") and Jiadingxun (Shenzhen) Investment Consultancy Co., Ltd. ("Jiadingxun").

The shareholdings held by the Group, Shanghai Dingxun, Hunan Hengcheng, Shanghai Taiheng and Jiadingxun are 28.57%, 28.57%, 28.57%, 7.145% and 7.145% respectively.

Pursuant to the Yunnan Hanju's Memorandum and Articles of Association, the Group will be injecting a capital of RMB142,850,000 (the "Yunnan Hanju Consideration") to invest 28.57% equity stake in Yunnan Hanju as its pro rata share of the registered capital. The Yunnan Hanju Consideration will be satisfied by payment of cash.

The registered capital of Yunnan Hanju remains unpaid by the Group, Shanghai Dingxun, Hunan Hengcheng, Shanghai Taiheng and Jiadingxun up to the date of this report.

The following table illustrates the aggregate financial information of the Group's associate that is not material:

	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Share of the associate's profit and comprehensive income for the year ended 31 March	-	-
Aggregate carrying amount of the Group's interests in an associate as at 31 March	-	-

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 17. OTHER FINANCIAL ASSET AND FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
<b>Available-for-sale investment</b>				
Unlisted equity investment, at cost	–	20,000	–	20,000
<b>Financial asset at FVOCI</b>				
Unlisted equity investment	<b>23,461</b>	–	<b>23,461</b>	–

At 31 March 2019, balance of approximately RMB23,461,000 (2018: RMB20,000,000) represented carrying amount of 10% equity interest (the "Investment") in Zhejiang Gene Stem Cell Biotech Company Limited ("Zhejiang GSCB") acquired by the Group. The director of the Company, Ms. Wang Cuiping is holding the Investment in trust for the Company pursuant to a declaration of trust. Zhejiang GSCB engages in the business of commercialisation of stem cell technology in the PRC. In the opinion of the independent PRC legal advisor of the Group, the trust agreement is legal and complies with PRC laws and regulations.

Prior to 1 April 2018, the unlisted investment of the Group is designated as available-for-sale financial asset and has no fixed maturity date or coupon rate and was stated at cost less impairment.

The Investment does not have a quoted market price in an active market.

The directors have assessed the financial assets for objective evidence of impairment and concluded that no impairment loss needs to be made for the year ended 31 March 2018.

Upon adoption of IFRS 9 on 1 April 2018, the Investment was irrevocably designated at FVOCI as the Group consider the Investment to be strategic in nature.

Fair value for the equity investment has been measured as described in note 37(vii).



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 18. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred taxation is calculated in full on temporary differences under the balance sheet liability method using principal taxation rates of 25% for the year (2018: 25%). The movement on the deferred tax assets/(liabilities) is as follows:

	Deferred tax assets in respect of provision for LAT RMB'000	Group Deferred tax liabilities in respect of fair value change of investment properties RMB'000	Total RMB'000
At 1 April 2017	22,810	(83,697)	(60,887)
Deferred tax charged to profit or loss (note 9)	(4,506)	(3,669)	(8,175)
Disposal of subsidiaries	(11,514)	83,618	72,104
At 31 March 2018 and 1 April 2018	<b>6,790</b>	<b>(3,748)</b>	<b>3,042</b>
Deferred tax charged to profit or loss (note 9)	<b>(422)</b>	<b>(46)</b>	<b>(468)</b>
<b>At 31 March 2019</b>	<b>6,368</b>	<b>(3,794)</b>	<b>2,574</b>

Deferred tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has no material unrecognised tax losses to carry forward against future taxable income at 31 March 2018 and 2019.

Withholding rate of 5% or 10% is imposed on dividends distributed to foreign investors. At 31 March 2019, deferred tax liabilities amounted to approximately RMB10,817,000 (2018: RMB8,747,000) in respect of aggregate amount of temporary difference of approximately RMB216,345,000 (2018: RMB174,948,000) associated with undistributed earnings of subsidiaries have not been recognised. No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of these subsidiaries and it is probably that such differences will not be released in the foreseeable future.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 19. PROPERTIES HELD UNDER DEVELOPMENT

	Group	
	2019	2018
	RMB'000	RMB'000
Leasehold interests in land	<b>326,166</b>	437,837
Development costs	<b>420,623</b>	349,573
Finance costs capitalised	–	1,149
	<b>746,789</b>	788,559

At 31 March 2019, properties held under development amounting to approximately RMB746,789,000 (2018: RMB788,559,000) were not scheduled to be sold within twelve months.

Leasehold interests in land are located in the PRC and have lease terms expiring from 2049 to 2085 (2018: 2049 to 2085). The Group's leasehold interests in land are analysed as follows:

	Group	
	2019	2018
	RMB'000	RMB'000
Leasehold interests in land held on:		
– Leases of over 30 years	<b>326,166</b>	437,837

### 20. PROPERTIES HELD FOR SALE

Properties held for sale included leasehold interests in land located in the PRC with lease terms expiring from 2046 to 2080 (2018: 2046 to 2080). At 31 March 2019, the carrying value of the operating lease up-front payments on the leasehold interests in land amounted to approximately RMB119,463,000 (2018: RMB36,972,000).

During the year ended 31 March 2019 properties held for sale with a carrying value of approximately RMB8,810,000 (2018: RMB17,636,000) were transferred to owner-occupied properties due to change in use respectively (note 13).

During the year ended 31 March 2018, properties held for sale with carrying value of RMB1,903,000 were transferred to investment properties as these properties were under operating lease arrangements with third parties during the year to earn rental (note 14).

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 21. ACCOUNTS RECEIVABLE

The aging analysis of accounts receivable that was neither individually nor collectively considered to be impaired is as follows:

	Group	
	2019 RMB'000	2018 RMB'000
Past due and more than one year	–	1,410

Receivables that were neither past due nor impaired relate to a wide range of buyers for whom there was no recent history of default.

As at 31 March 2018, receivables that were past due but not impaired relate to a number of independent buyers. Based on past experience, the directors considered that no impairment allowance is required as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

### 22. PREPAYMENTS AND OTHER RECEIVABLES

	Notes	Group		Company	
		2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Prepayments	(a)	<b>132,120</b>	81,589	<b>109</b>	113
Other receivables	(b)	<b>178,318</b>	75,579	–	–
		<b>310,438</b>	157,168	<b>109</b>	113

Notes:

- (a) As at 31 March 2019, prepayment included advances of RMB81,053,000 (2018: RMB57,131,000) made to contractors for purchase of construction materials.
- (b) At 31 March 2019, other receivables of the Group of approximately RMB109,000,000 (2018: RMB34,000,000) were unsecured, interest-bearing at interest rate ranging from 8% to 11% (2018: 8% to 16%) and repayable within one year or on demand. The remaining balances were unsecured, non-interest bearing and repayable on demand.

The Group recognises loss allowance for other receivables for the years ended 31 March 2019 and 2018 respectively based on the accounting policies stated in notes 3.13 and 3.14 respectively. Further details of the Group's credit policy and credit risk arising from other receivables are set out in note 37(iii).

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 23. AMOUNTS DUE FROM/(TO) RELATED PARTIES

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
<b>Amounts due from subsidiaries</b>	–	–	<b>368,892</b>	328,892
<b>Amounts due to:</b>				
– subsidiaries	–	–	<b>(368,091)</b>	(326,064)
– a related company	<b>(145)</b>	(136)	–	–
– non-controlling interests	<b>(11,216)</b>	(11,216)	–	–
	<b>(11,361)</b>	(11,352)	<b>(368,091)</b>	(326,064)

Amounts due from/(to) related parties were unsecured, non-interest bearing and repayable on demand and to be settled in cash.

As at 31 March 2019 and 2018, amount due to a related company comprised balances due to Pan Hong Company Limited, in which Mr. Wong Lam Ping (“Mr. Wong”), the controlling shareholder and a director of the Company is a beneficial owner.

### 24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	Group	
		2019 RMB'000	2018 RMB'000
<b>Current</b>			
Listed equity securities held for trading	(a)	<b>6,187</b>	8,077
Other unlisted investments	(b)	<b>50,000</b>	–
		<b>56,187</b>	8,077
Financial assets at FVTPL are as follows:			
– Hong Kong		<b>30</b>	34
– the PRC		<b>56,157</b>	8,043
		<b>56,187</b>	8,077

Notes:

- (a) The fair value of the Group’s investment in listed securities has been determined by reference to their quoted bid prices at the end of reporting period.
- (b) The above other unlisted investments at 31 March 2019 were principal-protected wealth management products issued by banks in PRC and were mature and fully settled in April 2019.

For more detailed information in relation to the fair value measurement of the items above, please refer to note 37(vii).

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 25. HELD-TO-MATURITY INVESTMENTS

As at 31 March 2018, the Group had held-to-maturity investments which bore interest rate ranging from 4.3% to 4.6% per annum and had maturity up to one month.

### 26. STRUCTURED BANK BALANCES

As at 31 March 2019 and 2018, the structured bank balances, denominated in RMB, were interest-bearing and not quoted in an active market. The interest earned are linked to interbank offered rate of certain bank in the PRC. The principal amount together with the interest would be returned to the Group anytime upon request or within one month. The structured bank balances carried an effective interest rate ranging from 3.10% to 3.30% (2018: 2.00% to 3.60%) per annum and RMB32,700,000 (2018: RMB50,000,000) of the balances were subsequently withdrawn up to the date of this report.

### 27. PLEDGED DEPOSITS AND CASH AND BANK BALANCES

	Notes	Group		Company	
		2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Cash and bank deposits		<b>392,022</b>	311,827	<b>155</b>	161
Less:					
Deposits pledged against banking facilities granted to the mortgagees	(a)	-	(6,129)	-	-
Deposits pledged for bank loans	(b)	<b>(34,800)</b>	(103,500)	-	-
Deposit restricted for construction works		<b>(101,390)</b>	-	-	-
Cash and cash equivalents for the purpose of the consolidated statement of cash flows		<b>255,832</b>	202,198	<b>155</b>	161

Notes:

- (a) The deposits were pledged to certain banks as security in the PRC as detailed in note 36(i). These banks provided mortgage loans to purchasers for acquisition of properties from the Group. The pledge will last for the period from the date of draw-down of mortgage loans to the date when the certificates for housing ownership are granted to the property purchasers. Such charges will be released upon the certificates are granted to the property purchasers.
- (b) At 31 March 2019, the bank deposits in total of approximately RMB34,800,000 (2018: RMB103,500,000) with interest rate of 3.80% (2018: 1.55% to 4.1%) per annum were pledged to a bank in Hong Kong (2018: the PRC) against bank loans due to be settled within twelve months (2018: within twelve months), after the reporting date (note 29). The deposit will mature within twelve months (2018: within twelve months) from the reporting period.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 27. PLEDGED DEPOSITS AND CASH AND BANK BALANCES (Continued)

At 31 March 2019, approximately RMB352,130,000 (2018: RMB308,570,000) was deposited with banks in the PRC. These balances were mainly denominated in RMB (2018: RMB and Hong Kong Dollar (“HK\$”). RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange regulations, the Group is permitted to exchange RMB for foreign currencies through banks in the PRC that are authorised to conduct foreign exchange businesses.

### 28. ACCRUALS, RECEIPTS IN ADVANCE AND OTHER PAYABLES

	Notes	Group		Company	
		2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Receipts in advance	(a)	–	557,149	–	–
Accruals and other payables	(b)	<b>365,693</b>	240,802	<b>23</b>	899
		<b>365,693</b>	797,951	<b>23</b>	899

Notes:

- (a) Upon adoption of IFRS15, an opening adjustment was made on 1 April 2018 to reclassify sales deposits and instalments received from the customers in relation to property sales from “receipts in advance” to “contract liabilities”.
- (b) At 31 March 2019 and 2018, accruals and other payables of the Group were unsecured, interest-free and repayable on demand.

### 29. BANK LOANS

	Note	Group	
		2019 RMB'000	2018 RMB'000
Bank loans – secured	(a)	<b>46,608</b>	100,407

The analysis of the carrying amount of the bank loans is as follows:

	Note	Group	
		2019 RMB'000	2018 RMB'000
<b>Current</b>			
Portion of bank loans due for repayment within one year or on demand		<b>33,760</b>	92,876
Portion of bank loans due for repayment after one year which contain repayment on demand clause	(b)	<b>12,848</b>	7,531
		<b>46,608</b>	100,407

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 29. BANK LOANS (Continued)

The Group's bank loans are repayable as follows:

	<b>Group</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Within one year or on demand	<b>46,608</b>	100,407

Notes:

- (a) As at 31 March 2019, the effective interest rates of the Group's secured bank loans were ranging from 3.30% to 4.79% (2018: 2.99% to 4.49%) per annum.
- (b) As at 31 March 2019, current liabilities included bank loans of RMB12,848,000 (2018: RMB7,531,000) that were not scheduled to repay within one year. They were classified as current liabilities as the related loan agreements contain a clause that provided the lender with an unconditional right to demand repayment at any time at its own discretion.

The carrying amounts of the Group's bank loans are denominated in the following currencies:

	<b>Group</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
HK\$	<b>46,608</b>	100,407

As at 31 March 2019, the outstanding balances of bank loans in HK\$ was approximately HK\$54,512,000 (2018: HK\$125,509,000).

As at 31 March 2019, bank loans of the Group were:

- (i) secured by the Group's property, plant and equipment of approximately RMB6,361,000 (2018: RMB6,158,000) (note 13);
- (ii) secured by the Group's bank deposits of approximately RMB34,800,000 (2018: RMB103,500,000) (note 27); and
- (iii) guaranteed by the Company and the chief executive officer of the Group, Mr. Wong.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 30. SHARE CAPITAL AND TREASURY SHARES

### Share capital

Movement of share capital of the Company is summarised below:

	Number of shares	RMB'000
<b>Authorised:</b>		
Ordinary shares		
At 1 April 2017	850,000,000	517,374
Capital reduction (note)	4,250,000,000	–
At 31 March 2018 and 2019	<b>5,100,000,000</b>	<b>517,374</b>
<b>Issued and fully paid:</b>		
Ordinary shares		
At 1 April 2017	518,855,024	313,446
Capital reduction (note)	–	(261,205)
At 31 March 2018 and 2019	<b>518,855,024</b>	<b>52,241</b>

Note:

On 8 February 2018, the shareholders of the Company resolved that the issued and paid-up share capital of the Company would be reduced by cancelling the paid-up share capital of the Company to the extent of HK\$0.50 on each of the shares with a par value of HK\$0.60 in the share capital of the Company in issue, and each issued share with a par value of HK\$0.60 shall be treated as one fully paid up share with a par value of HK\$0.10.

### Ordinary shares

Fully paid ordinary shares carry one vote per share. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company.

### Treasury shares

Pursuant to the resolutions approved by the shareholders at the special general meeting held on 22 July 2009, for the proposal of (i) amendments to the Bye-laws of the Company; and (ii) adoption of Share Purchase Mandate, the details of which were set out in the Company's circular dated 29 June 2009, to rationalise the Company the flexibility to undertake share purchase at any time, subject to market conditions, during the validity period of the Share Purchase Mandate. The directors believed that the Share Purchase Mandate provided the Company with a mechanism to facilitate the return of any surplus cash in excess of the Group's working capital requirements in an expedient and cost-efficient manner.

Details of treasury shares of the Company are summarised as below:

	Number of shares	RMB'000
At 1 April 2017, 31 March 2018 and 2019	<b>6,544,000</b>	<b>12,817</b>



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 31. RESERVES

### (a) Group

	Notes	2019 RMB'000	2018 RMB'000
Share premium	(i)	–	–
Treasury shares (note 30)	(ii)	(12,817)	(12,817)
Merger reserve	(iii)	(2,243)	(2,243)
Statutory reserve	(iv)	42,748	35,368
Capital reserve	(v)	3,838	3,838
Other reserve	(vi)	87,128	87,128
FVOCI reserve	(vii)	3,461	–
Exchange reserve	(viii)	(12,324)	(11,924)
Retained earnings		503,167	494,194
		<b>612,958</b>	593,544

The amounts of the Group's reserves and the movements therein for the year ended 31 March 2019 are presented in the consolidated statement of changes in equity of the financial statements.

Notes:

- (i) The share premium account represented the premium arising from the issue of shares of the Company at a premium. In order to effect the Distribution as discussed in note 1, the Company undertook a capital reduction exercise to reduce its share premium account and utilize the credit thereby arising for the purposes of the Distribution.
- (ii) The treasury shares reserve is used to record the shares being repurchased by the Company but not yet cancelled at the end of reporting period. The amounts will be reversed upon the repurchased shares being cancelled (note 30).
- (iii) The merger reserve of the Group arose as a result of the reorganisation exercise completed on 9 September 2006 and represented the difference between the nominal value of the Company's shares issued under the reorganisation exercise and the nominal value of the aggregate share capital and share premium of the subsidiaries then acquired.
- (iv) According to the relevant PRC laws, the subsidiaries are required to transfer at least 10% of its net profit after tax, as determined under the PRC accounting regulation, to a statutory reserve until the reserve balance reaches 50% of the subsidiaries' registered capital. The transfer to this reserve must be made before the distribution of dividend to the subsidiaries' equity owners. The statutory reserve is non-distributable other than upon the liquidation of the subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 31. RESERVES (Continued)

### (a) Group (Continued)

Notes: (Continued)

- (v) The capital reserve arose from the capitalisation of statutory reserve of the PRC subsidiaries.
- (vi) Other reserve arose from transactions undertaken in restructuring exercise.
- (vii) Balance represents fair value reserve comprises the cumulative net change in the fair value of equity investment designated at FVOCI under IFRS 9 that are held at the end of the reporting period.
- (viii) The exchange reserves comprise all foreign exchange differences arising from the translation of the financial statements of the relevant companies in the Group whose functional currency are different from that of the Group's presentation currency which is RMB and are non-distributable.

### (b) Company

	Notes	2019 RMB'000	2018 RMB'000
Share premium	(a)(i)	–	–
Treasury shares (note 30)	(a)(ii)	(12,817)	(12,817)
Merger reserve	(b)(i)	59,579	59,579
FVOCI reserve	(a)(vii)	3,461	–
Retained earnings	(b)(ii)	200,647	201,808
		<b>250,870</b>	248,570

- (i) The merger reserve of the Company arose as a result of the reorganisation exercise completed on 9 September 2006 and represents the excess of the nominal value of the Company's shares issued in exchange therefore over the then consolidated net assets value of the subsidiaries then acquired.
- (ii) Movements of the retained earnings of the Company are as follow:

	2019 RMB'000	2018 RMB'000
Balance at beginning of the year	201,808	36,543
Capital reduction	–	464,455
Transfer upon distribution in specie of a subsidiary	–	(285,452)
Total comprehensive income for the year	37,239	11,464
Dividend declared	(38,400)	(25,202)
Balance at end of the year	<b>200,647</b>	201,808

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 32. LITIGATION

In 2016, the Group received a judgement (the “Judgement”) which was issued by Zhejiang Province Deqing County People’s Court (“Deqing Court”/浙江省德清縣人民法院) in relation to a dispute with the Bureau of Huzhou Land Resources (the “Bureau”). According to the Judgement, the Bureau would be obligated to compensate the Group (subject to appeal) on the basis that the construction project on a parcel of the Group’s land located at Taihu Meixi, Huzhou Development Zone, Zhejiang Province, the PRC (the “Taihu Meixi Land”) was hindered due to a discovery of cultural buildings. In 2018, the Group has filed appeal to the relevant court, requesting sale of Taihu Meixi Land to the Bureau and additional compensation. As at 29 May 2019, the Group received an appeal judgement which stated that the Judgement should be repealed and ordered a retrial of the case by Deqing Court. The directors of the Company, based on the advices from the Group’s legal counsel, consider that no provision for loss arising from this litigation is necessary.

## 33. CAPITAL MANAGEMENT

The Group’s objectives when managing capital are:

- (i) To safeguard the Group’s ability to continue as a going concern, so that it continues to provide returns and benefits for stakeholders;
- (ii) To support the Group’s stability and growth; and
- (iii) To provide capital for the purpose of strengthening the Group’s risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 33. CAPITAL MANAGEMENT (Continued)

Management regards total equity as capital. The amount of capital as at 31 March 2019 amounted to approximately RMB670,855,000 (2018: RMB651,441,000) which the management considers as optimal having consider the projected capital expenditures and the projected strategic investment opportunities. The net debts-to-equity ratio at 31 March 2019 and 2018 were as follows:

	Group	
	2019	2018
	RMB'000	RMB'000
<b>Current liabilities</b>		
Accounts payable	31,887	7,462
Accruals, receipts in advance and other payables	365,693	797,951
Contract liabilities	1,030,931	–
Amounts due to related parties	11,361	11,352
Bank loans	46,608	100,407
<b>Total debts</b>	<b>1,486,480</b>	917,172
Less: Cash and bank balances	(357,222)	(202,198)
Structured bank balances	(33,500)	(50,000)
Pledged deposits	(34,800)	(109,629)
	(425,522)	(361,827)
<b>Net debts</b>	<b>1,060,958</b>	555,345
<b>Total equity</b>	<b>670,855</b>	651,441
<b>Net debts to equity ratio</b>	<b>158.1%</b>	85.2%

Certain banking facilities granted to a subsidiary require the subsidiary to adhere to certain capital requirements. It is required to maintain certain net worth or gearing ratios within specific financial thresholds. Except as disclosed in note 31(a)(iv) on statutory reserves, the Group is not subject to any other externally imposed capital requirements for the years ended 31 March 2019 and 2018.

The Group's overall strategy remains unchanged from 2018.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 34. COMMITMENTS

Except as disclosure elsewhere in these financial statements, the Group had the following outstanding commitments:

	<b>Group</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Contracted but not provided for in respect of – properties held under development of the Group	<b>316,743</b>	630,316

The Company did not have any commitments as at 31 March 2019 and 2018.

### 35. OPERATING LEASE ARRANGEMENTS

(a) The Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of its properties as follows:

	<b>Group</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Not later than one year	<b>250</b>	90
Later than one year and not later than five years	<b>229</b>	60
	<b>479</b>	150

The Group leases out certain investment properties and properties held for sales which run for initial periods of one to three years, without an option to renew the lease terms at the expiry date. None of the leases includes contingent rentals.

The Company does not have any operating lease receipts under non-cancellable operating leases.

(b) The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of properties as follows:

	<b>Group</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Not later than one year	<b>64</b>	14
Later than one year and not later than five years	<b>9</b>	–
	<b>73</b>	14

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 35. OPERATING LEASE ARRANGEMENTS (Continued)

(b) (Continued)

The Group leases a number of properties under operating lease arrangements which run for initial periods of one to three years, with an option to renew the lease terms at the expiry date. None of the leases includes contingent rentals.

The Company does not have any operating lease payments under non-cancellable operating leases.

### 36. CONTINGENCIES

#### Group

#### Mortgage loan arrangements with banks

As at 31 March 2019 and 2018, the Group has arranged mortgage loan facility for certain purchasers of property units and provided guarantees to secure obligations of repayments. At 31 March 2019, the outstanding guarantees amounted to RMB143,949,000 (2018: RMB22,561,000). Such guarantees terminate upon earlier of (i) issuance of the real estate ownership certificate which will generally be available within one or two years after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the purchasers of properties. No provision for the Group's obligation under the guarantees has been made as the directors considered that it was not probable that the repayments of the loans would be default.

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group does not consider that it is probable that a claim will be made against the Group under the financial guarantee contracts at the end of reporting period.

Accordingly the Group does not expect any net cash outflows resulting from the financial guarantee contracts.

### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group does not have written risk management policies and guidelines. However, the Directors meet periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management. As the directors of the Company consider that the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

At 31 March 2019, the financial assets of the Group comprise accounts and other receivables, financial assets at FVTPL, financial asset at FVOCI, structured bank balances, pledged deposits and cash and bank balances. The financial liabilities of the Group comprise accounts payable, accruals and other payables, amounts due to related parties and bank loans.

### (i) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from bank balances, other receivables and bank loans which bore interests at fixed and floating interest rates. Bank loans arranged at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The interest rate and repayment terms of the bank loans outstanding at the end of the reporting period are disclosed in note 29.

#### Interest rate sensitivity

If the interest rates had been increased/decreased by 100 basis points at the beginning of the year and all other variables were held constant, the Group's profit after tax for the year and retained profits would increase/decrease by approximately RMB3,304,000 (2018: RMB3,618,000) respectively.

The calculations are based on the Group's relevant financial instruments held at each reporting date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rate over the period until the next annual reporting date. Changes in saving interest rates have no impact on the Group's other components of equity. The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the next twelve month period.

The sensitivity analysis included in the financial statements for the year ended 31 March 2018 has been prepared on the same basis.

### (ii) Foreign currency risk

Most of the Group's transactions are carried out in RMB which is the functional currency of most of the group entities. Exposures to currency exchange rates arise from certain of the Group's cash and bank balances and amounts due to related company which are denominated in HK\$, and United States Dollar ("US\$"). The Group does not use derivative financial instruments to hedge its foreign currency risk. The Group reviews its foreign currency exposures regularly and will consider hedging significant foreign currency exposure should the need arises.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (ii) Foreign currency risk (Continued)

#### Foreign currency risk exposure

The following table details the Group's exposure at the reporting date to foreign currency risk from bank balances and amount due to a related company and other payables denominated in a currency other than the functional currency of the Company and its subsidiaries.

	<b>Group</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Bank deposits denominated in		
– HK\$	<b>68</b>	69
– US\$	<b>134</b>	29
Amount due to a related company denominated in		
– HK\$	<b>(145)</b>	(136)

#### Foreign currency sensitivity analysis

The following table indicates the approximate change in the Group's profit or loss for the year in response to a 5% (2018: 5%) appreciation in respective foreign currencies against the Group's functional currencies. There is no impact on other components of consolidated equity in response to the general increase in the following foreign currency rates.

	<b>Group</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Increase/(decrease) in profit for the year and retained profits		
– US\$	<b>7</b>	1
– HK\$	<b>(4)</b>	(3)

A weakening of the above foreign currencies against RMB at each reporting date would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

The Company is not exposed to any foreign currency risk.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and financial assets. The Group's credit risk is primarily attributable to accounts and other receivables, bank balances, pledged deposits and structured bank balances. The management has a credit policy and the exposures to credit risks are monitored on an ongoing basis.

In respect of accounts and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

None of the Group's financial assets are secured by collateral or other credit enhancements.

The Group performs ongoing credit evaluation of its customers' financial positions.

The Group measures loss allowances for accounts receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for accounts receivable as at 1 April 2018 and 31 March 2019:

	<b>Current</b>	<b>1-30 days past due</b>	<b>31-60 days past due</b>	<b>61-90 days past due</b>	<b>More than 90 days past due</b>
Expected loss rate (%)	0.5%	1%	2%	4%	8%

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Applying the ECLs model results in immaterial impairment for all accounts receivable on 1 April 2018 and for the year ended 31 March 2019.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (iii) Credit risk (Continued)

The Group measures loss allowances for other receivables, bank balances, pledged deposits and structured bank balances at an amount equal to lifetime 12 months ECLs. The credit risk on other receivables is limited because the counterparties have low historical default record and the directors expect that the general economic conditions will not significantly change for the 12 months after the reporting date. Applying the ECLs model results in immaterial impairment on 1 April 2018. As at 31 March 2019, the gross carrying amount of other receivables is approximately RMB179,815,000 and the loss allowances increased by RMB1,497,000 for other receivables during the year ended 31 March 2019.

Prior to 1 April 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 3.14). At 31 March 2018, no impairment provision was made according to the Group's assessment.

Movement in the loss allowance account in respect of other receivables during the year is as follows:

	<b>RMB'000</b>
Balance at 31 March 2018 under IAS 39	–
Impact of initial application of IFRS 9	–
Adjusted balance at 1 April 2018	–
Loss allowance recognised during the year	<b>1,497</b>
Balance at 31 March 2019	<b>1,497</b>

Origination of new other receivables net of those settled resulted in an increase in overall loss allowance.

During the year ended 31 March 2019, other receivables with gross carrying amount of approximately RMB999,000 was credit impaired and fully written off due to its remote collectability.

At the end of reporting period, the Group has receivables due from other debtors amounting to RMB178,318,000 (2018: RMB75,579,000), representing 100% (2018: 98%) of total accounts and other receivables. Except for these receivables, there was no concentration of credit risk.

The credit risk on bank balances, pledged deposits and structured bank balances is limited because the counterparties are banks with high credit ratings. Based on the Group's internal credit rating, no material impairment loss allowance is recognised for bank balances, pledged deposits and structured bank balances.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (iii) Credit risk (Continued)

The Group's cash and bank balances, pledged deposits and structured bank balances are mainly balances with state-owned banks in the PRC and a reputable bank in Hong Kong. As at 31 March 2019, the Group had approximately 89% (2018: 82%) bank balances placed with two banks in the PRC.

The Company's credit risk is primarily attributable to amounts due from subsidiaries. The credit risk on these financial assets of the Company is limited because the counterparties have no historical default record and the directors expect that the general economic conditions will not significantly change for the 12 months after the reporting date.

### Financial guarantee

The principal risk to which the Group and the Company is exposed to is credit risk in connection with guarantee contracts which have been issued. The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 36.

There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Group's future cash flows.

### (iv) Liquidity risk

The Group's objective is to ensure adequate funds to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise funds from the realisation of its assets if required.

At 31 March 2019 and 2018, the remaining contractual maturities of the Group's financial liabilities which are based on undiscounted cash flows and the earliest date the Group can be required to pay are summarised below.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (iv) Liquidity risk (Continued)

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

#### Group

	Carrying amount RMB'000	Total contractual undiscounted cash flows RMB'000	On demand RMB'000
<b>At 31 March 2019</b>			
– Accounts payable	31,887	31,887	31,887
– Accruals and other payables	365,693	365,693	365,693
– Amounts due to related parties	11,361	11,361	11,361
– Interest-bearing bank borrowings	46,608	46,608	46,608
	<b>455,549</b>	<b>455,549</b>	<b>455,549</b>
– Financial guarantee issued: maximum amount guaranteed (note 36)	–	143,949	143,949
	Carrying amount RMB'000	Total contractual undiscounted cash flows RMB'000	On demand RMB'000
<b>At 31 March 2018</b>			
– Accounts payable	7,462	7,462	7,462
– Accruals and other payables	240,802	240,802	240,802
– Amounts due to related parties	11,352	11,352	11,352
– Interest-bearing bank borrowings	100,407	100,407	100,407
	360,023	360,023	360,023
– Financial guarantee issued: maximum amount guaranteed (note 36)	–	22,561	22,561

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (iv) Liquidity risk (Continued)

The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the “on demand” time band in the maturity analysis above. Taking into account the financial positions of the companies in the Group, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity analysis – Bank borrowings subject to a repayment on demand clause based on scheduled repayments					Carrying amount RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Over 1 year RMB'000	Total undiscounted amount RMB'000	
<b>31 March 2019</b>	–	<b>1,880</b>	<b>33,015</b>	<b>14,885</b>	<b>49,780</b>	<b>46,608</b>
31 March 2018	–	63,202	30,994	8,724	102,920	100,407

At 31 March 2019 and 2018, all financial liabilities held by the Company are either repayable on demand or due to repay within one year.

The Group/Company has not recognised in its financial statements the corporate guarantees issued for the facilities issued as disclosed in note 36. The financial guarantees have not been allocated to the earliest period in which the guarantee could be called upon on as the Group/Company does not consider it probable that a claim will be made against the Group/Company (note 37(iii)).

### (v) Fair value

The fair values of the Group's financial assets and liabilities not measured at fair value are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (vi) Equity price risk

The Group is exposed to equity price risk through its investment in listed equity securities which are classified as at FVTPL (note 24). The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles and will consider hedging the risk exposure should the need arise. As the investment in listed equity securities represents a small percentage of the Group's net assets, the equity price risk is minimal.

### (vii) Fair value measurements recognised in the statement of financial position

Management of the Group oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts to perform the valuation. Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and IFRS 13 Fair Value Measurement guidance.

For valuations performed by external valuation experts, the management reviews the appropriateness of the valuation methodologies and assumptions adopted. The management also evaluates the appropriateness and reliability of the inputs used in the valuations.

Significant changes in fair value measurements from period to period are evaluated by the management for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (vii) Fair value measurements recognised in the statement of financial position (Continued)

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

#### Group

	Notes	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Year ended 31 March 2019</b>					
Financial assets at FVTPL					
Securities held for trading					
– Listed	(a)	<b>6,187</b>	–	–	<b>6,187</b>
Other unlisted investments	(b)	–	<b>50,000</b>	–	<b>50,000</b>
Financial asset at FVOCI					
Unlisted equity investment	(c)	–	–	<b>23,461</b>	<b>23,461</b>
<b>Year ended 31 March 2018</b>					
Financial assets at FVTPL					
Securities held for trading					
– Listed	(a)	8,077	–	–	8,077

There were no transfers between levels during the year.

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

#### Unlisted equity investment

	Group	
	2019 RMB'000	2018 RMB'000
At the beginning of the year	–	–
Transfer from available-for-sale financial assets	<b>20,000</b>	–
Total gains or losses:		
– in other comprehensive income	<b>3,461</b>	–
At the end of the year	<b>23,461</b>	–

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (vii) Fair value measurements recognised in the statement of financial position (Continued)

#### (a) Listed securities

The listed debt and equity securities are denominated in HK\$ and RMB. Fair values have been determined by reference to their quoted bid prices at the reporting date and have been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

#### (b) Other unlisted investments

The Group invests in unlisted investments, which represent wealth management products issued by banks in the PRC. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

#### (c) Unlisted equity investment

The fair value of the unlisted equity investment in Zhejiang GSCB is estimated using a discounted cash flow method.

Significant unobservable inputs

	<b>2019</b>
Weighted average cost of capital	17%
Long term revenue growth rate	3%
Long term pre tax operating margin	65%

Assuming all other variables are held constant; an increase in weighted average cost of capital by 1% would decrease the fair value of Zhejiang GSCB by a further RMB1,909,000, an increase in long term revenue growth rate by 1% would increase the fair value of Zhejiang GSCB by RMB1,528,000, and an increase in long term pre tax operating margin by 1% would increase the fair value of Zhejiang GSCB by RMB268,000.

There were no changes in valuation techniques during the period.



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 38. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and liabilities as recognised at 31 March 2019 and 2018 may also be categorised as follows. See notes 3.13 and 3.14 for explanations about how the category of financial instruments affects their subsequent measurement.

#### Financial Assets

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Financial assets measured at fair value				
– Financial assets at FVTPL	<b>56,187</b>	8,077	–	–
– Financial asset at FVOCI	<b>23,461</b>	–	–	–
	<b>79,648</b>	8,077	–	–
Financial assets measured at amortised cost				
– Accounts and other receivables	<b>178,318</b>	–	–	–
– Due from subsidiaries	–	–	<b>368,892</b>	–
– Pledged deposits	<b>34,800</b>	–	–	–
– Structured bank balances	<b>33,500</b>	–	–	–
– Cash and bank balances	<b>357,222</b>	–	–	–
Loans and receivables				
– Accounts and other receivables	–	76,989	–	–
– Due from subsidiaries	–	–	–	328,892
– Pledged deposits	–	109,629	–	–
– Structured bank balances	–	50,000	–	–
– Cash and bank balances	–	202,198	<b>155</b>	161
	<b>603,840</b>	438,816	<b>369,047</b>	329,053
Held-to-maturity investments at cost	–	90,303	–	–
Available-for-sale investments at cost	–	20,000	<b>20,000</b>	20,000
	<b>683,488</b>	557,196	<b>389,047</b>	349,053

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 38. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (Continued)

#### Financial Liabilities

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Financial liabilities measured at amortised cost				
– Accounts payable, and accruals and other payables	397,580	248,264	23	899
– Due to related parties	11,361	11,352	368,091	326,064
– Bank loans	46,608	100,407	–	–
	<b>455,549</b>	360,023	<b>368,114</b>	326,963

### 39. DISPOSAL OF SUBSIDIARIES

As disclosed in note 1, Sino Harbour Group ceased to be subsidiaries of the Company upon the Distribution of Sino Harbour shares to the Company's shareholders on 29 March 2018 as dividend by way of distribution in specie.

The net assets of Sino Harbour Group at the date of the Distribution were as follows:

	29 March 2018 RMB'000
Property, plant and equipment	67,697
Intangible asset	11,400
Investment properties	552,984
Interests in joint ventures	184,265
Interest in an associate	4,358
Other financial assets	28,357
Financial assets at FVTPL	7,690
Pledged deposits	230,382
Deferred tax assets	11,514
Properties held under development	1,664,440
Properties held for sale	243,761
Account receivables	321
Prepayments and other receivables	268,271
Tax recoverable	17,557
Cash and bank balances	222,147
Account payable	(52,115)
Accruals, receipts in advance and other payables	(510,689)
Current tax liabilities	(123,565)
Bank loans	(1,143,051)
Deferred tax liabilities	(83,618)
Net assets	1,602,106
Non-controlling interests	(588,195)
Net assets distributed under distribution in specie	1,013,911
Cash outflows on disposal:	
Cash and bank balances disposed of	222,147

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

## 40. NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Bank loans RMB'000	Interests payable RMB'000	Amounts due to related parties RMB'000	Dividend payable RMB'000
At 1 April 2017	936,818	–	33,006	–
Changes from cash flows:				
Repayment to a related party	–	–	(21,640)	–
Advance to a joint venture	–	–	(2)	–
Proceeds from new borrowings	732,893	–	–	–
Repayments of bank borrowings	(403,282)	–	–	–
Distributions to non-controlling interests by a subsidiary	–	–	–	(5,887)
Net cash outflow on distribution in specie (note 39)	–	–	–	(222,147)
Dividend paid	–	–	–	(25,202)
Interest paid	–	(65,679)	–	–
Subtotal	329,611	(65,679)	(21,642)	(253,236)
	1,266,429	(65,679)	11,364	(253,236)
Exchange difference	(22,971)	–	(12)	–
Other changes				
Disposal of subsidiaries (note 39)	(1,143,051)	–	–	(791,764)
Interest expenses	–	65,679	–	–
Dividend declared	–	–	–	1,045,000
At 31 March 2018 and 1 April 2018	100,407	–	11,352	–
Changes from cash flows:				
Proceeds from new borrowings	<b>39,366</b>	–	–	–
Repayments of bank borrowings	<b>(94,698)</b>	–	–	–
Dividend paid	–	–	–	<b>(38,400)</b>
Interest paid	–	<b>(2,004)</b>	–	–
Subtotal	<b>(55,332)</b>	<b>(2,004)</b>	–	<b>(38,400)</b>
	<b>45,075</b>	<b>(2,004)</b>	<b>11,352</b>	<b>(38,400)</b>
Exchange difference	<b>1,533</b>	–	<b>9</b>	–
Other changes				
Interest expenses	–	<b>2,004</b>	–	–
Dividend declared	–	–	–	<b>38,400</b>
At 31 March 2019	<b>46,608</b>	–	<b>11,361</b>	–

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 41. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material related party transactions:

	Notes	Group 2019 RMB'000	2018 RMB'000
Car park rental expense charged by – Spouse of Mr. Wong	(a)	45	51
Rental income charged to – A related party	(b)	308	–
Purchases of property, plant and equipment from – A related party	(b)	182	–
Decoration services provided by – A related party	(b)	2,321	–

Notes:

- (a) During years ended 31 March 2019 and 2018, Ms. Chan Heung Ling (“Ms. Chan”), the spouse of Mr. Wong, has entered into an agreement of car park rental for HK\$60,000 per year.
- (b) Mr. Wong and Ms. Chan have beneficial interests in these related parties.
- (c) Details of balances with related parties are set out in note 15, 16 and 23. None of the related parties’ receivables has been past due nor impaired as at 31 March 2019 and 2018.

Included in staff costs are key management personnel compensation of the Group and Company during the financial year as follows:

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Directors’ fee	870	855	870	855
Short-term employment benefits	1,974	2,272	–	–
Post employment benefits	26	24	–	–
	<b>2,870</b>	3,151	<b>870</b>	855

### 42. EVENT AFTER REPORTING PERIOD

In addition to those disclosed elsewhere in these financial statements, the Group had the following material event after 31 March 2019.

On 4 June 2019, the Group made a successful bid for a land use right located in Wuxing District, Huzhou which was offered for sale by the Huzhou Bureau of Natural Resources and Planning (湖州市自然資源和規劃局) and a land grant contract in relation to the acquisition was entered into on 14 June 2019 with a consideration of RMB275,000,000. Details of the acquisition can be referred to the Company’s announcement dated 19 June 2019.

# PROPERTY PORTFOLIO

Description	Location	Type	Site Area in respect of entire project (sq.m.)	Planned Gross Floor Area (sq.m.)	Tenure	Effective Group Interest (%)	Approximate Percentage Sold and Delivered	Expected Completion Date
<b>COMPLETED PROPERTIES</b>								
Huzhou Liyang Jingyuan Phase 2	No. 579 Longxi Bei Road and Land No. 5 Huzhou Economic and Technological Development Zone, Huzhou City Zhejiang Province, the PRC	C	17,251	C: 12,149	C: Expiring on 19 February 2046	100%	100%	Completed
Hangzhou Liyang Yuan	Shenhua Road Xihu District Hangzhou City, Zhejiang Province, the PRC	R,C	7,833	R: 24,921 C: 7,842	R: Expiring on 14 December 2076 C: Expiring on 14 December 2046	100%	R: 99% C: 88%	Completed
Huzhou Hua Cui Ting Yuan Phase 1	Taihu Meidong, Huzhou Development, Zone, Zone Zhejiang Province, the PRC	R,C	58,386	R: 44,006 C: 7,471	R: Expiring on 18 November 2080 C: Expiring on 18 November 2050	100%	R: 99% C: 0%	Completed
Huzhou Hua Cui Ting Yuan Phase 2	Taihu Meidong Huzhou Development Zone Zhejiang Province the PRC	R,C	66,667	R: 50,400 C: 3,547	R: Expiring on 18 November 2080 C: Expiring on 18 November 2050	100%	100%	Completed
Pan Hong Run Yuan Phase 1	Lot 18B land parcels Southwest District Huzhou City Zhejiang Province, the PRC	R,C	102,972	R: 103,648 C: 6,967	R: Expiring on 30 December 2079 C: Expiring on 30 December 2049	100%	R: 100% C: 0%	Completed
Pan Hong Run Yuan Phase 2	Lot 18B land parcels Southwest District Huzhou City Zhejiang Province, the PRC	R,C	102,972	R: 96,720 C: 6,456	R: Expiring on 30 December 2079 C: Expiring on 30 December 2049	100%	R: 33% C: 0%	Completed
<b>PROPERTIES UNDER DEVELOPMENT</b>								
Pan Hong Run He	South of Jiashan Road of the Southwest District, on the east of Jinji Hill Site, on the north of the New District 2nd Road, Huzhou City, Zhejiang Province, the PRC	R,C	118,274	R: 166,801 C: 8,335	R: Expiring on 16 August 2085 C: Expiring on 16 August 2055	100%	N.A.	Q2CY2020
<b>FUTURE PROJECTS</b>								
Huzhou Delong Project	Taihu Meixi, Huzhou Development Zone, Zhejiang Province, the PRC	C	54,452	16,165	C: Expiring on 04 November 2050	64%	N.A.	Under planning

## PROPERTY PORTFOLIO

Description	Location	Type	Site Area in respect of entire project (sq.m.)	Planned Gross Floor Area (sq.m.)	Tenure	Effective Group Interest (%)	Approximate Percentage Sold and Delivered	Expected Completion Date
<b>PROPERTIES HELD FOR INVESTMENT</b>								
32 bicycle space of Xinya Jianyuan	Nos. 678 to 688 Shiyuan Road, Nanxun Tower, Huzhou City, Zhejiang Province, the PRC	C	N.A.	228	C: Expiring on 24 April 2040	100%	N.A.	Completed
Various retail units on Level 2 of Nanxun Commercial Complex	Tai'an Road Nanxun Town, Huzhou City, Zhejiang Province, the PRC	C	N.A.	1,354	C: Expiring on 30 December 2032	100%	N.A.	Completed
Various retail units on Level 1 and 3 of Hongjin Commercial Plaza	Balidian Town, Huzhou City, Zhejiang Province, the PRC	C	N.A.	3,515	C: Expiring on 03 January 2046	100%	N.A.	Completed
<b>PROPERTIES OCCUPIED BY THE GROUP</b>								
Room 1214-15	Unit Nos 14 and 15 on 12th Floor of Tower B, Hunghom Commercial Centre, No 37 Ma Tau Wai Road, Hunghom Kowloon	C	N.A.	390	C: Expiring on 15 September 2047	100%	N.A.	Completed
No. 25 Building, Huzhou Liyang Jingyuan Phase 1	Land No. 5 Huzhou Economic and Technological Development Zone, Huzhou City, Zhejiang Province, the PRC	C	N.A.	1,408	C: Expiring on 19 February 2046	100%	N.A.	Completed
Hangzhou Liyang Yuan	Shenhua Road Xihu District Hangzhou City, Zhejiang Province, the PRC	C	N.A.	1,077	C: Expiring on 14 December 2046	100%	N.A.	Completed

R: Residential  
 C: Commercial and others  
 N/A: Not applicable

## SHAREHOLDERS' INFORMATION

as at 13 June 2019

Class of shares	:	Ordinary shares of HK\$0.10 each
Authorised share capital	:	HK\$510,000,000.00
Issued and fully paid-up capital	:	HK\$51,885,502.40
Number of Shares issued	:	518,855,024
Number of Shares issued (excluding Treasury Shares)	:	512,311,024
Number (Percentage) of Treasury Shares	:	6,544,000 (1.26%)
Voting rights (excluding Treasury Shares)	:	One vote per share

The Company has no subsidiary holdings.

### STATISTICS OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1-99	0	0.00	0	0.00
100-1,000	46	6.68	32,207	0.01
1,001-10,000	293	42.52	1,727,400	0.34
10,001-1,000,000	334	48.48	24,762,700	4.83
1,000,001 and above	16	2.32	485,788,717	94.82
	<b>689</b>	<b>100.00</b>	<b>512,311,024</b>	<b>100.00</b>

### SUBSTANTIAL SHAREHOLDERS AS AT 13 JUNE 2019

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Extra Good Enterprises Limited <sup>(3)</sup>	288,000,000	56.22	–	–
Wong Lam Ping <sup>(1)(2)(4)</sup>	25,749,794	5.03	302,443,300	59.04
Chan Heung Ling <sup>(1)(2)</sup>	14,443,300	2.82	313,749,794	61.24

Notes:

- (1) Mr Wong Lam Ping and Ms Chan Heung Ling hold 52.0% and 48.0% of the issued share capital of Extra Good Enterprises Limited respectively. As such, both are deemed to be interested in the shares held by Extra Good Enterprises Limited in the capital of the Company.
- (2) Ms Chan Heung Ling is the spouse of Mr Wong Lam Ping and they are deemed to be interested in the shares held by each other.
- (3) Extra Good Enterprises Limited held 140,000,000 shares through RHB Securities Singapore Pte. Ltd.
- (4) Mr Wong Lam Ping held 4,797,600 shares through Phillip Securities Pte Ltd.

## SHAREHOLDERS' INFORMATION

as at 13 June 2019

### TWENTY LARGEST SHAREHOLDERS AS AT 13 JUNE 2019

No.	Name of Shareholders	Number of Shares	%
1.	EXTRA GOOD ENTERPRISES LIMITED	148,000,000	28.89
2.	RHB SECURITIES SINGAPORE PTE LTD	140,810,000	27.49
3.	PHILLIP SECURITIES PTE LTD	47,471,316	9.27
4.	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	31,055,900	6.06
5.	RAFFLES NOMINEES (PTE) LIMITED	25,022,007	4.88
6.	WONG LAM PING	20,952,194	4.09
7.	CHAN HEUNG LING	14,443,300	2.82
8.	ABN AMRO CLEARING BANK N.V.	13,925,900	2.72
9.	JUMBO KING HOLDINGS LIMITED	9,700,000	1.89
10.	DBS NOMINEES PTE LTD	9,325,700	1.82
11.	CITIBANK NOMINEES SINGAPORE PTE LTD	8,004,400	1.56
12.	DBS VICKERS SECURITIES (S) PTE LTD	7,691,300	1.50
13.	MAYBANK KIM ENG SECURITIES PTE LTD	4,452,500	0.87
14.	UOB KAY HIAN PTE LTD	1,906,200	0.37
15.	DB NOMINEES (SINGAPORE) PTE LTD	1,828,000	0.36
16.	IWAN RUSLI @ LIE TJIN VAN	1,200,000	0.23
17.	LIM AND TAN SECURITIES PTE LTD	859,500	0.17
18.	SINGAPORE WAREHOUSE CO PTE LTD	800,000	0.16
19.	ONG WOEI LIANQ	777,700	0.15
20.	YEO CHITT HOCK BRANDON (YANG QIFU)	700,000	0.14

### PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

35.8% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.



## ADDITIONAL INFORMATION REQUIRED PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST ON DIRECTORS SEEKING FOR RE-ELECTION (AS AT 10 JULY 2019)

The following additional information on Mr. Wong Lam Ping and Dr. Choo Kian Koon, all of whom are seeking re-election as Directors at this Annual General Meeting, is to be read in conjunction with their respective biographies on pages 20 to 21 of this Annual Report.

	<b>Wong Lam Ping</b>	<b>Choo Kian Koon</b>
Date of Appointment	3 January 2006	14 August 2006
Date of last re-appointment (if applicable)	29 July 2016	29 July 2016
Age	64	67
Country of principal residence	China	Singapore
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 the attendance and participation of the Director at Board and Board Committees' meetings, in particular, Mr. Wong Lam Ping'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 Lam Ping who will be retiring by rotation pursuant to Article 86 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 Lam Ping had abstained from voting on any resolution and making any recommendation and/or participate in respect of his own re-election.</p>	<p>The NC, having considered the attendance and participation of the Director at Board and Board Committees' meetings, in particular, Dr. Choo Kian Koon's contribution to the business and operations of the Company as well as Board processes, had recommended to the Board the re-election of Dr. Choo Kian Koon who will be retiring by rotation pursuant to Article 86 of the Company's Bye-Law at the forthcoming AGM.</p> <p>The Board supported the NC's recommendation.</p> <p>Dr. Choo Kian Koon had abstained from voting on any resolution and making any recommendation and/or participate in respect of his own re-election.</p>
Whether appointment is executive, and if so, the area of responsibility	<p>Executive</p> <p>Responsible for the formulation and execution of overall business strategies and policies as well as the overall management of the Group</p>	<p>Non-Executive</p>

## ADDITIONAL INFORMATION REQUIRED PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST ON DIRECTORS SEEKING FOR RE-ELECTION (AS AT 10 JULY 2019)

	Wong Lam Ping	Choo Kian Koon
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman and Chief Executive Officer	Independent Director, Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee.
Professional qualifications	Please refer to the Directors' respective biographies on pages 20 and 21 of this Annual Report.	
Working experience and occupation(s) during the past 10 years	Please refer to the Directors' respective biographies on pages 20 and 21 of this Annual Report.	
Shareholding interest in the listed issuer and its subsidiaries	Direct interest of 25,749,794 shares in the Company, deemed interest in 288,000,000 shares held by Extra Good Enterprises Limited and deemed interest in 14,443,300 shares held by his spouse.	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Spouse of Ms. Chan Heung Ling, a Substantial Shareholder of the Company	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer – Yes/No	Yes	Yes
Other Principal Commitments*	Chairman of the Jiangxi Chaoshan Chamber of Commerce	Adjunct associate professor at the Department of Real Estate, National University of Singapore

## ADDITIONAL INFORMATION REQUIRED PURSUANT TO RULE 720(6) OF THE LISTING MANUAL OF THE SGX-ST ON DIRECTORS SEEKING FOR RE-ELECTION (AS AT 10 JULY 2019)

	Wong Lam Ping	Choo Kian Koon
Other Directorships for the past 5 years	Nil	Ascendas Hospitality Trust (A-Trust)  *A-HTRUST is a stapled group comprising Ascendas Hospitality Real Estate Investment Trust (A-HREIT) and Ascendas Hospitality Business Trust (A-HBT). A-HREIT is managed by Ascendas Hospitality Fund Management Pte. Ltd. and A-HBT is managed by Ascendas Hospitality Trust Management Pte. Ltd.
Other Present Directorships	Nil	(1) Manulife US Real Estate Management Pte. Ltd. (Manager of Manulife US Real Estate Investment Trust) (2) VestAsia Group Pte. Ltd.
Disclosure applicable to appointment of Director only		
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable	Not applicable

The Company confirms that the response to the declaration for the items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual concerning the Directors to be re-elected is a "yes".

- \* The term "principal commitments" shall include all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Pan Hong Holdings Group Limited (the "Company") will be held at Frankel & Meyer, Level 3, Grand Mercure Singapore Roxy, 50 East Coast Road, Roxy Square, Singapore 428769 on Friday, 26 July 2019 at 10.00 a.m. for the following purposes:

### AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the financial year ended 31 March 2019 together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a final dividend of S\$0.01 per share (tax not applicable) for the financial year ended 31 March 2019 (FY2018: S\$0.015 per share). **(Resolution 2)**
3. To re-elect the following Directors of the Company retiring pursuant to Bye-Law 86(1) of the Bye-Laws of the Company:

Mr Wong Lam Ping  
Dr Choo Kian Koon

**(Resolution 3)**  
**(Resolution 4)**

*Dr Choo Kian Koon will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and members of the Audit and Remuneration Committees and will be considered independent.*

The information relating to Mr. Wong Lam Ping and Dr. Choo Kian Koon as required under Rule 720(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited is set out on page 168 to 170 of the Annual Report.

4. To approve the payment of Directors' fees of S\$175,450 for the financial year ending 31 March 2020, to be paid quarterly in arrears. (FY2019: S\$175,450). **(Resolution 5)**
5. To re-appoint BDO Limited, Certified Public Accountants, Hong Kong and BDO LLP, Public Accountants and Chartered Accountants, Singapore to act jointly and severally as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

### AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

## NOTICE OF ANNUAL GENERAL MEETING

### 7. SHARE ISSUE MANDATE

That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), authority be given to the Directors of the Company to issue shares (“Shares”) whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, “Instruments”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

- (a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty percent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty percent (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company;
- (b) for the purpose of determining the aggregate number of Shares that may be issued under subparagraph (a) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company as at the date of the passing of this Resolution, after adjusting for:
  - (i) new shares arising from the conversion or exercise of convertible securities;
  - (ii) new shares arising from exercising share options or vesting of Share awards outstanding or subsisting at the time this Resolution is passed; and
  - (iii) any subsequent bonus issue, consolidation or subdivision of shares;
- (c) And that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company’s next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities.

See Explanatory Note (i)

**(Resolution 7)**

## NOTICE OF ANNUAL GENERAL MEETING

### 8. THE PROPOSED RENEWAL OF SHARE PURCHASE MANDATE

- (a) That the Company be and is hereby authorised to purchase or otherwise acquire issued and paid up Shares not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:-
- (i) on-market purchases (each an "On-Market Share Purchase") on the SGX-ST; and/or
  - (ii) off-market purchases (each an "Off-Market Share Purchase") effected in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time, and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, and the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire Shares in the foregoing manner be and is hereby authorised and approved generally and unconditionally (the "Share Purchase Mandate");
- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Ordinary Resolution, and expiring on the earliest of:-
- (i) the conclusion of the next Annual General Meeting of the Company; or
  - (ii) the date by which the next Annual General Meeting of the Company is required to be held; or
  - (iii) the date on which the purchase of Shares by the Company pursuant to the Share Purchase Mandate is carried out to the full extent mandated (the "Relevant Period").
- (c) in this Ordinary Resolution:-
- "Maximum Limit" means 10% of the total number of issued and paid-up ordinary shares of the Company as at the date of the passing of this Ordinary Resolution (excluding any treasury shares that may be held by the Company from time to time and subsidiary holdings); and
- "Maximum Price" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) not exceeding:-

## NOTICE OF ANNUAL GENERAL MEETING

(i) in the case of an On-Market Share Purchase, 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Share Purchase, 120% of the Average Closing Price,

where:–

“Average Closing Price” means the average of the closing market prices of the Shares over the last five (5) Market Days (“Market Day” being a day on which the SGX-ST is open for securities trading), on which transactions in the Shares were recorded, before the day on which the On-Market Share Purchase was made or as the case may be, the day of making of the offer for an Off-Market Share Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Day period; and

“day of making of the offer” means the day on which the Company makes an offer for the purchase or acquisition of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Share Purchase; and

- (d) the Directors and each of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they/he/she may consider necessary, desirable, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.

See Explanatory Note (ii)

**(Resolution 8)**

By Order of the Board

Ngai Ting Fung, Ian  
Toh Li Ping, Angela  
*Company Secretaries*

10 July 2019

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes to Resolutions to be passed -

- (i) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty percent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty percent (20%) may be issued other than on a pro rata basis.
- (ii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors from the date of the above Meeting until the date the next Annual General Meeting is to be held or is required by law to be held, whichever is earlier, to make purchases (whether by way of On-Market Share Purchases or Off-Market Share Purchases on an equal access scheme) from time to time of up to 10% of the total number of issued Shares excluding any Shares which are held as treasury shares of the Company at prices up to but not exceeding the Maximum Price. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate are set out in greater details in the Addendum accompanying this Notice.

## Notes:

1. A Shareholder being a Depositor whose name appears in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289) is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. If a Depositor wishes to appoint a proxy/proxies to attend the Meeting, then he/she must complete and deposit the Depositor Proxy Form at the office of the Singapore Share Transfer Agent, B.A.C.S Private Limited, 8 Robinson Road #03-00 ASO Building Singapore 048544, at least forty-eight (48) hours before the time of the Meeting.
3. If the Depositor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

## Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company or a Depositor, as the case may be (i) consents to the collection, use and disclosure of the member or Depositor's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member or a Depositor discloses the personal data of the member or Depositor's proxy(ies) and/or representative(s) to the Company (or its agents), the member or Depositor has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member or Depositor will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member or Depositor's breach of warranty.



## NOTICE OF BOOKS CLOSURE

**NOTICE IS HEREBY GIVEN** that the Share Transfer Books and Register of Members of **Pan Hong Holdings Group Limited** (the “Company”) will be closed on 14 August 2019 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company’s Share Transfer Agent, B.A.C.S. Private Limited, 8 Robinson Road #03-00 ASO Building Singapore 048544, up to 5.00 p.m. on 14 August 2019 will be registered to determine shareholders’ entitlements to the said dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 14 August 2019 will be entitled to the proposed dividend.

Payment of the dividend, if approved by the members at the Annual General Meeting to be held on 26 July 2019, will be made on 26 August 2019.



汎港控股  
PAN HONG HOLDINGS

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