Pan Hong Holdings Group Limited

Annual Report 2016-2017

CONTENTS

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

Fok Ka Ki
Toh Li Ping, Angela

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

BUSINESS OFFICE

Room 1214, 12 Floor, Tower B
Hunghom Commercial Centre
37-39 Ma Tau Wai Road
Hunghom, 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
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
Aw Vern Chun, Philip
(Appointed with effect from financial year 31 March 2017)

CORPORATE PROFILE

Headquartered in Hong Kong, Pan Hong Holdings Group Limited (汎港控股集團有限公司) 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 of the 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, and Nanchang, Fuzhou and Yichun cities in Jiangxi 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 Pan Hong Run Yuan (汎港潤源) 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 (湖州華萃庭院) was awarded "2015 Huzhou Good Living Property Project (2015年度湖洲宜居樓盤)". In 2015, the Group's Nanchang Sino Harbour Kaixuan City (南昌漢港凱旋城) was awarded "2015 Most Outstanding Quality Property Project (2015最具卓越質量樓盤)" and "2015 Nanchang Most Investment Value Property Project (2015南昌樓市最具投資價值名盤)". The Group's Yichun Royal Lake City (宜春御湖城) had received "Most Comparative Price Property Project (最具高性價比樓盤)" in 2013 and "Yichun Most Popular Project (宜春最佳人氣樓盤)" in Year 2015.

Pan Hong was listed on the Main Board of the Singapore Exchange Securities Trading Limited on 20 September 2006. To further expand its business, the Group spun off its Jiangxi residential and commercial property development businesses and listed it as Sino Harbour Property Group on the Main Board of the Stock Exchange of Hong Kong Limited (the "SEHK") in July 2011.

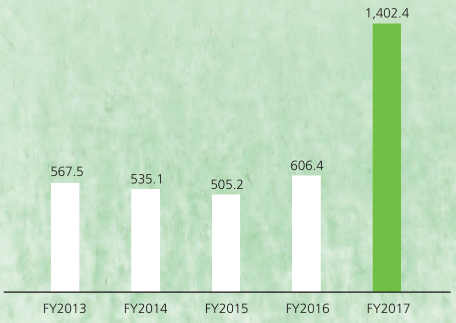
FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

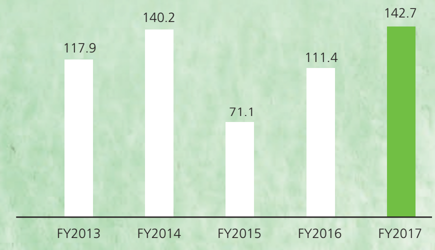
(RMB'000)	FY2017	FY2016	Change
PROFIT AND LOSS			
Revenue	**1,402,430**	606,416	131.3%
Gross profit	**264,828**	80,712	228.1%
Gross profit margin	**18.9%**	13.3%	5.6 pts
Profit after tax	**142,745**	111,367	28.2%
Profit attributable to the owners of the Company	**100,937**	80,533	25.3%
REVENUE ANALYSIS BY TYPE OF PROPERTIES			
Residential	**1,365,558**	587,177	132.6%
Commercial and others	**36,872**	19,239	91.7%
REVENUE ANALYSIS BY GEOGRAPHICAL SEGMENT			
Northern Region	**708,918**	9,393	7,447.3%
Southern Region	**693,512**	597,023	16.2%

FINANCIAL HIGHLIGHTS

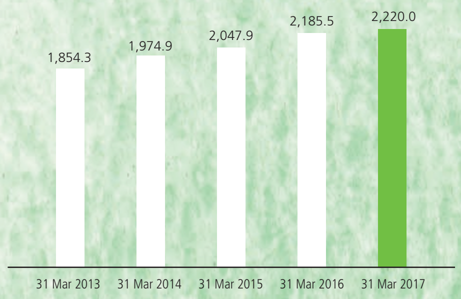
Revenue (RMB' mil)



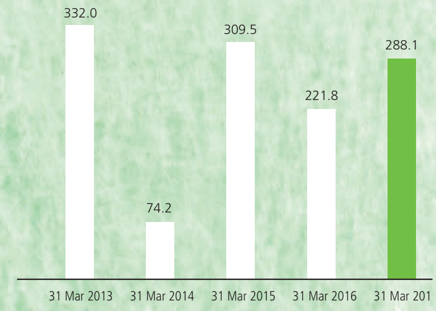
Profit after tax (RMB' mil)



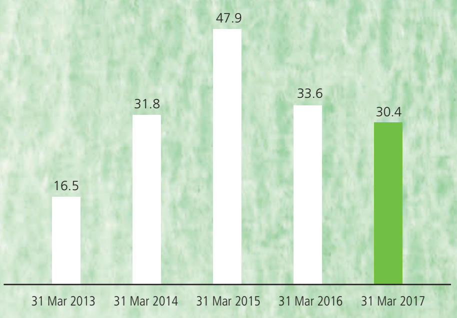
Net assets (RMB' mil)



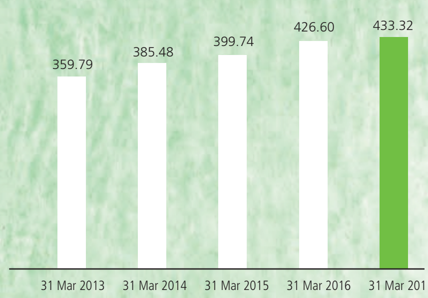
Cash and bank balances (RMB' mil)



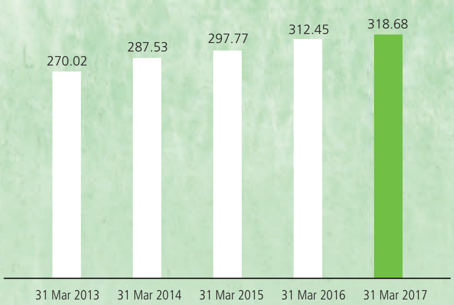
Gearing (%) : Total borrowings less deposit collateral / Total equity



Net assets value per share (RMB' cents)



Net assets value (excluding non-controlling interests) per share (RMB' cents)



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 2017.

The Group had recorded a revenue of RMB1,402.4 million and a net profit of RMB142.7 million for the year ended 31 March 2017. Profit attributable to shareholders amounted to RMB100.9 million and basic earnings per share was RMB19.70 cents.

MARKET REVIEW

The property market in the PRC has been improving gradually 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 2017 of 62 and 58 out of a statistical pool of 70 major PRC cities respectively. On a year-on-year basis, 69 out of the 70 cities recorded higher prices in April 2017.

In recent months, certain municipal and provincial governments of the PRC had released policies to tighten the fast-growing property market in order to allow it to grow steadily and healthily. The Group believes that the property market will remain relatively stable in the next 12 months.

BUSINESS OUTLOOK

The Group's iconic projects such as Nanchang Sino Harbour Kaixuan City (南昌漢港凱旋城) Zone 3, Pan Hong Run Yuan (汎港潤源) Phase 1 and Huzhou Hua Cui Ting Yuan (湖州華萃庭院) Phase 2 were the main contributors to the Group's revenue in FY2017.

The Group will continue to focus on the sales of its existing projects and continue to launch the pre-sale of other iconic projects such as Nanchang Sino Harbour Kaixuan City, Pan Hong Run Yuan Phase 2 as well as Han Zhi Yun Commercial Centre (漢之昀商業中心) (formerly known as Hangzhou Ganglian Sino Africa Tower Project (杭州港聯中非大廈項目)) in the coming financial year.

The Group is also exploring suitable business opportunities to diversify its core business. With reference to the Company's announcement dated 17 February 2017, the Group has incorporated a subsidiary with Zhejiang University of Technology Assets Operation Limited (浙江工業大學資產經營有限公司) and Irvine Pharmaceutical Services, Inc. to enter into the pharmaceutical inspection industry. The Group believes that this will provide opportunities for it to diversify its business and expand its income sources.

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
30 June 2017

BUSINESS, OPERATIONS AND FINANCIAL REVIEW

BUSINESS AND OPERATIONS REVIEW

OVERVIEW OF OUR BUSINESS

During the year under review, the Group's revenue of RMB1,402.4 million was mainly achieved from the sales of Nanchang Sino Harbour Kaixuan City Zone 3, Pan Hong Run Yuan Phase 1 and Huzhou Hua Cui Ting Yuan Phase 2. The total gross floor area of the residential and commercial properties (excluding car parking spaces sold) in FY2017 amounted to approximately 232,691 sq. m.

The following table presents an analysis of the Group's revenue in FY2017:

		Year ended 31 March 2017
(i)	**Residential**	
	– GFA sold (in sq. m.)	**231,225**
	– Average selling price (RMB per sq. m.)	**5,906**
	– Revenue (approx RMB'000)	**1,365,558**
(ii)	**Commercial**	
	– GFA sold (in sq. m.)	**1,466**
	– Average selling price (RMB per sq. m.)	**12,012**
	– Revenue (approx RMB'000)	**17,609**
(iii)	**Car parking spaces**	
	– Revenue (approx RMB'000)	**19,263**

PROPERTY PRE-SALES

As of 17 May 2017, the Group's aggregate pre-sales value from Nanchang Sino Harbour Kaixuan City Zone 2, Fuzhou Hua Cui Ting Yuan (撫州華萃庭院) Phase 3, Yichun Royal Lake City (宜春御湖城) Phase 2, Pan Hong Run Yuan Phase 1 as well as Huzhou Hua Cui Ting Yuan Phase 2 had a total unbilled sales of RMB622.15 million. The summary of the status of the sales of its property developments are as follows:

Name of project	Province	Type of units	Est. total GFA released for sales (sq. m.)	Percentage of pre-sold units	^Unbilled sales (RMB'million)
Nanchang Sino Harbour Kaixuan City Zone 2	Jiangxi	Residential	34,095	54%	208.18
Fuzhou Hua Cui Ting Yuan Phase 3	Jiangxi	Residential	117,177	99%	20.48
Yichun Royal Lake City Phase 2	Jiangxi	Residential	101,587	99%	42.56
Pan Hong Run Yuan Phase 1	Zhejiang	Residential	103,648	99%	257.00
Huzhou Hua Cui Ting Yuan Phase 2	Zhejiang	Residential	50,400	98%	93.93
TOTAL					622.15

^ The computation of unbilled sales is 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 2017

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 its growth in the coming year. Currently, the Group's property projects under construction are as follows:

Name of project	Province	City	Planned GFA	Expected Completion Date
Pan Hong Run Yuan Phase 2	Zhejiang	Huzhou	Residential: 96,720 Commercial: 5,995	Q2 CY2019
Han Zhi Yun Commercial Centre	Zhejiang	Hangzhou	Commercial: 81,926	Q4 CY2018

LAND BANK

Currently, the Group had land bank with total planned saleable GFA of 2,720,657 sq. m. in 5 cities of the PRC. The Group's land bank was as follows:

	Land bank (sq. m.)
Properties under development	184,641
Properties held for future development	2,536,016
Total	2,720,657

FINANCIAL REVIEW

FINANCIAL RESULT

	Group	
	FY2017	FY2016
Revenue (RMB'000)		
Residential	**1,365,558**	587,177
Commercial and others	**36,872**	19,239
Total Revenue	**1,402,430**	606,416

The Group's revenue in FY2017 was RMB1,402.4 million compared to RMB606.4 million in FY2016, an increase of 131.3%. The increase was mainly attributable to more handover of property units of Nanchang Sino Harbour Kaixuan City Zone 3, Pan Hong Run Yuan Phase 1 and Huzhou Hua Cui Ting Yuan Phase 2.

The revenue in FY2017 mainly comprised residential units sold in Nanchang Sino Harbour Kaixuan City Zone 3, Pan Hong Run Yuan Phase 1 and Huzhou Hua Cui Ting Yuan Phase 2. In FY2016, the revenue was mainly derived from the handover of residential units sold in Yichun Royal Lake City Phase 2 and Fuzhou Hua Cui Ting Yuan Phase 3.

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

In line with the increase in revenue, cost of sales increased from RMB525.7 million in FY2016 to RMB1,137.6 million in FY2017 due to more handover of residential units.

The increase in gross profit margin from 13.3% in FY2016 to 18.9% in FY2017 was mainly due to the handover of Huzhou Hua Cui Ting Yuan Phase 2 in FY2017, comprising mainly townhouses which had a higher profit margin compared to other residential units.

Other income and other gains and losses decreased by 65.5% from RMB164.6 million in FY2016 to RMB56.8 million in FY2017. The decrease was mainly due to an additional receivable of RMB60.0 million from a local regional government committee in respect of a long outstanding receivable in FY2016, which was a one-off other income, and the decrease in fair value gain on investment properties of RMB31.2 million in FY2017 compared to RMB72.9 million in FY2016. Accordingly other income and other gains and losses decreased by 65.5%.

The increase in finance costs from RMB2.9 million in FY2016 to RMB8.1 million in FY2017 was attributable to an increase in interest expenses which were not capitalised in properties held under development during the financial year.

Share of results of joint ventures decreased from RMB0.9 million in FY2016 to RMB0.5 million in FY2017, mainly due to a decrease in expenses incurred by joint ventures.

Income tax expense increased from RMB47.1 million in FY2016 to RMB87.4 million in FY2017. The increase is mainly attributable to higher profits in FY2017.

As a result of the foregoing factors, the Group recorded an increase of 28.2% profit after tax of RMB142.7 million in FY2017 from RMB111.4 million in FY2016.

Exchange differences on translation of financial statements of foreign operations decreased from RMB11.8 million in FY2016 to RMB6.9 million in FY2017. The decrease was mainly due to lesser translation loss as a result of the translation of the Group's subsidiaries which were denominated in Hong Kong Dollar during the financial year.

As a cumulative effect of the above factors, the Group recorded a total comprehensive income for the year of RMB135.9 million in FY2017, compared to a total comprehensive income for the year of RMB99.6 million in FY2016.

FINANCIAL POSITION

As at 31 March 2017, the Group had property, plant and equipment of RMB76.5 million, compared to RMB80.2 million as at 31 March 2016. The decrease was mainly attributable to the depreciation incurred during the financial year.

As at 31 March 2017, the Group had investment properties of RMB557.2 million, compared to RMB513.3 million as at 31 March 2016. The increase mainly comprised net fair value gain of the Group's investment properties during the financial year.

Other financial assets increased from RMB20.0 million as at 31 March 2016 to RMB28.6 million as at 31 March 2017. The increase was due to the acquisition of equity interests in a number of entities incorporated in the People's Republic of China ("PRC"). The Group does not have control nor significant influence in these entities. Accordingly, the Group has accounted for these investments as available-for-sale financial assets under other financial assets.

Non-current assets relating to the financial assets at fair value through profit or loss which were the option granted to resell the entire equity interests of an associate and the contingent consideration receivable in relation to the investment in equity interests of the associate, increased from RMB4.8 million as at 31 March 2016 to RMB7.1 million as at 31 March 2017. The increase was mainly attributable to the increase in fair value of the financial assets during the financial year.

Current assets relating to the financial assets at fair value through profit or loss included listed equity securities in Hong Kong and the PRC. Current assets relating to the financial assets at fair value through profit or loss increased to RMB11.3 million as at 31 March 2017 from RMB3.0 million as at 31 March 2016. The increase was mainly attributable to the purchase of financial assets at fair value through profit or loss during the financial year.

The Group's properties held under development decreased by RMB499.3 million from RMB2.22 billion as at 31 March 2016 to RMB1.72 billion as at 31 March 2017. The decrease was mainly attributable to the net effect of re-classification of properties of Huzhou Hua Cui Ting Yuan Phase 2 and Pan Hong Run Yuan Phase 1 which were completed and transferred to properties held for sale during the financial year, as well as progress in the construction of projects such as Han Zhi Yun Commercial Centre and Pan Hong Run Yuan Phase 2.

Properties held for sale increased from RMB762.1 million as at 31 March 2016 to RMB790.9 million as at 31 March 2017, mainly due to the re-classification of properties of Huzhou Hua Cui Ting Yuan Phase 2 and Pan Hong Run Yuan Phase 1 which were completed and transferred from properties held under development during the financial year.

The Group's prepayments and other receivables decreased from RMB588.3 million as at 31 March 2016 to RMB405.9 million as at 31 March 2017. The decrease was mainly due to the receipts of certain significant other receivables during the financial year.

With reference to note 23(b) of notes to the financial statements of the Company's annual report for the financial year ended 31 March 2016, certain significant other receivables refers to the remaining Initial Receivable on the sale and transfer of Jiashanyang Land Parcels of RMB60,945,000, the premium resulting from prolonged settlement on the Initial Receivables of RMB60,000,000 and the rebate resulting from delay in the transfer of Southwest Land Parcels of RMB25,390,000 were received during the financial year. As such, prepayments and other receivables of the Group decreased significantly during the financial year.

Tax recoverable decreased from RMB32.6 million as at 31 March 2016 to RMB25.6 million as at 31 March 2017, mainly attributable to utilisation of prepaid land appreciation tax and corporate income tax in the PRC during the financial year.

Structured bank balances increased from nil as at 31 March 2016 to RMB120.1 million as at 31 March 2017. The increase was mainly due to the increase in structured bank balances which are deposited in banks with enhanced yield instead of general bank balances.

Long-term and short-term pledged deposits decreased from RMB407.9 million as at 31 March 2016 to RMB379.0 million as at 31 March 2017. The decrease was mainly due to the decrease in deposits pledged and secured against the bank and other loans to the Group.

Accounts payable increased to RMB92.2 million as at 31 March 2017 from RMB54.5 million as at 31 March 2016 due to an increase in amounts payable to suppliers for construction costs incurred in respect of the Group's properties held under development and properties held for sales.

Accruals, receipts in advance and other payables decreased from RMB1,452.4 million as at 31 March 2016 to RMB1,090.4 million as at 31 March 2017. Accruals, receipts in advance and other payables comprised mainly of advance receipts from customers in respect of the Group's property pre-sales, accrued construction costs and project-related expenses that were based on the progress of the project development but were not due for payment as well as guarantee deposit by the subcontractor as at 31 March 2017. The decrease in accruals, receipts in advance and other payables was mainly due to the net effect of (i) the decrease in advance receipts from the customers of Nanchang Sino Harbour Kaixuan City Zone 3, Pan Hong Run Yuan Phase 1 and Huzhou Hua Cui Ting Yuan Phase 2 upon the handover and recognition of sale of properties and (ii) accrued construction costs for projects under development including Pan Hong Run Yuan Phase 2.

Provision for tax decreased from RMB195.0 million as at 31 March 2016 to RMB171.8 million as at 31 March 2017. The decrease was mainly attributable to repayment of tax liabilities during the financial year.

Amounts due to related parties increased from RMB30.2 million as at 31 March 2016 to RMB33.0 million as at 31 March 2017. The increase was mainly attributable to advances from non-controlling interests of the subsidiaries.

As at 31 March 2017, the Group had total borrowings of RMB936.8 million, a decrease from RMB1,080.4 million as at 31 March 2016, mainly due to repayment of bank and other borrowings during the financial year.

Of these borrowings, bank and other loans of approximately RMB276.4 million were secured by deposits of RMB262.1 million which were classified as "Long-term pledged deposits" and "Pledged deposits" as at 31 March 2017.

Based on the Group's total equity of RMB2.22 billion and deposit collateral of RMB262.1 million, the Group recorded a net gearing ratio (total bank and other loans less deposit collateral/total equity) of 30.4% as at 31 March 2017, compared to 33.6% as at 31 March 2016.

Deferred tax liabilities increased from RMB75.9 million as at 31 March 2016 to RMB83.7 million as at 31 March 2017, mainly due to the provision of deferred tax liabilities in respect of fair value gain of investment properties.

In FY2017, the Group recorded RMB473.4 million of net cash generated from operating activities which was mainly attributable to the increase in advance receipts from customers for pre-sale of properties.

Net cash used in investing activities in FY2017 amounted to RMB100.6 million, mainly due to the increase in structured bank balances.

Net cash used in financing activities in FY2017 amounted to RMB307.1 million, mainly due to repayment of borrowings.

As at 31 March 2017, the Group had cash and cash equivalents of RMB288.1 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 2015. 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 2015. 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 three Hong Kong listed companies, namely China Fortune Financial Group Limited, China Taifeng Beddings Holdings Limited and Tianhe Chemicals Group Limited. Mr. Chan is also a non-executive director of China Healthcare Enterprise Group Limited which is listed in Hong Kong, and 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. China Precious Metal Resources Holding Co., Ltd., Runway Global Holdings Company Limited, Tianjin TEDA Biomedical Engineering Company Limited and Combest 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 2015. 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, an Independent Director on the boards of Ascendas Hospitality Trust (A-HTRUST) and 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.

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 2015. He is presently the President of CCH High-Tech Enterprise Ltd. and the General Manager 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 Jinquan Trading Co., Ltd. (湖洲金泉貿易有限公司)as well as Huzhou Yiyuan Trading Co., Ltd. (湖洲怡源有限公司), 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. Zhang Ning is the Construction Quality Control Manager of our Group and is responsible for the quality control of construction materials and cost control, as well as the management of certain of our subsidiaries. His experience in quality control began in 1975 when he started working with Nanxun Construction Engineering Company (南潯建築工程公司). He subsequently rose to become Chief of the Biological Department, Quality Control Department and Planning and Operation Department. In 1992 he joined Zhejiang Chuan Ling Electrical Company Limited (浙江川菱電器有限公司) as Chief of the Infrastructure Department before leaving to take up the concurrent positions as General Manager of Nanxun Municipal Main Company (南潯市政總公司) and an assistant supervisor in the Nanxun Economic Development Zone Construction Office (南潯經濟開發區建設辦公室) in 1994. He joined our Group in 1995 as the General Manager of Nanxun Yazhoucheng Company. In 2000, he was appointed as the General Manager of Huzhou Asia City Company, as well as General Manager of Huzhou Xiandai Company. He was also appointed as General Manager of Huzhou Luzhou Housing and Landing Development Co., Ltd. in 2002. Mr. Zhang graduated from Chongqing University (重慶大學) in 2008, majoring in Engineering and he was certified as an Engineer by the Huzhou Municipal Bureau of Urban Construction (湖洲市城建局) in the same year. Aside from these positions, Mr. Zhang is also a member of the Fifth and Sixth Huzhou Municipal Political Committee (湖洲市第五屆及第六屆政治協商委員會) as well as a member of the First and Second Nanxun District Industry and Commerce Standing Committee (第一屆及第二屆南潯區工商聯常務委員).

KEY MANAGEMENT PERSONNEL

Mr. Fok Ka Ki joined our Group as the Group Financial Controller and Company Secretary on 31 July 2015. 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 Hong Kong from 2008 to 2015. Mr. Fok graduated from the City University of Hong Kong with a Bachelor of Business Administration (Honours) in Accountancy. Mr. Fok is also an associate member of the Hong Kong Institute of Certified Public Accountants.

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.

CORPORATE GOVERNANCE REPORT

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 fulfill 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;

(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.

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.

Details of Board and Board committees' meetings held in respect of the financial year ended 31 March 2017 ("FY2017") are summarised in the table below:

Meeting	Board of Directors	AC	NC	RC
Total meetings held in FY2017	4	4	1	1

Name of Director	Attended	Attended	Attended	Attended
Mr. Wong Lam Ping	4/4	N.A.	1/1	N.A.
Ms. Wang Cuiping	4/4	N.A.	N.A.	N.A.
Mr. Wong Ching[1]	2/2	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	3/4	N.A.	N.A.	1/1

1 Mr. Wong Ching resigned as an Executive Director of the Company on 28 November 2016.

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

As at the date of this report, 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. With the resignation of Mr Wong Ching as an Executive Director of the Company on 28 November 2016, 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.

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:–

[1]Name of Director	Position	Date of Initial Appointment	Date of Last Re-election	Directorships in other listed companies – Current	Directorships in other listed companies – 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 2015	Nil	Nil
Mr. Sim Wee Leong	Lead Independent Director	14 August 2006	30 July 2015	Nil	Nil
Dr. Choo Kian Koon	Independent Director	14 August 2006	29 July 2016	(i) Ascendas Hospitality Trust (A-HTRUST)[3] (ii) Manulife US Real Estate Management Pte. Ltd. (Manager of Manulife US Real Estate Investment Trust)	Nil
Dr. Zheng Haibin	Independent Director	14 August 2006	30 July 2015	Nil	Nil
Mr. Chan Kin Sang	(Non-Executive and Non-Independent Director	14 August 2006	30 July 2015	(i) Luxking Group Holdings Limited (ii) Tianhe Chemicals Group Limited[2] (iii) China Fortune Financial Group Limited[2] (iv) China Taifeng Beddings Holdings Limited[2] (v) China Healthcare Enterprise Group Limited[2] (vi) Guanghe Landscape Culture Communication Co., Ltd., ShanXi[4]	(i) China Precious Metal Resources Holdings Co., Ltd[2] (ii) Runway Global Holdings Limited[2] (iii) Tianjin TEDA Biomedical Engineering Company Limited[2] (iv) Combest Holdings Limited[2]

(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) 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.

(4) Listed on the Shanghai Stock Exchange

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. He plays a key role in developing the business of the Group and provides the Group with strong leadership and vision. 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.

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.

All major decisions made by Mr. Wong are reviewed by the Board. 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.

As Chairman of the Board, Mr. Wong is responsible for, amongst others, the effective working of the Board such as leading the Board and ensuring that Board meetings are held when necessary and on all aspects of its role, setting the agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues, with the assistance of the Group Financial Controller, promoting a culture of openness and debate at the Board, ensuring compliance with the Company's guidelines and promoting high standards of corporate governance, acting as a facilitator at Board meetings to ensure effective contribution of Non-Executive Directors and that the Directors receive complete, adequate and timely information, encouraging constructive relations within the Board and between the Board and Management, maintaining regular dialogue with Management on all operational matters and ensuring effective communication with shareholders. The Company Secretaries assist the Chairman in scheduling the Board and Board Committees' meetings respectively.

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.

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 FY2017, 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;

(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 fulfill 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 FY2017, the Company did not appoint any new Director and/or first-time Director.

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 FY2017, the NC had reviewed the independence of the Board members with reference to the guidelines set out in the Code. All the 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 his views objectively and seek clarification and amplification when deemed necessary; whether they continue to debate issues objectively; whether they continue to scrutinize 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.

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 cognizance 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 re-nomination 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.

For FY2017, no Director was due for retirement pursuant to the Company's Bye-laws.

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 FY2017 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.

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 contacts 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 and 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;

(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 provisions 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 aim 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 FY2017, 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.

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 2018, 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 2017 is set out below:

Directors' Remuneration

Name of director	Fees %	(a)Fixed Component %	(b)Variable Component %	Benefits in Kind %	Other Long Term Incentives %	Total %
S$250,000 and below						
Mr. Wong Lam Ping (1) (2)	–	93	6	1	–	100
Ms. Wang Cuiping	–	81	19	–	–	100
Mr. Wong Ching (1)	–	–	–	–	–	–
Mr. Sim Wee Leong	100	–	–	–	–	100
Dr. Choo Kian Koon	100	–	–	–	–	100
Dr. Zheng Haibin	100	–	–	–	–	100
Mr. Chan Kin Sang (2)	100	–	–	–	–	100

(a) Fixed Component refers to base salary and Annual Wage Supplement, if applicable, for the financial year ended 31 March 2017.

(b) Variable Component refers to variable or performance related bonus paid in the financial year ended 31 March 2017.

(1) Mr. Wong Ching, son of Mr. Wong Lam Ping, resigned as an Executive Director on 28 November 2016. He did not receive any compensation in line with his Service Agreement.

(2) Mr. Chan Kin Sang is the nephew of Mr. Wong Lam Ping.

Remuneration of Top 4 Key Management Personnel

Name of key management personnel	(a) Fixed Component %	(b) Variable Component %	Benefits in Kind %	Other Long Term Incentives %	Total %
S$250,000 and below					
Mr. Wang Yinjian	85	15	–	–	100
Mr. Xu Guangquan	64	36	–	–	100
Mr. Zhang Ning	59	41	–	–	100
Mr. Fok Ka Ki	90	7	3	–	100

(a) Fixed Component refers to base salary and Annual Wage Supplement, if applicable, for the financial year ended 31 March 2017.

(b) Variable Component refers to variable or performance related bonus paid in the financial year ended 31 March 2017.

Notwithstanding Guideline 9.1 of the Code, as there were only 4 key management personnel during the financial year ended 31 March 2017, disclosure was only made in respect of the remuneration of these 4 key management personnel of the Group.

The aggregate remuneration paid to the top 4 key management personnel is approximately S$217,271.

For FY2017, there were no termination, retirement and post-employment benefits granted to Directors and the top 4 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.

The remuneration of employees who are immediate family members of a Director or the CEO ("Immediate Family Member"), and whose remuneration exceeds S$50,000 for the financial year ended 31 March 2017 are set out below:–

	Name of Immediate Family Member
Below S$300,000 and above S$250,000	*Ms. Chan Heung Ling (spouse of Mr. Wong Lam Ping, the Executive Chairman and CEO)
Below S$200,000 and above S$150,000	Mr. Wong Lui (Son of Mr. Wong Lam Ping, the Executive Chairman and CEO)

* Ms. Chan Heung Ling, the spouse of Mr. Wong Lam Ping, received remuneration as an employee of the Group for the financial year ended 31 March 2017 and is not considered a key management personnel of the Group.

Save as disclosed above, 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 2017.

(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.

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 FY2017, no exceptions were noted. The AC will review the internal auditor's comments and findings and ensure that are adequate and effective internal controls 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 FY2017, 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 FY2017.

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 44 of the Annual Report.

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 to 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;

(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 FY2017.

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 FY2017, 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) conducted a review and confirmed that there were no non-audit services rendered by the external Auditors to the Group for FY2017. The Audit fees amounting to RMB1,433,000 was approved.

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 14 to the Financial Statements on pages 96 to 101 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.

PRINCIPLE 13: INTERNAL AUDIT

The Group has an in-house internal audit team ("Internal Auditor") to carry out internal audits. 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 have 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 FY2017, the AC is satisfied with the adequacy and effectiveness of the internal audit function.

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;

(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.

Shareholders can vote at the general meetings in person or in absentia 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 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 FY2017, the Board has recommended the payment of a final dividend of S$0.01 per share (tax not applicable), subject to the Shareholders' approval at the forthcoming Annual General Meeting to be held on 28 July 2017.

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 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.

INTERESTED PERSON TRANSACTIONS ("IPT")

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

It was noted that the IPTs that were transacted during the financial year under review 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. There were also no IPTs of S$100,000 or above for the financial year ended 31 March 2017:–

Name of Interested Person	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)	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)
Nil	Nil	Nil

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

MATERIAL CONTRACTS

As at 27 October 2011, the substantial shareholders of the Company, namely Extra Good Enterprises Limited, Mr. Wong Lam Ping and Ms. Chan Heung Ling, had provided undertakings to notify the Company as soon as they become aware of any share pledging arrangement relating to their shareholdings (direct or indirect) in the Company, and of any event which may result in a breach of the aforesaid provisions of the facility. An announcement pursuant to Rules 704(31) and 728 of the SGX-ST Listing Manual had been released to the SGX-ST on 27 October 2011.

Hangzhou Ganglian Real Estate Company Limited (杭州港聯置業有限公司), a subsidiary of the Group, had obtained a bank facility up to a maximum amount of RMB450.0 million from Hang Seng Bank (China) Limited, Hangzhou Branch In September 2016. Mr Wong Lam Ping and Ms Chan Heung Ling should retain their effective control in Sino Harbour Holdings Group Limited, a subsidiary of the Group. An announcement relating thereto had been released to the SGX-ST on 12 September 2016.

Nanchang Dingxun Co. Limited (南昌鼎迅實業有限公司), a subsidiary of the Group, had obtained a bank facility up to RMB420.0 million from Xiamen Bank Co., Ltd. ("Xiamen Bank") in September 2016. Mr Wong Lam Ping, the controlling shareholder and executive chairman of the Company, had executed personal guarantees in favour of Xiamen Bank to obtain the aforesaid facility. Mr Wong would not be receiving any form of consideration from the Company or the Group for the provisions of his personal guarantees to Xiamen Bank, and he had confirmed that he would not claim against the Company or the Group in the event of any such claim against him by Hang Seng. An announcement relating thereto had been released to the SGX-ST on 14 September 2016.

Save as disclosed and 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 2017.

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 2017 ("FY2017").

DIRECTORS

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

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

In accordance with the Company's Bye-laws, none of the Directors of the Company 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 01.04.2016	**At 21.04.2017 and 31.03.2017**	**At 01.04.2016**	**At 21.04.2017 and 31.03.2017**
Ordinary shares				
Wong Lam Ping *(Executive Chairman)* [1]	20,952,194	25,749,794	302,443,300	302,443,300
Sim Wee Leong *(Lead Independent Director)*	–	–	–	–
Choo Kian Koon *(Independent Director)*	–	–	–	–
Zheng Haibin *(Independent Director)*	–	–	–	–
Chan Kin Sang *(Non-Executive and Non-Independent Director)*	–	–	–	–
Wang Cuiping *(Executive Director)*	689,900	689,900	–	–
Wong Ching *(Executive Director)* [2]	–	–[2]	–	–[2]

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.

2 Wong Ching resigned as an Executive Director of the Company on 28 November 2016.

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 26 to 39 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 FY2017 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 FY2017 are set out under pages 35 to 39 of the Corporate Governance Report.

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 2017.

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

As at 27 October 2011, the substantial shareholders of the Company, namely Extra Good Enterprises Limited, Mr Wong Lam Ping and Ms Chan Heung Ling, had provided undertakings to notify the Company as soon as they become aware of any share pledging arrangement relating to their shareholdings (direct or indirect) in the Company, and of any event which may result in a breach of the aforesaid provisions of the facility. An announcement pursuant to Rules 704(31) and 728 of the SGX-ST Listing Manual had been released to the SGX-ST on 27 October 2011.

Hangzhou Ganglian Real Estate Company Limited, a subsidiary of the Group, had obtained a bank facility up to a maximum amount of RMB450.0 million from Hang Seng Bank (China) Limited, Hangzhou Branch In September 2016. Mr Wong Lam Ping and Ms Chan Heung Ling should retain their effective control in Sino Harbour Holdings Group Limited, a subsidiary of the Group. An announcement relating thereto had been released to the SGX-ST on 12 September 2016.

Nanchang Dingxun Co. Limited, a subsidiary of the Group, had obtained a bank facility up to RMB420.0 million from Xiamen Bank Co., Ltd. ("Xiamen Bank") in September 2016. Mr Wong Lam Ping, the controlling shareholder and executive chairman of the Company, had executed personal guarantees in favour of Xiamen Bank to obtain the aforesaid facility. Mr Wong would not be receiving any form of consideration from the Company or the Group for the provisions of his personal guarantees to Xiamen Bank, and he had confirmed that he would not claim against the Company or the Group in the event of any such claim against him by Hang Seng. An announcement relating thereto had been released to the SGX-ST on 14 September 2016.

Save as disclosed and 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 2017.

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	**Wang Cuiping**
Director	*Director*

30 June 2017

DIRECTORS' 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 53 to 133, 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 2017 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 Board of Directors,

Wong Lam Ping	**Wang Cuiping**
Director	*Director*

30 June 2017

FINANCIAL SECTION

CONTENTS

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 53 to 133, which comprise:

– the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 March 2017;

– the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group; 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 2017 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.

KEY AUDIT MATTERS (Continued)

1. Revenue Recognition

Key Audit Matter

The Group recognised revenue from sale of properties held for sale of RMB1,402.4 million for the year ended 31 March 2017. Revenue from sale of properties held for sale is recognised upon the transfer of significant risks and rewards of ownership 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 requires significant audit effort and management judgement.

Related Disclosures

Refer to notes 3.6, 4.2 and 5 of the accompanying 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; and

– Reviewing 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 completion certificates and delivery notices, to assess whether the criteria for revenue recognition set out in note 3.6 to the financial statements have been met.

2. Assessment of Net Realisable Values of Properties Held for Sale and Properties Held under Development

Key Audit Matter

The Group has significant properties held for sale and properties held under development in the People's Republic of China (the "PRC") and together represent the largest category of assets on the consolidated statement of financial position at RMB2,512.0 million as at 31 March 2017.

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 values of these properties held for sale and properties held under development is critically dependent upon the Group's estimation of future selling prices and construction costs to complete their projects.

Related Disclosures

Refer to notes 3.9, 3.10, 4.1, 19 and 20 of the accompanying financial statements.

KEY AUDIT MATTERS (Continued)

2. Assessment of Net Realisable Value of Properties Held for Sale and Properties Held under Development (Continued)

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 construction costs and interest expenses estimated by the management, on a sample basis, based on underlying documentation and reasonableness.

3. Valuation of Investment Properties

Key Audit Matter

The Group owns a portfolio of investment properties comprising commercial offices and shop units, located in the PRC. Investment properties were significant to the Group as they represented approximately 12% of the total assets of the Group as at 31 March 2017.

These investment properties are stated at their fair values based on independent external valuations.

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied in deriving at the capitalisation, discount and terminal yield rates i.e. a small change in the assumptions can have a significant impact to the valuation.

Related Disclosures

Refer to notes 3.8, 4.1 and 13 of the accompanying financial statements.

Audit Response

Our audit procedures included:

– Evaluating the competence, capabilities and objectivity of the external valuer;

– Assessing the methodologies used and the appropriateness of the key assumptions adopted for the valuations;

– Checking, on a sample basis, the accuracy and relevance of the input data used; and

– Assessing the adequacy of related disclosures in the notes to the financial statements.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the Company's 2017 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.

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.

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

– 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.

– 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 partners on the audit resulting in this independent joint auditors' report are Aw Vern Chun, Philip from BDO LLP, and Lam Hung Yun, Andrew from BDO Limited.

BDO LLP
Public Accountants and Chartered Accountants
Singapore

30 June 2017

BDO Limited
Certified Public Accountants
Hong Kong

30 June 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2017

	Notes	Group 2017 RMB'000	2016 RMB'000
Revenue	5	**1,402,430**	606,416
Cost of sales		**(1,137,602)**	(525,704)
Gross profit		**264,828**	80,712
Other income and other gains and losses	6	**56,833**	164,592
Selling and distribution expenses		**(27,337)**	(29,183)
Administrative expenses		**(55,080)**	(53,462)
Operating profit		**239,244**	162,659
Finance costs	7	**(8,139)**	(2,895)
Share of results of joint ventures		**(500)**	(916)
Share of results of associates		**(414)**	(408)
Profit before income tax	8	**230,191**	158,440
Income tax expense	9	**(87,446)**	(47,073)
Profit for the year		**142,745**	111,367
Other comprehensive income, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(6,887)**	(11,767)
Other comprehensive income for the year		**(6,887)**	(11,767)
Total comprehensive income for the year		**135,858**	99,600
Profit for the year attributable to:			
Owners of the Company		**100,937**	80,533
Non-controlling interests		**41,808**	30,834
		142,745	111,367
Total comprehensive income attributable to:			
Owners of the Company		**94,203**	70,087
Non-controlling interests		**41,655**	29,513
		135,858	99,600
Earnings per share for profit attributable to the owners of the Company during the year (in RMB cents):			
– Basic and diluted	11	**19.70**	15.72

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2017

		Group		Company	
		31 March	31 March	**31 March**	31 March
		2017	2016	**2017**	2016
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	*12*	**76,533**	80,249	**–**	–
Investment properties	*13*	**557,247**	513,254	**–**	–
Investments in subsidiaries	*14*	**–**	–	**564,060**	564,060
Interests in joint ventures	*15*	**184,764**	185,264	**–**	–
Interests in associates	*16*	**5,673**	6,087	**–**	–
Other financial assets	*17*	**28,627**	20,000	**20,000**	20,000
Financial assets at fair value through profit or loss	*24*	**7,070**	4,778	**–**	–
Long-term pledged deposits	*26*	**5,500**	246,900	**–**	–
Deferred tax assets	*18*	**22,810**	25,164	**–**	–
		888,224	1,081,696	**584,060**	584,060
Current assets					
Properties held under development	*19*	**1,721,126**	2,220,453	**–**	–
Properties held for sale	*20*	**790,884**	762,084	**–**	–
Accounts receivable	*21*	**3,077**	3,151	**–**	–
Prepayments and other receivables	*22*	**405,928**	588,331	**116**	110
Amounts due from subsidiaries	*23*	**–**	–	**328,892**	258,893
Financial assets at fair value through profit or loss	*24*	**11,327**	2,962	**–**	–
Tax recoverable		**25,647**	32,560	**–**	–
Structured bank balances	*25*	**120,100**	–	**–**	–
Pledged deposits	*26*	**373,488**	160,960	**–**	–
Cash and bank balances	*26*	**288,122**	221,753	**131**	131
		3,739,699	3,992,254	**329,139**	259,134
Current liabilities					
Accounts payable		**92,172**	54,478	**–**	–
Accruals, receipts in advance and other payables	*27*	**1,090,430**	1,452,394	**276**	269
Provision for tax		**171,837**	195,017	**–**	–
Amounts due to related parties	*23*	**33,006**	30,239	**312,922**	248,646
Bank and other loans	*28*	**332,253**	514,370	**–**	–
		1,719,698	2,246,498	**313,198**	248,915
Net current assets		**2,020,001**	1,745,756	**15,941**	10,219
Total assets less current liabilities		**2,908,225**	2,827,452	**600,001**	594,279

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2017

	Notes	Group 31 March 2017 RMB'000	Group 31 March 2016 RMB'000	Company 31 March 2017 RMB'000	Company 31 March 2016 RMB'000
Non-current liabilities					
Bank and other loans	*28*	**604,565**	566,009	**–**	–
Deferred tax liabilities	*18*	**83,697**	75,903	**–**	–
		688,262	641,912	**–**	–
Net assets		**2,219,963**	2,185,540	**600,001**	594,279
EQUITY					
Equity attributable to the Company's owners					
Share capital	*29*	**313,446**	313,446	**313,446**	313,446
Reserves	*30*	**1,319,212**	1,287,266	**286,555**	280,833
		1,632,658	1,600,712	**600,001**	594,279
Non-controlling interests		**587,305**	584,828	**–**	–
Total equity		**2,219,963**	2,185,540	**600,001**	594,279

Wong Lam Ping
Director

Wang Cuiping
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2017

	Notes	Group 2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Profit before income tax		**230,191**	158,440
Adjustments for:			
Interest income	*6*	**(8,184)**	(15,502)
Interest expense	*7*	**8,139**	2,895
Depreciation of property, plant and equipment	*8*	**4,561**	4,151
Loss on disposal of property, plant and equipment	*6*	**1**	14
Share of results of associates		**414**	408
Share of results of joint ventures		**500**	916
Net fair value (gain)/loss for financial assets at fair value through profit or loss	*6*	**(629)**	4,402
Fair value adjustment on investment properties	*6*	**(31,174)**	(72,852)
Operating profit before working capital changes		**203,819**	82,872
Decrease in properties held under development and properties held for sale		**550,286**	112,149
Decrease/(increase) in accounts and other receivables and prepayments		**141,177**	(181,919)
Increase in financial assets at fair value through profit or loss		**(10,028)**	–
(Decrease)/increase in accounts and other payables, accruals and receipts in advance		**(326,318)**	332,538
Cash generated from operations		**558,936**	345,640
Interest received		**8,184**	15,502
Income taxes paid		**(93,731)**	(48,782)
Net cash generated from operating activities		**473,389**	312,360

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2017

		Group	
		2017	2016
	Notes	**RMB'000**	RMB'000
Cash flows from investing activities			
Purchases of property, plant and equipment		**(746)**	(3,925)
Proceeds from disposals of property, plant and equipment		**1**	121
Proceeds from disposal of investment properties		**–**	3,214
Advance to a joint ventures		**–**	(1,526)
Acquisition of an associate		**–**	(6,495)
Purchase of other financial assets		**(8,627)**	–
Purchase of financials assets at fair value through profit or loss		**–**	(4,778)
(Increase)/decrease in structured bank balances		**(120,100)**	154,000
Decrease in pledged deposits with original maturity over three months		**28,872**	41,543
Net cash (used in)/generated from investing activities		**(100,600)**	182,154
Cash flows from financing activities			
Proceeds from shares issued to non-controlling interests by subsidiary		**400**	40,820
Share issue expenses		**–**	(2,798)
Advance from/(repayment to) related parties		**2,758**	(87,443)
Proceeds from new borrowings		**398,918**	630,986
Repayments of borrowings		**(548,965)**	(1,076,646)
Distributions to non-controlling interests by subsidiary		**(39,578)**	–
Dividend paid		**(62,257)**	–
Interest paid		**(58,361)**	(87,774)
Net cash used in financing activities		**(307,085)**	(582,855)
Net increase/(decrease) in cash and cash equivalents		**65,704**	(88,341)
Effect of foreign exchange difference		**665**	593
Cash and cash equivalents at beginning of the year		**221,753**	309,501
Cash and cash equivalents at end of the year	*26*	**288,122**	221,753

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2017

	Equity attributable to owners of the Company											
	Share capital	Treasury shares	Share premium	Merger reserve	Statutory reserve	Capital reserve	Other 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
At 1 April 2015	313,446	(12,817)	203,250	(2,243)	84,438	3,838	82,217	(2,326)	855,719	1,525,522	522,396	2,047,918
Transaction with owners												
Deemed disposal of subsidiaries arisen from shares placement of a subsidiary	–	–	–	–	–	–	4,911	192	–	5,103	32,919	38,022
Profit for the year	–	–	–	–	–	–	–	–	80,533	80,533	30,834	111,367
Other comprehensive income												
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	–	(10,446)	–	(10,446)	(1,321)	(11,767)
Total comprehensive income for the year	–	–	–	–	–	–	–	(10,446)	80,533	70,087	29,513	99,600
Transfer to statutory reserve	–	–	–	–	3,947	–	–	–	(3,947)	–	–	–
At 31 March 2016 and 1 April 2016	313,446	(12,817)	203,250	(2,243)	88,385	3,838	87,128	(12,580)	932,305	1,600,712	584,828	2,185,540
Transaction with owners												
Dividend declared (note 10)	–	–	–	–	–	–	–	–	(62,257)	(62,257)	–	(62,257)
Distributions to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(39,578)	(39,578)
Capital contribution to a subsidiary	–	–	–	–	–	–	–	–	–	–	400	400
	–	–	–	–	–	–	–	–	(62,257)	(62,257)	(39,178)	(101,435)
Profit for the year	–	–	–	–	–	–	–	–	100,937	100,937	41,808	142,745
Other comprehensive income												
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	–	(6,734)	–	(6,734)	(153)	(6,887)
Total comprehensive income for the year	–	–	–	–	–	–	–	(6,734)	100,937	94,203	41,655	135,858
Transfer to statutory reserve	–	–	–	–	12,144	–	–	–	(12,144)	–	–	–
At 31 March 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

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.

Pursuant to a special resolution passed at the special general meeting of the Company held on 9 September 2015, the shareholders of the Company approved to change the Company's name from "Pan Hong Property Group Limited" to "Pan Hong Holdings Group Limited and the mandarin translation "汎港控股集團有限公司" as a secondary name of the Company". The change of the Company's name became effective on 9 September 2015.

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 14 to the financial statements. The Company's holding company is Extra Good Enterprises Limited, a company incorporated in British Virgin Islands ("BVI") of which Mr. Wong Lam Ping ("Mr. Wong") and Ms. Chan Heung Ling ("Ms. Chan") hold 52% and 48% of the issued share capital respectively.

The financial statements on pages 53 to 133 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 2017 were approved for issue by the board of directors ("Directors") on 30 June 2017.

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 2016.

IFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The adoption of the new IFRSs has no material impact on the Group's financial statements.

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:

IFRSs (Amendments)	Annual Improvements 2014-2016 Cycle[1]
Amendments to IAS 7	Disclosure Initiative[1]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to IAS 40	Transfers to Investment Properties[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
IFRIC 22	Foreign Currency Transactions and Advance Considerations[2]
IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
Amendments to IFRS 15	Revenue from Contracts with Customers (Clarification to IFRS 15)[2]
IFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

Amendments to IAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. Other than the disclosure of additional information, the directors of the Company do not anticipate the application of these amendments will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

2. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

IFRS 9 – Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss.

IFRS 9 includes new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

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, 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.

The Group has commenced its preliminary assessment of the classification and measurement of its financial assets and financial liabilities, and does not expect any significant changes to the classification and measurement of its financial assets and liabilities currently measured at amortised cost and fair value through profit or loss upon adoption of the standard.

2. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

IFRS 9 – Financial Instruments (Continued)

IFRS 9 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in IAS 39. This determines the recognition of impairment provisions as well as interest revenue. For financial assets at amortised cost or fair value through other comprehensive income, the Group will now always recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition.

The Group currently accounts for its investments in unlisted equity securities at cost less impairment, if any, as disclosed in note 17 to the financial statements. On the adoption of IFRS 9, the Group will be required to measure such investments in unlisted equity securities at fair value, with the difference between the previous carrying value and the fair value recognised in the opening balance of retained earnings.

No financial liabilities are designated at fair value through profit or loss, therefore the Group also do not expect the adoption of the standard would result in any impact to the Group.

Impairment

The new impairment requirements are expected to result in changes to and likely increases in impairment loss allowances on accounts receivable and other receivables, due to earlier recognition of credit losses. The Group expects to adopt the simplified model for its accounts receivable and will record an allowance for lifetime expected losses from initial recognition. For other receivables, the Group will initially provide for 12 months expected losses under the three-stage model. The Group is still in the process of determining how it will estimate expected credit losses and the sources of forward-looking data.

The Group plans to adopt the standard in the financial year beginning on 1 April 2018 and will include additional disclosures in its financial statements for that financial year. The Group is still assessing the transition choices available.

IFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

IFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligations
- Step 5: Recognise revenue when each performance obligation is satisfied

2. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

IFRS 15 – Revenue from Contracts with Customers (Continued)

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group has commenced its preliminary assessment and does not expect significant changes to the timing and profile of the Group's revenue recognition on adoption of IFRS 15. With the adoption of IFRS 15, the revenue arising from the sale of properties held for sale would be recognised at a point in time when the risk and rewards of ownership of these properties held for sale have been transferred to the purchasers.

The Group plans to adopt the standard in the financial year beginning on 1 April 2018 and will include the required additional disclosures in its financial statements for that financial year.

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.

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 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 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.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under IFRS 16. IFRS 16 also requires enhanced disclosures by both lessees and lessors.

On initial adoption of this standard, there may be an insignificant impact on the accounting treatment for the Group's leases, particularly properties, which the Group, as lessee, currently accounts for as operating leases. The Group plans to adopt the standard in the financial year beginning on 1 April 2019 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

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 and financial assets at fair value through profit or loss 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.

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 judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Basis of consolidation and business combination (Continued)

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.

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, 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

– Joint ventures: where the Group has rights to only the net assets of the joint arrangement; or

– Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

– The structure of the joint arrangement;

– The legal form of joint arrangements structured through a separate vehicle;

– The contractual terms of the joint arrangement agreement; and

– Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures 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 joint ventures' net assets except that losses in excess of the Group's interest in the joint ventures are not recognised unless there is an obligation to make good those losses.

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

Any premium paid for an investment in a joint venture 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 investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Revenue recognition

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 provided to write off the cost 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%

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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.

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 12) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Properties held under development (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Leases (Continued)

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 3.6.

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 assets

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

Financial assets are classified into the following categories:

– financial assets at fair value through profit or loss

– loans and receivables

– 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial assets (Continued)

(i) Financial assets at fair value through profit or loss

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 an unlisted put option and contingent consideration arising from acquisition of an 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.

(ii) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial assets (Continued)

(ii) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial assets (Continued)

(iii) 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.

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.

3.14 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Foreign currency translation (Continued)

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.

3.15 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Accounting for income tax (Continued)

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;

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 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.

3.17 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, associates and a joint venture 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.

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.

3.18 Financial liabilities

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Financial liabilities (Continued)

Bank and other loans

Bank and other loans are recognised initially at fair value, net of transaction cost incurred. Bank and other 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 and other 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.

Amounts due to related parties, accounts payables, 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Retirement benefit costs and short term employee benefits (Continued)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.25 Financial guarantees issued

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.

3.26 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.

3.27 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;
- (iii) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.27 Related parties (Continued)

(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.

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 JUDGEMENTS

Estimates and judgements 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 qualified, professional and external valuers 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 13 and 20 respectively. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

Impairment of accounts and other receivables

The Group's management assesses the collectability of accounts and other receivables. This estimate is based on the credit history of its customers or counterparties and the current market condition. Management reassesses the impairment loss at the reporting date.

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 judgement 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 2017 were approximately RMB1,721,126,000 (2016: RMB2,220,453,000) and RMB790,884,000 (2016: RMB762,084,000) respectively.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Critical judgements in applying the entity's accounting policies

Revenue recognition

The Group has recognised revenue from sale of properties held for sale during the period as disclosed in note 5 to these financial statements. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyer requires examination of the circumstances of the transaction which depends on the contractual arrangements for the sale and the laws in the relevant jurisdiction. In most cases, the transfer of risks and rewards of ownership coincides with the transfer of the legal title or the passing of possession to the buyer or a completion certificate is issued by the relevant government authorities. The Group believes that its recognition basis of sales as set out in note 3.6 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 judgement 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 judgement 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.

5. SEGMENT INFORMATION

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. The business components in the internal financial information reported to the executive directors are determined following the Group's operating locations.

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

5. SEGMENT INFORMATION (Continued)

Each of these operating segments is managed separately as each of the properties requires different resources. All inter-segment transfers are carried out at prices mutually agreed between the parties. Certain expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the chief operating decision-maker for assessment of segment performance.

	Northern Region RMB'000	Southern Region RMB'000	Unallocated Expenses RMB'000	Total RMB'000
Year ended 31 March 2017				
Revenue from external customers				
Sales of properties held for sale	708,918	693,512	–	1,402,430
Reportable segment revenue	708,918	693,512	–	1,402,430
Reportable segment profit/(loss)	75,577	73,674	(6,506)	142,745
At 31 March 2017				
Reportable segment assets	1,460,161	3,167,646		4,627,807
Other corporate assets				116
Group assets				4,627,923
Reportable segment liabilities	(837,292)	(1,570,392)		(2,407,684)
Other corporate liabilities				(276)
Group liabilities				(2,407,960)
Other reportable segment information				
Year ended 31 March 2017				
Interest income	3,228	4,956		8,184
Interest expenses	(2,251)	(5,888)		(8,139)
Net fair value change of investment properties	632	30,542		31,174
Depreciation of property, plant and equipment	(1,508)	(3,053)		(4,561)
Net fair value (loss)/gain for financial assets at fair value through profit or loss	(1,663)	2,292		629
Income tax expense	(38,156)	(49,290)		(87,446)
Share of results of joint ventures	–	(500)		(500)
Share of results of associates	–	(414)		(414)
Additions to non-current segment assets	51	22,100		22,151
At 31 March 2017				
Interests in joint ventures	–	184,764		184,764
Interests in associates	–	5,673		5,673

5. SEGMENT INFORMATION (Continued)

	Northern Region RMB'000	Southern Region RMB'000	Unallocated Expenses RMB'000	Total RMB'000
Year ended 31 March 2016				
Revenue from external customers				
Sales of properties held for sale	9,393	597,023	–	606,416
Reportable segment revenue	9,393	597,023	–	606,416
Reportable segment profit/(loss)	24,979	93,105	(6,717)	111,367
At 31 March 2016				
Reportable segment assets	1,677,634	3,396,206	–	5,073,840
Other corporate assets				110
Group assets				5,073,950
Reportable segment liabilities	(1,015,681)	(1,872,460)	–	(2,888,141)
Other corporate liabilities				(269)
Group liabilities				(2,888,410)
Other reportable segment information				
Year ended 31 March 2016				
Interest income	6,120	9,382		15,502
Interest expenses	(2,895)	–		(2,895)
Net fair value change of investment properties	899	71,953		72,852
Depreciation of property, plant and equipment	(1,630)	(2,521)		(4,151)
Net fair value loss for financial assets at fair value through profit or loss	(4,402)	–		(4,402)
Income tax expense	(17,330)	(29,743)		(47,073)
Share of results of joint ventures	–	(916)		(916)
Share of results of associates	–	(408)		(408)
Additions to non-current segment assets	4,696	110,018		114,714
At 31 March 2016				
Interests in joint ventures	–	185,264		185,264
Interests in associates	–	6,087		6,087

5. SEGMENT INFORMATION (Continued)

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 2017 and 2016.

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.

6. OTHER INCOME AND OTHER GAINS AND LOSSES

The Group's other income and other gains and losses recognised during the year are as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Exchange loss, net	**(10,771)**	(214)
Land consideration premium (note 22(b))	**–**	60,000
Net fair value gain/(loss) on financial assets at fair value through profit or loss	**629**	(4,402)
Net fair value change of investment properties (note 13)	**31,174**	72,852
Loss on disposals of property, plant and equipment	**(1)**	(14)
Government grants*	**4,187**	–
Interest income		
– from bank deposits	**5,591**	13,152
– from other receivables	**1,600**	2,350
– from structured bank balances	**993**	–
	8,184	15,502
Rental income	**21,751**	19,954
Sundry income	**1,680**	914
	56,833	164,592

* The Group received unconditional discretionary grants from the relevant PRC government authorities in support of enterprise operating in specified industry.

7. FINANCE COSTS

		Group	
		2017	2016
	Notes	**RMB'000**	RMB'000
Interests charged on financial liabilities stated at amortised cost:			
Bank loans	*(a)*	**49,670**	54,356
Other loans		**8,691**	31,581
		58,361	85,937
Less: amount capitalised in properties held under development	*(b)*	**(50,222)**	(83,042)
		8,139	2,895

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 2017, the interests on bank loans contain a repayment on demand clause amounted to approximately RMB356,000 (2016: RMB1,502,000).

(b) The weighted average capitalisation rate of borrowings was 5.75% (2016: 5.10%) per annum for the year.

8. PROFIT BEFORE INCOME TAX

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

	Group 2017 RMB'000	Group 2016 RMB'000
Auditors' remuneration	**1,433**	1,389
Depreciation of property, plant and equipment (note 12)	**4,561**	4,151
Cost of properties held for sale recognised as expense	**1,081,804**	491,384
Operating lease charge in respect of land and buildings	**580**	450
Less: amount capitalised in properties held under development	**(54)**	(69)
	526	381
Outgoings in respect of investment properties that generated rental income during the year	**332**	568
Staff costs, including directors' remuneration		
– Wages and salaries	**37,297**	36,856
– Retirement benefit scheme contributions		
– defined contribution plans	**4,791**	5,045
Less: amount capitalised in properties held under development	**(9,825)**	(12,402)
	32,263	29,499
Other taxes	**7,203**	8,091

9. INCOME TAX EXPENSE

	Notes	Group 2017 RMB'000	Group 2016 RMB'000
Current tax – PRC			
– Enterprise income tax ("EIT")	*(a)*	**52,389**	33,752
– LAT	*(b)*	**29,533**	8,440
Over-provisions in prior years			
– EIT	*(a)*	**(2,875)**	–
– LAT	*(b)*	**(1,749)**	(13,332)
		77,298	28,860
Deferred income tax (note 18)		**10,148**	18,213
Total income tax expense		**87,446**	47,073

9. INCOME TAX EXPENSE (Continued)

Notes:

(a) EIT has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2016: 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% (2016: 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 of 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.

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

	Group	
	2017	2016
	RMB'000	RMB'000
Profit before income tax	**230,191**	158,440
Tax on profit before taxation, calculated at the rates applicable to profit in the jurisdiction concerned	**57,548**	40,177
Tax effect of non-taxable income	**(4,443)**	(2,574)
Tax effect of non-deductible expenses	**10,309**	12,118
Provision for LAT for the year	**29,533**	8,440
Over-provision of EIT in prior years	**(2,875)**	–
Over-provision of LAT in prior years	**(1,749)**	(13,332)
Tax effect on EIT of LAT payable	**(6,946)**	1,223
Effect of withholding income tax on distributable profits of the Group's PRC subsidiaries	**6,069**	1,021
Total income tax expense	**87,446**	47,073

10. DIVIDENDS

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

	2017	2016
	RMB'000	RMB'000
Final dividends paid in respect of prior year	**37,552**	–
Interim dividends paid in respect of current year	**24,705**	–
	62,257	–

On 27 May 2016, the directors proposed a first and final dividend of Singapore Dollar ("S$") 0.015 per ordinary share (tax not applicable), amounting to approximately S$7,685,000 (equivalent to RMB37,552,000) for the year ended 31 March 2016, and formal approval by the shareholders was obtained at the annual general meeting held on 29 July 2016.

On 9 November 2016, the directors declared an interim dividend of S$0.01 per ordinary share (tax not applicable), amounting to approximately S$5,123,000 (equivalent to RMB24,705,000) for the year ended 31 March 2017.

On 25 May 2017, the directors proposed a final dividend of S$0.01 per ordinary share (tax not applicable), amounting to approximately S$5,123,000 (equivalent to RMB25,257,000) for the year ended 31 March 2017, and will be submitted for formal approval by the shareholders at the annual general meeting held on 28 July 2017.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company of approximately RMB100,937,000 (2016: RMB80,533,000) divided by 512,311,024 (2016: 512,311,024) ordinary shares during the year.

The diluted earnings per share is the same as the basic earnings per share, as the Group has no dilutive potential ordinary shares during the current and prior years.

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Computers and other equipment	Motor vehicles	Leasehold interests in land	Buildings	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2015						
Cost	5,365	7,152	7,703	20,574	2,050	42,844
Accumulated depreciation	(2,867)	(5,682)	(2,638)	(1,717)	(823)	(13,727)
Carrying amount	**2,498**	**1,470**	**5,065**	**18,857**	**1,227**	**29,117**
Year ended 31 March 2016						
Opening carrying amount	2,498	1,470	5,065	18,857	1,227	29,117
Additions	3,209	716	–	–	–	3,925
Transferred from properties held for sale (note 20)	–	–	–	51,422	–	51,422
Disposals	–	(135)	–	–	–	(135)
Depreciation	(2,243)	(378)	(218)	(974)	(865)	(4,678)
Exchange difference	21	28	375	144	30	598
Closing carrying amount	**3,485**	**1,701**	**5,222**	**69,449**	**392**	**80,249**
At 31 March 2016						
Cost	8,586	7,516	8,129	72,178	2,098	98,507
Accumulated depreciation	(5,101)	(5,815)	(2,907)	(2,729)	(1,706)	(18,258)
Carrying amount	**3,485**	**1,701**	**5,222**	**69,449**	**392**	**80,249**
Year ended 31 March 2017						
Opening carrying amount	3,485	1,701	5,222	69,449	392	80,249
Additions	279	320	–	–	147	746
Disposals	–	(2)	–	–	–	(2)
Depreciation	(1,680)	(665)	(232)	(2,522)	(83)	(5,182)
Exchange difference	1	47	461	178	35	722
Closing carrying amount	**2,085**	**1,401**	**5,451**	**67,105**	**491**	**76,533**
At 31 March 2017						
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)
Carrying amount	**2,085**	**1,401**	**5,451**	**67,105**	**491**	**76,533**

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Buildings held by the Group are located in the PRC and Hong Kong. At 31 March 2017, the Group's certain buildings and leasehold interests in land of approximately RMB60,513,000 (2016: RMB61,601,000) were pledged against bank and other loans (note 28) of the Group.

Depreciation charges have been included in:

	Group	
	2017	2016
	RMB'000	RMB'000
Consolidated statement of financial position		
– capitalised in properties held under development	**621**	527
Consolidated statement of comprehensive income		
– selling and distribution expenses	**317**	419
– administrative expenses	**4,244**	3,732
	4,561	4,151
	5,182	4,678

During the year ended 31 March 2016, properties held for sale with a carrying value of approximately RMB51,422,000 were transferred to property, plant and equipment as these properties were designated as their permanent offices for administrative use (note 20).

13. INVESTMENT PROPERTIES

	Group	
	2017	2016
	RMB'000	RMB'000
Carrying amount at beginning of the year	**513,254**	405,654
Transferred from properties held for sale	**21,405**	59,367
Net fair value change charged to profit or loss	**24,047**	48,233
Disposals	**(1,459)**	–
Carrying amount at end of the year	**557,247**	513,254

The investment properties included leasehold interests in land located in the PRC with lease terms expiring from 2032 to 2047 (2016: 2032 to 2047). As at 31 March 2017, the building ownership certificates of certain investment properties of the Group with carrying amount of approximately RMB56,491,000 (2016: RMB26,405,000) 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.

13. INVESTMENT PROPERTIES (Continued)

At 31 March 2017, investment properties of approximately RMB484,039,000 (2016: RMB448,326,000) were pledged against bank and other loans of the Group (note 28). The Group's investment properties of approximately RMB69,591,000 were placed with the bank as custody as at 31 March 2016 (note 28).

Certain investment properties are leased to non-related parties under operating lease (note 34(a)).

During the year ended 31 March 2017, properties held for sale with carrying amount of approximately RMB14,278,000 (2016: RMB34,748,000) (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 RMB21,405,000 (2016: RMB59,367,000).

During the year ended 31 March 2017, the Group entered into sale and purchase agreements to sell certain investment properties at total consideration of approximately RMB1,459,000. The investment properties have been handed over to the customers during the year.

The total net fair value change of investment properties approximately RMB31,174,000 (2016: RMB72,852,000) was credited to profit or loss for the year ended 31 March 2017 (note 6).

The fair value of the investment properties at 31 March 2017 and 2016 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.

13. INVESTMENT PROPERTIES (Continued)

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.

	Group	
	2017	2016
	RMB'000	RMB'000
Opening balance (level 3 recurring fair value)	**513,254**	405,654
Transferred from properties held for sale	**21,405**	59,367
Disposals	**(1,459)**	–
Change in revaluation of investment properties	**24,047**	48,233
Closing balance (level 3 recurring fair value)	**557,247**	513,254
Change in unrealised gains or losses for the year included in profit or loss for assets held at 31 March	**31,174**	72,852

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
Commercial offices in the PRC	3	Direct comparison approach	Discount on quality of the property	12.0% (2016: 4.1%)	The higher the discount, the lower the fair value
Shop units in the PRC	3	Direct comparison approach	(Discount)/ premium on quality of the property	(4.7)%- 3.9% (2016: (15.5)%)- 5.0%)	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	2.0%-7.5% (2016: 2.0%-7.5%)	The higher the term yield, the lower the fair value
			Reversionary yield	2.5%-7.5% (2016: 2.5%-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.

14. INVESTMENTS IN SUBSIDIARIES

	Company 2017 RMB'000	Company 2016 RMB'000
Listed investments, at cost	**285,452**	285,452
Unlisted investments, at cost	**278,608**	278,608
	564,060	564,060

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

Name	Place of incorporation/ establishment	Principal activities and principal place of business	Effective percentage of equity interest held by the Company 2017	2016
Directly held:				
Modernland Developments Limited	BVI	Investment holding, Hong Kong	**100%**	100%
Far East Construction Limited	Hong Kong	Investment holding, Hong Kong	**100%**	100%
Loerie Investments Limited	BVI	Investment holding, Hong Kong	**100%**	100%
Ho Hong (HK) Management Company Limited	Hong Kong	Investment holding, Hong Kong	**100%**	100%
Sino Harbour Holdings Group Limited ("Sino Harbour Holdings") (note (a))	Bermuda	Investment holding, Hong Kong	**73.05%**	73.05%
Indirectly held:				
Sino Harbour Property Holdings Limited (note (a))	BVI	Investment holding, Hong Kong	**73.05%**	73.05%
Sino Harbour Limited (note (a))	Hong Kong	Investment holding, Hong Kong	**73.05%**	73.05%
Enrich H.K. Investments Limited (note (a))	Hong Kong	Investment holding, Hong Kong	**73.05%**	73.05%
Sino Harbour Development Limited (note (a))	Hong Kong	Investment holding, Hong Kong	**73.05%**	73.05%
Sino Africa Investment and Development Group Limited (note (a))	Hong Kong	Investment holding, Hong Kong	**73.05%**	73.05%
Sino Harbour Development and Investment Limited (note (a))	Hong Kong	Dormant, Hong Kong	**73.05%**	73.05%
Hangzhou Ganglian Real Estate Company Limited (note (a))	PRC	Property development, PRC	**73.05%**	73.05%
Capital Manager Investment Limited (note (a))	BVI	Investment holding, Hong Kong	**73.05%**	73.05%

14. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment	Principal activities and principal place of business	Effective percentage of equity interest held by the Company 2017	2016
Indirectly held (Continued):				
Pan Hong Investment Limited ("Pan Hong Investment")	Hong Kong	Investment holding, Hong Kong	**100%**	100%
Wiseidea Investments Limited	BVI	Investment holding, Hong Kong	**100%**	100%
All Grace Corporation Limited	Hong Kong	Investment holding, Hong Kong	**100%**	100%
Fuzhou Pan Hong Kai Xuan Property Development Co., Ltd. (note (a))	PRC	Property development, PRC	**73.05%**	73.05%
Hangzhou Liyang Housing and Landing Development Co., Ltd.	PRC	Property development and investment holding, PRC	**100%**	100%
Huzhou Jiangnan Hailian Construction Co., Ltd. ("Huzhou Hailian") (note (i))	PRC	Property development, PRC	**–**	80%
Huzhou Liyang Housing and Landing Development Co., Ltd.	PRC	Property development, PRC	**100%**	100%
Huzhou Luzhou Housing and Landing Development Co., Ltd. ("Huzhou Luzhou")	PRC	Property development, PRC	**100%**	100%
Huzhou Delong Real Estate Co., Limited ("Huzhou Delong")	PRC	Property development, PRC	**64%**	64%
Huzhou Hongjin Market Construction & Development Co., Limited	PRC	Property development and investment, PRC	**100%**	100%
Jiangxi Asia City Real Estate Development Co., Ltd. (note (a))	PRC	Property development, PRC	**73.05%**	73.05%
Modern China Holdings Limited	Hong Kong	Investment holding, PRC	**100%**	100%
Nanchang Liyang Decoration Limited ("Nanchang Liyang") (notes (a) and (b))	PRC	Interior and exterior decoration and furnishing, PRC	**73.05%**	73.05%
Nanchang Dingxun Co. Limited ("Nanchang Dingxun") (notes (a) and (c))	PRC	Property development, PRC	**40.18%**	40.18%
Huzhou Pan Hong Runyuan Housing and Land Development Company Limited ("Huzhou Runyuan")	PRC	Property development, PRC	**100%**	100%
Leping City Fenghuang Jincheng Industry Co., Ltd. ("Leping City") (notes (a) and (d))	PRC	Property development, PRC	**37.26%**	37.26%

14. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment	Principal activities and principal place of business	Effective percentage of equity interest held by the Company 2017	2016
Indirectly held (Continued):				
Huzhou Runho Import and Export Trading Limited	PRC	General trading and consultancy services, PRC	**100%**	100%
Huzhou Pan Hong Runhe Property Development Limited	PRC	Property development, PRC	**100%**	100%
Sino Harbour Bio Technology Holdings Group Limited (note (a))	BVI	Investment holding, Hong Kong	**73.05%**	73.05%
Sino Harbour Bio Technology Limited (note (a))	Hong Kong	Dormant	**73.05%**	73.05%
Sinotech International Holdings Limited (note (a))	BVI	Investment holding, Hong Kong	**73.05%**	73.05%
Sinotech Digital Company Limited (note (a))	Hong Kong	Investment holding, Hong Kong	**73.05%**	73.05%
Jiangxi Hanyun Incubator Limited (note (a))	PRC	Corporate and investment management, PRC	**73.05%**	73.05%
Shanghai Han Yun Information Technology Limited ("Shanghai Han Yun") (notes (a) and (e))	PRC	Information technology development, PRC	**58.44%**	58.44%
Jiangxi Sino Harbour Technology Limited (note (a))	PRC	Investment holding, PRC	**73.05%**	73.05%
Jiangxi Mengma Makerspace Technology Limited (notes (a) and (h))	PRC	Dormant, PRC	**73.05%**	–
Zhejiang Sino Harbour Bio Technology Limited (notes (a) and (h))	PRC	Dormant, PRC	**73.05%**	–
Jiangxi Hanxun Technology Limited ("Jiangxi Hanxun") (notes (a), (e) and (h))	PRC	Wholesales & household products, PRC	**58.44%**	–
Guangxi Gangrun Bio Technology Limited ("Guangxi Gangrun") (notes (a), (f) and (h))	PRC	Dormant, PRC	**43.83%**	–
Zhejiang IPS Pharmaceutical Technology Company Limited ("Zhejiang IPS") (notes (a), (g) and (h))	PRC	Dormant, PRC	**54.79%**	–

14. INVESTMENTS IN SUBSIDIARIES (Continued)

Notes:

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.

(a) These companies were collectively known as Sino Harbour Holdings Group. On 22 July 2011, the Group completed the spin-off of its residential and commercial property development business in the cities located in the Jiangxi Province into a separate company, Sino Harbour Holdings, whose shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited. Following the spin-off, the Group's shareholding in Sino Harbour Holdings Group decreased from 100% to 75%.

On 19 October 2015, Sino Harbour Holdings completed a placement of new shares to the public (the "Sino Harbour Placement"), under which the Group's shareholding in Sino Harbour Holdings Group decreased from 75% to 73.05%.

On 12 August 2016, Sino Harbour Holdings completed a bonus issue of one new share of Sino Harbour Holdings credited as fully paid, by way of capitalisation of an amount equal to the aggregate par value of the new shares from share premium account of Sino Harbour Holdings, for every one existing share held by the shareholders of Sino Harbour Holdings (the "Sino Harbour Bonus Issue"). Upon the completion of Sino Harbour Bonus Issue, the percentage of equity interests in Sino Harbour Holdings held by the Group remained unchanged at 73.05%.

(b) On 19 June 2014, the 75% equity interests in Nanchang Liyang held by the Group were transferred to Nanchang Gangrui Trading Company Limited (南昌港潤貿易有限公司 "Nanchang Gangrui"), which held the interest on behalf of the Group under a trust agreement dated 19 June 2014. Nanchang Gangrui is wholly owned by the spouse of Mr. Wong Lui, a director of the Group's subsidiary. In the opinion of the independent PRC legal advisor of the Group, the trust agreement is legal and complies with PRC laws and regulations.

(c) Nanchang Dingxun is 55% held by Sino Harbour Holdings Group. The Group's indirect shareholding in Nanchang Dingxun was 40.18%.

(d) Leping City is 51% held by Sino Harbour Holdings Group. The Group's indirect shareholding in Leping City was 37.26%.

(e) Shanghai Han Yun and Jiangxi Hanxun are 80% held by Sino Harbour Holdings Group. The Group's indirect shareholdings in Shanghai Han Yun and Jiangxi Hanxun were 58.44%.

(f) Guangxi Gangrun is 60% held by Sino Harbour Holdings Group. The Group's indirect shareholding in Guangxi Gangrun was 43.83%.

(g) Zhejiang IPS is 75% held by Sino Harbour Holdings Group. The Group's indirect shareholding in Zhejiang IPS was 54.79%.

(h) These companies were newly incorporated during the year ended 31 March 2017.

(i) This company was deregistered during the year ended 31 March 2017.

14. INVESTMENTS IN SUBSIDIARIES (Continued)

Set out below are the summarised financial information for Sino Harbour Holdings Group, a subsidiary that has non-controlling interests which is material to the Group, before any elimination.

Summarised statement of financial position

	As at 31 March	
	2017	2016
	RMB'000	RMB'000
Current		
Assets	**2,350,437**	2,484,435
Liabilities	**(885,791)**	(1,351,551)
Total net current assets	**1,464,646**	1,132,884
Non-current		
Assets	**817,209**	911,771
Liabilities	**(684,601)**	(520,909)
Total net non-current assets	**132,608**	390,862
Net assets	**1,597,254**	1,523,746
Accumulated non-controlling interests	**446,320**	410,650

Summarised statement of comprehensive income

	For the year ended 31 March	
	2017	2016
	RMB'000	RMB'000
Revenue	**693,512**	597,023
Profit before income tax	**122,964**	122,848
Income tax expense	**(49,290)**	(29,743)
Other comprehensive income	**(566)**	(5,330)
Total comprehensive income	**73,108**	87,775
Total comprehensive income allocated to non-controlling interests	**35,270**	23,525
Dividends paid to non-controlling interests	**–**	–

14. INVESTMENTS IN SUBSIDIARIES (Continued)

Set out below are the summarised financial information for Sino Harbour Holdings Group, a subsidiary that has non-controlling interests which is material to the Group, before any elimination. (Continued)

Summarised statement of cash flows

	For the year ended 31 March	
	2017	2016
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	**142,474**	114,153
Interest received	**4,956**	9,382
Income tax paid	**(47,691)**	(34,755)
Net cash generated from operating activities	**99,739**	88,780
Cash flows from investing activities		
Purchase of property, plant and equipment	**(695)**	(3,136)
Advances to a joint venture	**–**	(1,526)
Purchase of other financial assets	**(8,627)**	–
Acquisition of an associate	**–**	(6,495)
Purchase of financial assets at fair value through profit or loss	**–**	(4,778)
(Increase)/decrease in structured bank balances	**(1,500)**	154,000
Decrease in pledged deposits	**89,402**	108,443
Net cash generated from investing activities	**78,580**	246,508
Cash flows from financing activities		
Proceeds from new borrowings	**398,918**	478,559
Repayments of borrowings	**(381,296)**	(847,219)
Proceeds from issuance of shares	**–**	40,820
Share issue expenses	**–**	(2,798)
Capital contribution from non-controlling interests to a subsidiary	**400**	–
Interest paid	**(51,886)**	(69,154)
Net cash used in financing activities	**(33,864)**	(399,792)
Net increase/(decrease) in cash and cash equivalents	**144,455**	(64,504)
Effect on foreign exchange rate, net	**411**	370
Cash and cash equivalents at beginning of the year	**119,526**	183,660
Cash and cash equivalent at end of the year	**264,392**	119,526

15. INTERESTS IN JOINT VENTURES

	Group 2017 RMB'000	Group 2016 RMB'000
Unlisted investment, at cost	**50,000**	50,000
Share of post-acquisition losses	**(5,668)**	(5,168)
	44,332	44,832
Amount due from a joint venture	**140,432**	140,432
	184,764	185,264

Under IFRS 11 the joint arrangements are classified as joint ventures and have been included in the consolidated financial statements using the equity method. At 31 March 2017, the Group had interest in the following joint ventures:

Company name	Place of establishment	Principal activities and place of operation	Registered Capital/issued and fully paid ordinary share capital	Percentage of equity interest held by the Group
Jiangxi Ganghong Investment Co. Ltd. ("Jiangxi Ganghong")	PRC	Property development, PRC	RMB100,000,000	50%
Sino Grace Holdings Limited	Hong Kong	General trading, HK	Hong Kong Dollars ("HK$")2	50%

The aggregate amounts relating to Jiangxi Ganghong, which is considered as a material joint venture of the Group, that have been included in the Group's consolidated financial statements as extracted from relating financial statements of Jiangxi Ganghong are set out below:

	Group 2017 RMB'000	Group 2016 RMB'000
Results for the year ended 31 March		
Income	**–**	–
Expenses	**(1,000)**	(1,832)
Loss for the year	**(1,000)**	(1,832)
Group's share of result of a joint venture for the year	**(500)**	(916)
Group's accumulated share of result of a joint venture	**(5,668)**	(5,168)

15. INTERESTS IN JOINT VENTURES (Continued)

	Group	
	2017	2016
	RMB'000	RMB'000
Assets and liabilities as at 31 March		
Non-current assets	**–**	–
Current assets	**278,693**	278,693
Current liabilities	**(190,029)**	(189,029)
	88,664	89,664
Group's share of net assets of a joint venture	**44,332**	44,832
Current financial liabilities (excluding trade and other payables and provisions)	**190,029**	189,029

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

	2017	2016
	RMB'000	RMB'000
Share of loss and total comprehensive income of a joint venture for the year	**–***	–*
Aggregate carrying amount of the Group's interest in a joint venture	**–***	–*

* Represent the amount less than RMB1,000.

At 31 March 2017, certain properties held under development of Jiangxi Ganghong amounting to approximately RMB146,253,000 (2016: RMB146,253,000) were pledged against bank loans of the ultimate holding company and a fellow subsidiary of Jiangxi HongKeLong Industrial Limited (江西洪客隆實業有限公司) ("Jiangxi HongKeLong") which held the remaining 50% equity interest in Jiangxi Ganghong.

Except for above, at 31 March 2017 and 2016, neither contingent liabilities nor capital commitments are shared by the Group.

Amount due from Jiangxi Ganghong was unsecured, interest free and not repayable within 12 months from the reporting date.

16. INTERESTS IN ASSOCIATES

	Group	
	2017	2016
	RMB'000	RMB'000
Share of net assets	**5,515**	5,929
Goodwill on acquisition	**158**	158
	5,673	6,087

16. INTERESTS IN ASSOCIATES (Continued)

Details of the associates are as follows:

Name	Place of establishment	Principal activities and principal place of operation	Paid-up registered capital	Percentage of equity interest held by the Group
Zhejiang Davi Pharmaceutical Co., Ltd. ("Zhejiang Davi") (note (a))	PRC	Research and development, manufacturing and sale of pharmaceutical products, PRC	United Dollars ("US$") 6,189,104	30%
Shenzhen Qianhai Guang Shang Xin He Financial Holdings Company Limited ("Shenzhen Qianhai") (note (b))	PRC	Dormant, PRC	Nil	30%

Notes:

(a) In November 2015, the Group entered into a subscription agreement ("Subscription Agreement") to subscribe for 30% equity interests of the enlarged registered capital of Zhejiang Davi. Zhejiang Davi was wholly owned by a third party, Smartway Trading Limited ("Smartway").

The Group had paid up 30% equity interests of Zhejiang Davi with a consideration of RMB11,273,000 in accordance with the Subscription Agreement by cash during the year ended 31 March 2016.

Under the Subscription Agreement, Smartway would irrevocably guarantee the Group that the net profit after income tax expense per annum from Zhejiang Davi should not be less than RMB7,000,000, RMB9,000,000, or RMB11,000,000 for each of the year ended 31 December 2016 and the two years ending 31 December 2017 and 2018 (collectively "Guaranteed Periods") respectively; or the total net profit after income tax expense should not be less than RMB27,000,000 for the Guaranteed Periods (collectively "Guaranteed Profit"). Contingent consideration represented amount to be received by the Group if Zhejiang Davi fails to meet the Guaranteed Profit and were recognised as financial assets at fair value through profit or loss during the year. The fair value of the contingent consideration as at 31 March 2017 was estimated by an independent valuer and was approximately RMB6,625,000 (2016: RMB3,483,000) (note 24).

The Group was also granted the right to resell entire equity interests to Smartway at a consideration equivalent to the investment cost paid by the Group plus a 13% premium amount per annum and net of any dividend received during the Guaranteed Periods. The fair value of the right to resell as at 31 March 2017 was estimated by an independent valuer as approximately RMB445,000 (2016: RMB1,295,000) (note 24).

As at 31 March 2017, the Group had a commitment of approximately RMB9,127,000 (2016: RMB9,127,000) in relation to capital injection to Zhejiang Davi.

As at 31 March 2017, the Group provided corporate guarantees for bank borrowings amounted to RMB3,500,000 (2016: RMB3,500,000) for a related party of Zhejiang Davi.

As at 31 March 2016, the Group provided corporate guarantees for bank borrowings amounted to RMB10,000,000 for Zhejiang Davi.

These borrowings were also guaranteed by a director of the Company and a director of Zhejiang Davi. As at 31 March 2017 and 2016, the fair value of corporate guarantees provided by the Group are not material.

16. INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

(b) 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 "Consideration") to invest 30% equity stake in Shenzhen Qianhai as its pro rata share of the registered capital. The Consideration will be satisfied by payment of cash. The Group will be paying RMB9 million as partial payment of the 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.

The aggregate amounts relating to Zhejiang Davi, which is considered as a material associate of the Group, that have been included in the Group's consolidated financial statements as extracted from relating financial statements of Zhejiang Davi are set out below:

	2017	2016
	RMB'000	RMB'000
Assets and liabilities as at 31 March		
Current assets	**57,131**	68,339
Non-current assets	**28,752**	31,724
Current liabilities	**(67,501)**	(80,300)
Non-current liabilities	**–**	–
Net assets	**18,382**	19,763
Reconciliation to the Group's interest in an associate:		
Proportion of the Group's ownership	**30%**	30%
Group's share of net assets of an associate	**5,515**	5,929
Goodwill on acquisition	**158**	158
Carrying amount of the investment	**5,673**	6,087
Other disclosures		
Revenue	**20,607**	8,292
Loss and total comprehensive income	**(1,381)**	(1,360)

16. INTERESTS IN ASSOCIATES (Continued)

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

	2017 RMB'000	2016 RMB'000
Share of the associate's profit and comprehensive income for the year ended 31 March	**–**	–
Aggregate carrying amount of the Group's interest in an associate as at 31 March	**–**	–

17. OTHER FINANCIAL ASSETS

	Group		Company	
	2017 **RMB'000**	2016 RMB'000	**2017** **RMB'000**	2016 RMB'000
Available-for-sale investments				
Unlisted equity investments,				
– at cost	**28,627**	20,000	**20,000**	20,000

Within other financial assets, balance of approximately RMB20,000,000 (2016: RMB20,000,000) represented carrying amount of 10% equity interest ("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.

The unlisted investments of the Group are designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

These investments do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

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

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 (2016: 25%). The movement on the deferred tax assets/(liabilities) is as follows:

	Group		
	Deferred tax assets in respect of provision for LAT	**Deferred tax liabilities in respect of fair value change of investment properties**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 April 2015	25,164	(57,690)	(32,526)
Deferred tax charged to profit or loss (note 9)	–	(18,213)	(18,213)
At 31 March 2016 and 1 April 2016	25,164	(75,903)	(50,739)
Deferred tax charged to profit or loss (note 9)	(2,354)	(7,794)	(10,148)
At 31 March 2017	**22,810**	**(83,697)**	**(60,887)**

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 2016 and 2017.

Withholding rate of 5% or 10% is imposed on dividends distributed to foreign investors. At 31 March 2017, deferred tax liabilities amounted to approximately RMB30,082,000 (2016: RMB29,175,000) in respect of aggregate amount of temporary difference of approximately RMB601,648,000 (2016: RMB583,495,000) 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 reversed in the foreseeable future.

19. PROPERTIES HELD UNDER DEVELOPMENT

	Group	
	2017	2016
	RMB'000	RMB'000
Leasehold interests in land	**1,139,102**	1,291,757
Development costs	**453,866**	767,091
Finance costs capitalised	**128,158**	161,605
	1,721,126	2,220,453

At 31 March 2017, properties held under development amounting to approximately RMB1,582,789,000 (2016: RMB1,364,205,000) were not scheduled to be sold within twelve months.

Leasehold interests in land are located in the PRC and have lease terms expiring from 2044 to 2079 (2016: 2044 to 2079).

As at 31 March 2017, certain properties held under development of approximately RMB809,791,000 (2016: RMB666,936,000) were pledged against bank and other loans of the Group (note 28).

20. PROPERTIES HELD FOR SALE

Properties held for sale included leasehold interests in land located in the PRC with lease terms expiring from 2043 to 2080 (2016: 2043 to 2080). At 31 March 2017, the carrying value of the operating lease up-front payments on the leasehold interests in land amounted to approximately RMB167,519,000 (2016: RMB103,669,000).

During the year ended 31 March 2017, properties held for sale with a carrying value of approximately RMB14,278,000 (2016: RMB34,748,000) 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 (note 13).

During the year ended 31 March 2016, properties held for sale with a carrying value of approximately RMB51,422,000 were transferred to property, plant and equipment as these properties were designated as their permanent offices for administrative use (note 12).

As at 31 March 2017, certain properties held for sale of approximately RMB162,556,000 (2016: RMB437,563,000) were pledged against bank and other loans of the Group (note 28). Building ownership certificates of certain properties held for sale of approximately RMB17,917,000 were placed with the bank as custody as at 31 March 2016 (note 28).

21. ACCOUNTS RECEIVABLE

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

	Group	
	2017	2016
	RMB'000	RMB'000
Not past due	**2,093**	2,657
Past due and less than one year	**890**	94
Past due and more than one year	**94**	400
	3,077	3,151

Receivables that were neither past due nor impaired relate to a wide range of buyers for whom there was no recent history of default.

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

		Group		Company	
		2017	2016	**2017**	2016
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Prepayments	*(a)*	**308,142**	343,219	**116**	110
Other receivables	*(b)*	**97,786**	245,112	**–**	–
		405,928	588,331	**116**	110

Notes:

(a) On 29 December 2014, Huzhou Economic – Technological Development Area Management Committee ("the Committee"/湖洲經濟技術開發區管理委員會) and the Group signed a Memorandum of Agreement which offered the Group an opportunity to bid for a designed parcel of land located in Huzhou and a deposit was paid to the Bureau of Land Resources of Huzhou ("the Bureau"/湖州市國土資源局) of RMB211,000,000 to secure a land grant contract entered into in July 2015 for the acquisition of land use rights of the land in Huzhou, the PRC and included in prepayment as at 31 March 2016 and 2017. The land use rights certificates were obtained by the Group on 10 April 2017.

As at 31 March 2017, prepayment included advances of RMB62,547,000 (2016: RMB72,174,000) made to contractors for purchase of construction materials.

22. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(b) At 31 March 2016, other receivables included amounts in total of approximately RMB120,945,000 which were a sale consideration plus a premium for the disposal of the Group's six parcels of land located at Jiashanyang, Zhonggeng Village, Daochang Town in Huzhou City, Zhejiang Province (浙江省湖州市道場鄉中庚村夾山漾魚場), the PRC (the "Jiashanyang Land Parcels"), and a rebate receivable of approximately RMB25,390,000 in relation to the Group's acquisition of land located at Southwest District in Huzhou City, Zhejiang Province, the PRC (the "Southwest Land Parcels"), as agreed during the year ended 31 March 2016.

Reference to the Group's announcements dated 28 November 2011 and 16 December 2011, the Group had entered into a letter of intent with the Committee to sell and transfer Jiashanyan Land Parcels at a consideration of RMB234,445,000 (the "Initial Receivable"). The Group has completed the sale and transfer of the Land Parcels on 4 January 2012. During the year ended 31 March 2016, the Group had received a partial payment of approximately RMB173,500,000 on the Initial Receivable.

The Group had entered into a sale and purchase agreement to acquire the Southwest Land Parcels with the Bureau on 8 September 2009. The Group has completed the acquisition of Southwest Land Parcels in 2013.

On 17 December 2015, the Bureau, the Committee and the Group had entered into a consent agreement (the "Consent") to commit that the Committee would further pay the Group approximately RMB60,000,000 (note 6) and RMB25,390,000 within one year, as a premium resulting from prolonged settlement on the Initial Receivable, and a rebate resulting from delay in transfer of Southwest Land Parcels respectively.

These balances were fully settled during the year ended 31 March 2017.

As at 31 March 2017, other receivables of the Group included an amount of approximately RMB1,280,000 (2016: RMB1,280,000), which was due from Zhejiang Davi. The amount was unsecured, non-interest bearing and repayable on demand.

As at 31 March 2017, other receivables of the Group of approximately RMB31,029,000 (2016: RMB20,000,000) were unsecured, interest-bearing at interest rate ranging from 5% to 10% per annum (2016: 8%) and repayable within one year or on demand. The remaining balances were unsecured, non-interest bearing and repayable on demand.

None of the other receivables are either past due or impaired. The other receivables related to counterparties for which there were no recent history of default.

The carrying amounts of other receivables approximate their fair values as these financial assets which are measured at amortised cost, are expected to be repaid within a short time scale, such that the time value of money is not significant.

23. AMOUNTS DUE FROM/(TO) RELATED PARTIES

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts due from subsidiaries	**–**	–	**328,892**	258,893
Amounts due to:				
– subsidiaries	**–**	–	**(312,922)**	(248,646)
– a related company	**(150)**	(141)	**–**	–
– non-controlling interests	**(32,856)**	(30,098)	**–**	–
	(33,006)	(30,239)	**(312,922)**	(248,646)

Amounts due from/(to) related parties were unsecured, non-interest bearing and repayable on demand.

As at 31 March 2017 and 2016, amount due to a related company comprised balances due to Pan Hong Company Limited, in which 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

	Group	
	2017	2016
	RMB'000	RMB'000
Non-current		
Contingent consideration in relation to acquisition of an associate (note 16(a))	**6,625**	3,483
Derivative financial instruments – unlisted put option (note 16(a))	**445**	1,295
	7,070	4,778
Current		
Listed equity securities held for trading are as follows (note):		
– Hong Kong	**47**	34
– the PRC	**11,280**	2,928
	11,327	2,962
	18,397	7,740

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Note:

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.

For more detailed information in relation to the fair value measurement of the items above, please refer to note 36(vii).

25. STRUCTURED BANK BALANCES

As at 31 March 2017, the structured bank balances, denominated in RMB, were interest-bearing and not quoted in an active market. The principal and interest earned are linked to the investments associated with equity instruments, debt instruments including corporate bonds, and money market instruments of certain banks in the PRC. 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 2.00% to 3.70% per annum and all of the balances were subsequently withdrawn up to the date of this report.

26. PLEDGED DEPOSITS AND CASH AND BANK BALANCES

		Group		Company	
		2017	2016	**2017**	2016
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Cash and bank deposits		**667,110**	629,613	**131**	131
Less:					
Deposits pledged against banking facilities granted to the mortgagees	*(a)*	**(116,874)**	(60,960)	**–**	–
Deposits pledged for bank and other loans	*(b)*	**(262,114)**	(346,900)	**–**	–
Cash and cash equivalents for the purpose of the consolidated statement of cash flows		**288,122**	221,753	**131**	131

Notes:

(a) The deposits were pledged to certain banks as security in the PRC as detailed in note 35(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.

26. PLEDGED DEPOSITS AND CASH AND BANK BALANCES (Continued)

Notes: (Continued)

(b) At 31 March 2017, the bank deposits in total of approximately RMB105,900,000 (2016: RMB96,900,000) with interest rate ranging from 2.1% to 3.675% (2016: 3.2% to 3.675%) per annum were pledged to a bank in the PRC against bank loans due to be settled within twelve months (2016: over twelve months) after the reporting period (note 28). The pledge will last for the period from the date of draw-down of secured bank loans to the date when the bank loan is fully settled.

As at 31 March 2017, the bank deposits of approximately RMB150,714,000 (2016: RMB150,000,000) with interest rate ranging from 0.01% to 3.1% (2016: 3.1%) were pledged against bank loans due to be settled within twelve months (2016: over twelve months) after the reporting period (note 28) and had a maturity within twelve months (2016: over twelve months) after reporting date.

As at 31 March 2017, the bank deposit of approximately RMB5,500,000 with interest rate of 0.35% were pledged against bank loans due to be settled over twelve months after the reporting period (note 28) and had a maturity over twelve months after reporting date.

As at 31 March 2016, the bank deposit of approximately RMB100,000,000 with interest rate of 4.25% were pledged against other loan due to be settled within twelve months after the reporting period (note 28), and had a maturity within twelve months after reporting date.

At 31 March 2017, approximately RMB660,562,000 (2016: RMB624,167,000) was deposited with banks in the PRC. These balances were mainly denominated in RMB and 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.

27. ACCRUALS, RECEIPTS IN ADVANCE AND OTHER PAYABLES

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Receipts in advance	**622,307**	1,089,770	**–**	–
Accruals and other payables (note)	**468,123**	362,624	**276**	269
	1,090,430	1,452,394	**276**	269

Note:

As at 31 March 2017 and 2016, accruals and other payables of the Group and the Company were unsecured, interest-free and repayable on demand.

As at 31 March 2017, accruals and other payables included an amount of approximately RMB490,000 (2016: RMB490,000), which was payable to Jiangxi Dongjing Property Development Limited (江西東景房地產開發有限公司) which held 49% equity interest in the Group's subsidiary, Leping City.

As at 31 March 2017, accruals and other payables included an amount of approximately RMB3,661,000 (2016: RMB3,661,000), which was payable to Jiangxi HongKeLong, which held the remaining 50% equity interest in Jiangxi Ganghong.

28. BANK AND OTHER LOANS

		Group	
		2017	2016
	Notes	**RMB'000**	RMB'000
Bank loans – secured	*(a)*	**936,818**	890,379
Other financial institution loans – secured	*(b)*	**–**	190,000
Total borrowings		**936,818**	1,080,379

The analysis of the carrying amount of the bank and other loans is as follows:

		Group	
		2017	2016
	Note	**RMB'000**	RMB'000
Current			
Portion of bank loans due for repayment within one year or on demand		**332,253**	347,014
Portion of other financial institution loans due for repayment within one year or on demand		**–**	165,000
Portion of bank loans due for repayment after one year which contain repayment on demand clause	*(c)*	**–**	2,356
		332,253	514,370
Non-current			
Portion of bank loans due for repayment after one year		**604,565**	541,009
Portion of other financial institution loans due for repayment after one year		**–**	25,000
		604,565	566,009
Total borrowings		**936,818**	1,080,379

28. BANK AND OTHER LOANS (Continued)

The Group's bank and other loans are repayable as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Within one year or on demand	**332,253**	514,370
In the second year	**98,849**	307,809
In the third to fifth year	**505,716**	258,200
	604,565	566,009
	936,818	1,080,379

Notes:

(a) As at 31 March 2017, the effective interest rates of the Group's secured bank loans were ranging from 1.92% to 7.5% (2016: 2.00% to 8.61%) per annum.

(b) As at 31 March 2016, the effective interest rates of the Group's secured other financial institution loans were ranging from 6.15% to 10.25% per annum.

(c) As at 31 March 2016, current liabilities included bank borrowings of RMB2,356,000 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 and other loans are denominated in the following currencies:

	Group	
	2017	2016
	RMB'000	RMB'000
RMB	**663,393**	784,500
HK$	**34,833**	72,471
US$	**238,592**	223,408
	936,818	1,080,379

As at 31 March 2017, the outstanding balances of bank and other loans in HK$ and US$ were approximately HK$39,283,000 (2016: HK$87,168,000) and US$34,880,000 (2016: US$34,880,000) respectively.

28. BANK AND OTHER LOANS (Continued)

As at 31 March 2017, bank and other loans of the Group were:

(i) secured by the Group's property, plant and equipment of approximately RMB60,513,000 (2016: RMB61,601,000) (note 12);

(ii) secured by the Group's investment properties of approximately RMB484,039,000 (2016: RMB448,326,000) (note 13);

(iii) secured by the Group's properties held under development of approximately RMB809,791,000 (2016: RMB666,936,000) (note 19);

(iv) secured by the Group's properties held for sale of approximately RMB162,556,000 (2016: RMB437,563,000) (note 20);

(v) secured by the Group's bank deposits of approximately RMB262,114,000 (2016: RMB346,900,000) (note 26); and

(vi) guaranteed by the Company and certain subsidiaries of the Group, a non-controlling shareholder of Nanchang Dingxun, Mr. Wong, the controlling shareholder and a director of the Company, and an independent third party.

Other than above, as at 31 March 2016, bank and other loans of the Group were placed with the building ownership certificates of the Group's investment properties of approximately RMB69,591,000 (note 13) and properties held for sale of approximately RMB17,917,000 (note 20) as custody, and secured by entire present and future issued share capital of certain subsidiaries of approximately RMB464,040,000 of the Group.

As at 31 March 2016, certain financial covenants of the Group's bank loans amounted approximately HK$41,667,000 (equivalent to approximately RMB34,642,000) were breached. Pursuant to the terms of banking facilities, the bank can immediately cancel or recall the facilities and request the Group to make immediate repayment to the bank. The Group has been granted the waiver in respect of the breached provisions from the bank as at 31 March 2016.

29. SHARE CAPITAL AND TREASURY SHARES

Share capital

Movement of share capital of the Company is summarised below:

	Number of shares	RMB'000
Authorised:		
Ordinary shares of HK$0.6 each		
At 1 April 2015 and 31 March 2016 and 2017	**850,000,000**	**517,374**
Issued and fully paid:		
Ordinary shares of HK$0.6 each		
At 1 April 2015 and 31 March 2016 and 2017	**518,855,024**	**313,446**

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 facilities 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 2015 and 31 March 2016 and 2017	**6,544,000**	**12,817**

30. RESERVES

(a) Group

	Notes	2017 RMB'000	2016 RMB'000
Share premium	*(i)*	**203,250**	203,250
Treasury shares	*(ii)*	**(12,817)**	(12,817)
Merger reserve	*(iii)*	**(2,243)**	(2,243)
Statutory reserve	*(iv)*	**100,529**	88,385
Capital reserve	*(v)*	**3,838**	3,838
Other reserve	*(vi)*	**87,128**	87,128
Exchange reserve	*(vii)*	**(19,314)**	(12,580)
Retained earnings		**958,841**	932,305
		1,319,212	1,287,266

The amounts of the Group's reserves and the movements therein for the year ended 31 March 2017 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.

(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 29).

(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.

(v) The capital reserve arose from the capitalisation of statutory reserve of the PRC subsidiaries.

(vi) Other reserve represents the difference between the consideration and the carrying amount of the net assets attributable to the additional and reduction of interests in subsidiaries being acquired from and disposed to non-controlling equity holders respectively.

(vii) 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.

30. RESERVES (Continued)

(b) Company

	Notes	**2017 RMB'000**	2016 RMB'000
Share premium	*(a)(i)*	**203,250**	203,250
Treasury shares	*(a)(ii)*	**(12,817)**	(12,817)
Merger reserve		**59,579**	59,579
Retained earnings		**36,543**	30,821
		286,555	280,833

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.

31. LITIGATION

During the year ended 31 March 2017, the Group received a judgement (the "Judgement") which was issued by Zhejiang Province Deqing County People's Court (浙江省德清縣人民法院) in relation to a dispute with 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. Up to the date of this report, the Group has filed appeal, requesting disposal of Taihu Meixi Land to the Bureau and compensation. 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.

32. 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.

32. CAPITAL MANAGEMENT (Continued)

Management regards total equity as capital. The amount of capital as at 31 March 2017 amounted to approximately RMB2,219,963,000 (2016: RMB2,185,540,000) 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 2017 and 2016 were as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Current liabilities		
Accounts payable	**92,172**	54,478
Accruals, receipts in advance and other payables	**1,090,430**	1,452,394
Amounts due to related parties	**33,006**	30,239
Bank and other loans	**332,253**	514,370
	1,547,861	2,051,481
Non-current liabilities		
Bank and other loans	**604,565**	566,009
Total debts	**2,152,426**	2,617,490
Less: Cash and bank balances	**(288,122)**	(221,753)
Structured bank balances	**(120,100)**	–
Pledged deposits	**(378,988)**	(407,860)
	(787,210)	(629,613)
Net debts	**1,365,216**	1,987,877
Total equity	**2,219,963**	2,185,540
Net debts to equity ratio	**61.5%**	91.0%

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. As at 31 March 2016, certain financial covenants were breached. Pursuant to the banking facility, the bank can immediately cancel or recall the facilities and request the subsidiary to make immediate repayment to the bank (note 28).

Except as disclosed above and in note 30(a)(iv) on statutory reserves, the Group is not subject to any other externally imposed capital requirements for the years ended 31 March 2017 and 2016. As at 31 March 2017, the Group and the Company has complied with the externally imposed capital requirements as mentioned above.

The Group's overall strategy remains unchanged from 2016.

33. COMMITMENTS

Except as disclosed elsewhere in these financial statements, the Group had the following outstanding capital commitments:

	Group	
	2017	2016
	RMB'000	RMB'000
Contracted but not provided for in respect of		
– properties held under development of the Group	**357,426**	177,413

The Company did not have any commitments as at 31 March 2017 and 2016.

34. OPERATING LEASE ARRANGEMENTS

(a) The Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of its properties as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Not later than one year	**8,906**	7,939
Later than one year and not later than five years	**12,333**	19,017
Later than five years	**1,083**	1,391
	22,322	28,347

The Group leases out certain properties which run for initial periods of one to sixteen 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:

	Group	
	2017	2016
	RMB'000	RMB'000
Not later than one year	**65**	35
Later than one year and not later than five years	**22**	–
	87	35

The Group leases a number of properties under operating lease arrangements which run for initial periods of one to two 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.

35. CONTINGENCIES

(i) Group

Mortgage loan arrangements with banks

As at 31 March 2017 and 2016, the Group has arranged mortgage loan facility for certain purchasers of property units and provided guarantees to secure obligations of repayments. At 31 March 2017, the outstanding guarantees amounted to RMB998,158,000 (2016: RMB665,749,000). 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.

Loan arrangement with PingAn Bank Co., Ltd. ("PingAn Bank")

During the year ended 31 March 2016, the Group had provided the following collateral in favour of PingAn Bank for Zhejiang Tianli Construction Group Company Limited ("Tianli") to obtain a one year term bank loan amounting to RMB90 million from PingAn Bank:–

(a) corporate guarantee from the Group's subsidiary, Pan Hong Investment amounting to RMB90 million; and

(b) pledged certain assets and land use right of the Group's subsidiary, Huzhou Luzhou (collectively the "Collateral").

Further, Mr. Wong, a controlling shareholder and a director of the Company and his spouse, Ms. Chan, a non-executive director of Sino Harbour Holdings Group, provided joint and several guarantee to PingAn Bank for Tianli's RMB90 million loan.

Under the loan agreement (the "Agreement") entered into between the Company's subsidiaries, (i) Huzhou Runyuan, (ii) Huzhou Luzhou and (iii) Pan Hong Investment on the one part and (iv) Tianli on the other part; Tianli agreed to use the construction costs owing by Huzhou Runyuan to Tianli in respect of Huzhou Run Yuan Project as indemnity security should there be any loss or liability suffered or incurred by Huzhou Luzhou as a result of Huzhou Luzhou providing its Collateral to PingAn Bank pursuant to the terms of the Agreement.

During the year ended 31 March 2016, Tianli had fully repaid the bank loan to PingAn Bank and the Collateral had been released to Huzhou Luzhou. The Group did not provide corporate guarantee, indemnity and collateral for Tianli as at 31 March 2016 and 2017.

(ii) Company

The Company has provided corporate guarantee for bank borrowings of a subsidiary. These bank borrowings amounted to RMB2,512,000 (2016: RMB7,066,000) as at 31 March 2017.

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.

36. 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.

At 31 March 2017, the financial assets of the Group comprise accounts and other receivables, financial assets at fair value through profit or loss, other financial assets, structured bank balances, pledged deposits and cash and bank balances. The financial liabilities of the Group comprise accounts payable, accruals and other payables, amount 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 and bank and other loans which bore interests at fixed and floating interest rates. Bank and other 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 rates and repayment terms of the borrowings outstanding at the end of the reporting period are disclosed in note 28.

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 RMB3,952,000 (2016: RMB2,119,000) respectively.

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 2016 has been prepared on the same basis.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(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, financial assets at fair value through profit or loss, other receivables, other payables, amounts due to related company and bank loans which are denominated in HK$, and US$. 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.

Foreign currency risk exposure

The following table details the Group's exposure at the reporting date to foreign currency risk from financial assets at fair value through profit or loss, other receivables, bank balances, bank and other loans, amount due to a related company and other payables denominated in a currency other than the functional currency of the Company and its subsidiaries.

	Group	
	2017	2016
	RMB'000	RMB'000
Financial assets at fair value through profit or loss denominated in		
– HK$	**47**	33
Other receivables denominated in		
– HK$	**1,067**	167
Bank deposits denominated in		
– HK$	**3,350**	86
– US$	**1,728**	105
Other payables denominated in		
– HK$	**(460)**	(334)
Amount due to related company denominated in		
– HK$	**(150)**	(141)
Bank and other loans denominated in		
– US$	**(238,592)**	(223,408)

Foreign currency sensitivity analysis

The following table indicates the approximate change in the Group's profit for the year in response to a 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.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(ii) Foreign currency risk (Continued)

	Group	
	2017	2016
	RMB'000	RMB'000
(Decrease)/increase in profit for the year and retained profits		
– US$	**(8,601)**	(7,923)
– HK$	**193**	(9)

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.

(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, cash and 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. Provision for impairment is based upon a review of the expected collectability of all receivables.

The Group's cash and bank balances, pledged deposits and structured bank balances are mainly balances with state-owned banks in the PRC and reputable banks in Hong Kong. As at 31 March 2017, the Group had approximately 74% (2016: 74%) bank balances placed with two banks in the PRC.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(iii) Credit risk (Continued)

At the end of reporting period, the Group has receivables due from other debtors (note 22(b)) and a joint venturer (note 15) amounting to RMB97,786,000 (2016: RMB245,112,000) and RMB140,432,000 (2016: RMB140,432,000) respectively, representing 99% (2016: 99%) of total gross accounts and other receivables. Except for these receivables, there was no concentration of credit risk.

The Company's credit risk is primarily attributable to amounts due from subsidiaries.

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 35.

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 2017 and 2016, 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.

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.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(iv) Liquidity risk (Continued)

Group

	Carrying amount RMB'000	Total contractual undiscounted cash flows 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
At 31 March 2017						
– Accounts payable	**92,172**	**92,172**	**92,172**	**–**	**–**	**–**
– Accruals and other payables	**468,123**	**468,123**	**468,123**	**–**	**–**	**–**
– Amounts due to related parties	**33,006**	**33,006**	**33,006**	**–**	**–**	**–**
– Interest-bearing bank borrowings	**936,818**	**1,209,393**	**2,512**	**36,078**	**345,234**	**825,569**
	1,530,119	**1,802,694**	**595,813**	**36,078**	**345,234**	**825,569**
– Financial guarantee issued: maximum amount guaranteed (note 35)	**–**	**998,158**	**998,158**	**–**	**–**	**–**
At 31 March 2016						
– Accounts payable	54,478	54,478	54,478	–	–	–
– Accruals and other payables	362,624	362,624	362,624	–	–	–
– Amounts due to related parties	30,239	30,239	30,239	–	–	–
– Interest-bearing bank and other borrowings	1,080,379	1,313,709	41,709	18,719	511,459	741,822
	1,527,720	1,761,050	489,050	18,719	511,459	741,822
– Financial guarantee issued: maximum amount guaranteed (note 35)	–	665,749	665,749	–	–	–

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.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(iv) Liquidity risk (Continued)

	Maturity analysis – Bank borrowings subject to a repayment on demand clause based on scheduled repayments					
	On demand	Less than 3 months	3 to less than 12 months	Over 1 year	Total undiscounted amount	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 March 2017	–	1,279	1,290	–	2,569	2,512
31 March 2016	–	36,543	3,689	2,459	42,691	41,709

At 31 March 2017 and 2016, 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 35.

(v) Fair value

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair value of borrowings is not disclosed because the carrying amounts are not materially different from the fair value at the reporting date.

(vi) Equity price risk

The Group is exposed to equity price risk through its investment in listed equity securities which are classified as at fair value through profit or loss (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.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(vii) Fair value measurements recognised in the statement of financial position

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).

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**
Year ended 31 March 2017					
Assets					
Securities held for trading					
– Listed	*(a)*	**11,327**	**–**	**–**	**11,327**
Contingent consideration	*(b)*	**–**	**–**	**6,625**	**6,625**
Unlisted put option	*(c)*	**–**	**–**	**445**	**445**
Year ended 31 March 2016					
Assets					
Securities held for trading					
– Listed	*(a)*	2,962	–	–	2,962
Contingent consideration	*(b)*	–	–	3,483	3,483
Unlisted put option	*(c)*	–	–	1,295	1,295

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(vii) Fair value measurements recognised in the statement of financial position (Continued)

There were no transfers between levels during the year.

The movements in fair measurements within Level 3 during the year are as follows:

	Group	
	2017	2016
	RMB'000	RMB'000
Financial assets at fair value through profit or loss – non-current		
Opening balance	**4,778**	–
Purchases	**–**	4,778
Total gains recognised in the consolidated statement of comprehensive income	**2,292**	–
Closing balance	**7,070**	4,778

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

Notes:

(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) Contingent consideration

The fair value of contingent consideration has been determined by a firm of independent professional valuer. Detail please see note 16 for disclosures of the measurement of contingent consideration.

As at 31 March 2017, the fair value of the contingent consideration arrangement of RMB6,625,000 (2016: RMB3,483,000) was estimated by applying the discounted cash flow method. The fair value estimates are based on a discount rate of 15.8% (2016: 15.4%) and assumed probability adjusted profits in Zhejiang Davi ranging from loss of approximately RMB5,187,000 to profit of approximately RMB2,753,000 (2016: profit of approximately RMB4,262,000 to RMB16,248,000). This is a level 3 fair value measurement.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(vii) Fair value measurements recognised in the statement of financial position (Continued)

(b) Contingent consideration (Continued)

The key unobservable assumptions in calculating this profit are as follows:

	Range	
	2017	2016
Assumptions:		
Revenue (RMB'000)	**96,041 - 130,930**	113,898 - 170,848
Gross margin (%)	**20% - 28%**	32% - 33%

Assuming all other variables are held constant; an increase in revenue by RMB5,000,000 would decrease the contingent consideration by a further RMB538,000 (2016: RMB181,000) and an increase in gross margin by 1% would decrease the contingent consideration by RMB175,000 (2016: RMB220,000).

(c) Unlisted put option

The fair value of the unlisted put option has been determined by a firm of independent professional valuer by using a binomial option pricing model.

Significant unobservable inputs included:

	2017	2016
Equity value	**RMB21,473,000**	RMB23,147,000
Expected Dividend yield	**Nil**	Nil
Annual risk free rate	**2.99%**	2.49%
Average expected volatility	**46%**	48%
Expected term	**2.75 years**	3.75 years

Increase in the average expected volatility, expected terms and expected dividend yield would increase the fair value of the unlisted put option.

Increase in the equity value and annual risk-free rate would decrease the fair value of the unlisted put option.

37. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and liabilities as recognised at 31 March 2017 and 2016 may also be categorised as follows. See notes 3.13 and 3.18 for explanations about how the category of financial instruments affects their subsequent measurement. At the end of reporting period, the carrying values of loans and receivables, available-for-sale investment and financial liabilities measured at amortised costs are approximate their fair value.

37. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (Continued)

Financial Assets

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets measured at fair value				
– Financial assets at fair value through profit or loss	**18,397**	7,740	**–**	–
Loans and receivables				
– Accounts and other receivables	**100,863**	248,263	**–**	–
– Due from subsidiaries	**–**	–	**328,892**	258,893
Pledged deposits	**378,988**	407,860	**–**	–
Structured bank balances	**120,100**	–	**–**	–
Cash and bank balances	**288,122**	221,753	**131**	131
	888,073	877,876	**329,023**	259,024
Available-for-sale investments at cost	**28,627**	20,000	**20,000**	20,000
	935,097	905,616	**349,023**	279,024

Financial Liabilities

	Group		Company	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities measured at amortised cost				
– Accounts payable, accruals and other payables	**560,295**	417,102	**276**	269
– Bank and other loans	**936,818**	1,080,379	**–**	–
– Due to related parties	**33,006**	30,239	**312,922**	248,646
	1,530,119	1,527,720	**313,198**	248,915

38. 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 at terms agreed between the Group and its related parties:

	Notes	**Group** **2017** **RMB'000**	Group 2016 RMB'000
Car park rental expense	*(a)*	**50**	42
Interest expense paid to a related company	*(b)*	**–**	1,353

Notes:

(a) During years ended 31 March 2017 and 2016, the non-executive director of Sino Harbour Holding, Ms. Chan has entered into agreements of car park rental for HK$57,000 (2016: HK$48,000) per year.

(b) During the year 31 March 2016, interest expense paid to Pan Hong Company Limited, which Mr. Wong is the controlling shareholder and a director of the Company is a beneficial owner, at 3% interest per annum.

(c) Details of balances with related parties are set out in notes 15, 16, 22, 23 and 27. None of the related parties' receivables has been past due nor impaired as at 31 March 2017 and 2016.

Included in staff costs are key management personnel compensation of the Group and Company during the financial year as follows:

	Group		**Company**	
	2017 **RMB'000**	2016 RMB'000	**2017** **RMB'000**	2016 RMB'000
Directors' fee	**857**	804	**857**	804
Short-term employment benefits	**5,560**	5,182	**–**	–
Post employment benefits	**81**	110	**–**	–
	6,498	6,096	**857**	804

39. EVENT AFTER THE END OF REPORTING PERIOD

Subsequent to the year ended 31 March 2017, the Group incorporated a subsidiary, Hangzhou Runtai Business Services Company Limited ("HZ Runtai") (杭州潤泰商務服務有限公司). HZ Runtai was incorporated in the PRC with a registered share capital of RMB5.0 million. Its principal activities include provision of business consultation, business agency services, financial consultation and real estate agency services.

PROPERTY PORTFOLIO

Description	Location	Type	Site Area in respect of entire project	Planned/ Actual Gross Floor Area	Tenure	Effective Group Interest	Approximate Percentage Sold and Delivered	Expected Completion Date
COMPLETED PROPERTIES								
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%	C: 99%	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, 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	66,667	R: 50,400	R: Expiring on 18 November 2080 C: Expiring on 18 November 2050	100%	R: 74%	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: 60% C: 0%	Completed
Nanchang Honggu Kaixuan Phase 2	No. 1568 Honggu Avenue, Honggu Tan Central District, Nanchang City, Jiangxi Province, the PRC	R, C	80,521	R: 116,214 C: 32,490	R: Expiring on 16 September 2073 C: Expiring on 16 September 2043	100%	R: 98% C: 97%	Completed
Retail and office units of Sino Harbour Kaixuan Center, Nanchang Honggu Kaixuan	No. 1568 Honggu Avenue, Honggu Tan Central District, Nanchang City, Jiangxi Province, the PRC	C	80,521	C: 442	C: Expiring on 16 September 2043	100%	C: 0%	Completed
Nanchang Sino Harbour Kaixuan City Zone 1 – Low-rise residential annexed with commercial	No. 888 Huang Jia Hu West Road, Nanchang Economic and Technology Development Zone, Nanchang City, Jiangxi Province, the PRC	R, C	719,548	C: 6,174	C: Expiring on 18 May 2052	55%	C: 0%	Completed
Nanchang Sino Harbour Kaixuan City Zone 2 – Townhouses	No. 888 Huang Jia Hu West Road, Nanchang Economic and Technology Development Zone, Nanchang City, Jiangxi Province, the PRC	R, C	719,548	R: 34,095 C: 676	R: Expiring on 18 May 2072 C: Expiring on 18 May 2052	55%	R: 10% C: 0%	Completed
Nanchang Sino Harbour Kaixuan City Zone 3 – High-rise residential annexed with commercial	No. 888 Huang Jia Hu West Road, Nanchang Economic and Technology Development Zone, Nanchang City, Jiangxi Province, the PRC	R, C	719,548	C: 1,844	C: Expiring on 18 May 2052	55%	C: 0%	Completed
Fuzhou Hua Cui Ting Yuan Phase 1	No. 766 Jinchao Avenue, Fuzhou City, Jiangxi Province, the PRC	R, C	190,753	R: 89,115 C: 4,664	R: Expiring on 31 January 2080 C: Expiring on 31 January 2050	100%	R: 98% C: 48%	Completed
Fuzhou Hua Cui Ting Yuan Phase 2	No. 766 Jinchao Avenue, Fuzhou City, Jiangxi Province, the PRC	R, C	190,753	R: 79,933 C: 2,383	R: Expiring on 31 January 2080 C: Expiring on 31 January 2050	100%	R: 94% C: 67%	Completed

PROPERTY PORTFOLIO

Description	Location	Type	Site Area in respect of entire project	Planned/ Actual Gross Floor Area	Tenure	Effective Group Interest	Approximate Percentage Sold and Delivered	Expected Completion Date
Fuzhou Hua Cui Ting Yuan Phase 3	No. 766 Jinchao Avenue, Fuzhou City, Jiangxi Province, the PRC	R, C	190,753	R: 117,177 C: 8,717	R: Expiring on 31 January 2080 C: Expiring on 31 January 2050	100%	R: 96% C: 0%	Completed
Yichun Royal Lake City Phase 1	No. 299 Yiyang Avenue, Yuanzhou District, Yichun City, Jiangxi Province, the PRC	R, C	607,084	R: 104,000 C: 6,111	R: Expiring on 29 March 2077 C: Expiring on 29 March 2047	100%	R: 76% C: 66%	Completed
Yichun Royal Lake City Phase 2	No. 299 Yiyang Avenue, Yuanzhou District, Yichun City, Jiangxi Province, the PRC	R	607,804	R: 133,921	R: Expiring on 29 March 2077 C: Expiring on 29 March 2047	100%	R: 68%	Completed
PROPERTIES HELD UNDER DEVELOPMENT								
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: 5,995	R: Expiring on 30 December 2079 C: Expiring on 30 December 2049	100%	N.A.	Q2CY2019
Han Zhi Yun Commercial Centre*	Southwest junction of Moganshan Road and Shenhua Road, Gongshu District, Hangzhou City, Zhejiang Province, the PRC	C	20,482	C: 81,926	C: Expiring on 06 April 2054	100%	N/A	Q4CY2018
FUTURE PROJECTS								
Huzhou Delong Project	Taihu Meixi, Huzhou Development Zone, Zhejiang Province, the PRC	C	54,452	C: 16,165	C: Expiring on 04 November 2050	64%	N.A.	Under Planning
Huzhou Runhe Project	South of Jiashan Road of Southwest District, on the east of Jinji Hill Site, on the north of the New District 2nd Road, Huzhou City, Zhajiang Province, the PRC	R, C	118,274	R: 163,496 C: 11,620	R: Expiring on 16 August 2085 C: Expiring on 16 August 2055	100%	N.A.	Under Planning
Nanchang Sino Harbour Kaixuan City – Zone 4-13	No. 888 Huang Jia Hu West Road, Nanchang Economic and Technology Development Zone, Nanchang City, Jiangxi Province, the PRC	R, C	719,548	R: 746,425 C: 156,472	R: Expiring on 18 May 2072 C: Expiring on 18 May 2052	55%	N/A	Under Planning
Yichun Royal Lake City Phase 3-6	No. 299 Yiyang Avenue, Yuanzhou District, Yichun City, Jiangxi Province, the PRC	R, C	607,084	R,C:1,047,038	R: Expiring on 29 March 2077 C: Expiring on 29 March 2047	50%	N/A	Under Planning
Leping Project	Hushan Meiyuan Reclamation Farm, Leping City, Jiangxi Province, the PRC	R, C	333,341	R,C:394,800	R: Expiring on 17 June 2074 C: Expiring on 17 June 2044	51%	N/A	Under Planning
PROPERTIES HELD FOR INVESTMENT								
32 bicycle space of Xinya Jianyuan	Nos. 678 to 688 Shiyuan Road, Nanxun Tower, Huzhou City, Zhejiang Province, the PRC	C	N.A.	C: 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.	C: 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.	C: 3,515	C: Expiring on 03 January 2046	100%	N.A.	Completed

* *Formerly known as Hangzhou Ganglian Sino Africa Tower Project*

Description	Location	Type	Site Area in respect of entire project	Planned/ Actual Gross Floor Area	Tenure	Effective Group Interest	Approximate Percentage Sold and Delivered	Expected Completion Date
PROPERTIES HELD FOR INVESTMENT (continued)								
Levels 1 and 2 of Block 2, Unit 02 to 06 on Level 1 of Block 6, Unit 105 on Level 1 of Block 7 of Sino Harbour Kaixuan Center and a 3-storey kindergarten of Nanchang Honggu Kaixuan	No. 1568 Honggu Avenue, Honggu Tan Central District, Nanchang City, Jiangxi Province, the PRC	C	N/A	C: 4,652	C: Expiring on 16 September 2043	100%	N/A	Completed
Various retail units on Level 1-4 and various office units on Level 6-24 of Sino Harbour Kaixuan Center, Nanchang Honggu Kaixuan	No. 1568 Honggu Avenue, Honggu Tan Central District, Nanchang City, Jiangxi Province, the PRC	C	N/A	C: 25,720	C: Expiring on 16 September 2043	100%	N/A	Completed
Various retail units on Level 1 and 2 of Block 1 to 3, 6, 7, 9, 10 11, 12 and 35 to 37 of Yichun Royal Lake City	No. 299 Yiyang Avenue, Yuanzhou District, Yichun City, Jiangxi Province, the PRC	C	N/A	C: 5,907	C: Expiring on 29 March 2047	100%	N/A	Completed
PROPERTIES OCCUPIED BY THE GROUP								
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.	C: 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.	C: 1,408	C: Expiring on 19 February 2046	100%	N.A.	Completed
Various unit of Block 4 of Hangzhou Liyang Yuan	Shenhua Road Xihu District, Hangzhou City, Zhejiang Province, the PRC	C	N.A.	C: 1,077	C: Expiring on 14 December 2046	100%	N.A.	Completed
Various retail units on Level 1-4 and Level 25 and 26 of Sino Harbour Kaixuan Center, Nanchang Honggu Kaixuan	No. 1568 Honggu Avenue, Honggu Tan Central District, Nanchang City, Jiangxi Province, the PRC	C	N/A	C: 6,909	C: Expiring on 16 September 2043	100%	N/A	Completed
Unit 1502 of Entrance B of the South Building of Minshi Garden	No. 28 Zhongshan West Road, Xihu District, Nanchang City, Jiangxi Province, the PRC	R	N/A	R: 166	R: Expiring on June 2069	100%	N/A	Completed

R: Residential

C: Commercial and other

The "Planned Gross Floor Area" and "Expected Completion Date" are based on the best estimate by the management. These figures may change as the projects progress.

SHAREHOLDERS' INFORMATION

SHAREHOLDERS' INFORMATION AS AT 16 JUNE 2017

Class of shares	:	Ordinary shares of HK$0.60 each
Authorised share capital	:	HK$510,000,000.00
Issued and fully paid-up capital	:	HK$311,313,014.40
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	31	4.85	27,867	0.01
1,001 – 10,000	298	46.64	1,768,840	0.34
10,001 – 1,000,000	296	46.32	23,008,100	4.49
1,000,001 and above	14	2.19	487,506,217	95.16
	639	100.00	512,311,024	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 16 JUNE 2017

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Extra Good Enterprises Limited[(3)]	288,000,000	56.22	–	–
Wong Lam Ping[(1) (2) (4)]	25,749,794	5.03	302,443,300	59.04
Chan Heung Ling[(1) (2)]	14,443,300	2.82	313,749,794	61.24

Notes:

(1) Mr. Wong Lam Ping and Ms. Chan Heung Ling hold 52% and 48% of the issued share capital of Extra Good Enterprises Limited ("Extra Good") respectively. As such, both are deemed to be interested in the shares held by Extra Good 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

TWENTY LARGEST SHAREHOLDERS AS AT 16 JUNE 2017

No.	Name of Shareholders	Number of Shares	%
1	EXTRA GOOD ENTERPRISES LIMITED	148,000,000	28.89
2	RHB SECURITIES SINGAPORE PTE LTD	140,070,000	27.34
3	PHILLIP SECURITIES PTE LTD	51,627,816	10.08
4	RAFFLES NOMINEES (PTE) LTD	26,421,300	5.16
5	WONG LAM PING	20,952,194	4.09
6	CIMB SECURITIES (SINGAPORE) PTE LTD	19,638,300	3.83
7	CHAN HEUNG LING	14,443,300	2.82
8	ABN AMRO CLEARING BANK N.V.	13,965,800	2.73
9	SHEN LIANG	11,118,900	2.17
10	DBS VICKERS SECURITIES (S) PTE LTD	11,021,707	2.15
11	JUMBO KING HOLDINGS LIMITED	9,700,000	1.89
12	CITIBANK NOMINEES SINGAPORE PTE LTD	8,975,000	1.75
13	DBS NOMINEES PTE LTD	5,984,900	1.17
14	MAYBANK KIM ENG SECURITIES PTE LTD	5,587,000	1.09
15	LIM EE ANN	1,000,000	0.20
16	SINGAPORE WAREHOUSE CO PTE LTD	822,500	0.16
17	OCBC SECURITIES PRIVATE LTD	784,400	0.15
18	LIM & TAN SECURITIES PTE LTD	744,700	0.14
19	YEO CHITT HOCK BRANDON (YANG QIFU)	700,000	0.14
20	WANG CUIPING	689,900	0.13
	TOTAL	492,247,717	96.08

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

35.80% 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.

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 Marie II room, Level 1, York Hotel, 21 Mount Elizabeth, Singapore 228516 on Friday, 28 July 2017 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 2017 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 2017 (FY2016: S$0.015 per share). **(Resolution 2)**

3. To approve the payment of Directors' fees of S$175,450 for the financial year ending 31 March 2018, to be paid quarterly in arrears. (FY2017: S$175,450). **(Resolution 3)**

4. 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 4)**

5. 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:

6. **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 5)**

7. **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:–

(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 6)**

By Order of the Board

Fok Ka Ki
Toh Li Ping, Angela
Company Secretaries

12 July 2017

Explanatory Notes to Resolutions to be passed –

(i) The Ordinary Resolution 5 proposed in item 6 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 6 proposed in item 7 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 17 August 2017 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 17 August 2017 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 17 August 2017 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 28 July 2017, will be made on 25 August 2017.

汎港控股
PAN HONG HOLDINGS

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