汎港地產集團

PAN HONG PROPERTY GROUP

Pan Hong Property Group Limited

Annual Report

2011/2012

Pan Hong Property Group Limited Annual Report 2011/2012

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Corporate Information

BOARD OF DIRECTORS

Executive:

Wong Lam Ping *(Chairman)*
Wang Cuiping
Chan Chun Kit

Non-Executive:

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

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY/SECRETARIES

Chan Chun Kit
Yvonne Choo

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

BUSINESS OFFICE

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Hunghom Commercial Centre
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Hunghom, Hong Kong
Tel: 852-2363-1300
Fax: 852-2764-2160

ASSISTANT SECRETARY/ BERMUDA SHARE REGISTRAR

Codan Services Limited
2 Church Street
Hamilton, HM 11
Bermuda

SHARE TRANSFER AGENT

B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758

AUDITOR

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

AUDIT PARTNER-IN-CHARGE

Joanne Y.M. Hung
(Appointed with effect from
financial year 31 March 2011)

INVESTOR RELATIONS CONSULTANT

Strategic Public Relations Pte. Ltd.
61 Robinson Road, #09-04 Robinson Centre,
Singapore 068893
Tel: 65-6325 8136
Fax: 65-6325 8262

Corporate Profile

Headquartered in Hong Kong, Pan Hong Property Group Limited（汎港地产集团）("Pan Hong" or the "Group") is a property developer that focuses primarily on developing high-end residential and commercial properties in the high growth second- and third-tier cities in China. The company is renowned for its high quality property projects targeting mid-to-high-end markets.

The Group is an early entrant in the property development sector in these lower-tier cities. Rising industrialisation, urbanisation and consumer affluence in China underpin the promising prospects of property markets in these cities, as demand there tends to be relatively inelastic to the property cycles.

With over 20 years of experience in the PRC's property development industry, Pan Hong has established its presence in Zhejiang Province and Jiangxi Province. Iconic projects such as Nanchang Honggu Kaixuan and Huzhou Hua Cui Ting Yuan earned the Group several awards and favorable reputation among locals, making Pan Hong a renowned brand. The Group also has interests in strategically-located land parcels in Fuzhou, Yichun and Leping city in Jiangxi Province and Huzhou city in Zhejiang Province and plans to further expand and capture the growth potential in property development in the central provinces in China in the future.

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. In 2003, the Group received the Huzhou City Outstanding Property Development Award for their Huzhou Xinya Jiayuan project. In 2007, the Group's Nanchang Honggu Kaixuan project was conferred the "4th Annual Nanchang City Best Property Award", "Most Popular Property in Nanchang", as well as receiving accolades such as "Reputable Brand of the Year in Jiangxi" and "Professional Property Developer of International Standard". The Group's Huzhou Hua Cui Ting Yuan project also clinched the "China Classic Villa Award 2008".

Pan Hong was listed on the Main Board of the SGX-ST 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

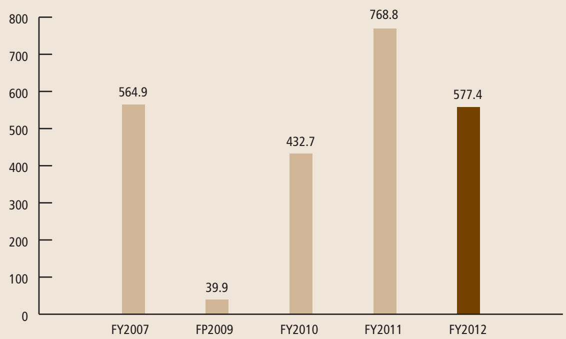
Healthy financials

Backed by a prudent financial policy, Pan Hong's gearing ratio reached a low of 0.15% at the end of FY2012, a leading position amongst its peers. A strong credit position will ensure that the Group's business will stay on track and flourish in the following years.

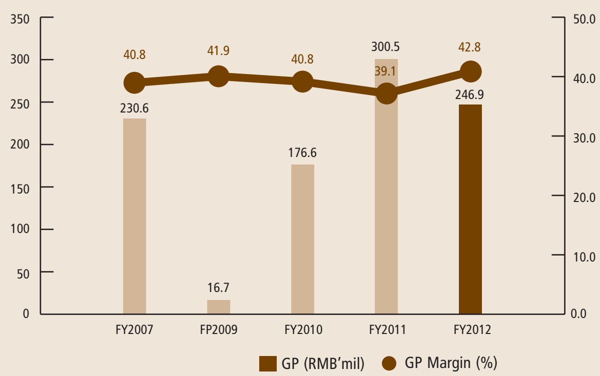
Financial Highlights

(RMB'000)	FY2012	FY2011	Change
PROFIT AND LOSS			
Revenue	**577,384**	768,767	(24.9%)
Gross Profit	**246,901**	300,485	(17.8%)
Gross profit margin	**42.8%**	39.1%	3.7 pts
Profit after tax	**177,624**	235,460	(24.6%)
Profit attributable to the owners of the Company	**146,836**	235,370	(37.6%)
REVENUE ANALYSIS BY TYPE OF PROPERTIES			
Residential	**391,720**	606,829	(35.4%)
Commercial and others	**185,664**	161,938	14.7%
REVENUE ANALYSIS BY GEOGRAPHICAL SEGMENT			
Northern Region	**62,203**	428,569	(85.5%)
Southern Region	**515,181**	340,198	51.4%

Revenue (RMB' mil)



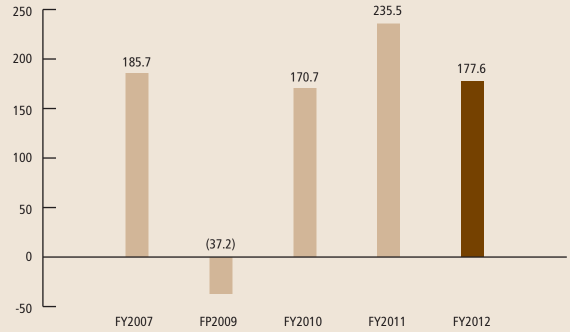
Gross Profit (RMB' mil) and Margins



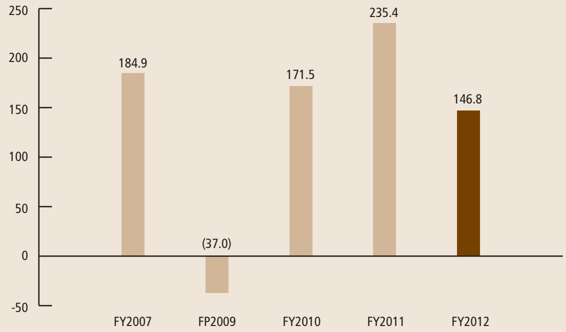
FY2012: April 2011 to March 2012
FY2011: April 2010 to March 2011
FY2010: April 2009 to March 2010
FP2009: January 2008 to March 2009
FY2007: January 2007 to December 2007

Financial Highlights

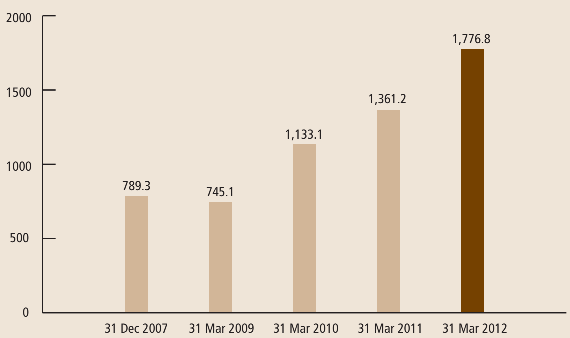
Profit After Tax (RMB' mil)



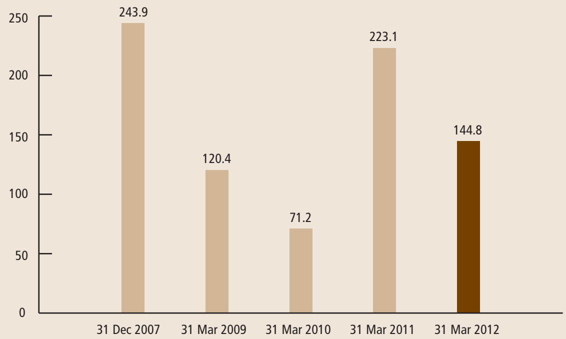
Profit Attributable to owners of the Company (RMB' mil)



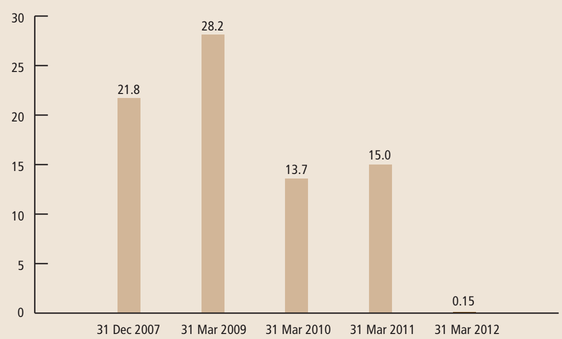
Net Assets (RMB' mil)



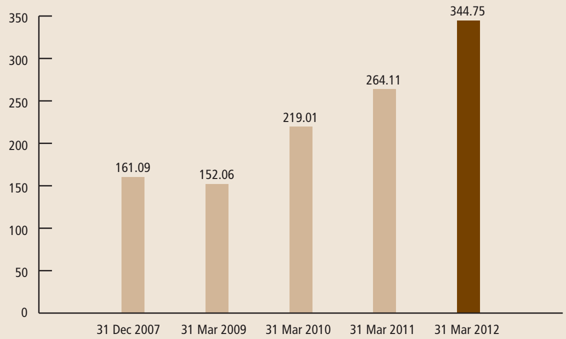
Cash and Bank balances (RMB' mil)



Gearing (%) : Total borrowing (excluding shareholder's loan) less deposit collateral / Total Equity



NAV/Share (RMB' cents)



FY2012: April 2011 to March 2012
FY2011: April 2010 to March 2011
FY2010: April 2009 to March 2010
FP2009: January 2008 to March 2009
FY2007: January 2007 to December 2007

Chairman's Statement

Long term sustainable growth

As one of the leading property developers in the second-tier cities, we continue to believe in the long term potential of the PRC real estate sector which is driven by a strong domestic economy. We will continue to focus on our core competencies of building high-quality and innovative residences to ensure sustainable growth.

Chairman's Statement

Dear Shareholders,

I am pleased to report that Pan Hong had recorded a revenue of RMB577.4 million (FY2011: RMB768.8 million) and a net profit attributable to shareholders of RMB146.8 million (FY2011: RMB235.4 million) for the financial year ended 31 March 2012.

BUILDING ON CORE STRENGTHS

Effects of the PRC government's property cooling measures have been felt more strongly in the past year, and reports have shown that some property developers in the top-tier cities had to lower their prices compared to the year before. Unlike in the previous year when most property analysts have been predicting stronger market cooling measures by the government, current sentiment towards the sector is more mixed. While the government is still adamant about reining in the market, it is unlikely to impose stronger curbs.

Pan Hong has managed to remain resilient in these challenging times. Since our establishment, we have gained a strong foothold as one of the leading property developers in the second-tier cities. We continue to believe in the long term potential of the PRC real estate sector which is driven by a strong domestic economy. As a consequence of the property cooling measures which resulted in credit tightening measures and housing restrictions, we have seen lower sales volume. Nevertheless, we will continue to focus on our core competencies of building high-quality and innovative residences to ensure sustainable growth instead of short-term gain. As such, the Group currently has no plan to adjust the prices of its properties. We will closely monitor the PRC government's policies and time the launches of our properties in accordance with market demand.

FINANCIAL STRENGTH BACKED BY PRUDENT FINANCIAL POLICY

Since the start of the cooling measures in 2009, an increasing number of smaller property companies have filed for bankruptcy due to the credit crunch. Backed by a prudent financial policy, Pan Hong's gearing ratio reached an unprecedented low of 0.15% at the end of FY2012 and has successfully maintained its leading position amongst its peers. A strong credit position will ensure that the Group's business will stay on track and flourish in the following years.

We closed FY2012 with a total of RMB206.5 million in cash and bank balances and pledged bank deposits as at 31 March 2012. The Group's net asset value which was computed based on the actual cost of acquiring the Group's properties held under development. Net asset value per share had improved from 264.11 RMB cents as at 31 March 2011 to 344.75 RMB cents as at 31 March 2012.

To thank shareholders for their continued support, the directors have proposed a final dividend of S$0.01 per share, subject to the approval of shareholders at the upcoming Annual General Meeting.

Chairman's Statement

ENHANCING REGIONAL FOCUS

It also gives me great pleasure to report that Sino Harbour Property Group Limited ("Sino Harbour"), the Group's residential and commercial property development businesses in Jiangxi Province, was successfully spun off and listed on the Main Board of The Stock Exchange of Hong Kong Limited ("HKSE") on 22 July 2011, raising approximately HK$302 million (approximately RMB251.3 million) from the proceeds of the initial public offering.

The successful listing of Sino Harbour sets a new milestone for both Sino Harbour and the Group as it strengthens the Group's financial position and allows Sino Harbour to focus on expanding its businesses in Jiangxi Province while the Group concentrates on expanding to other parts of the PRC and overseas.

OUR DISTINCTIVE PROPERTIES

The Group's property developments – Nanchang Honggu Kaixuan and Fuzhou Hua Cui Ting Yuan Phase 1 were the main contributors to the Group's revenue in FY2012. Presales of the latest iconic project, Yichun Royal Lake City Phase 1, had also commenced towards the end of FY2012. As of 18 May 2012, the total unbilled sales (pre-sale value not handed over to buyers) comprising of residential and commercial units was RMB387.0 million. Revenue from the strong pre-sales will be recognised after the completion of the handover of sold properties to buyers.

The Group focuses primarily on developing high quality residential properties that improve the living standard of the locals. Each of our projects bears a distinctive style. We have seen strong interest from home buyers who are attracted by the townhouse-concept of Fuzhou Hua Cui Ting Yuan, which incorporates traditional Chinese architecture with Western design of Yichun Royal Lake City.

Chairman's Statement

As part of our long term strategy, the Group will continue to seek opportunities to acquire land parcels at low costs in order to increase our land bank. In addition to its existing developments, the Group is exploring the possibilities to develop properties with innovative features that add value to the local communities.

The Group continues to seek opportunities to expand its business into other promising markets, such as Africa, a region which is not only rich in resources, but also developing economically with considerable Chinese presence and goodwill. We believe that Africa has a lot of potential for us to tap into with suitable partners, and is one of the target regions for consideration in the Group's future development plans.

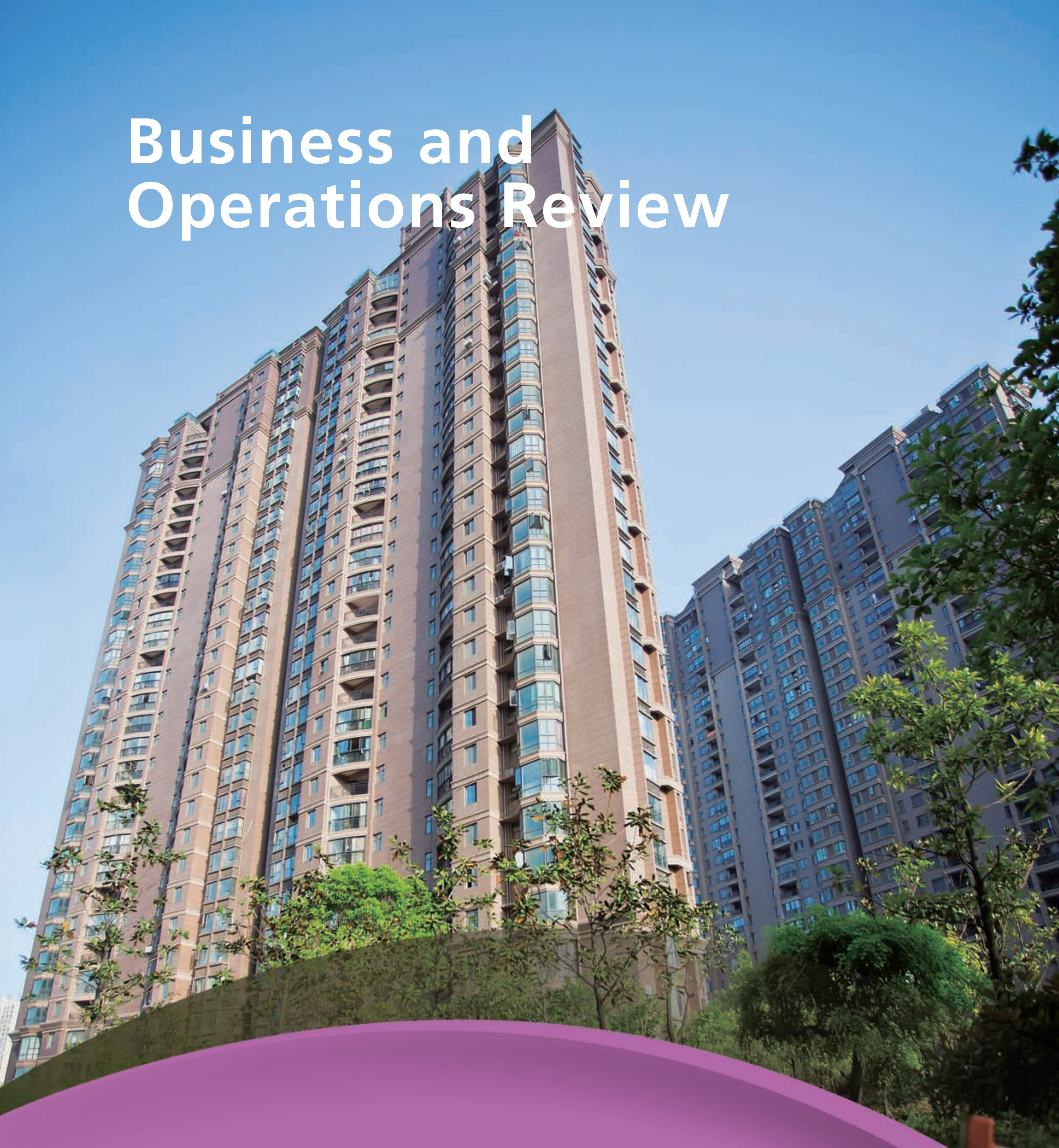
APPRECIATION

On behalf of the Board of Directors, I would like to express my gratitude to our shareholders, business partners and associates for your continued faith and support towards. I would like to also thank the Board of Directors for their commitment and guidance during the past year, and last but not least, the Group's management and staff for their hard work. Together, we look forward to forging a better future for Pan Hong.

Wong Lam Ping
Executive Chairman

30 June 2012

Business and Operations Review



Innovative and Quality Projects

In FY2012, Pan Hong saw strong pre-sales of our latest projects – Yichun Royal Lake City and Fuzhou Hua Cui Ting Yuan – thereby attesting to the success of the Group's strategy which is to build quality residences in secondary tier cities.

Business and Operations Review

In FY2012, China's real estate sector continued to face tough challenges posed by the austerity measures put in place by the PRC Government since 2009. After two years of property tightening controls, property prices in many first-tier cities have mostly declined. As a renowned property player in the second-tier cities, the Group believes that home-buyers are willing to pay for top quality developments. As such, instead of price adjustment, the Group continued to innovate and improve on the quality of its projects. Even though home prices in second-tier cities were less affected by the curbs, the Group experienced lower sales volume, which led to a decrease in revenue, compared to the year before.

(I) STATUS OF PROPERTY DEVELOPMENT

(1) Property Pre-sales

The status of the sales of our property developments as at 18 May 2012 are summarised 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)
Yichun Royal Lake City Phase 1 （宜春御湖城一期）	Jiangxi	Residential	29,558	45%	56.4
Fuzhou Hua Cui Ting Yuan Phase 1 （抚州华萃庭院一期）	Jiangxi	Residential	81,165	80%	183.8
Huzhou Hua Cui Ting Yuan Phase 1 （湖州华萃庭院一期）	Zhejiang	Residential	44,006	84%	4.1

Business and Operations Review

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 Honggu Kaixuan Phase 2 （南昌红谷凯旋二期）	Jiangxi	Residential	116,214	98%	18.0
Nanchang Honggu Kaixuan Phase 1 & 2 （南昌红谷凯旋一、二期）	Jiangxi	Commercial	16,215	85%	124.7
TOTAL					387.0

^ *Unbilled sales is computed as follows: Beginning period pre-sales plus New pre-sales during the period less those handed over to buyers as at 31 March 2012*

In FY2012, the Group launched the pre-sales of Yichun Royal Lake City Phase 1, located east of Jiangxi Province. The upmarket residential development incorporates traditional Chinese architecture combined with Western design, and offers residents a wide range of facilities within a vibrant living environment. A main attraction of Yichun Royal Lake City will be the two lakes to be built within the compound. Here, residents can enjoy the tranquility of nature amidst lush greenery right at their doorsteps, a truly unique design in the PRC which promotes human habitation and nature. The Group has presold 133 out of the total 310 units of the project since its launch in early 2012, representing a 45% take-up rate.

Business and Operations Review

Fuzhou Hua Cui Ting Yuan is one of the Group's iconic developments which incorporates classic Chinese architecture into its design. The project features a townhouse concept and its buildings and houses are inter-connected with Chinese-style gardens, rivers and bridges. Due to its unique and beautiful architecture, Fuzhou Hua Cui Ting Yuan Phase 1 has attracted strong interest from home buyers since its pre-sales launch in 4QFY2011. The Group has presold 486 out of the total 581 units of the project, representing an outstanding 80% take-up rate.

Other projects launched earlier, including Huzhou Hua Cui Ting Yuan Phase 1 and Nanchang Honggu Kaixuan Phase 2, have achieved more than 80% take-up rates. Demand for the residential property of Nanchang Honggu Kaixuan Phase 2 continues to be strong and it is nearly sold-out (98%).

As of 18 May 2012, the total unbilled sales (pre-sale value not handed over to buyers) comprising residential and commercial units was RMB387.0 million with a Gross Floor Area of 60,990 sq m. The sales from the properties will be recognised as revenue after the completion of the handover of the units.

(2) Properties Under Development

Name of Project	Province	City	Planned Gross Floor Area	Expected Completion Date
Nanchang Honggu Kaixuan Phase 2 (南昌红谷凯旋二期)	Jiangxi	Nanchang	Commercial: 33,070	Q4CY2012
Yichun Royal Lake City Phase 1 (宜春御湖城一期)	Jiangxi	Yichun	Residential: 75,300 Commercial: 16,777	Q4CY2012
Fuzhou Hua Cui Ting Yuan Phase 2 (抚州华萃庭院二期)	Jiangxi	Fuzhou	Residential: 79,216 Commercial: 2,399	Q4CY2013

In view of the positive market response with regard to the launches of Fuzhou Hua Cui Ting Yuan Phase 1 and Yichun Royal Lake City Phase 1, the Group has decided to expedite the development of phase 2 of the named projects.

Business and Operations Review

In the medium term, the Group plans to commence construction of the following projects in FY2013:

Name of Project	Equity Interests	Province	Planned Saleable GFA (sq m)
Nanchang Dingxun Project Phase 1 (南昌鼎迅一期)	55%	Jiangxi	144,132
Yichun Royal Lake City Phase 2 (宜春御湖城二期)	50%	Jiangxi	105,000
Huzhou Run Yuan Project Phase 1 (湖州润源项目一期)	100%	Zhejiang	216,000

In addition to Yichun Royal Lake City Phase 2(宜春御湖城二期), the Group also plans to commence construction of two other projects, namely Nanchang Dingxun Project Phase 1(南昌鼎迅一期)in Jiangxi Province and Huzhou Run Yuan Project Phase 1(湖州润源项目一期)in Zhejiang Province.

Nanchang Dingxun Project is located in the Nanchang Economic Development Zone of Nanchang City, Jiangxi Province. The entire project occupies a total site area of approximately 719,548 sq m with a planned aggregate saleable GFA of approximately 1,004,788 sq m. It is designed as a living space which harmonises human activities with nature. It will be developed to incorporate the existing natural landscapes. A park will be developed in the centre of the development surrounded by other commercial properties, serviced apartments and ancillary facilities, such as schools and kindergartens.

The planned development GFA for Phase 1 is 144,132 sq m and is estimated to be completed by the end of 3QCY2013.

In FY2013, the Group also plans to commence construction of Huzhou Run Yuan project, located near the city centre in Huzhou City, Zhejiang Povince. The residential development will be built around the theme of "live, work and play", a concept that will appeal to first-time home buyers. The planned development GFA for Huzhou Run Yuan project is 216,000 sq m.

Business and Operations Review

(3) Future Outlook

In FY2013, the Group plans to launch the following projects:

Name of Project	Province	City	Type of Units
Fuzhou Hua Cui Ting Yuan Phase 2 (抚州华萃庭院二期)	Jiangxi	Fuzhou	Residential
Nanchang Dingxun Project Phase 1 (南昌鼎迅一期)	Jiangxi	Nanchang	Residential
Huzhou Run Yuan Project Phase 1 (湖州润源项目一期)	Zhejiang	Huzhou	Residential

The Group will continue to release properties in Fuzhou Hua Cui Ting Yuan Phase 1 and Yichun Royal Lake City Phase 1 for pre-sales. Fuzhou Hua Cui Ting Yuan Phase 2, Nanchang Dingxun Project Phase 1 and Huzhou Run Yuan Project Phase 1 are also expected to be released for pre-sale in FY2013. Furthermore, a 27-storey commercial building in Nanchang Honggu Kaixuan will be available for lease. This commercial building will provide the Group with a new source of stable rental income.

(II) SUCCESSFUL LISTING OF SINO-HARBOUR

The Group successfully spun-off its Jiangxi residential and commercial property development businesses into Sino Harbour Property Group Limited ("Sino Harbour") and listed it on the Main Board of The Stock Exchange of Hong Kong Limited on 22 July 2011, raising approximately HK$302 million (approximately RMB251.3 million) from the proceeds of the initial public offering ("IPO"). We believe that the successful spin-off and IPO of Sino Harbour will enhance the Group's public image and enable us to tap the capital markets in Hong Kong to fund the future business growth of the Group.

Financial Review

FINANCIAL RESULTS

	Group	
	FY2012	FY2011
Revenue (RMB'000)		
Residential	**391,720**	606,829
Commercial and others	**185,664**	161,938
Total Revenue	**577,384**	768,767

The Group's revenue in FY2012 was RMB577.4 million compared to RMB768.8 million in FY2011, a decrease of 24.9%. This was attributable mainly to a substantial decline in revenue in Zhejiang Province. Revenue from the Zhejiang Province decreased by 85.5% to RMB62.2 million in FY2012 from RMB428.6 million in FY2011.

The revenue in FY2012 comprised mainly of residential units sold in Nanchang Honggu Kaixuan Phase 2 and Fuzhou Hua Cui Ting Yuan Phase 1, as well as commercial units sold in Nanchang Honggu Kaixuan. In FY2012, the Group sold 334 of 997 residential units of Nanchang Honggu Kaixuan Phase 2 and 203 of 606 residential units at Fuzhou Hua Cui Ting Yuan Phase 1. The Group also sold 32 commercial units of Nanchang Honggu Kaixuan.

Cost of sales decreased by 29.4% from RMB468.3 million in FY2011 to RMB330.5 million in FY2012 in line with the decrease in revenue. Commercial property has a much higher gross profit margin compared with residential property. As the proportion of sales recognised from commercial units in FY2012 was higher than that in FY2011, Group gross profit margin increased from 39.1% in FY2011 to 42.8% in FY2012.

Other income and gains increased from RMB81.5 million in FY2011 to RMB120.9 million in FY2012, an increase of 48.3%. The other income and gains in FY2012 was due mainly to the gain on disposal of Hailian Project（海联项目）of RMB90.4 million in FY2012.

Selling and distribution expenses comprised mainly salaries and commission expenses of salesperson, agency fee and advertising expenses. Selling and distribution expenses decreased by 58.0% from RMB13.7 million in FY2011 to RMB5.8 million in FY2012. The higher selling expenses in FY2011 was due mainly to the higher advertising and promotional expenses incurred in the launch of Fuzhou Hua Cui Ting Yuan Phase 1. Commission expenses in FY2012 were lower than FY2011 in line with the decrease in revenue in Zhejiang Province in FY2012.

Administrative expenses in FY2012 increased by 45.8% to RMB31.3 million in FY2012 from RMB21.5 million in FY2011. The increase was due mainly to increase in staff cost and professional and consultancy expenses in line with the Group's business development as well as stamp duty on inter-company share transfer in relation to the group reorganisation.

Other operating expenses increased by 360.0% from RMB1.3 million in FY2011 to RMB5.9 million in FY2012. This increase was due mainly to the rise in net fair value loss of financial assets at fair value through profit or loss.

Financial Review

Financial costs decreased from RMB4.1 million in FY2011 to RMB3.2 million in FY2012 in line with the decrease in bank and other loans.

Share of loss of a jointly controlled entity increased from RMB768,000 in FY2011 to RMB3.5 million in FY2012. The increase was attributable mainly to higher promotional expenses incurred by the jointly controlled entity for the launch of Yichun Royal Lake City. Pre-sales for the Yichun Royal Lake City Phase 1 commenced on January 2012.

Income tax expense increased by 23.1% from RMB105.1 million in FY2011 to RMB129.4 million in FY2012 due mainly to the increase in Land Appreciation Tax ("LAT"). Increase in LAT was attributable mainly to the higher assessable appreciated value of the property in FY2012 resulting from the lower portion of ordinary residential property being delivered during the year.

The Group posted a decrease of 24.6% profit after tax of RMB177.6 million in FY2012 from RMB235.5 million in FY2011.

FINANCIAL POSITION

As at 31 March 2012, the Group had investment properties at fair value of RMB119.6 million, compared to RMB186.1 million comprising investment properties completed at fair value and held for sale as at 31 March 2011. The decrease was due to the handover of investment properties held for sale to the buyers.

Interest in a jointly controlled entity increased from RMB138.1 million as at 31 March 2011 to RMB176.6 million as at 31 March 2012. The increase was attributable mainly to the increase in investment in a jointly controlled entity as well as an advance to a jointly controlled entity by the Group for the construction cost of Yichun Royal Lake City Phase 1.

On 22 June 2011, the Group announced the de-registration of an associated company. As at 31 March 2012, the Group did not hold any interest in its associate, Pinghu City Pan Hong Port Limited.

Properties held under development decreased by RMB360.3 million from RMB1.44 billion as at 31 March 2011 to RMB1.08 billion as at 31 March 2012. The decrease was due mainly to the disposal of Hailian Project in FY2012 as well as the completion of the development of property units of Nanchang Honggu Kaixuan and Fuzhou Hua Cui Ting Yuan Phase 1 in FY2012.

Properties held for sale increased to RMB419.0 million as at 31 March 2012, from RMB231.6 million as at 31 March 2011 due mainly to property units not recognised as revenue for the projects of Fuzhou Hua Cui Ting Yuan Phase 1.

Account receivables decreased to RMB1.6 million as at 31 March 2012, from RMB20.9 million as at 31 March 2011. The decrease was mainly due to improvements in collections of outstanding balances.

Prepayments and other receivables increased from RMB100.6 million as at 31 March 2011 to RMB368.1 million as at 31 March 2012 out of which RMB234.4 million was attributable to the receivable from the disposal of Hailian Project classified as "Other Receivables". The remaining RMB133.7 million was attributable mainly to an increase in the prepayments to contractors for the construction of Nanchang Honggu Kaixuan.

Financial Review

Financial assets at fair value through profit or loss decreased to RMB5.4 million as at 31 March 2012 from RMB17.5 million as at 31 March 2011 due mainly to the fair value loss for the listed equity securities as well as disposal of listed equity securities in FY2012.

Pledged deposits decreased from RMB180.8 million as at 31 March 2011 to RMB61.8 million as at 31 March 2012. The decrease was due mainly to the release of the deposits pledged to the banks against the bank loans which had since been repaid.

Account payables increased to RMB18.1 million as at 31 March 2012 from RMB13.6 million as at 31 March 2011 due to a higher number of property projects which were near completion. The account payables comprised mainly of amounts payable to suppliers for construction cost incurred in respect of the Group's properties held under development.

Accruals, receipts in advance and other payables decreased to RMB373.6 million as at 31 March 2012 from RMB654.6 million as at 31 March 2011. Accruals, receipts in advance and other payables comprised mainly of receipts from deposit and prepayments relating to 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 at 31 March 2012. The decrease in accruals, receipts in advance and other payables was due mainly to the realisation of part of the advance receipts in revenue during the financial year.

As at 31 March 2012, the Group had total borrowings of RMB40.7 million, a significant decrease from RMB364.8 million as at 31 March 2011 due mainly to the repayment of borrowings in FY2012. Of these borrowings, a bank loan of HK$45.0 million (RMB36.6 million equivalent) was secured by a deposit of RMB38.0 million which was classified as "Pledged deposit" as at 31 March 2012.

After the repayment of borrowings during the financial period, the Group's gearing ratio had improved significantly. Based on its total equity of RMB1.78 billion and a deposit collateral of RMB38.0 million, the Group recorded a low gearing ratio (total borrowings less deposit collateral/total equity) of only 0.15% as at 31 March 2012, compared to 15.0% as at 31 March 2011.

In FY2012, the Group recorded RMB67.0 million of cash used in operating activities which was attributable mainly to the increase in other receivables, decrease in receipts in advance as well as income taxes paid in FY2012.

Net cash inflow from investing activities in FY2012 amounted to RMB41.6 million due mainly to the release of deposits pledged to banks against the bank loans which had since been repaid.

Net cash used in financing activities in FY2012 amounted to RMB55.7 million due mainly to the repayment of borrowings.

As at 31 March 2012, the Group had cash and cash equivalents of RMB144.8 million.

Board of Directors

Mr. Wong Lam Ping is our Executive Chairman and founder of our Group. He was appointed to our Board on 3 January 2006 and was last re-elected on 29 July 2010. 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 close to 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 an Executive Director on 14 August 2006 and was last re-elected on 22 July 2009. 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 (内蒙古海勃湾矿务局) 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 (内蒙古乌海市国税局). She later joined 999 Huzhou Pharmaceutical Company (三九湖州药业) 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 (内蒙古煤炭工业学校) in 1982 with a degree in Financial Accounting, and from the Inner Mongolia Broadcast and Television University (内蒙古广播电视大学) 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 Chun Kit was appointed as an Executive Director on 30 June 2011 and was last re-elected on 27 July 2011. He joined our Group in 2008 as the Group's Financial Controller and Company Secretary and is responsible for the Group's finance and accounting functions. He is also responsible for statutory compliance and corporate governance of our Group, as well as coordination with our Group's stakeholders. Prior to joining the Group, he was an auditor with an international public accounting firm. Mr. Chan graduated from The Hong Kong Polytechnic University with a Bachelor of Arts in Accountancy (Hons). Mr. Chan is also a Certified Public Accountant, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Chan Kin Sang is a Non-Executive Director of our Group. He was appointed to our Board on 14 August 2006 and was last re-elected on 22 July 2009. He is currently the sole proprietor 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.

Board of Directors

Mr. Chan Kin Sang is currently an independent non-executive director of two other Singapore listed companies, namely People's Food Holdings Limited and Luxking Group Holdings Limited and two Hong Kong listed companies, namely China Precious Metal Resources Holdings Co., Limited and International Taifeng Holdings Limited. Mr. Chan is also a non-executive director of United Pacific Industries Limited, Combest Holdings Limited and Pacific Polywood Holdings Limited which are listed in Hong Kong. Mr. Chan is an alternate director in Zhongda International Holdings Limited. He was formerly an independent non-executive director of Sunray Holdings Limited, New Smart Energy Group Limited, Dynamic Energy Holdings Limited and Ming Kei Holdings Limited and a non-executive director of Mayer Holdings Limited.

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 22 July 2009. He is currently practising as a certified public accountant in Smalley & Co, 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 an Independent Director. He was appointed to our Board on 14 August 2006 and was last re-elected on 29 July 2010. Dr. Choo has over 35 years of experience in the property industry. He was formerly the CEO of the Real Estate Developers' Association of Singapore ("REDAS"). Before that he was the Senior Vice President (Malaysia Investment) of 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 is currently an independent consultant in strategic city management, a special advisor to REDAS in research and education, and a member on the NTUC Choice Homes' board of directors. He also serves on the Valuation Review Board under the Financial Ministry 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.

Board of Directors

Dr. Zheng Haibin is an Independent Director. He was appointed to our Board on 14 August 2006 and was last re-elected on 22 July 2009. 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 Executive Officers

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 (浙江省物资局化工轻工总公司) 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. (中国化工建设浙江物化有限公司). He then became Trading Manager of both Huzhou Jinquan Trading Co., Ltd. (湖洲金泉贸易有限公司) 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. (湖州龙海生物药业有限公司) as the Assistant General Manager before joining our Group in 2004. Mr. Wang graduated from Zhejiang University of Technology (浙江工业大学) 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 (浙江省学位委员会) in 2000. Mr. Wang was also certified as an Economist by the Zhejiang Provincial Bureau of Materials (浙江省物资局) 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. (杭州机床厂) where he rose to become Head of the Supply and Marketing Department. In 1988, he joined Hangzhou City Jiang Ping Sales and Trading Centre (杭州市江平供销贸易中心) 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 (浙江广播电视大学) 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 (南浔建筑工程公司). 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 (浙江川菱电器有限公司) as Chief of the Infrastructure Department before leaving to take up the concurrent positions as General Manager of Nanxun Municipal Main Company (南浔市政总公司) and an assistant supervisor in the Nanxun Economic Development Zone Construction Office (南浔经济开发区建设办公室) 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 (重庆大学) 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 (湖洲市第五届及第六届政治协商委员会) as well as a member of the First and Second Nanxun District Industry and Commerce Standing Committee (第一届及第二届南浔区工商联常务委员).

Key Executive Officers

Mr. Wu Jie is the Public Relations Manager of our Group, and is responsible for the coordination of public relations as well as the management of certain of our Group's subsidiaries and the research and development of new projects. He started his career in 1981 with the Huzhou branch of the Agricultural Bank of China in Zhejiang Province (浙江省农业银行湖州市分行), working in the Capital Organization Department. In 1994, he joined the Bank of Communications (交通银行湖洲分行) for nine years until 2003 during which he held various positions such as Chief of the Industrial Loans Team in the Loan Department, General Manager of the Personal Financial Business Department and Assistant General Manager of Business (Loans Department). In 2003, Mr. Wu joined Zhejiang Jiangnan Gongmao Group Limited (浙江江南工贸集团股份有限公司) as Deputy Chairman and General Manager. He joined our Group in 2005 as the Deputy Chairman of two of our subsidiaries, namely Huzhou Jiangnan Halian Company and Huzhou Hongjin Market Company. He is also Assistant General Manager of the Huzhou Hongjin Market Company. Mr. Wu graduated from Zhejiang Radio and TV University (浙江广播电视大学) in 1988, majoring in Finance. Mr. Wu is also a qualified economist as accredited by the Evaluation Committee for Professional Skills in Business Departments of the Agricultural Bank of China, Zhejiang Branch (农行浙江省分行专业技术职务评审委员会) in 1993 and he was certified as Senior Economist by the Private Enterprise Senior Economic Professional Position Validation Committee of Huzhou City Personnel Bureau (湖州市人事局民营企业高级经济专业技术职务评审委员会) in 2006.

None of our Executive Officers are related to each other or to any of our Directors or substantial shareholders.

None of our Executive Officers 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 Property Group Limited is committed to maintaining high standard of corporate governance within the Company and its subsidiaries. The Board will be reviewing, and where necessary, adopting the recommendations made by the Corporate Governance Council on the Code of Corporate Governance ("2012 Code") which is effective in respect of the Company's Annual Report for the financial year ended 31 March 2014.

The Company recognizes 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 2005 (the "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 is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensure that the requisite financial and human resources support are in place for the Group to achieve its objectives.

The Board's role includes:

(i) providing effective leadership, guiding and setting corporate strategy 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 and adequacy of internal controls, including financial, operational and compliance risk areas that needed to be strengthened, identified by the Audit Committee ("AC") 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;

(iv) reviewing the performance of the Group towards achieving adequate shareholders' value, 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) approving annual budgets, major funding proposals, investment and divestment proposals and making decisions in the interests of the Group;

(vi) approving major acquisitions and disposals of assets and interested person transactions of a material nature;

Corporate Governance Report

(vii) approving all Board appointments and appointments of key personnel;

(viii) evaluating the performance and compensation of directors and senior management;

(ix) approving share buybacks, if any; and

(x) overseeing the proper conduct of the Company's business and reviewing the corporate governance processes.

To facilitate effective management and to 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, saved 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.

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, will report back to the Board with their decisions and/or recommendations, the ultimate responsibility for the decisions and actions rest with the Board.

The Board meets on a quarterly basis to review interim, annual 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. The Company's Bye-laws provides for meetings to be held via telephone, electronic or other communication facilities which permits all persons participating in the meeting to communicate with each other simultaneously.

Where physical Board and Board Committee meetings are not possible, timely communication with members of the Board or Board Committee can be achieved through electronic means and circulation of written resolutions for approval by the relevant Board and Board Committee members.

The approval of the Board is required for any matters which is likely to have a material impact on the Group's operating units and/or financial positions as well as matters other than in the ordinary course of business. The Board believes that when making decisions, all directors act objectively and for the interest of the Company.

During the year, there were some changes to the Board. Ms. Chan Heung Ling and Mr. Shi Feng had resigned as Directors of the Company on 30 June 2011. Mr. Chan Chun Kit was appointed as Executive Director of the Company on 30 June 2011.

Corporate Governance Report

Details of Board and Board committee meetings held during the financial year ended 31 March 2012 are summarized in the table below:

Meeting	Board of Directors	Audit Committee	Nominating Committee	Remuneration Committee
Total meetings held in FY2012	4	4	1	1
Name of Director	**Attended**	**Attended**	**Attended**	**Attended**
Wong Lam Ping	4	N.A.	1	N.A.
Sim Wee Leong	4	4	1	N.A.
Dr. Choo Kian Koon	4	4	1	1
Dr. Zheng Haibin	4	4	N.A.	1
Chan Kin Sang	4	N.A.	N.A.	1
Wang Cuiping	4	N.A.	N.A.	N.A.
Chan Chun Kit	4	N.A.	N.A.	N.A.

PRINCIPLE 2: BOARD COMPOSITION AND BALANCE

As at the date of this report, the Board comprises three executive directors, and four non-executive directors, of whom three are Independent. The Board composition are as follows:

Executive Directors:

Mr. Wong Lam Ping *(Chairman)*
Ms. Wang Cuiping
Mr. Chan Chun Kit

Non-Executive Directors:

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

The size and composition of the Board will be reviewed annually by the NC to ensure that there is an appropriate mix of expertise and experience so as to facilitate effective decision making. The review will also ensure that Board members collectively possesses the relevant and necessary skills sets and core competencies which the Group may tap on for assistance in furthering its business objectives and shaping its business strategies. The Board is of the opinion that its current board size of seven members is appropriate, taking into account the nature and scope of the Group's operations.

Corporate Governance Report

As a Group, the members of the Board provides a broad range of expertise in areas such as accounting, finance, legal, management experience, industrial experience 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 or other complexities.

The composition of the Board complies with the Code's guideline that Independent Directors make up at least one-third of the Board.

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

Mr. Wong Lam Ping, 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 recommendation 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 to separate 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 the effective working of the Board such as ensuring that Board meetings are held when necessary, assisting in ensuring compliance with the Company's guidelines on corporate governance, acting as a facilitator at Board meetings and maintaining regular dialogue with Management on all operational matters. The Company Secretaries assist the Chairman in scheduling the Board and Board Committee meetings respectively in consultation with the Financial Controller.

Corporate Governance Report

In line with the recommendations of the Code, Mr. Sim Wee Leong has been 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 is also available to address the concerns, if any, of the Company's shareholders.

PRINCIPLE 4: BOARD MEMBERSHIP

The NC comprises three members, a majority of whom, including the Chairman, are independent Directors.

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

The NC is responsible for the following under its terms of reference:

(i) reviewing the Board and Board Committees' structure, size and composition and making recommendations to the Board, where appropriate;

(ii) determining the process for search, nomination, selection and appointment of new board members and assessing nominees or candidates for appointment to the Board;

(iii) making recommendations to the Board on the nomination of retiring directors and those appointed during the year standing for re-election at the Company's annual general meeting, having regard to the director's contribution and performance;

(iv) determining annually whether a Director is independent, bearing in mind the circumstances set forth in the Code and any other salient factors;

(v) determining whether or not a director is able to and has been adequately carrying out his duties as a director of the Company, particularly when he has multiple board representations;

(vi) assessing the effectiveness of the Board as a whole and the contributions of each individual director to the effectiveness of 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. The NC will evaluate the suitability of the nominee or candidate based on his 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.

All directors, including newly appointed directors will 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 listed company in Singapore, will undergo the necessary training and briefing.

Corporate Governance Report

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 from time to time to apprise themselves of legal, financial and other regulatory developments. 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 Trading Securities ("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.

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 on a yearly basis after the expiry of its first term of appointment or unless terminated by either party.

For the appointment of a Non-Independent Director, a formal letter will be issued setting out the terms and conditions for his appointment.

The NC 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 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.

The NC had reviewed the independence of the Board members with reference to the guidelines set out in the Code and had determined that Dr. Choo Kian Koon, Mr. Sim Wee Leong and Dr. Zheng Haibin to be independent and free from any relationship as outlined in the Code. Mr. Chan Kin Sang is the nephew of the Chairman/CEO, Mr. Wong Lam Ping and he is considered not independent of the Company's management as contemplated by the Code. Save as disclosed, none of the other Non-Executive Directors are related and do not have any relationships with the Company or its related companies or its officers who could interfere or be reasonably perceived to interfere with the exercise of their independent judgements. The Board concurred with the NC's views.

The NC had also reviewed the multiple-board seats held by the non-Executive Directors and is of the view that such multiple board representations do not hinder them from carrying out their duties as Directors of the Company.

In accordance with the provision 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.

Corporate Governance Report

The NC having considered the attendance and participation of Ms. Wang Cuiping, Mr. Chan Kin Sang, Mr. Sim Wee Leong and Dr. Zheng Haibin at the Board and Board Committee meetings in particular, their contributions to the business and operations of the Company as well as Board processes, has recommended their nomination for re-election at the forthcoming AGM. The Board has accepted its recommendation and these directors, being eligible, will be offering themselves for re-election at the AGM. Mr. Sim Wee Leong, an NC member, being interested, had abstained from all deliberations and decisions on the matter.

PRINCIPLE 5: BOARD PERFORMANCE

The Group has in place a system to assess the performance of the Board as a whole.

The evaluation of the Board's performance is conducted annually. 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 standards of conduct of its Board members.

The Board has taken the view that the financial indicators as recommended by the Code to be included as part of the performance criteria for Board evaluation might not be appropriate as these are more of a measurement of Management's performance and therefore less applicable to the Board.

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 FY2012 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 review its procedure, effectiveness and development from time to time.

PRINCIPLE 6: ACCESS TO INFORMATION

The Executive Directors and the Senior 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. The CEO and senior management are present at Board and Board Committee meetings to address any queries which the Board may have. In addition, Board members have separate and independent access to the senior management and the Company Secretaries.

The Company Secretary and/or her representative attends 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.

Corporate Governance Report

Where decisions to be taken require expert opinion or specialized 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 comprises three non-executive directors, a majority of whom, including the Chairman, are independent directors:

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

The RC is responsible for the following under its terms of reference:

(i) reviewing and recommending to the Board a framework of remuneration and determining the specific remuneration packages and terms of employment of the Executive Directors and key executives of the Group;

In the case of service contracts, to consider what compensation commitments in the Directors' contracts of service, if any, would entail in the event of early termination with a view to be fair and avoid rewarding poor performance;

(ii) recommending the remuneration of Non-executive directors, taking into account factors such as their effort and time spent and their responsibilities; and

(iii) 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, 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.

If required, the RC will seek expert's advice inside and/or outside the Company on remuneration of all Directors and key executives.

Corporate Governance Report

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, Chairman of the Group and Ms. Wang Cuiping, an Executive Director, had each entered into separate service agreements with the Company for an initial term of 3 year commencing from 20 September 2006 which will be subject to annual review and renewal thereafter until terminated by a notice in writing of not less than 3 months served by either party on the other. The Company had also entered into a service agreement with Mr. Chan Chun Kit, an Executive Director, for an initial term of 3 years commencing from 30 June 2011, expiring 29 June 2014 which will be subject to annual review and renewal thereafter until terminated by a notice in writing of not less than 3 months served by either party and the other.

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 executives commensurate with their performance, giving due consideration to the financial and commercial health and business needs of the Group. For FY2012, the RC is satisfied with the Executive Directors and Senior Management'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 effort 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$159,500 as Directors' fees for the year ended 31 March 2013, payable quarterly in arrears. These recommendations have been endorsed by the Board and will be tabled at the forthcoming AGM for shareholder's approval.

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

Corporate Governance Report

PRINCIPLE 9: DISCLOSURE ON REMUNERATION

The range of remuneration of Directors of the Group for the financial year ended 31 March 2012 is set out below:

Directors' Remuneration

Name of director	Allowance/ Fee %	[a] Fixed Component %	[b] Variable Component %	Benefits in Kind %	Other Loan Term Incentives %	Total %
S$250,000 and below						
Wong Lam Ping [1] [3]	–	93	6	1	–	100
Chan Heung Ling [1] [2]	–	99	–	1	–	100
Shi Feng [2]	–	89	–	11	–	100
Wang Cuiping	–	46	48	6	–	100
Sim Wee Leong	100	–	–	–	–	100
Dr. Choo Kian Koon	100	–	–	–	–	100
Dr. Zheng Haibin	100	–	–	–	–	100
Chan Kin Sang [3]	100	–	–	–	–	100
Chan Chun Kit [4]	–	89	9	2	–	–

(a) Fixed Component refers to base salary and Annual Wage Supplement, if applicable, for the financial year ended 31 March 2012.

(b) Variable Component refers to variable or performance related bonus paid in the financial year ended 31 March 2012.

(1) Mr. Wong Lam Ping is the spouse of Ms. Chan Heung Ling.

(2) Ms. Chan Heung Ling and Mr. Shi Feng resigned as Directors with effect from 30 June 2011.

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

(4) Mr. Chan Chun Kit is appointed as an Executive Director with effect from 30 June 2011.

Corporate Governance Report

Remuneration of Top 4 Key Executives

Name of key executives	Allowance/ Fee %	(a) Fixed Component %	(b) Variable Component %	Benefits in Kind %	Other Loan Term Incentives %	Total %
S$250,000 and below						
Wang Yinjian	–	54	39	7	–	100
Xu Guangquan	–	54	39	7	–	100
Zhang Ning	–	54	39	7	–	100
Wu Jie	–	54	39	7	–	100

Mr. Chan Chun Kit, a key executive of the Group, has been appointed as an Executive Director with effect from 30 June 2011. Notwithstanding Guideline 9.1 of the Code, as there were only 4 key executives during the financial year ended 31 March 2012, disclosure was only made on remuneration of the 4 key executives of the Group.

Ms. Chan Heung Ling, the spouse of Mr. Wong Lam Ping, resigned as an Executive Director with effect from 30 June 2011. She has received director's remuneration for the period from 1 April 2011 to 30 June 2011 and remuneration as an employee of the Group for the period from 1 July 2011 to 31 March 2012. As a result, Ms. Chan Heung Ling's total remuneration for the financial year exceeded S$150,000 during the year ended 31 March 2012. Saved as disclosed, no employees of the Group who are immediate family members of a Director and whose remuneration exceeds S$150,000 during the year ended 31 March 2012.

(C) ACCOUNTABILITY AND AUDIT

PRINCIPLE 10: ACCOUNTABILITY

The Board provides shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects 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.

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.

PRINCIPLE 11: AUDIT COMMITTEE

The AC which comprises all independent directors is as follows:

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

The Board is of the view that the AC members are appropriately qualified, having the necessary accounting and related financial management expertise or experience as the Board interprets such qualification, to discharge their responsibilities.

The AC meets at least four times a year and, as and when deemed appropriate to carry out its function.

The AC is governed by written terms of reference under which it is responsible for:

(i) reviewing with the internal and external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to Management and Management's response;

(ii) reviewing the Group's quarterly and full year financial results and announcements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual and any other relevant statutory or regulatory requirements;

(iii) reviewing the internal control 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);

(iv) 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;

(v) evaluating the independence and performance of the external auditors annually and to consider their appointment and reappointment;

(vi) 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;

Corporate Governance Report

(vii) 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

(viii) 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 authority to investigate any matter within its terms of reference. 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 provides well-defined and accessible channels in the Group through which staff 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 FY2012.

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 FY2012, the AC had:

(i) held 4 meetings in the financial year with Management and the external auditors.

(ii) met once with the external auditors and internal auditor without the presence of the Management, to review any matters that might be raised privately and discuss their findings set out in their respective reports to the AC. Both the internal and external auditors confirmed that they had full access to and had the full cooperation and assistance of Management.

(iii) conducted a review of the non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors as well as the cost effectiveness of the audit before confirming their re-nomination. The following fees amounting to RMB1,955,000 were approved:

Audit fees	RMB1,200,000
Non-Audit fees	RMB755,000

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

Corporate Governance Report

(iv) recommended the re-appointment of Messrs BDO Limited, Certified Public Accountants, Hong Kong, as the Company's Auditors to satisfy the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited and to appoint Messrs BDO LLP, Certified Public Accountants, Singapore, to act jointly with BDO Limited for the purpose of compliance with Rule 712 of the SGX-ST Listing Manual in relation to the appointment of a suitable auditing firm to meet the Company's audit obligations at the forthcoming AGM.

Together with more than 10 supervisory and professional staff assigned to the audit of the Group, the AC was satisfied that the resources and experience of Messrs BDO Limited, the Audit Engagement Partner and her team assigned to the audit were adequate to meet its audit obligations given the size and complexity of the Group.

(v) 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 accounts, its foreign-incorporated subsidiaries. The Group's significant subsidiaries are disclosed under Note 16 to the Financial Statements on pages 96 to 98 of this Annual Report.

PRINCIPLE 12: INTERNAL CONTROLS

The Board acknowledges its responsibility for maintaining a sound system of internal control framework. The controls are to provide reasonable assurance to safeguard 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 AC.

The AC, with the assistance of the internal and external auditors, reviews the adequacy of the Company's internal financial controls, operational and compliance 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 effectiveness of key internal controls within the scope of their audit. Material non-compliance and internal control weaknesses noted during their respective audits and their recommendations are reported to the AC. The AC will review the internal auditor and external auditors' comments and findings and ensure that are adequate internal controls in the Group and follow up on actions implemented.

Corporate Governance Report

The Board recognizes 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.

As recommended by the SGX-ST, an opinion of the Board with the concurrence of the AC on the adequacy of the internal controls, addressing financial, operational and compliance risks is set out in the Directors' Report under page 45 of the Annual Report.

PRINCIPLE 13: INTERNAL AUDIT

The Group has an in-house internal auditor to carry out internal audits. The internal auditor reports directly to the Chairman of the AC on all internal audit matters and findings, if any, from the audit process. 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 FY2012, the AC is satisfied with the adequacy of the internal audit function.

PRINCIPLE 14: COMMUNICATION WITH SHAREHOLDERS
PRINCIPLE 15: GREATER SHAREHOLDER PARTICIPATION

In line with continuous disclosure obligations, the Group is committed to regular and proactive communication with its shareholders. The Group is mindful of the need for regular and proactive communication with its 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 and press releases 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 of and explanatory notes for general meetings.

At the AGM, shareholders will be given opportunities to voice their views and seek clarification on issues relating to the Group's performance.

Corporate Governance Report

Shareholders are encouraged to attend the Annual General Meeting ("AGM") and Special General Meeting ("SGM") to ensure high level of accountability and to stay informed of the Group's strategy and goals. At AGMs, shareholders are given opportunity to share and communicate their views and seek clarification with the Board. The general meetings are the principal forum for dialogue with shareholders. Shareholders can vote in person or by way of proxy at the general meeting 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, Lead Independent Director and the external auditors will be available at the forthcoming AGM to attend to queries raised by shareholders.

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.

Directors and key officers are also encouraged not to deal in the Company's securities on short-term considerations.

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.

Saved as disclosed under Notes 17, 18, 24, 37 and 38 to the financial statements of the audited financial statements, there were no other IPTs for the year ended 31 March 2012. It was noted that the IPTs that were transacted during the financial year under review were within the threshold limits as set out under Chapter 9 of the SGX-T Listing Rules and no announcements or shareholders' approval were, therefore, required.

Corporate Governance Report

MATERIAL CONTRACTS

A wholly-owned indirect subsidiary of the Company had entered into a loan facility in respect of a facility amount of HK$6,900,000 with Bank of China (Hong Kong) Limited and facility amount of US$30,000,000 with Agricultural Bank of China. As at 27 October 2011, the substantial shareholders of the Company, namely Extra Good Enterprises Ltd, 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 Facilities. An announcement pursuant to Rules 704(31) and 728 of the SGX-ST Listing Manual has been accordingly released to the SGX-ST on 27 October 2011.

Saved as disclosed and the Service Agreements entered into with the Executive Directors, there are no material contracts entered into by the Group involving the interest of the CEO, any director or controlling shareholder subsisting for the year ended 31 March 2012.

Directors' Report

The Directors present their report to the members together with the audited consolidated financial statements of Pan Hong Property Group Limited (the "Company") and its subsidiaries (collectively known as the "Group") for the financial year ended 31 March 2012 ("FY2012").

DIRECTORS

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

Wong Lam Ping *(Chairman)*
Sim Wee Leong *(Lead Independent Director)*
Dr. Choo Kian Koon *(Independent Director)*
Dr. Zheng Haibin *(Independent Director)*
Chan Kin Sang *(Non-Executive non-independent Director)*
Wang Cuiping *(Executive Director)*
Chan Chun Kit *(Executive Director)* [1]

(1) Chan Chun Kit was appointed as an Executive Director on 30 June 2011.

In accordance with the Company's bye-laws, Ms. Wang Cuiping, Mr. Chan Kin Sang, Mr. Sim Wee Leong and Dr. Zheng Haibin 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' Report

DIRECTORS' INTERESTS IN SHARES WARRANTS OR DEBENTURES

According to the register of director's shareholdings and warrant holdings, interests of Directors who held office at the end of the financial year in the shares of the Company are as follows:

	Shares beneficially held by Directors		Shareholdings in which Directors are deemed to have an interest	
	At 01.04.2011	**At 21.04.2012 and 31.03.2012**	**At 01.04.2011**	**At 21.04.2012 and 31.03.2012**
Ordinary share				
Wong Lam Ping *(Executive Chairman)*	20,952,194	20,952,194	302,443,300	302,443,300
Sim Wee Leong *(Lead Independent Director)*	–	–	–	–
Dr. Choo Kian Koon *(Independent Director)*	–	–	–	–
Dr. Zheng Haibin *(Independent Director)*	–	–	–	–
Chan Kin Sang *(Non-Executive Non-Independent Director)*	–	–	–	–
Wang Cui Ping *(Executive Director)*	689,900	689,900	–	–
Chan Chun Kit *(Executive Director)*	–	–	–	–
Warrants				
Wong Lam Ping *(Executive Chairman)*	6,102,958	6,102,958	90,732,990	90,732,990
Sim Wee Leong *(Lead Independent Director)*	–	–	–	–
Dr. Choo Kian Koon *(Independent Director)*	–	–	–	–
Chan Kin Sang *(Non-Executive Non-Independent Director)*	–	–	–	–
Wang Cui Ping *(Executive Director)*	206,970	206,970	–	–
Chan Chun Kit *(Executive Director)*	–	–	–	–

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.

Directors' Report

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, Nominating Committee and Remuneration Committee are set out in the Corporate Governance Report on pages 42 of this annual report.

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

The Audit Committee has reviewed the overall scope of both internal and external audits and the assistance given by the Management to the auditors. The AC has also met with the Company's internal and external auditors for FY2012 to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls. Details on the duties and functions carried out by the AC, adequacy of the internal controls and internal audit during FY2012 are set out under pages 37 to 40 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 the 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 and compliance risks, were adequate as at 31 March 2012.

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

A wholly-owned indirect subsidiary of the Company had entered into a loan facility in respect of a facility amount of HK$6,900,000 with Bank of China (Hong Kong) Limited and facility amount of US$30,000,000 with Agricultural Bank of China. As at 27 October 2011, the substantial shareholders of the Company, namely Extra Good Enterprises Ltd, 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 Facilities. An announcement pursuant to Rules 704(31) and 728 of the SGX-ST Listing Manual has been accordingly released to the SGX-ST on 27 October 2011.

Saved as disclosed, the Company and its subsidiaries did not enter into any material contracts involving the interests of the chief executive officer, each director or controlling shareholder (as defined under the Listing Manual of the Singapore Exchange Securities Trading Limited) of the Company and no such material contracts since the end of the previous financial year and still subsist at the end of the financial year.

Directors' Report

AUDITORS

The AC has recommended to the Board of Directors the re-appointment of BDO Limited, Certified Public Accountants, Hong Kong ("BDO HK") as the Company's auditors and to appoint BDO LLP, Certified Public Accountants, Singapore, to act jointly with BDO HK for the purpose of compliance with Rule 712 of the Listing Manual of the SGX-ST at the forthcoming annual general meeting.

BDO HK has expressed their willingness to accept re-appointment as auditors.

BDO LLP is a member firm of BDO International Limited in Singapore. Information relating to and the rationale for the proposed appointment of Joint Auditors are set out in greater details in the Addendum accompanying the Notice of Annual General Meeting.

On behalf of the Directors,

Wong Lam Ping
Director

Chan Chun Kit
Director

30 June 2012

Directors' Opinion Statement

We, Wong Lam Ping and Chan Chun Kit, 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 flow of the Group and statement of financial position of the Company together with the notes thereto as set out on pages 51 to 124, 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 2012 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
Director

Chan Chun Kit
Director

30 June 2012

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Expressed in Renminbi ("RMB")

Independent Auditor's Report

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To the shareholders of Pan Hong Property Group Limited 汎港地产集团有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Pan Hong Property Group Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 51 to 124, which comprise the consolidated and company statements of financial position as at 31 March 2012, and the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITY (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial positions of the Group and of the Company as at 31 March 2012, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

BDO Limited
Certified Public Accountants

30 June 2012

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2012

	Notes	Group 2012 RMB'000	2011 RMB'000
Revenue	5	**577,384**	768,767
Cost of sales		**(330,483)**	(468,282)
Gross profit		**246,901**	300,485
Other income and gains	6	**120,887**	81,525
Selling and distribution expenses		**(5,767)**	(13,738)
Administrative expenses		**(31,301)**	(21,473)
Listing expenses of a subsidiary		**(11,207)**	–
Other operating expenses		**(5,874)**	(1,277)
Operating profit		**313,639**	345,522
Finance costs	7	**(3,170)**	(4,063)
Share of result of a jointly controlled entity		**(3,481)**	(768)
Share of result of an associate		**(3)**	(116)
Profit before income tax	8	**306,985**	340,575
Income tax expense	9	**(129,361)**	(105,115)
Profit for the year		**177,624**	235,460
Other comprehensive income			
Exchange differences on translation of financial statements of foreign operations		**2,264**	9,970
Total comprehensive income for the year		**179,888**	245,430
Profit for the year attributable to:			
Owners of the Company		**146,836**	235,370
Non-controlling interests		**30,788**	90
		177,624	235,460
Total comprehensive income attributable to:			
Owners of the Company		**149,100**	245,340
Non-controlling interests		**30,788**	90
		179,888	245,430
Earnings per share for profit attributable to the owners of the Company during the year (in RMB cents):	11		
– Basic and diluted		**28.49**	45.62

Statements of Financial Position

as at 31 March 2012

		Group		Company	
		31 March 2012	31 March 2011	**31 March 2012**	31 March 2011
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	*12*	**14,207**	14,313	**–**	–
Investment properties	*13*	**119,601**	105,593	**–**	–
Goodwill	*15*	**–**	–	**–**	–
Investments in subsidiaries	*16*	**–**	–	**564,060**	278,608
Interest in a jointly controlled entity	*17*	**176,649**	138,077	**–**	–
Interest in an associate	*18*	**–**	2,815	**–**	–
Other receivables	*23*	**–**	7,000	**–**	–
Deferred tax assets	*19*	**26,451**	18,671	**–**	–
		336,908	286,469	**564,060**	278,608
Current assets					
Properties held under development	*20*	**1,080,519**	1,440,805	**–**	–
Properties held for sale	*21*	**418,998**	231,645	**–**	–
Account receivables	*22*	**1,628**	20,861	**–**	–
Prepayments and other receivables	*23*	**368,101**	100,580	**4**	–
Amounts due from related parties	*24*	**–**	16	**228,338**	483,791
Financial assets at fair value through profit or loss	*25*	**5,418**	17,478	**–**	–
Pledged deposits	*26*	**61,755**	180,786	**–**	–
Cash and bank balances	*26*	**144,786**	223,069	**92**	92
		2,081,205	2,215,240	**228,434**	483,883
Non-current assets held for sale					
Investment properties held for sale	*14*	**–**	80,533	**–**	–
		2,081,205	2,295,773	**228,434**	483,883
Current liabilities					
Account payables		**18,134**	13,555	**–**	–
Accruals, receipts in advance and other payables	*27*	**373,607**	654,599	**518**	201
Provision for tax		**188,658**	164,619	**–**	–
Amounts due to related parties	*24*	**1,090**	1,367	**193,613**	162,948
Amount due to an associate	*18*	**–**	600	**–**	–
Bank and other loans	*28*	**40,743**	364,779	**–**	–
		622,232	1,199,519	**194,131**	163,149
Net current assets		**1,458,973**	1,096,254	**34,303**	320,734
Total assets less current liabilities		**1,795,881**	1,382,723	**598,363**	599,342

Statements of Financial Position

as at 31 March 2012

		Group		Company	
		31 March 2012	31 March 2011	**31 March 2012**	31 March 2011
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Non-current liabilities					
Deferred tax liabilities	*19*	**19,058**	21,516	**–**	–
Net assets		**1,776,823**	1,361,207	**598,363**	599,342
EQUITY					
Equity attributable to the Company's owners					
Share capital	*29*	**313,446**	313,446	**313,446**	313,446
Reserves	*30*	**994,612**	799,143	**259,043**	259,151
Proposed final dividend	*10*	**25,874**	26,745	**25,874**	26,745
		1,333,932	1,139,334	**598,363**	599,342
Non-controlling interests		**442,891**	221,873	**–**	–
Total equity		**1,776,823**	1,361,207	**598,363**	599,342

Wong Lam Ping
Director

Chan Chun Kit
Director

Consolidated Statement of Cash Flows

for the year ended 31 March 2012

	Notes	Group 2012 RMB'000	2011 RMB'000
Cash flows from operating activities			
Profit before income tax		**306,985**	340,575
Adjustments for:			
Interest income	*6*	**(9,575)**	(11,946)
Interest expense	*7*	**3,170**	4,063
Depreciation of property, plant and equipment	*12*	**1,452**	1,173
Loss on written off of property, plant and equipment	*8*	**3**	15
Gain on disposal of properties held under development	*6*	**(90,377)**	–
Share of result of a jointly controlled entity	*17*	**3,481**	768
Share of result of an associate	*18*	**3**	116
Fair value adjustment on investment properties and investment properties under construction	*13*	**(14,008)**	(55,815)
Listing expenses of a subsidiary		**11,207**	–
Operating profit before working capital changes		**212,341**	278,949
Decrease in properties held under development and properties held for sale		**266,646**	168,197
Increase in account and other receivables and prepayments		**(219,301)**	(78,287)
Decrease in financial assets at fair value through profit or loss		**6,333**	–
Decrease in account and other payables, accruals and receipts in advance	*39(b)*	**(224,880)**	(64,024)
Decrease in amounts due from/to related parties		**(861)**	(10,346)
Cash generated from operations		**40,278**	294,489
Interest received		**8,315**	7,249
Income taxes paid		**(115,560)**	(63,807)
Net cash (used in)/generated from operating activities		**(66,967)**	237,931
Cash flows from investing activities			
Purchases of property, plant and equipment		**(2,169)**	(1,336)
Proceeds from disposal of property, plant and equipment		**24**	17
Additions to investment properties		**–**	(6,756)
Proceeds from disposal of investment properties		**–**	1,767
Proceeds from disposal of investment properties held for sale	*39(b)*	**29,000**	–
Proceeds from deregistration of an associate		**2,812**	–
Prepayment for acquisition of additional equity interest in a subsidiary	*23(b)*	**(15,000)**	–
Acquisition of subsidiaries, net		**–**	(158,442)
Proceeds from disposal of a subsidiary, net		**–**	34,665
Purchase of additional economic interest in a jointly controlled entity		**(70,000)**	–
Advance to a jointly controlled entity	*39(a)*	**(22,053)**	–
Acquisition of financial assets at fair value through profit or loss		**–**	(504)
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	8,502
Decrease/(increase) in pledged deposits with original maturity over three months		**119,031**	(43,796)
Net cash generated from/(used in) investing activities		**41,645**	(165,883)

Consolidated Statement of Cash Flows

for the year ended 31 March 2012

	Notes	Group 2012 RMB'000	2011 RMB'000
Cash flows from financing activities			
Proceeds from shares issued to non-controlling interests by subsidiary companies	*40*	**273,108**	–
Expenses paid for the listing of a subsidiary		**(21,842)**	–
Repurchase of shares		**–**	(4,705)
Dividend paid		**(26,745)**	(12,603)
New borrowings		**36,581**	210,118
Repayment of borrowings	*39(a)*	**(310,617)**	(207,288)
Interest paid		**(6,137)**	(12,525)
Net cash used in financing activities		**(55,652)**	(27,003)
Net (decrease)/increase in cash and cash equivalents		**(80,974)**	45,045
Effect of foreign exchange difference		**2,691**	10,348
Cash and cash equivalents at beginning of the year		**223,069**	167,676
Cash and cash equivalents at end of the year	*26*	**144,786**	223,069

Consolidated Statement of Changes in Equity

for the year ended 31 March 2012

	Equity attributable to owners of the Company											Non-controlling interests	Total equity
	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Exchange reserves RMB'000	Retained earnings RMB'000	Proposed final dividend RMB'000	Total RMB'000	RMB'000	RMB'000
At 1 April 2010	313,446	(3,575)	203,250	(2,243)	25,617	3,838	–	(13,714)	372,038	12,645	911,302	221,783	1,133,085
Purchase of treasury shares	–	(4,705)	–	–	–	–	–	–	–	–	(4,705)	–	(4,705)
Dividend paid *(note 10(b))*	–	–	–	–	–	–	–	–	–	(12,603)	(12,603)	–	(12,603)
Transactions with owners	–	(4,705)	–	–	–	–	–	–	–	(12,603)	(17,308)	–	(17,308)
Profit for the year	–	–	–	–	–	–	–	–	235,370	–	235,370	90	235,460
Other comprehensive income													
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	–	9,970	–	–	9,970	–	9,970
Total comprehensive income for the year	–	–	–	–	–	–	–	9,970	235,370	–	245,340	90	245,430
Transfer to statutory reserves	–	–	–	–	21,443	–	–	–	(21,443)	–	–	–	–
Reduction in dividend paid due to purchased treasury shares *(note 10(b))*	–	–	–	–	–	–	–	–	42	(42)	–	–	–
Final dividend proposed for the year *(note 10(a))*	–	–	–	–	–	–	–	–	(26,745)	26,745	–	–	–
At 31 March 2011 and 1 April 2011	313,446	(8,280)	203,250	(2,243)	47,060	3,838	–	(3,744)	559,262	26,745	1,139,334	221,873	1,361,207
Dividend paid *(note 10(b))*	–	–	–	–	–	–	–	–	–	(26,745)	(26,745)	–	(26,745)
Deemed disposal of subsidiaries *(note 40)*	–	–	–	–	(7,255)	–	82,217	(2,719)	–	–	72,243	190,230	262,473
Transactions with owners	–	–	–	–	(7,255)	–	82,217	(2,719)	–	(26,745)	45,498	190,230	235,728
Profit for the year	–	–	–	–	–	–	–	–	146,836	–	146,836	30,788	177,624
Other comprehensive income													
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	–	2,264	–	–	2,264	–	2,264
Total comprehensive income for the year	–	–	–	–	–	–	–	2,264	146,836	–	149,100	30,788	179,888
Transfer to statutory reserves	–	–	–	–	18,934	–	–	–	(18,934)	–	–	–	–
Final dividend proposed for the year *(note 10(a))*	–	–	–	–	–	–	–	–	(25,874)	25,874	–	–	–
At 31 March 2012	**313,446**	**(8,280)**	**203,250**	**(2,243)**	**58,739**	**3,838**	**82,217**	**(4,199)**	**661,290**	**25,874**	**1,333,932**	**442,891**	**1,776,823**

Notes to the Financial Statements

for the year ended 31 March 2012

1. GENERAL INFORMATION

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

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

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries (together with the Company, known as the "Group") are set out in note 16 to the financial statements.

The financial statements on pages 51 to 124 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 financial statements for the year ended 31 March 2012 were approved for issue by the board of directors ("Director") on 30 June 2012.

2. ADOPTION OF NEW OR AMENDED IFRSs

2.1 Adoption of new or amended IFRSs – effective 1 April 2011

In current year, the Group has applied, 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 and effective for the Group's financial statements for the annual period beginning on 1 April 2011.

IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
IAS 24 (Revised)	Related Party Disclosures
IFRSs (Amendments)	Improvements to IFRSs 2010

Other than as noted below, the adoption of the new and revised IFRSs has no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Notes to the Financial Statements

for the year ended 31 March 2012

2. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

2.1 Adoption of new or amended IFRSs – effective 1 April 2011 (Continued)

IAS 24 (Revised) – Related Party Disclosures

IAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the revised standard has no impact on the financial position or performance of the Group. The new disclosure requirement is not relevant to the Group because the Group is not a government related entity.

Improvements to IFRSs 2010

(i) IFRS 3 Business Combinations

As part of the Improvements to IFRSs issued in 2010, IFRS 3 has been amended to clarify that the option to measure non-controlling interests at either fair value or the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS. The Group has amended its accounting policies for measuring non-controlling interests but the adoption of the amendment has had no impact on the Group's financial statements as the Group has no business combination with non-controlling interests recognised during the year.

(ii) IAS 1 Presentation of Financial Statements

The amendment clarifies that an analysis of each components of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes of equity.

Notes to the Financial Statements

for the year ended 31 March 2012

2. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

2.2 New or amended IFRSs that have been issued but are not yet effective

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

IFRS 1 (Amendments)	First-time Adoption of International Financial Reporting Standards – Government Loans[4]
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
IFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
IAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets[2]
IAS 1 (Revised) (Amendments)	Presentation of Items of Other Comprehensive Income[3]
IAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities[5]
IFRS 9	Financial Instruments[6]
IFRS 10	Consolidated Financial Statements[4]
IFRS 11	Joint Arrangements[4]
IFRS 12	Disclosure of Interests in Other Entities[4]
IFRS 13	Fair Value Measurement[4]
IAS 19 (2011)	Employee Benefits[4]
IAS 27 (2011)	Separate Financial Statements[4]
IAS 28 (2011)	Investments in Associates and Joint Ventures[4]

1 *Effective for annual periods beginning on or after 1 July 2011*
2 *Effective for annual periods beginning on or after 1 January 2012*
3 *Effective for annual periods beginning on or after 1 July 2012*
4 *Effective for annual periods beginning on or after 1 January 2013*
5 *Effective for annual periods beginning on or after 1 January 2014*
6 *Effective for annual periods beginning on or after 1 January 2015*

IFRS 7 (Amendments) – Disclosures – Transfer of Financial Assets

The amendments to IFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Amendments to IAS 12 Deferred Tax – Recovery of Underlying Assets

The amendments to IAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendment will be applied retrospectively.

Notes to the Financial Statements

for the year ended 31 March 2012

2. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

2.2 New or amended IFRSs that have been issued but are not yet effective (Continued)

Amendments to IAS 1 (Revised) Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit or loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

IFRS 9 – Financial instruments

Under IFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that 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 de-recognition of financial assets and financial liabilities.

IFRS 10 – Consolidated Financial Statements

IFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. IFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee.

Notes to the Financial Statements

for the year ended 31 March 2012

2. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

2.2 New or amended IFRSs that have been issued but are not yet effective (Continued)

IFRS 10 – Consolidated Financial Statements (Continued)

Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of IFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing IAS 27 on other consolidation related matters are carried forward unchanged. IFRS 10 is applied retrospectively subject to certain transitional provisions.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and (SIC) – Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. Joint arrangements under IFRS 11 have the same basic characteristics as joint ventures under IAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. IFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under IAS 31. IFRS 11 will be applied retrospectively with specific restatement requirements for a joint venture which changes from proportionate consolidation to the equity method and a joint operation which changes from equity method to accounting for assets and liabilities.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

Notes to the Financial Statements

for the year ended 31 March 2012

2. ADOPTION OF NEW OR AMENDED IFRSs (Continued)

2.2 New or amended IFRSs that have been issued but are not yet effective (Continued)

IFRS 13 – Fair Value Measurement

IFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with IFRS 7 Financial Instruments: Disclosures. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. IFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these new or amended. IFRSs that have been issued but are not yet effective and the Directors are not yet in a position to quantify the effects on the Group's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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.

The financial statements have been prepared under the historical cost basis, except for investment properties, investment properties under construction, investment properties held for sale upon transfer to 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.

Notes to the Financial Statements

for the year ended 31 March 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation (Continued)

The financial statements are presented in Renminbi ("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 judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries *(note 3.4)* made up to 31 March each year.

3.3 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of investment in an associate or jointly controlled entity is set out in note 3.5.

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is stated at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired *(note 3.17)*.

Notes to the Financial Statements

for the year ended 31 March 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Goodwill (Continued)

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

3.4 Subsidiaries

Subsidiaries are entities (including special purpose entity) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

Except for those acquisitions which qualify as a common control combination, which are accounted for using merger accounting, acquisition method of accounting is used for the acquisition of subsidiaries by the Group. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases. Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Notes to the Financial Statements

for the year ended 31 March 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Subsidiaries (Continued)

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.

Non-controlling interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Profit or loss and each component of other comprehensive income attributable to the non-controlling interests are presented separately in the consolidated statement of comprehensive income as an allocation of the Group's results. Total comprehensive income is attributed to the non-controlling interests and owners of the Company even if this results in the non-controlling interests having a deficit balance.

3.5 Associates and jointly controlled entities

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture.

A jointly controlled entity is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers.

Notes to the Financial Statements

for the year ended 31 March 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Associates and jointly controlled entities (Continued)

In the consolidated financial statements, an investment in an associate or a jointly controlled entity is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or jointly controlled entity recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed fair impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate or jointly controlled entity's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the associates or jointly controlled entity is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate or jointly controlled entity's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the period includes the Group's share of the post-acquisition, post-tax results of the associate or jointly controlled entity for the year, including any impairment loss on goodwill relating to investment in associate or jointly controlled entity recognised for the year.

When the Group's share of losses in an associate or a jointly controlled entity equals or exceeds its interest in the associate or jointly controlled entity, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or jointly controlled entity. For this purpose, the Group's interest in the associate or jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or jointly controlled entity.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates or jointly controlled entity. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate or jointly controlled entity is impaired. If such indications are identified, the Group calculates the amount of impairment being the difference between the recoverable amount (higher of value in use and fair value less costs to sell) of the associate or jointly controlled entity and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate or jointly controlled entity, including cash flows arising from the operations of the associate or jointly controlled entity and the proceeds on ultimate disposal of the investment.

Notes to the Financial Statements

for the year ended 31 March 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Revenue recognition

Revenue comprises the fair value 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 signing of the sale and purchase agreement or the issue of an occupation permit 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.

Consultancy fee income is recognised at the time when the services are rendered.

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	Over the lease terms
Buildings	The shorter of the lease terms and 2.5%
Computers and other equipment	20.0%
Leasehold improvement	5.0%
Motor vehicles	20.0%

Notes to the Financial Statements

for the year ended 31 March 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Property, plant and equipment (Continued)

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

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

3.8 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

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 for sale to investment property that is carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

Notes to the Financial Statements

for the year ended 31 March 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Investment properties (Continued)

Properties under construction or development for future use as an investment property are classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed.

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 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

– they are available for immediate sale;

– management is committed to a plan to sell;

– it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;

– an active programme to locate a buyer has been initiated;

– the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and

– a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

– their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and

– fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

Notes to the Financial Statements

for the year ended 31 March 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Properties held under development

Properties held under development which are held for future sale are included in current assets and comprise land held under operating lease *(note 3.12)* 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.

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

On completion, the properties are transferred to properties held for sale.

3.11 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.

3.12 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.

Notes to the Financial Statements

for the year ended 31 March 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Leases (Continued)

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.

For leasehold interest in land included in properties held under development and properties held for sale, the amortisation of prepaid land lease is capitalised as part of the building costs during the development period but charged to profit or loss for completed properties. Other amortisation of prepaid land lease is expensed.

Properties leased out under operating leases are included in the statement of financial position as investment properties. The recognition of rental income is set out in note 3.6.

3.13 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries, an associate and jointly controlled entity are set out below.

Financial assets other than hedging instruments are classified into the following categories:

– financial assets at fair value through profit or loss

– loans and receivables

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. Regular way purchases 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 investments not at fair value through profit or loss, directly attributable transaction costs.

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

Notes to the Financial Statements

for the year ended 31 March 2012

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.

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;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

Notes to the Financial Statements

for the year ended 31 March 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial assets (Continued)

(ii) Loans and receivables (Continued)

(d) significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtors; and

(e) a significant or prolonged decline in the fair value of an investment in an equity instrument below its costs.

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 trade 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 trade and notes receivables, the carrying amount of loans and receivables is directly reduced by any identified amount of impairment. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

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

Notes to the Financial Statements

for the year ended 31 March 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Foreign currency translation

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

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

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

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into the RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation 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 applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in profit or loss.

Notes to the Financial Statements

for the year ended 31 March 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Accounting for income tax (Continued)

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, an associate and jointly controlled entity, 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.

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.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

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

Notes to the Financial Statements

for the year ended 31 March 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Accounting for income tax (Continued)

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.

3.16 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 bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.17 Impairment of non-financial assets

Goodwill arising on an acquisition of a subsidiary, property, plant and equipment, interests in subsidiaries, associate and jointly controlled entity are subject to impairment testing and are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that it is impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less cost to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

Notes to the Financial Statements

for the year ended 31 March 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Impairment of non-financial assets (Continued)

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.18 Financial liabilities

The Group's financial liabilities include account 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 3.22)*. 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.

Notes to the Financial Statements

for the year ended 31 March 2012

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, account and other payables

Amounts due to related parties and account 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.

Notes to the Financial Statements

for the year ended 31 March 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

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

3.20 Share capital

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

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 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within equity, until they have been approved by the shareholders in a general meeting. When these dividends are approved and declared, they are recognised as a liability.

3.22 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.

Notes to the Financial Statements

for the year ended 31 March 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 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.

3.24 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.

Notes to the Financial Statements

for the year ended 31 March 2012

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 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(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).

Notes to the Financial Statements

for the year ended 31 March 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.26 Related parties (Continued)

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

4.1 Critical accounting estimates and assumptions

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

(i) Fair value of investment properties and properties held for sale upon transfer to investment properties

The investment properties and properties held for sale upon transfer to investment properties of the Group were stated at fair value in accordance with the accounting policy. The fair value of the investment properties is determined by a firm of independently qualified professional surveyors and the fair value of investment properties as at the reporting dates and properties held for sale upon transfer to investment properties are set out in notes 13 and 14 respectively. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

(ii) Impairment of account receivables

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

Notes to the Financial Statements

for the year ended 31 March 2012

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(iii) 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 under development by using prevailing market data such as most recent sale transactions and market survey reports available from independent property valuers, and internal estimates of costs based on quotes by suppliers.

These estimates require judgment as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions.

4.2 Critical judgments in applying the entity's accounting policies

(i) 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. 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.

(ii) Estimates of current tax and deferred tax

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

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

Notes to the Financial Statements

for the year ended 31 March 2012

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:

– Northern Region, which including the Group's business in northern provinces or cities of the PRC

– Southern Region, which including the Group's business in southern provinces or cities of the PRC

Each of these operating segments is managed separately as each of the properties phases requires different resources. All inter-segment transfers are carried out at prices mutually agreed between the parties.

	Northern Region RMB'000	Southern Region RMB'000	Unallocated Expenses RMB'000	Total RMB'000
Year ended 31 March 2012				
Revenue from external customers				
Sales of properties held for sale	**62,203**	**515,181**	**–**	**577,384**
Reportable segment revenue	**62,203**	**515,181**	**–**	**577,384**
Reportable segment profit	**89,922**	**100,751**	**(13,049)**	**177,624**

Notes to the Financial Statements

for the year ended 31 March 2012

5. SEGMENT INFORMATION (Continued)

	Northern Region RMB'000	Southern Region RMB'000	Total RMB'000
At 31 March 2012			
Reportable segment assets	829,759	1,588,299	2,418,058
Other corporate assets			55
Group assets			2,418,113
Reportable segment liabilities	(148,833)	(491,895)	(640,728)
Other corporate liabilities			(562)
Group liabilities			(641,290)
Other reportable segment information			
Year ended 31 March 2012			
Interest income	5,781	3,794	9,575
Interest expenses	(3,170)	–	(3,170)
Net fair value gain for investment properties	3,215	10,793	14,008
Gain on disposal of properties held under development	90,377	–	90,377
Depreciation of non-financial assets	(1,003)	(449)	(1,452)
Loss on written off of property, plant and equipment	–	(3)	(3)
Net fair value loss for financial assets at fair value through profit or loss	(5,727)	–	(5,727)
Income tax expense	(29,418)	(99,943)	(129,361)
Share of result of an associate	(3)	–	(3)
Share of result of a jointly controlled entity	–	(3,481)	(3,481)
Additions to non-current segment assets	50	2,119	2,169
At 31 March 2012			
Interest in a jointly controlled entity	–	176,649	176,649

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for the year ended 31 March 2012

5. SEGMENT INFORMATION (Continued)

	Northern Region RMB'000	Southern Region RMB'000	Unallocated Expenses RMB'000	Total RMB'000
Year ended 31 March 2011				
Revenue from external customers				
Sales of properties held for sale	428,569	340,198	–	768,767
Reportable segment revenue	428,569	340,198	–	768,767
Reportable segment profit	115,013	123,701	(3,254)	235,460

	Northern Region RMB'000	Southern Region RMB'000	Total RMB'000
At 31 March 2011			
Reportable segment assets	1,000,694	1,581,532	2,582,226
Other corporate assets			16
Group assets			2,582,242
Reportable segment liabilities	(374,626)	(846,008)	(1,220,634)
Other corporate liabilities			(401)
Group liabilities			(1,221,035)
Other reportable segment information			
Year ended 31 March 2011			
Interest income	4,423	7,523	11,946
Interest expenses	(4,063)	–	(4,063)
Net fair value gain for investment properties and investment properties under construction	15,073	40,742	55,815
Loss on disposal of property, plant and equipment	(15)	–	(15)
Depreciation of non-financial assets	(1,021)	(152)	(1,173)
Net fair value gain for financial assets at fair value through profit or loss	6,917	–	6,917
Income tax expense	(53,421)	(51,694)	(105,115)
Share of result of an associate	(116)	–	(116)
Share of result of a jointly controlled entity	–	(768)	(768)
Additions to non-current segment assets	7,220	872	8,092
At 31 March 2011			
Interest in an associate	2,815	–	2,815
Interest in a jointly controlled entity	–	138,077	138,077

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for the year ended 31 March 2012

5. SEGMENT INFORMATION (Continued)

The Group's revenue from external customers are derived from the PRC and its non-current assets (other than deferred tax assets) located in the PRC.

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 assets.

6. OTHER INCOME AND GAINS

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

	Group	
	2012	2011
	RMB'000	RMB'000
Consultancy fee income	**1,120**	2,757
Exchange gain, net	**–**	76
Gain on disposal of properties held under development	**90,377**	–
Net fair value gain for investment properties and investment properties under construction	**14,008**	55,815
Net fair value gain for financial assets at fair value through profit or loss	**–**	6,917
Interest income		
– from bank deposits	**5,117**	4,981
– from other receivables	**4,458**	2,268
– from amount due from a jointly controlled entity	**–**	4,697
Rental income	**4,546**	3,911
Sundry income	**1,261**	103
	120,887	81,525

Notes to the Financial Statements

for the year ended 31 March 2012

7. FINANCE COSTS

		Group	
		2012	2011
	Notes	**RMB'000**	RMB'000
Interest charges on financial liabilities stated at amortised cost:			
Bank loans wholly repayable within five years	*(a)*	**5,366**	7,902
Other loans wholly repayable within one year		**771**	4,623
		6,137	12,525
Less: amount capitalised in properties held under development	*(b)*	**(2,967)**	(8,462)
		3,170	4,063

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 2012, the interest on bank loans which contain a repayment on demand clause amounted to approximately RMB2,807,000 (2011: RMB6,204,000).

(b) The weighted average capitalisation rate of borrowings was 6.55% (2011: 5.4% to 8.05%) per annum for the year.

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for the year ended 31 March 2012

8. PROFIT BEFORE INCOME TAX

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

	Group	
	2012	2011
	RMB'000	RMB'000
Auditor's remuneration		
– Audit service	**1,200**	1,100
– Non-audit service	**755**	846
	1,955	1,946
Depreciation of property, plant and equipment *(note 12)*	**1,452**	1,173
Cost of properties held for sale recognised as expense	**298,418**	429,563
Loss on written off of property, plant and equipment	**3**	15
Exchange loss/(gain), net	**1,201**	(76)
Operating lease charge in respect of land and buildings	**478**	305
Less: amount capitalised in properties held under development	**(152)**	(227)
	326	78
Outgoings in respect of investment properties that generated rental income during the year	**474**	268
Staff costs, including directors' remuneration *(note 38)*		
– Wages and salaries	**15,826**	11,703
– Retirement benefit scheme contributions – defined contribution plans	**1,569**	968
Less: amount capitalised in properties held under development	**(3,398)**	(2,717)
	13,997	9,954
Net fair value loss/(gain) on financial assets at fair value through profit or loss	**5,727**	(6,917)

Notes to the Financial Statements

for the year ended 31 March 2012

9. INCOME TAX EXPENSE

	Notes	Group 2012 RMB'000	2011 RMB'000
Current tax – PRC			
– Enterprise income tax ("EIT")	*(a)*	**83,284**	83,071
– LAT	*(b)*	**56,553**	16,444
Current tax – Hong Kong			
– Over provision in prior year		**(238)**	–
		139,599	99,515
Deferred income tax *(note 19)*		**(10,238)**	5,600
Total income tax expense		**129,361**	105,115

Notes:

(a) EIT has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2011: 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 with a range of 5% to 10% (2011: 10%).

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

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

	Group 2012 RMB'000	2011 RMB'000
Profit before income tax	**306,985**	340,575
Tax on profit before taxation, calculated at the rates applicable to profit in the jurisdiction concerned	**83,521**	86,829
Tax effect of non-taxable income	**(1,222)**	(8,073)
Tax effect of non-deductible expenses	**6,978**	7,489
LAT charge	**56,553**	16,444
Others	**(16,469)**	2,426
Total income tax expense	**129,361**	105,115

Notes to the Financial Statements

for the year ended 31 March 2012

10. DIVIDENDS

(a) Dividends attributable to the year

At a meeting held on 28 May 2012, the directors proposed a final dividend of S$0.01 per ordinary share, amounting to S$5,154,000 (equivalent to RMB25,874,000) for the year ended 31 March 2012, and will be submitted for formal approved by the shareholders at the forthcoming annual general meeting held on 30 July 2012. This final dividend will be reflected as an appropriation of retained earnings for the year ending 31 March 2013.

At a meeting held on 27 May 2011, the directors proposed a final dividend of S$0.010 per ordinary share, amounting to S$5,154,000 (equivalent to RMB26,745,000) for the year ended 31 March 2011, and formally approved by the shareholders at the annual general meeting held on 27 July 2011. This final dividend had been reflected as an appropriation of retained earnings for the year ended 31 March 2012.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2012 **RMB'000**	2011 RMB'000
Final dividend in respect of the previous financial year of S$0.010 (2011: S$0.005) per ordinary share	**26,745**	12,645
Reduction in dividend paid due to purchased treasury shares	**–**	(42)
	26,745	12,603

The reduction in dividend paid was due to the purchase of treasury shares in the period between the dates of dividend proposed and dividend paid. Details of purchase of treasury shares are included in note 29.

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 RMB146,836,000 (2011: RMB235,370,000) divided by 515,395,024 (2011: the weighted average of 515,950,000) 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 shares during the current and prior years.

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for the year ended 31 March 2012

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Computers and other equipment RMB'000	Motor vehicles RMB'000	Leasehold interest in land RMB'000	Buildings RMB'000	Leasehold improvement RMB'000	Total RMB'000
At 1 April 2010						
Cost	1,432	4,146	8,223	4,688	973	19,462
Accumulated depreciation	(732)	(1,632)	(1,360)	(577)	(97)	(4,398)
Carrying amount	700	2,514	6,863	4,111	876	15,064
Year ended 31 March 2011						
Opening carrying amount	700	2,514	6,863	4,111	876	15,064
Additions	401	935	–	–	–	1,336
Disposals	–	(32)	–	–	–	(32)
Depreciation	(274)	(763)	(204)	(170)	(48)	(1,459)
Exchange difference	(12)	(32)	(233)	(281)	(38)	(596)
Closing carrying amount	815	2,622	6,426	3,660	790	14,313
At 31 March 2011						
Cost	1,833	4,762	8,223	4,688	973	20,479
Accumulated depreciation	(1,018)	(2,140)	(1,797)	(1,028)	(183)	(6,166)
Carrying amount	815	2,622	6,426	3,660	790	14,313
Year ended 31 March 2012						
Opening carrying amount	815	2,622	6,426	3,660	790	14,313
Additions	247	1,922	–	–	–	2,169
Disposals	(27)	–	–	–	–	(27)
Depreciation	(333)	(1,112)	(219)	(112)	(45)	(1,821)
Exchange difference	(5)	(18)	(272)	(106)	(26)	(427)
Closing carrying amount	**697**	**3,414**	**5,935**	**3,442**	**719**	**14,207**
At 31 March 2012						
Cost	1,799	6,591	7,948	4,492	899	21,729
Accumulated depreciation	(1,102)	(3,177)	(2,013)	(1,050)	(180)	(7,522)
Carrying amount	**697**	**3,414**	**5,935**	**3,442**	**719**	**14,207**

Notes to the Financial Statements

for the year ended 31 March 2012

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Buildings held by the Group are located in the PRC and Hong Kong. At 31 March 2012, the Group's certain buildings of approximately RMB1,525,000 (2011: RMB1,605,000) were pledged for a bank loan *(note 28(a))* of the Group.

Analysis of the carrying amount of leasehold interest in land according to lease periods is as follows:

	2012 **RMB'000**	2011 RMB'000
In Hong Kong and the PRC		
– 10 to 50 years (medium leases)	**5,935**	6,426

At 31 March 2012 and 2011, all leasehold interest in land is pledged for a bank loan *(note 28(a))* of the Group.

Depreciation charges have been included in:

	2012 **RMB'000**	2011 RMB'000
Consolidated statement of financial position		
– capitalised in properties held under development	**369**	286
Consolidated statement of comprehensive income		
– selling and distribution expenses	**144**	60
– administrative expenses	**1,308**	1,113
	1,452	1,173
	1,821	1,459

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for the year ended 31 March 2012

13. INVESTMENT PROPERTIES

	Group	
	2012	2011
	RMB'000	RMB'000
Carrying amount at beginning of the year	**105,593**	59,227
Additions	–	6,756
Disposals	–	(1,767)
Transfer to investment properties held for sale *(note 14)*	–	(6,533)
Transfer from properties held for sale *(note 21)*	–	10,659
Net fair value change credited to the consolidated statement of comprehensive income	**14,008**	37,251
Carrying amount at end of the year	**119,601**	105,593

The investment properties at 31 March 2012 included leasehold interest in land located in the PRC with lease terms expiring from 2032 to 2073 (2011: from 2032 to 2073).

The fair value of the investment properties at 31 March 2012 and 2011 was revalued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLLSCAA" and formerly known as "Jones Lang LaSalle Sallmanns Limited"), a firm of independent qualified professional surveyors who have the recent experience in the location and category of property being valued, which was based on the investment method by capitalising the net rental income derived from the existing tenancy with due allowance for the reversionary value of the properties as at 31 March 2012 and 2011.

14. INVESTMENT PROPERTIES HELD FOR SALE

		Group	
		2012	2011
	Notes	**RMB'000**	RMB'000
Investment properties *(note 13)*	*(a)*	–	6,533
Investment properties under construction	*(b)*	–	74,000
		–	80,533

At 31 March 2011, the investment properties held for sale included leasehold interest in land located in the PRC with lease terms expiring from 2032 to 2070.

Notes to the Financial Statements

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14. INVESTMENT PROPERTIES HELD FOR SALE (Continued)

Notes:

(a) During the year ended 31 March 2011, the Group entered into sales and purchases agreements to sell investment properties at consideration of RMB6,533,000. The Group had received deposits of approximately RMB6,533,000, as the transfers of the property titles were still under progress, the amounts received were recognised as receipt in advance at 31 March 2011 *(note 27(a))*. The transfers of the property titles were completed during year ended 31 March 2012.

(b) On 1 November 2010, the Group entered into a sale and purchase agreement to sell the land which was classified as investment properties under construction to the PRC government authority, Pinghu City Dushan Port Development Management Committee ("PPMC") at a consideration of approximately RMB48,915,000. According to the Memorandum of Understanding, except for the consideration of leasehold interest in land, PPMC agreed to pay an additional compensation of approximately RMB25,085,000 to the Group in relation to the investment and development costs incurred into the land by the Group. At 31 March 2011, the transfer of the land title was still under progress, the amounts received of approximately RMB45,000,000 were recognised as receipt in advance *(note 27(a))*. The amount of investment properties under construction was classified as non-current assets held for sale as at 31 March 2011. The transfer of the land title was completed during year ended 31 March 2012.

15. GOODWILL

The amount of goodwill capitalised as an asset and recognised in the consolidated statement of financial position, arising from the acquisition of a subsidiary, is as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
At beginning and end of the year		
Gross carrying amount	**6,030**	6,030
Accumulated impairment	**(6,030)**	(6,030)
Net carrying amount	**–**	–
Year ended 31 March		
Opening net carrying amount	**–**	–
Impairment losses	**–**	–
Closing net carrying amount	**–**	–

The goodwill at 31 March 2012 and 2011 mainly comprises goodwill arising from the acquisition of Huzhou Hongjin Market Construction & Development Co., Limited ("Huzhou Hongjin") in 2006.

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16. INVESTMENTS IN SUBSIDIARIES

	Company 2012 RMB'000	Company 2011 RMB'000
Unlisted investments, at cost	**564,060**	278,608

Particulars of the significant subsidiaries as at 31 March 2012 are as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid-up share/ registered capital	Percentage of equity interest held by the Company
Directly held:				
Modernland Developments Limited ("Modernland Developments")	British Virgin Islands ("BVI")	Investment holding, Hong Kong	US$1,000,000	100%
Far East Construction Limited	Hong Kong	Investment holding, Hong Kong	HK$1	100%
Loerie Investments Limited	BVI	Investment holding, Hong Kong	US$1	100%
Ho Hong (HK) Management Company Limited	Hong Kong	Investment holding, Hong Kong	HK$1	100%
Sino Harbour Property Group Limited ("Sino Harbour Property")*	Bermuda	Investment holding, Hong Kong	HK$12,000,000 (2011: HK$0.01)	75% (2011: 100%)
Indirectly held:				
Sino Harbour Property Holdings Limited ("SHPH")*	BVI	Investment holding, Hong Kong	US$1	100%
Sino Harbour Limited ("Sino Harbour")*	Hong Kong	Investment holding, Hong Kong	HK$10,000	100%
Enrich H.K. Investments Limited*	Hong Kong	Investment holding, Hong Kong	HK$100	100%
Pan Hong Investment Limited ("Pan Hong Investment")	Hong Kong	Investment holding, Hong Kong	HK$192,569,567	100%

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16. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid-up share/ registered capital	Percentage of equity interest held by the Company
Indirectly held: (Continued)				
Wiseidea Investments Limited	BVI	Investment holding, Hong Kong	US$1	100%
All Grace Corporation Limited	Hong Kong	Investment holding, Hong Kong	HK$1	100%
Fuzhou Pan Hong Kai Xuan Property Development Co., Ltd. ("Fuzhou Pan Hong")*	PRC	Property development, PRC	RMB280,000,000 (2011: RMB200,000,000)	100%
Hangzhou Liyang Housing and Landing Development Co., Ltd. ("Hangzhou Liyang")	PRC	Property development and investment holding, PRC	US$9,500,000	100%
Huzhou Real Estate Development Co., Ltd.	PRC	Property development, PRC	RMB22,500,000	70%
Huzhou Jiangnan Hailian Construction Co., Ltd. ("Huzhou Hailian")	PRC	Property development, PRC	US$8,000,000	80%
Huzhou Liyang Housing and Landing Development Co., Ltd. ("Huzhou Liyang")	PRC	Property development, PRC	RMB95,837,525	100%
Huzhou Luzhou Housing and Landing Development Co., Ltd. ("Huzhou Luzhou")	PRC	Property development, PRC	RMB82,176,000	100%
Huzhou Hongjin	PRC	Property development and investment, PRC	US$6,000,000	100%

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16. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Issued and paid-up share/ registered capital	Percentage of equity interest held by the Company
Indirectly held: (Continued)				
Jiangxi Asia City Real Estate Development Co., Ltd. ("Jiangxi Asia City")*	PRC	Property development, PRC	US$25,000,000	100%
Modern China Holdings Limited	Hong Kong	Investment holding, PRC	HK$1,000	100%
Guangzhou Port Investment Limited	PRC	Investment holding, PRC	RMB10,000,000	100%
Nanchang Liyang Decoration Limited*	PRC	Interior and exterior decoration and furnishing, PRC	RMB500,000	100%
Nanchang Dingxun Co. Limited*	PRC	Property development, PRC	RMB66,865,000	55%
Huzhou Pan Hong Runyuan Housing and Land Development Company Limited	PRC	Property development, PRC	RMB250,000,000 (2011: US$20,000,000)	100%
Leping City Feng Huang Jincheng Industry Co., Ltd. ("Leping City")*	PRC	Property development, PRC	RMB24,500,000	51%
Huzhou Runho Business Consultant Limited ("Huzhou Runho")**	PRC	Consultancy services, PRC	RMB4,923,960	100%

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.

* *collectively known as Sino Harbour Property Group (note 40)*
** *Huzhou Runho was newly incorporated on 16 May 2011*

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17. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group 2012 RMB'000	2011 RMB'000
Unlisted investment, at cost	**80,000**	50,000
Share of post-acquisition losses	**(6,034)**	(2,553)
	73,966	47,447
Amount due from a jointly controlled entity	**102,683**	90,630
	176,649	138,077

At 31 March 2012, the Group had interest in the following jointly controlled entity:

Company name	Place of establishment	Principal activities and place of operation	Paid-up registered capital	Percentage of equity interest held by the Group
Jiangxi Ganghong Investment Co. Ltd. ("Jiangxi Ganghong")	PRC	Property development, PRC	RMB100,000,000	50%

The aggregate amounts relating to the jointly controlled entity that have been included in the Group's consolidated financial statements as extracted from relating financial statements of the jointly controlled entity are set out below:

	Group 2012 RMB'000	2011 RMB'000
Jointly controlled entity's results for the year ended 31 March		
Income	**2**	43
Expenses	**(3,483)**	(1,578)
Loss for the year	**(3,481)**	(1,535)
Jointly controlled entity's assets and liabilities as at 31 March		
Non-current assets	**380**	370
Current assets	**461,867**	297,260
Current liabilities	**(370,833)**	(202,736)
	91,414	94,894

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for the year ended 31 March 2012

17. INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

Amount due from a jointly controlled entity was unsecured and not repayable within 12 months from the reporting date. The whole balance of the amount due was interest free as at 31 March 2012. Among the balances, an amount of approximately RMB80,000,000 was interest bearing at floating rates of 4.86% to 5.6% per annum as at 31 March 2011.

On 9 September 2011, the Group and the other joint venture party (the "JV party") entered into a designated operating agreement (the "Agreement"), pursuant to which the JV party designate all the rights and responsibility of the management, operation and financing of the YiChun Elderly Apartments project (the "Project") to the Group and all the future costs and revenues in relation to the Project will be entitled to the Group, with a compensation of RMB30 million payable by the Group to the JV party. The ownership of all the assets and properties of the Project are remained held by Jiangxi Ganghong. The costs and revenues in relation to the Project of Jiangxi Ganghong were fully shared by the Group to its profit or loss during the year.

18. INTEREST IN AN ASSOCIATE

	Group	
	2012	2011
	RMB'000	RMB'000
Share of net assets	–	2,815

At 31 March 2011, the Group had interest in the following associate:

Name	Place of establishment	Principal activities and place of operation	Paid-up registered capital	Percentage of equity interest held by the Group
Pinghu City Pan Hong Port Limited *(note a)*	PRC	Property development, PRC	RMB10,000,000	30%

Note:

(a) The associate was deregistered on 22 June 2011.

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18. INTEREST IN AN ASSOCIATE (Continued)

The aggregate amounts relating to the associate that have been included in the Group's financial statements as extracted from the relating financial statements of the associate is set out below:

	Group	
	2012	2011
	RMB'000	RMB'000
Associate's results for the year ended 31 March		
Income	**–**	11
Expenses	**(10)**	(396)
Loss for the year	**(10)**	(385)
Associate's assets and liabilities as at 31 March		
Current assets	**–**	9,390
Current liabilities	**–**	(5)
	–	9,385

The Group has not incurred any contingent liabilities or other commitments relating to its investment in an associate.

The amount due to an associate was unsecured, interest-free and repayable on demand.

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for the year ended 31 March 2012

19. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax is calculated in full on temporary differences under the balance sheet liability method using principal taxation rates of 10% to 25% for the year (2011: 10% to 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 2010	10,300	(7,545)	2,755
Deferred tax credited/(debited) to profit or loss	8,371	(13,971)	(5,600)
At 31 March 2011 and 1 April 2011	18,671	(21,516)	(2,845)
Deferred tax credited to profit or loss	7,780	2,458	10,238
At 31 March 2012	**26,451**	**(19,058)**	**7,393**

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 2012 (2011: Nil).

A withholding rate of with a range of 5% to 10% is imposed on dividends distributed to foreign investors. At 31 March 2012, deferred tax liabilities amounted to approximately RMB41,050,000 (2011: RMB30,078,000) in respect of aggregate amount of temporary difference of approximately RMB410,500,000 (2011: RMB300,780,000) 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 probable that such differences will not be reversed in the foreseeable future.

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20. PROPERTIES HELD UNDER DEVELOPMENT

	Group 2012 RMB'000	2011 RMB'000
Leasehold interests in land	**818,302**	1,029,627
Development costs	**240,671**	392,901
Finance costs capitalised	**21,546**	18,277
	1,080,519	1,440,805

At 31 March 2012, properties held under development amounting to RMB889,555,000 (2011: RMB953,657,000) were not scheduled to be sold within twelve months.

Leasehold interests in land are located in the PRC and have lease terms expiring from 2043 to 2080 (2011: 2027 to 2080). The Group's leasehold interests in land are analysed as follows:

	Group 2012 RMB'000	2011 RMB'000
Leasehold interests in land held on:		
– Leases of 30 years or less	**–**	121,589
– Leases of over 30 years	**818,302**	908,038
	818,302	1,029,627

At 31 March 2011, certain properties under developments of approximately RMB155,663,000 were pledged against a bank loan of the Group *(note 28(a))*.

21. 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 (2011: 2043 to 2080). At 31 March 2012, the carrying values of the operating lease up-front payments on the leasehold interests in land amounted to approximately RMB81,668,000 (2011: RMB20,451,000).

During the year ended 31 March 2011, properties held for sale with carrying value of approximately RMB10,659,000 *(note 13)* were transferred to investment properties as these properties were under operating lease arrangements with third parties commenced during the year to earn rental. The fair value of these properties upon transfer to investment properties were determined by JLLSCAA, based on the investment method by capitalising the net rental income derived from the existing tenancy with due allowance for the reversionary value of the property in March 2011. The fair value change of approximately RMB26,969,000 was credited to profit or loss for the year ended 31 March 2011.

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22. ACCOUNT RECEIVABLES

The aging analysis of account receivables that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
Not past due	**627**	19,311
Past due and less one year	**525**	–
Past due and more than one year	**476**	1,550
	1,628	20,861

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 Director of the Company 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.

23. PREPAYMENTS AND OTHER RECEIVABLES

		Group		Company	
		2012	2011	**2012**	2011
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Non-current					
Other receivable	*(a)*	**–**	7,000	**–**	–
Current					
Prepayments	*(b)*	**67,635**	8,971	**–**	–
Other receivables	*(c)*	**300,466**	91,609	**4**	–
		368,101	100,580	**4**	–
		368,101	107,580	**4**	–

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23. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Notes:

(a) The amount advanced to the major equity holder of the Group's associate, was unsecured, interest-free and repayable on 10 November 2012. The other receivable was settled during the year ended 31 March 2012.

(b) On 26 March 2012, the Group has entered into an agreement (the "Agreement") with Zhejiang Jiangnan Gongmao Group Limited（浙江江南工贸集团股份有限公司）("Zhejiang Jiangnan Gongmao") to acquire 20% equity interest in the Group's subsidiary, Huzhou Hailian (the "Acquisition") for a consideration of approximately RMB25,000,000. According to the Agreement, the expected completion date of the Acquisition is on 26 September 2012, the Group will increase its equity interest in the capital of Huzhou Hailian from 80% to 100%.

Prepayments included an advance payment of approximately RMB15,000,000 to Zhejiang Jiangnan Gongmao for the Acquisition. Pursuant to the Agreement, the Group reserves the right to unilaterally terminate the Agreement with Zhejiang Jiangnan Gongmao before the completion date. During this aforementioned period, Zhejiang Jiangnan Gongmao is legally obligated to refund the advance payment of approximately RMB15,000,000 unconditionally, without incurring any interests, if the Group chooses to exercise their right to terminate the Agreement.

(c) At 31 March 2012, other receivables included an amount of approximately RMB234,445,000 that was a sale consideration for the disposal of the Group's six parcels of land located at Jiashanyang, Zhonggeng Village, Daochang Town in Huzhou City, Zhejiang Province（浙江省湖州市道场乡中庚村夹山漾鱼场）, the PRC (the "Land Parcels").

Reference to the Group's announcements dated 28 November 2011 and 16 December 2011, the Group has entered into a Letter of Intent with Huzhou Economic – Technological Development Area Management Committee（湖洲经济技术开发区管理委员会）to sell and transfer the Land Parcels. The Group has completed the sale and transfer of the Land Parcels on 4 January 2012.

At 31 March 2012, other receivables of the Group amounted to approximately RMB35,800,000 were interest-bearing at monthly interest rate of 1% and repayable within one year. None of the other receivables is either past due or impaired. The other receivables related to counterparties for which there was 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.

Notes to the Financial Statements

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24. AMOUNTS DUE FROM/(TO) RELATED PARTIES

		Group		Company	
		2012	2011	**2012**	2011
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Amounts due from:					
– subsidiaries		**–**	–	**228,338**	483,791
– related companies	*(a)*	**–**	16	**–**	–
		–	16	**228,338**	483,791
Amounts due to:					
– subsidiaries		**–**	–	**(193,613)**	(162,696)
– director	*(b)*	**(64)**	(341)	**–**	(252)
– non-controlling interest	*(c)*	**(1,026)**	(1,026)	**–**	–
		(1,090)	(1,367)	**(193,613)**	(162,948)

Notes:

(a) Balance represented amounts due from companies for which Mr. Wong Lam Ping, director of the Company, and his spouse, Ms. Chan Heung Ling, non-executive director of Sino Harbour Property, have beneficial interests.

(b) Balance represented amount due to Mr. Wong Lam Ping, director of the Company.

(c) Balance represented amount payable to Zhejiang Jiangnan Gongmao which held 20% equity interest in the Group's subsidiary, Huzhou Hailian.

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

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2012	2011
	RMB'000	RMB'000
Listed equity securities held for trading are as follows:		
– Hong Kong	**54**	69
– the PRC	**5,364**	17,409
Fair value of listed securities	**5,418**	17,478

The fair value of the Group's investment in listed securities has been determined by reference to their quoted bid prices on the reporting date.

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26. PLEDGED DEPOSITS AND CASH AND BANK BALANCES

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at banks and in hand	**133,386**	155,718	**92**	92
Time deposits *(note a)*	**11,400**	67,351	**–**	–
Cash and bank balances	**144,786**	223,069	**92**	92
Deposit pledged against banking facilities granted to the mortgagees *(note b)*	**23,333**	20,366	**–**	–
Deposit restricted for construction work	**422**	420	**–**	–
Deposit pledged for bank loans *(note c)*	**38,000**	160,000	**–**	–
Pledged deposits	**61,755**	180,786	**–**	–
	206,541	403,855	**–**	–
Less: Deposits with original maturity over three months	**(61,755)**	(180,786)	**–**	–
Cash and cash equivalents for the purpose of the statement of cash flows	**144,786**	223,069	**92**	92

Notes:

(a) At 31 March 2012, the effective interest rates of time deposits were 1.49% to 2.25% (2011: 1.35% to 2.25%) per annum. Short term bank deposit of approximately RMB11,400,000 (2011: RMB36,469,000) has maturity of seven days (2011: seven days) and was eligible for immediate cancellation without receiving any interest for the last deposit period.

(b) The deposits with interest rates of 0.4% to 0.5% were pledged to certain banks as security in the PRC as detailed in note 34. These banks provided mortgage loan 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.

(c) The bank deposits with interest rate of 3.5% were pledged to certain banks in the PRC against the bank loans of approximately HK$45,000,000 (2011: HK$178,500,000) *(note 28(a))*.

At 31 March 2012, approximately RMB184,199,000 (2011: RMB400,643,000) was deposited with banks in the PRC. These balances were mainly denominated in RMB and Hong Kong Dollars ("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.

Notes to the Financial Statements

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27. ACCRUALS, RECEIPTS IN ADVANCE AND OTHER PAYABLES

		Group		Company	
		2012	2011	**2012**	2011
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Receipts in advance	*(a)*	**301,357**	515,441	**–**	–
Accruals and other payables	*(b)*	**72,250**	139,158	**518**	201
		373,607	654,599	**518**	201

Notes:

(a) At 31 March 2011, receipts in advance of RMB6,533,000 and RMB45,000,000 related to investment properties held for sale *(note 14(a))* and investment properties under development held for sale *(note 14(b))* respectively.

(b) At 31 March 2012, accrued construction cost and other project-related expense were included in accruals and other payables amounted to approximately RMB56,570,000 (2011: RMB103,645,000). The amount was accrued based on the terms of the relevant agreements and project progress and was not due for payment as at the end of the reporting period.

28. BANK AND OTHER LOANS

		Group	
		2012	2011
	Notes	**RMB'000**	RMB'000
Repayable within one year			
Bank loans – secured	*(a)*	**40,743**	304,779
Other loans – unsecured	*(b)*	**–**	60,000
Total bank and other loans		**40,743**	364,779

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28. BANK AND OTHER LOANS (Continued)

Notes:

(a) Bank loans amounted to HK$45,000,000 (approximately RMB36,581,000) (2011: HK$178,500,000 (approximately RMB150,119,000)) have terms of 3 months commencing January 2012 (2011: 12 months). The bank loans were secured by bank deposits denominated in RMB amount equivalent to 104% (2011: 111%) of the bank loans *(note 26(c))* and bore interests at HIBOR plus 3.5% (2011: HIBOR plus 0.9% to 2.0%) per annum. The effective interest rate was 3.78% to 3.9% (2011: 2.23% to 3.33%) per annum at 31 March 2012.

Bank loan amounted to HK$5,120,000 (approximately RMB4,162,000) (2011: HK$5,541,000 (approximately RMB4,660,000)) has a term of 15 years commencing 2007. The bank loan was secured by (i) the Group's building and leasehold interest in land *(note 12)* and (ii) joint and several guarantee by Mr. Wong Lam Ping, director of the Company, and his spouse Ms. Chan Heung Ling, non-executive director of Sino Harbour Property, and bore interests at the floating rate. The effective interest rate was 2.5% (2011: 2.5%) per annum at 31 March 2012.

At 31 March 2011, bank loan amounted to RMB150,000,000 has a term of two years commencing in December 2009 with a repayable on demand clause. The bank loan was secured by the Group's properties held under development *(note 20)* and bore interests at the floating rate. The effective interest rate was 5.4% per annum. The bank loan was settled during year ended 31 March 2012.

The current liabilities included bank borrowings of approximately RMB3,816,000 (2011: RMB4,194,000) that are 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.

(b) At 31 March 2011, other loan was denominated in RMB and had a term of one year commencing 2010. The other loan was unsecured and bore interest at fixed rate. The effective interest rate was 8.05% per annum. The other loan was fully eliminated in May 2011, in which RMB10,000,000 was repaid by cash and RMB50,000,000 was borne by the jointly controlled entity of the Group.

29. SHARE CAPITAL, TREASURY SHARES AND WARRANTS

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 2010, 31 March 2011 and 2012	850,000,000	517,374
Issued and fully paid:		
Ordinary shares of HK$0.6 each		
At 1 April 2010, 31 March 2011 and 2012	**518,855,024**	**313,446**

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29. SHARE CAPITAL, TREASURY SHARES AND WARRANTS (Continued)

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 believe that the Share Purchase Mandate provides 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.

The movement of treasury shares of the Company is summarised below:

	Number of shares	RMB'000
At 1 April 2010	1,480,000	3,575
Purchases of treasury shares	1,980,000	4,705
At 31 March 2011 and 2012	**3,460,000**	**8,280**

During the year, the Company did not repurchase any (2011: 1,980,000 at share prices ranging from S$0.410 to S$0.505 (equivalent to the ranging from RMB2.125 to RMB2.449) held as treasury shares) of its ordinary shares by way of on-market purchases and disposed any of treasury shares to finance the development of the projects in the PRC.

Warrants

On 28 October 2009, the Company issued 155,506,206 free warrants on the basis of 3 warrants for every 10 existing ordinary shares in the capital of the Company held by the shareholders (the "Warrants"). The Warrants will expire on the date immediately preceding the third anniversary of the date of issue. Each warrant entitles the holder thereof to subscribe for one new share at exercise price of S$0.66 for each new share, payable in cash and subject to adjustment.

At 31 March 2012, the Company had outstanding 155,506,206 warrants to be exercised at any time on or before 27 October 2012. Exercise in full of such warrants would result in the issue of 155,506,206 additional ordinary shares of S$0.66 each.

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30. RESERVES

(a) Group

	Notes	2012 RMB'000	2011 RMB'000
Share premium	*(i)*	**203,250**	203,250
Treasury shares *(Note 29)*	*(ii)*	**(8,280)**	(8,280)
Merger reserve	*(iii)*	**(2,243)**	(2,243)
Statutory reserve	*(iv)*	**58,739**	47,060
Capital reserve	*(v)*	**3,838**	3,838
Other reserve	*(iv)*	**82,217**	–
Exchange reserves		**(4,199)**	(3,744)
Retained earnings		**661,290**	559,262
		994,612	799,143

The amounts of the Group's reserves and the movements therein for the year ended 31 March 2012 are presented in the consolidated statement of changes in equity of the financial statements.

Notes:

(i) The share premium account of the Group 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 of 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.

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30. RESERVES (Continued)

(b) Company

	2012 RMB'000	2011 RMB'000
Share premium	**203,250**	203,250
Treasury shares *(note 29)*	**(8,280)**	(8,280)
Merger reserve	**59,579**	59,579
Retained earnings	**4,494**	4,602
	259,043	259,151

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. 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.

Management regards total equity as capital. The amount of capital as at 31 March 2012 amounted to approximately RMB1,776,823,000 (2011: RMB1,361,207,000) which the management considers as optimal having consider the projected capital expenditures and the projected strategic investment opportunities.

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32. COMMITMENTS

	Group 2012 RMB'000	2011 RMB'000
Contracted but not provided for in respect of		
– properties held under development of the Group	**57,291**	94,990
– properties held under development of the jointly controlled entity shared by the Group *(note 17)*	**111,408**	54,830
– acquisition of additional equity interest in a subsidiary from non-controlling interests *(note 23(b))*	**10,000**	–

The Company did not have any commitments as at 31 March 2012 and 2011.

33. OPERATING LEASE ARRANGEMENTS

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

	Group 2012 RMB'000	2011 RMB'000
Not later than one year	**1,869**	1,190
Later than one year and not later than five years	**7,313**	7,634
Later than five years	**10,416**	12,462
	19,598	21,286

The Group leases out its investment properties which run for initial periods of three 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.

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33. OPERATING LEASE ARRANGEMENTS (Continued)

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

	Group	
	2012	2011
	RMB'000	RMB'000
Not later than one year	**192**	208
Later than one year and not later than five years	**20**	43
	212	251

The Group leases a number of properties under operating lease arrangements which run for initial periods of one to three years, with an option to renew the lease terms at the expiry date. None of the leases includes contingent rentals.

The Company does not have any operating lease payments under non-cancellable operating leases.

34. MORTGAGE LOAN ARRANGEMENTS WITH BANKS

The Group has arranged mortgage loan facility for certain purchasers of property units and provided guarantees to secure obligations of repayments. At 31 March 2012, the outstanding guarantees amounted to RMB312,013,000 (2011: RMB217,210,000). 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.

Notes to the Financial Statements

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group does not have written risk management policies and guidelines. However, the Director meets 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 2012, the financial assets of the Group comprise primarily account and other receivables, amounts due from a minority shareholder and related companies and cash and bank balances. The financial liabilities of the Group comprise account and other payables, loans from bank and other borrowings.

(i) Interest rate risk

The Group's exposure to interest rate risk mainly arises on bank deposits *(note 26)*, bank loans and other loan at floating rate *(note 28)*. The Group has no significant exposure to interest rate risk in respect of the Group's bank loans subject to variable interest rates and stated at amortised costs. The Group has not used any derivative contracts to hedge its exposure to interest rate risk. The Group has not formulated a policy to manage the interest rate risk. A reasonable change in interest rate in the next twelve months is assessed to result in immaterial change in the Group's loss for the period and retained earnings. Changes in interest rates have no impact on the Group's other components of equity. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expenses.

(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 which are denominated in HK$, and US Dollars ("US$"). The Group does not use derivative financial instruments to hedge its foreign currency risk. The Group reviews its foreign currency exposures regularly and does not consider its foreign exchange risk to be significant.

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(ii) Foreign currency risk (Continued)

Foreign currency risk exposure

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

	Group	
	2012	2011
	RMB'000	RMB'000
Financial assets at fair value through profit or loss denominated in		
– HK$	**54**	69
Other receivables denominated in		
– HK$	**50**	6,598
Bank deposits denominated in		
– HK$	**22,187**	3,197
– US$	**16**	15
Bank and other loans denominated in		
– HK$	**(40,743)**	(154,779)
Other payables denominated in		
– HK$	**(1,108)**	(1,057)

By assessing foreign currency risk on financial assets at fair value through profit or loss, other receivables, bank balances, bank and other loans, and other payables, the effect arising from a reasonably possible change in the exchange rates of RMB against HK$ and US$ in the next twelve months was not material to the results for the year and retained profits at each of the reporting date, on the basis that all other variables remain constant.

The Company is not exposed to any foreign currency risk.

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(iii) Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period:

The Group's credit risk is primarily attributable to trade and other receivables and cash and bank balances. The management has a credit policy and the exposures to credit risks are monitored on an ongoing basis.

In respect of trade 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 collectibility of all receivables.

The Group's bank balances are mainly deposits with state-owned banks in the PRC and major banks in Hong Kong.

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

(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 2012 and 2011, 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.

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(iv) Liquidity risk (Continued)

Group

	Carrying Amount RMB'000	Total contractual undiscounted cash flow 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 2012						
– Account payables	**18,134**	**18,134**	**18,134**	**–**	**–**	**–**
– Other payables	**71,921**	**71,921**	**64,195**	**2,561**	**4,383**	**782**
– Amounts due to related parties	**1,090**	**1,090**	**1,090**	**–**	**–**	**–**
– Interest-bearing bank borrowings	**40,743**	**40,844**	**4,162**	**36,682**	**–**	**–**
	131,888	**131,989**	**87,581**	**39,243**	**4,383**	**782**
– Financial guarantee issued: maximum amount guaranteed	**–**	**312,013**	**312,013**	**–**	**–**	**–**
At 31 March 2011						
– Account payables	13,555	13,555	13,555	–	–	–
– Other payables	138,933	138,933	120,610	739	17,584	–
– Amounts due to related parties	1,367	1,367	1,367	–	–	–
– Amount due to an associate	600	600	600	–	–	–
– Interest-bearing bank and other borrowings	364,779	366,914	202,177	61,356	103,381	–
	519,234	521,369	338,309	62,095	120,965	–
– Financial guarantee issued: maximum amount guaranteed	–	217,210	217,210	–	–	–

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 Company's financial position, 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.

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35. 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 2012	–	113	338	4,285	4,736	4,162
31 March 2011	–	4,280	209,647	4,900	218,827	202,177

At 31 March 2012 and 2011, the Company's held no material financial liabilities and the Company ensure that it maintains sufficient financial support from Group's subsidiaries to meet its liquidity requirements.

The management has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(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 value is 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 25)*. 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 and represent a small percentage of the Group's net assets and the risk is minimal.

Notes to the Financial Statements

for the year ended 31 March 2012

35. 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 form 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

		Group			
		Level 1	**Level 2**	**Level 3**	**Total**
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 March 2012					
Assets					
Securities held for trading					
– Listed	*(a)*	**5,418**	**–**	**–**	**5,418**
Year ended 31 March 2011					
Assets					
Securities held for trading					
– Listed	*(a)*	17,478	–	–	17,478

There have been no significant transfers between levels 2 and 3 in the reporting period.

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

Notes to the Financial Statements

for the year ended 31 March 2012

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

(a) Listed securities

The listed debt and equity securities are denominated in HK$ and RMB. Fair values have been determined by reference to their quoted bid prices at the reporting date and have been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

36. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and liabilities as recognised at 31 March 2012 and 2011 may also be categorised as follows. See note 3.13 and 3.18 for explanations about how the category of financial instruments affects their subsequent measurement.

Financial Assets

	Group		**Company**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets measured at fair value				
– Financial assets at fair value through profit or loss	**5,418**	17,478	**–**	–
Financial asset measured at amortised cost				
Loans and receivables				
– Account and other receivables	**302,094**	119,470	**4**	–
– Due from a jointly controlled entity	**102,683**	90,630	**–**	–
– Due from related parties	**–**	16	**198,338**	483,791
	410,195	210,116	**198,342**	483,791
Pledged deposits	**61,755**	180,786	**–**	–
Cash and cash equivalents	**144,786**	223,069	**92**	92
	616,736	631,449	**198,434**	483,883

Notes to the Financial Statements

for the year ended 31 March 2012

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

Financial Liabilities

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities measured at amortised cost				
– Account and other payables	**90,055**	152,488	**518**	201
– Bank and other loans	**40,743**	364,779	**–**	–
– Due to related parties	**1,090**	1,367	**193,613**	162,948
– Due to an associate	**–**	600	**–**	–
	131,888	519,234	**194,131**	163,149

37. 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:

		Group	
		2012	2011
	Notes	**RMB'000**	RMB'000
Interest income from a jointly controlled entity	*17*	**–**	4,679
Car park rental expense	*(a)*	**39**	41

Note:

(a) During years ended 31 March 2012 and 2011, the non-executive director of Sino Harbour Property, Ms. Chan Heung Ling has entered into an agreement of car park rental for HK$48,000 per year.

Notes to the Financial Statements

for the year ended 31 March 2012

37. RELATED PARTY TRANSACTIONS (Continued)

Included in staff costs are key management personnel compensation as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
Salaries and wages	**1,932**	2,296
Retirement benefit scheme contributions		
– defined contribution plans	**41**	35

38. DIRECTORS' REMUNERATION

For the years ended 31 March 2012 and 2011, the remuneration of the directors of the Company analysed into the following bands is disclosed in compliance with rule 1207.11 of Chapter 12 of the Listing Manual of the SGX-ST:

For the year ended 31 March 2012

	Executive director	**Non-executive director**	**Independent director**	**Total**
Below S$250,000 (equivalent to RMB1,279,000)	**5**	**1**	**3**	**9**

For the year ended 31 March 2011

	Executive director	Non-executive director	Independent director	Total
Below S$250,000 (equivalent to RMB1,258,000)	6	1	3	10

Notes to the Financial Statements

for the year ended 31 March 2012

39. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Major non-cash transactions

(a) During the year ended 31 March 2012, other loans amounted to RMB50,000,000 (2011: Nil) was borne by the jointly controlled entity of the Group *(note 28(b))*.

(b) The proceeds from disposal of investment properties held for sale amounted to approximately RMB51,533,000 had been received and included in receipts in advance as at 31 March 2011 and charged to profit or loss for the year ended 31 March 2012.

(c) During the year ended 31 March 2011, certain properties held for sales with net carrying amounts of approximately RMB10,659,000 respectively were transferred to investment properties *(note 14)*.

(d) During the year ended 31 March 2011, amount of RMB157 million was transferred from deposit paid to properties held under development *(note 23(b))*.

40. PROCEEDS FROM SHARES ISSUED TO NON-CONTROLLING INTERESTS BY SUBSIDIARY COMPANIES

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 Property, 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 Property decreased from 100% to 75%.

2012's cash inflow of RMB273,108,000 represents the gross proceeds from dilution of the Group's interest as a result of the public offering of shares representing 25% of its enlarged capital.

Property Portfolio

Description	Location	Type	Site Area (sq m)	Planned/Actual Gross Floor Area (sq m)	Tenure	Effective Group Interest	Approximate Percentage Sold and Delivered	Expected Completion Date
COMPLETED PROPERTIES								
Huzhou Liyang Jingyuan Phase 1	No. 579 Longxi Bei Road and Land No. 5 Huzhou Economic and Technological Development Zone, Huzhou City, Zhejiang Province, the PRC	C	36,720	C: 13,076	C: Expiring on 19 February 2046	100%	C: 92%	Completed
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: 12,075	C: Expiring on 19 February 2046	100%	C: 84%	Completed
Hangzhou Liyang Yuan	Shenhua Road Xihu District, Hangzhou City, Zhejiang Province, the PRC	R,C	7,833	R: 24,921 C: 8,181	R: Expiring on 14 December 2076 C: Expiring on 14 December 2046	100%	R: 99% C: 62%	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: 84% C: 0%	Completed
Nanchang Honggu Kaixuan Phase 1	No. 1568 Honggu Avenue, Honggu Tan Central District, Nanchang City, Jiangxi Province, the PRC	R,C	80,521	R: 135,642 C: 18,554	R: Expiring on 16 September 2073 C: Expiring on 16 September 2043	100%	R: 99% C: 80%	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: 34,429	R: Expiring on 16 September 2073 C: Expiring on 16 September 2043	100%	R: 96% C: 42%	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: 31% C: 0%	Completed
PROPERTIES UNDER DEVELOPMENT								
Nanchang Honggu Kaixuan Phase 2[△]	No. 1568 Honggu Avenue, Honggu Tan Central District, Nanchang City, Jiangxi Province, the PRC	C	80,521	C: 33,070	C: Expiring on 16 September 2043	100%	N.A.	Q4CY2012
Yichun Royal Lake City Phase 1	The west side of Yiyang North Road, Yuanzhou District, Yichun City, Jiangxi Province, the PRC	R,C	607,084	R: 75,300 C: 16,777	R: Expiring on 29 March 2077 C: Expiring on 29 March 2047	50%	N.A.	Q4CY2012
Fuzhou Hua Cui Ting Yuan Phase 2	No. 766 Jinchao Avenue, Fuzhou City, Jiangxi Province, the PRC	R,C	190,753	R: 79,216 C: 2,399	R: Expiring on 31 January 2080 C: Expiring on 31 January 2050	100%	N.A.	Q4CY2013

Property Portfolio

Description	Location	Type	Site Area (sq m)	Planned/Actual Gross Floor Area (sq m)	Tenure	Effective Group Interest	Approximate Percentage Sold and Delivered	Expected Completion Date
FUTURE PROJECTS								
Huzhou Hua Cui Ting Yuan Phase 2	Taihu Meidong, Huzhou Development Zone, Zhejiang Province, the PRC	R,C	66,667	55,000	R: Expiring on 18 November 2080 C: Expiring on 18 November 2050	100%	N.A.	Under Planning
Huzhou Run Yuan Project	Lot 18B land parcels Southwest District, Huzhou City, Zhejiang Province, the PRC	R,C	102,972	216,000	R: Expiring on 30 December 2079 C: Expiring on 30 December 2049	100%	N.A.	CY2013
Nanchang Dingxun Project	Huang Jia Hu West Road, Nanchang Economic Development Zone, Nanchang City, Jiangxi Province, the PRC	R,C	719,548	1,004,788	R: Expiring on 18 May 2072 C: Expiring on 18 May 2052	55%	N.A.	Phase 1: Q3CY2013 Phase 2: Q1CY2015 Phase 3: Q1CY2016 Phase 4: Q1CY2017 Phase 5: Q1CY2018
Fuzhou Hua Cui Ting Yuan Phase 3	No. 766 Jinchao Avenue, Fuzhou City, Jiangxi Province, the PRC	R,C	190,753	122,561	R: Expiring on 31 January 2080 C: Expiring on 31 January 2050	100%	N.A.	Q4CY2014
Yichun Royal Lake City Phase 2-6	The west side of Yiyang North Road, Yuanzhou District, Yichun City, Jiangxi Province, the PRC	R,C	607,084	1,152,038	R: Expiring on 29 March 2077 C: Expiring on 29 March 2047	50%	N.A.	Phase 2: Q4CY2013 Phase 3: Q4CY2014 Phase 4: Q1CY2016 Phase 5: Q4CY2017 Phase 6: Q1CY2019
Leping Project	Hushan Meiyan Reclamation Farm, Leping City, Jiangxi Province, the PRC	R,C	333,341	394,800	R: Expiring on 17 June 2074 C: Expiring on 17 June 2054	51%	N.A.	Phase 1: Q1CY2015 Phase 2: Q1CY2016 Phase 3: Q1CY2017
PROPERTY HELD FOR INVESTMENT								
Levels 1 and 2 of Block 2, Units 02 to 06 on Level 1 of Block 6 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.	4,461	C: Expiring on 16 September 2043	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.	2,530	C: Expiring on 24 April 2040	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.	8,726	C: Expiring on 03 January 2046	100%	N.A.	Completed
73 car parking space and 32 bicycle space of Xinya Jianyuan	Nos. 678 to 688 Shiyuan Road, Nanxun Tower, Huzhou City, Zhejiang Province, the PRC	C	N.A.	2,964	C: Expiring on 24 April 2040	100%	N.A.	Completed

Property Portfolio

Description	Location	Type	Site Area (sq m)	Planned/Actual Gross Floor Area (sq m)	Tenure	Effective Group Interest	Approximate Percentage Sold and Delivered	Expected Completion Date
PROPERTIES OCCUPIED BY THE GROUP								
No. 8 Commercial Building of Nanchang Honggu Kaixuan	No. 1568 Honggu Avenue, Honggu Tan Central District, Nanchang City, Jiangxi Province, the PRC	C	N.A.	621.55	C: Expiring on 16 September 2043	100%	N.A.	Completed
Room 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.	165.8	R: Expiring on June 2069	100%	N.A.	Completed
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.	389.91	C: Expiring on 15 September 2047	100%	N.A.	Completed
No. 25 Building, Huzhou Liyang Jingyuan Phase 1	Land No. 5 Huzhou Economic and Technological Development Zone, Huzhou City, Zhejiang Province, the PRC	C	N.A.	1,408	C: Expiring on 19 February 2046	100%	N.A.	Completed

R: Residential

C: Commercial and others

△: These projects are partially completed and partially under development, and thus appear in both "Completed Properties" and "Properties under development"

Shareholders' Information

SHAREHOLDERS' INFORMATION AS AT 20 JUNE 2012

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)	:	515,395,024
Number/(Percentage) of Treasury Shares	:	3,460,000 (0.67%)
Class of shares	:	Ordinary shares of HK$0.60 each
Voting rights (excluding Treasury Shares)	:	One vote per share

STATISTICS OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 – 999	2	0.28	1,467	0.00
1,000 – 10,000	392	55.14	2,255,040	0.44
10,001 – 1,000,000	299	42.05	17,642,700	3.42
1,000,001 and above	18	2.53	495,495,817	96.14
Total	711	100.00	515,395,024	100.00

REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 20 JUNE 2012

Name of Substantial Shareholders	Direct Interest Number of Shares	%	Deemed Interest Number of Shares	%
Extra Good Enterprises Ltd (3)	288,000,000	55.88	–	–
Wong Lam Ping (1) (2)	20,952,194	4.07	302,443,300	58.68
Chan Heung Ling (1) (2)	14,443,300	2.80	308,952,194	59.94

Notes:

(1) Mr. Wong Lam Ping and Ms. Chan Heung Ling hold 52% and 48% of the issued share capital of Extra Good Enterprises Ltd ("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 Ltd held 120,000,000 shares through DMG & Partners Securities Pte. Ltd.

Shareholders' Information

TWENTY LARGEST SHAREHOLDERS AS AT 20 JUNE 2012

No.	Name of Shareholders	Number of Shares	%
1	EXTRA GOOD ENTERPRISES LIMITED	168,000,000	32.60
2	DMG & PARTNERS SECURITIES PTE LTD	120,000,000	23.28
3	PHILLIP SECURITIES PTE LTD	39,147,000	7.60
4	CIMB SECURITIES (SINGAPORE) PTE LTD	25,667,000	4.98
5	HSBC (SINGAPORE) NOMINEES PTE LTD	24,565,000	4.77
6	WONG LAM PING	20,952,194	4.07
7	CITIBANK NOMINEES SINGAPORE PTE LTD	17,442,000	3.38
8	CHAN HEUNG LING	14,443,300	2.80
9	ROYAL BANK OF CANADA (ASIA) LTD	13,058,000	2.53
10	MAYBANK KIM ENG SECURITIES PTE. LTD.	12,512,000	2.43
11	DBS VICKERS SECURITIES (S) PTE LTD	10,216,323	1.98
12	ASDEW ACQUISITIONS PTE LTD	9,946,000	1.93
13	JUMBO KING HOLDINGS LIMITED	9,700,000	1.88
14	DBS NOMINEES PTE LTD	2,885,000	0.56
15	UOB KAY HIAN PTE LTD	2,676,000	0.52
16	SINGAPORE WAREHOUSE CO PTE LTD	1,870,000	0.36
17	CHEN TIK LUNG @ CHAN TIK LUNG	1,350,000	0.26
18	RAFFLES NOMINEES (PTE) LTD	1,066,000	0.21
19	YEO CHITT HOCK BRANDON (YANG QIFU)	700,000	0.14
20	NG CHENG CHOH	680,000	0.13
	TOTAL	496,875,817	96.41

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

37.1% 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.

WARRANT HOLDERS' INFORMATION AS AT 20 JUNE 2012

STATISTICS OF WARRANT HOLDINGS

Size of Warrant holdings	Number of Warrant holders	%	Number of Warrants	%
1 – 999	165	29.10	105,112	0.07
1,000 – 10,000	305	53.79	1,139,800	0.73
10,001 – 1,000,000	81	14.29	6,022,310	3.87
1,000,001 and above	16	2.82	148,238,984	95.33
Total	567	100.00	155,506,206	100.00

Shareholders' Information

REGISTER OF SUBSTANTIAL WARRANT HOLDERS AS AT 20 JUNE 2012

Name of Substantial Warrant Holders	Direct Interest Number of Warrant	%	Deemed Interest Number of Warrant	%
Extra Good Enterprise Ltd	86,400,000	55.56	–	–
Wong Lam Ping (1) (2)	6,102,958	3.92	90,732,990	58.35
Chan Heung Ling (1) (2)	4,332,990	2.79	92,502,958	59.48

Notes:

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

TWENTY LARGEST WARRANTHOLDERS AS AT 20 JUNE 2011

No.	Name of Warrant holders	Number of Warrants	%
1	EXTRA GOOD ENTERPRISES LIMITED	86,400,000	55.56
2	CIMB SECURITIES (SINGAPORE) PTE LTD	10,463,200	6.73
3	PHILLIP SECURITIES PTE LTD	8,956,988	5.76
4	WONG LAM PING	6,102,958	3.92
5	MAYBANK KIM ENG SECURITIES PTE LTD	5,114,200	3.29
6	ASDEW ACQUISITIONS PTE LTD	4,945,000	3.18
7	CHAN HEUNG LING	4,332,990	2.79
8	DBS VICKERS SECURITIES (S) PTE LTD	4,309,248	2.77
9	ROYAL BANK OF CANADA (ASIA) LTD	4,125,000	2.65
10	HSBC (SINGAPORE) NOMINEES PTE LTD	3,497,800	2.25
11	JUMBO KING HOLDINGS LIMITED	2,910,000	1.87
12	NG LIANG YEW	2,340,000	1.50
13	WONG BENG HWEE	1,441,000	0.93
14	POH EWE WING OR POH JOEY	1,215,000	0.78
15	RAFFLES NOMINEES (PTE) LTD	1,056,000	0.68
16	OCBC SECURITIES PRIVATE LTD	1,029,600	0.66
17	SINGAPORE WAREHOUSE CO PTE LTD	886,400	0.57
18	NG SEOK KEOW	400,000	0.26
19	SHEN LIANG	306,600	0.20
20	ANNIE LOO YEAN LAY	300,000	0.19
	TOTAL	150,131,984	96.54

Notice of Annual General Meeting

汎港地產集團
PAN HONG PROPERTY GROUP

PAN HONG PROPERTY GROUP LIMITED

(Incorporated in Bermuda on 20 December 2005)

(Registration No.: 37749)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Pan Hong Property Group Limited (the "Company") will be held at Indiana Room, Raffles City Convention Centre, Level 4, Fairmont Singapore, 80 Bras Basah Road, Singapore 189560 on Monday, 30 July 2012, at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 March 2012 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend of S$0.01 per share (tax not applicable) for the year ended 31 March 2012 (FY2011: S$0.01 per share). **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Bye-Law 86(1) of the Company's Bye-laws:

   Ms. Wang Cuiping **(Resolution 3)**
   Mr. Chan Kin Sang **(Resolution 4)**
   Mr. Sim Wee Leong **(Resolution 5)**
   Dr. Zheng Haibin **(Resolution 6)**

Mr. Chan Kin Sang will, upon re-election as a Director of the Company, remain as a member of the Remuneration Committee.

Mr. Sim Wee Leong will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating Committee. He will be considered independent for the purposes of Rule 704(8) of the SGX-ST Listing Manual.

Dr. Zheng Haibin will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit Committee. He will be considered independent for the purposes of Rule 704(8) of the SGX-ST Listing Manual.

Notice of Annual General Meeting

4. To approve the payment of Directors' fees of S$159,500 for the year ending 31 March 2013, to be paid quarterly in arrears (FY2012: S$159,500). **(Resolution 7)**

5. To re-appoint BDO Limited, Certified Public Accountants, Hong Kong ("BDO HK") as the Company's auditors and to appoint BDO LLP, Certified Public Accountants, Singapore to act jointly with BDO HK for the purpose of compliance with Rule 712 of the SGX-ST Listing Manual and to authorise the Directors to fix their remuneration.
See Explanatory Note (i) **(Resolution 8)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:

7. **Share Issue Mandate**

That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be given to the Directors of the Company to issue shares ("Shares") whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

(a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty percent (50%) of the total number of issued shares (excluding treasury shares) 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) in the capital of the Company;

Notice of Annual General Meeting

(b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) 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 (ii) **(Resolution 9)**

8. **The Proposed Renewal of Share Purchase Mandate**

That:–

(a) the Company be and is hereby authorised to purchase or otherwise acquire issued and paid up ordinary shares in the capital of the Company (the "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 Singapore Exchange Securities Trading Limited (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 ("Singapore Companies Act"), 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");

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(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 ten per cent. (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 unless the Company has effected a reduction of its share capital in accordance with the Companies Act 1981 of Bermuda and such other laws and regulations for the time being be applicable, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time); 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 per cent. (105%) of the Average Closing Price; and

(ii) in the case of an Off-Market Share Purchase, 120 per cent. (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 the 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

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(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 (iii) **(Resolution 10)**

By Order of the Board

Chan Chun Kit
Yvonne Choo
Company Secretaries

Singapore, 13 July 2012

Explanatory Notes to Resolutions to be passed–

(i) BDO LLP, Certified Public Accountants, Singapore, is a member firm of BDO International Limited in Singapore. Information relating to and the rationale for the proposed appointment of Joint Auditors are set out in greater details in the Addendum accompanying this Notice.

(ii) The Ordinary Resolution 9 proposed in item 7 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty percent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty percent (20%) may be issued other than on a pro rata basis.

(iii) The Ordinary Resolution 10 proposed in item 8, 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 the 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 per cent. 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.

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Notes:

1. A Shareholder being a Depositor whose name appears in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore) 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, 63 Cantonment Road, Singapore 089758, 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.

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of **Pan Hong Property Group Limited** (the "Company") will be closed on 7 August 2012 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Transfer Agent, B.A.C.S. Private Limited, 63 Cantonment Road Singapore 089758 up to 5.00 p.m. on 7 August 2012 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 7 August 2012 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 30 July 2012 will be made on 30 August 2012. .

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