



SHUN CHEONG
Holdings Limited interim report
(Incorporated in Bermuda with limited liability) **2011**
Stock Code: 650

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

CAO Jing (*Executive Chairman*)
ZHANG Shaohua (*Managing Director*)

Non-executive Director

MO Tianquan

Independent Non-executive Directors

YE Jianping
PALASCHUK Derek Myles
YAO Xusheng

AUDIT COMMITTEE

PALASCHUK Derek Myles (*Chairman*)
YE Jianping
YAO Xusheng

REMUNERATION COMMITTEE

YAO Xusheng (*Chairman*)
YE Jianping
CAO Jing

NOMINATION COMMITTEE

YE Jianping (*Chairman*)
PALASCHUK Derek Myles
CAO Jing

COMPANY SECRETARY

TING Kin Wai

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
The Bank of East Asia, Limited
Bank of China Limited, Beihai Branch

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG SHARE REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL PLACE OF BUSINESS

Suite 2302, Wing On Centre
111 Connaught Road Central
Hong Kong

AUDITORS

Ernst & Young
18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

STOCK CODE

SEHK 650

WEBSITE

<http://www.irasia.com/listco/hk/shuncheong>

CHAIRMAN'S STATEMENT

REVIEW OF OPERATION

For the period ended 30 September 2011, the Group was engaged in the hotel and restaurant operations of the Guangxi Wharton International Hotel (the "Nanning Hotel") located in Guangxi Province, the People's Republic of China (the "PRC"). The revenue of the Group's continuing operations, being the operation of the Nanning Hotel, increased by 15.7% to HK\$76.1 million (2010: HK\$65.8 million). The increase was mainly attributable to the higher average room rate charged to customers and the improved performance in the restaurant operation of the Nanning Hotel. During the reporting period, the Nanning Hotel reported an average room rate of HK\$688 (2010: HK\$584) and an average occupancy rate of 66% (2010: 70%). Attributable to the effort of the management by exercising stricter control over the Group's expenses, the Group's profit before tax from continuing operations has increased to HK\$4.5 million (2010: HK\$2.1 million). Nevertheless, the profit of the Group for the period was down by 39.3% to HK\$1.7 million (2010: HK\$2.8 million). Such decrease was mainly due to the provision for corporate income tax of HK\$2.9 million in the current period (2010: Nil) and the inclusion of a profit of HK\$0.7 million in the profit for the prior period relating to the disposal of the building services contracting and maintenance business by the Group in September 2010.

As at 30 September 2011, net asset value attributable to owners of the Company increased by 4.6%, amounting to HK\$216.8 million (as at 31 March 2011: HK\$207.3 million).

BUSINESS PROSPECT

According to the "12th Five-Year Plan for National Economic and Social Development*" (國民經濟和社會發展第十二個五年規劃綱要) recently announced by the PRC government, it is the intention and policy of the government to further develop the tourism industry in the western China including Guangxi Province, where the Nanning Hotel is situated. With the continuous effort and support by the PRC government in promoting the economies of the less developed regions and the rapid development of tourism industry in the second-tier cities, the board of directors (the "Board") of the Company believes that the operation of the Nanning Hotel will continue to grow and contribute positively to the Group's performance in the coming years.

Besides the development of the existing core business in the Nanning Hotel, it has been the intention of the Group to further diversify and enlarge its hotel investments and portfolio. The Group continuously explores and evaluates other potential investment opportunities which could bring long-term benefits to the Group. On 6 October 2011, the Group entered into a joint venture agreement, which was subsequently supplemented by a supplemental agreement dated 29 November 2011, to establish a joint venture company in the PRC for the purposes of investment in and management of potential hotel projects with promising prospects. The Board expects that the formation of the joint venture company shall have a positive impact on the future earnings of the Group and is in the interests of the Group and the shareholders as a whole. Both agreements have not been completed as at the date of this report and will be subject to the approval from the independent shareholders of the Company. Further details on the agreements and the establishment of the joint venture company are contained in the announcements of the Company dated 6 October 2011 and 29 November 2011.

INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30 September 2011 (2010: Nil).

* For identification purpose only

CHAIRMAN'S STATEMENT

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's cash and bank balances are mostly in Hong Kong dollars and Renminbi. As at 30 September 2011, the Group had unpledged cash and bank deposit balances of approximately HK\$121.2 million (31 March 2011: HK\$106.5 million). As at 30 September 2011, the Group had outstanding bank borrowing of HK\$273.3 million (31 March 2011: HK\$264.3 million). The gearing ratio of the Group which represented the total bank borrowings to the total assets was 42% (31 March 2011: 42%).

Treasury and Funding Policy

The assets and liabilities of the Group are mainly denominated in Hong Kong dollars and Renminbi. The Group's bank borrowing is on a floating rate at the prime lending rate of the People's Bank of China. The maximum bank facilities granted by bank to the Group is HK\$390.4 million (31 March 2011: HK\$377.6 million). Taking into account cash in hand and available credit facilities, the Group has sufficient working capital for its present requirements. The Renminbi has been pegged to a basket of currencies. Accordingly, the Group has minimal exposure to foreign exchange fluctuation.

Pledge of Assets

As at 30 September 2011, the hotel properties held with an aggregate carrying amount of approximately HK\$306.3 million (31 March 2011: HK\$302.8 million) were mortgaged to a bank to secure banking facilities granted to the Group.

Investments

As at 30 September 2011, the Group had no investment in listed and unlisted equity securities (31 March 2011: Nil).

Contingent Liability

As at 30 September 2011, the Group had no significant contingent liabilities.

Employees and Remuneration Policies

The Group employed approximately 530 employees as at 30 September 2011 (31 March 2011: 570). Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually depending on individual merits. The Group also provides other benefits including retirement benefit scheme, medical insurance and educational subsidies to all eligible staff.

CHAIRMAN'S STATEMENT

EVENTS AFTER THE REPORTING PERIOD

1. Acquisition of equity interests in SouFun Holdings Limited ("SouFun")

As at the close of trading hours of the New York Stock Exchange (the "NYSE") on 30 September 2011 (the US time), which is 1 October 2011 (the Hong Kong time), the Company acquired in aggregate 25,000 shares of SouFun through various on-market transactions on the NYSE (the "Acquisition"). The aggregate consideration of the Acquisition was US\$284,410 (approximately equivalent to HK\$2,218,000), which would be settled in cash on the basis of the third business day after the transaction date. The equity interests acquired represent approximately 0.03% of the total issued share capital of SouFun as at the date of Acquisition. SouFun is a company listed on the NYSE conducting real estate internet business in the PRC. The Board considered that SouFun was a good investment and the investment was made to generate returns on the Company's cash.

As at the date of Acquisition, Mr. Mo Tianquan ("Mr. Mo") was the substantial shareholder and director of SouFun, beneficially holding approximately 32.4% in the total issued share capital of SouFun, and Mr. Mo was also a controlling shareholder and non-executive director of the Company. Therefore, SouFun was regarded as a connected person of the Company and hence the Acquisition constituted a connected transaction for the Company pursuant to Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Further details on the Acquisition are contained in the announcement of the Company dated 4 October 2011.

2. Formation of a joint venture company

On 6 October 2011, 廣西沃頓國際大酒店有限公司 (literally translated as Guangxi Wharton International Hotel Limited) ("Guangxi Wharton"), an indirect wholly-owned subsidiary of the Company, entered into a joint venture agreement (the "JV Agreement") with 北京普凱世杰投資諮詢有限公司 (literally translated as Beijing Pukai Shijie Investment Consultancy Company) (the "JV Partner") in relation to the formation of a joint venture company (the "JV Company"). The JV Agreement was subsequently varied and supplemented by a supplemental agreement (the "Supplemental Agreement") entered into between Guangxi Wharton and the JV Partner on 29 November 2011. Pursuant to the terms of the JV Agreement and the Supplemental Agreement, the formation of the JV Company was for the purposes of investment in and management of the existing hotel projects of the JV Partner and/or any potential hotel projects in the PRC or any place with development potential. The total capital investment in the JV Company by both parties would be RMB300 million in aggregate, in which RMB80 million would be invested in cash by Guangxi Wharton and the remaining RMB220 million would be invested in cash by the JV Partner upon completion of the JV Agreement and the Supplemental Agreement. It is expected that the capital investment by Guangxi Wharton would be funded by the available internal resources of the Group. The JV Company would be owned by Guangxi Wharton as to approximately 26.7% and by the JV Partner as to approximately 73.3%. The Board considered that the entering into of the JV Agreement and the Supplemental Agreement was an opportunity of the Group to further diversify and enlarge its existing businesses on hotel investments. It would also create a potential for the Group to further expand its hotel investments in the future through the strategic alliance with the JV Partner, which was experienced and professional in hotel investments.

CHAIRMAN'S STATEMENT

EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

2. Formation of a joint venture company (continued)

As the JV Partner was beneficially owned as to 80% by Mr. Mo, who was also a non-executive director and controlling shareholder of the Company, the JV Partner was regarded as a connected person of the Company and the entering into of the JV Agreement and the Supplemental Agreement constituted a major and connected transaction for the Company under Chapter 14 and Chapter 14A of the Listing Rules respectively, which will be subject to the approval from the independent shareholders of the Company.

Further details on the JV Agreement and the Supplemental Agreement are contained in the announcements of the Company dated 6 October 2011 and 29 November 2011 respectively.

By Order of the Board

Cao Jing

Executive Chairman

Hong Kong, 30 November 2011

GENERAL INFORMATION

CORPORATE GOVERNANCE

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. On specific enquiries made, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2011.

Compliance with the Code on Corporate Governance Practices

In the opinion of the Board, the Company had complied with the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules during the interim period, except that:

1. CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. All the existing non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.
2. CG Code provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Board will ensure the retirement of each director, other than those hold office as Executive Chairman or Managing Director, by rotation at least once every three years in order to comply with the CG Code. The Board presently considers that the continuity of office of the Executive Chairman and the Managing Director provides the Group a strong and consistent leadership and is of great importance to the smooth operations of the Group.
3. CG Code provision B.1.3 stipulates that the terms of reference of the remuneration committee of the Company (the "Remuneration Committee") should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company has adopted the terms of reference for the Remuneration Committee on 21 December 2005, which were subsequently amended. Pursuant to the terms of reference for the Remuneration Committee, it is stipulated that the Remuneration Committee has the duty to "review" as opposed to "determine" the specific remuneration packages of executive directors and senior management.

The remuneration of the executive directors and senior management of the Company is reviewed by the Remuneration Committee and recommended to the Board and the chairman of the Board respectively for determination, taking into account of market pay and individual performance. In the opinion of the directors, the current practice serves the same purpose as laid down by the CG Code.

4. CG Code provision E.1.2 stipulates that the chairman of the Board should attend the annual general meeting of the Company. The chairman did not attend the 2011 annual general meeting due to other business engagement. Another director of the Company had chaired the 2011 annual general meeting and answered questions from the shareholders. In the opinion of the directors, the Company had provided a useful and convenient forum for shareholders to exchange views with the Board and with each other, and had served the same purpose as laid down by CG Code.

GENERAL INFORMATION

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee

The audit committee of the Company (the “Audit Committee”) comprises three directors, all of whom are independent non-executive directors, namely Mr. Palaschuk Derek Myles (Chairman), Professor Ye Jianping and Mr. Yao Xusheng. Regular meetings have been held by the Audit Committee since establishment and it meets at least twice each year to review and supervise the Group’s financial reporting process and internal control. The Company’s interim results for the six months ended 30 September 2011 have not been audited, but have been reviewed by the Audit Committee.

DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2011, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code, were as follows:

(a) Long positions in ordinary shares of the Company

Name of director	Nature of interests	Number of ordinary shares beneficially owned	Percentage of the Company’s issued share capital
Mo Tianquan	Corporate	209,753,409 <i>(Note 1)</i>	60.39%
Cao Jing	Family	209,753,409 <i>(Note 2)</i>	60.39%

Note 1: These shares are held by Upsky Enterprises Limited, a company in which Mr. Mo Tianquan is a director and a sole shareholder.

Note 2: Ms. Cao Jing is interested in the shares held by Upsky Enterprises Limited by virtue of her marital relationship with Mr. Mo Tianquan.

GENERAL INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

(b) Long positions in convertible bonds of the Company

Name of director	Nature of interests	Number of underlying shares
Mo Tianquan	Corporate	324,763,193 (Note 1)
Cao Jing	Family	324,763,193 (Note 2)

Note 1: The underlying shares represented the new ordinary shares to be issued upon full conversion of HK\$120,000,000 convertible bonds held by Tanisca Investments Limited, a company wholly-owned by Mr. Mo Tianquan, at a conversion price of HK\$0.3695 per share issued by the Company on 28 March 2008.

Note 2: Ms. Cao Jing is interested in the underlying shares held by Tanisca Investments Limited by virtue of her marital relationship with Mr. Mo Tianquan.

Save as disclosed above, as at 30 September 2011, none of the directors of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the six months ended 30 September 2011 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

GENERAL INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2011, the following interests in 5% or more of the issued share capital and underlying shares of the Company were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

(a) Long position in ordinary shares of the Company

Name of shareholder	Capacity and nature of interests	Number of ordinary shares beneficially owned	Percentage of the Company's issued share capital
Upsky Enterprises Limited	Directly beneficially owned	209,753,409	60.39%

(b) Long position in convertible bonds of the Company

Name	Capacity and nature of interests	Number of underlying shares
Tanisca Investments Limited	Directly beneficially owned	324,763,193 (Note 1)

Note 1: The underlying shares represented the new ordinary shares to be issued upon full conversion of HK\$120,000,000 convertible bonds held by Tanisca Investments Limited at a conversion price of HK\$0.3695 per share issued by the Company on 28 March 2008.

Save as disclosed above, as at 30 September 2011, no person, other than the directors of the Company, whose interests are set out in the section "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2011, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 September	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
CONTINUING OPERATIONS			
REVENUE	3	76,082	65,834
Cost of sales		(39,049)	(28,638)
Gross profit		37,033	37,196
Other income	3	891	474
Administrative expenses		(19,307)	(24,496)
Finance costs	4	(14,090)	(11,083)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	5	4,527	2,091
Income tax expense	6	(2,873)	—
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		1,654	2,091
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation	7	—	749
PROFIT FOR THE PERIOD		1,654	2,840
Attributable to:			
Owners of the Company		1,654	2,878
Non-controlling interests		—	(38)
		1,654	2,840

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Six months ended 30 September	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	<i>8</i>		
Basic			
— For profit for the period		0.48 cent	0.83 cent
— For profit from continuing operations		0.48 cent	0.61 cent
Diluted			
— For profit for the period		0.48 cent	0.83 cent
— For profit from continuing operations		0.48 cent	0.61 cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2011	2010
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
PROFIT FOR THE PERIOD	1,654	2,840
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	7,879	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	9,533	2,840
Attributable to:		
Owners of the Company	9,533	2,878
Non-controlling interests	—	(38)
	9,533	2,840

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		493,512	485,356
CURRENT ASSETS			
Inventories		3,155	2,819
Trade receivables	9	17,719	17,210
Prepayments, deposits and other receivables		19,900	11,179
Cash and cash equivalents		121,190	106,524
Total current assets		161,964	137,732
CURRENT LIABILITIES			
Trade payables	10	13,084	10,918
Other payables and accruals		40,203	36,168
Due to related companies		708	685
Tax payable		7,009	3,999
Interest-bearing bank borrowing — current portion		3,660	3,540
Total current liabilities		64,664	55,310
NET CURRENT ASSETS		97,300	82,422
TOTAL ASSETS LESS CURRENT LIABILITIES		590,812	567,778
NON-CURRENT LIABILITIES			
Convertible bonds		104,409	99,748
Interest-bearing bank borrowing		269,620	260,780
Total non-current liabilities		374,029	360,528
Net assets		216,783	207,250

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	11	3,473	3,473
Equity component of convertible bonds		43,272	43,272
Reserves		170,038	160,505
		216,783	207,250
Non-controlling interests		—	—
Total equity		216,783	207,250

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Equity component of			Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
				convertible bonds	Capital redemptions reserve	Exchange fluctuation reserve				
				(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000				
At 1 April 2011	3,473	119,068*	46,909*	43,272	132*	8,557*	(14,161)*	207,250	—	207,250
Profit for the period	—	—	—	—	—	—	1,654	1,654	—	1,654
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	—	—	—	—	—	7,879	—	7,879	—	7,879
Total comprehensive income for the period	—	—	—	—	—	7,879	1,654	9,533	—	9,533
At 30 September 2011	3,473	119,068*	46,909*	43,272	132*	16,436*	(12,507)*	216,783	—	216,783
At 1 April 2010	3,473	119,068	46,909	43,272	132	—	(15,808)	197,046	1,265	198,311
Profit for the period and total comprehensive income for the period	—	—	—	—	—	—	2,878	2,878	(38)	2,840
Disposal of subsidiaries	—	—	—	—	—	—	—	—	(502)	(502)
At 30 September 2010	3,473	119,068	46,909	43,272	132	—	(12,930)	199,924	725	200,649

* These reserve accounts comprise the consolidated reserves of HK\$170,038,000 (31 March 2011: HK\$160,505,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Net cash inflow from operating activities	19,651	2,914
Net cash outflow from investing activities	(8,092)	(7,473)
Cash flow from financing activities	—	—
Net increase/(decrease) in cash and cash equivalents	11,559	(4,559)
Cash and cash equivalents at beginning of period	106,524	86,901
Effect of foreign exchange rate changes	3,107	—
Cash and cash equivalents at end of period	121,190	82,342
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	29,069	74,496
Non-pledged time deposits with original maturity of less than three months when acquired	92,121	7,846
	121,190	82,342

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30 September 2011 has been prepared in accordance with the disclosure requirements set out in Appendix 16 of the Listing Rules and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2011.

Accounting policies

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial information are consistent with those followed in the preparation of the Group’s financial statements for the year ended 31 March 2011, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong, that affect the Group and are adopted for the first time for the current period’s financial information.

HKFRS 1 Amendment	<i>Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 34 Amendment	<i>Amendment to HKAS 34 Interim Financial Reporting</i>
HK(IFRIC)-Int 14 Amendments	<i>Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

The adoption of the new and revised HKFRSs has had no significant financial effect on the unaudited condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) the hotel business consists of the hotel and restaurant operations in the PRC;
- (b) the building services contracting and maintenance business consisted of the provisions of building related maintenance services. In the prior period, on 28 September 2010, the Group disposed of the whole of the building services contracting and maintenance business, upon which this operating segment was discontinued; and
- (c) the corporate and others segment consists of corporate income and expense items.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Intersegment sales and transfers, if any, are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

During the period, the Group's operating segments changed as a result of the change in the Group's internal organisation structure. The corresponding information for the six months ended 30 September 2010 has been re-presented accordingly.

Segment results:

	For the six months ended 30 September									
	Continuing operations						Discontinued operation			
	Hotel business		Corporate and others		Total continuing operations		Building services contracting and maintenance business		Total	
	2011 (Unaudited) HK\$'000	2010 HK\$'000	2011 (Unaudited) HK\$'000	2010 HK\$'000	2011 (Unaudited) HK\$'000	2010 HK\$'000	2011 (Unaudited) HK\$'000	2010 HK\$'000	2011 (Unaudited) HK\$'000	2010 HK\$'000
Segment revenue:										
Sales to external customers	76,082	65,834	—	—	76,082	65,834	—	1,321	76,082	67,155
Other revenue	890	436	1	38	891	474	—	496	891	970
Revenue	76,972	66,270	1	38	76,973	66,308	—	1,817	76,973	68,125
Segment results	20,622	15,312	(2,005)	(2,138)	18,617	13,174	—	749	18,617	13,923
<i>Reconciliation</i>										
Finance costs					(14,090)	(11,083)	—	—	(14,090)	(11,083)
Profit before tax					4,527	2,091	—	749	4,527	2,840

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. REVENUE AND OTHER INCOME

Revenue from continuing operations, which is also the Group's turnover, represents income from hotel and restaurant operations during the reporting period.

An analysis of the Group's other income from continuing operations is as follows:

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Bank interest income	275	38
Others	616	436
	891	474

4. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	8,827	6,276
Interest on convertible bonds	5,263	4,807
	14,090	11,083

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:[^]

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Cost of services provided	39,049	28,638
Depreciation	15,341	14,299
Minimum lease payments under operating leases in respect of land and buildings	165	92
Employee benefit expense (including directors' remuneration)	8,660	8,625

[^] The disclosures presented in this note include those amounts charged in respect of the discontinued operation.

6. INCOME TAX

The Company is exempt from tax in Bermuda until 2016. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2010: Nil). The tax charge on profits assessable elsewhere was HK\$2,873,000 for the period (2010: Nil), which has been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7. DISCONTINUED OPERATION

In the prior period, on 21 September 2010, the Company announced the decision of the Board to dispose of its entire interest in Super Highway Services Limited and its subsidiaries (collectively the “Disposed Group”). The Disposed Group was engaged in the building services contracting and maintenance business. The disposal of the Disposed Group was completed on 28 September 2010. As at 30 September 2010, no assets or liabilities of the Group were attributable to the discontinued operation.

	Six months ended 30 September 2010 HK\$'000
Revenue and other income	1,817
Expenses	<u>(1,517)</u>
Profit for the period of the discontinued operation	300
Gain on disposal of the Disposed Group	<u>449</u>
Profit before tax from the discontinued operation	749
Income tax expense	<u>—</u>
Profit for the period from the discontinued operation	<u><u>749</u></u>
Attributable to:	
Owners of the Company	749
Non-controlling interests	<u>—</u>
	<u><u>749</u></u>

The net cash flows incurred by the Disposed Group are as follows:

	Six months ended 30 September 2010 HK\$'000
Operating activities	1,358
Investing activities	(6,283)
Financing activities	<u>—</u>
Net cash outflow	<u><u>(4,925)</u></u>
Earnings per share:	
Basic, from the discontinued operation	0.22 cent
Diluted, from the discontinued operation	<u><u>0.11 cent</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7. DISCONTINUED OPERATION (CONTINUED)

The calculation of basic and diluted earnings per share from the discontinued operation is based on:

	Six months ended 30 September 2010
Profit attributable to owners of the Company from the discontinued operation	<u>HK\$749,000</u>
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>347,326,000</u>
Weighted average number of ordinary shares used in the diluted earnings per share calculation	<u>672,089,193</u>

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 347,326,000 (2010: 347,326,000) in issue during the period.

The calculation of diluted earnings per share amount is based on the profit for the period attributable to owners of the Company, adjusted to reflect the interest on the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings per share amount presented for the periods ended 30 September 2011 and 2010 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (CONTINUED)

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation:		
From continuing operations	1,654	2,129
From a discontinued operation	—	749
	1,654	2,878
Interests on convertible bonds	5,263	4,807
Profit attributable to owners of the Company before interests on convertible bonds	6,917*	7,685*
Attributable to:		
Continuing operations	6,917	6,936
Discontinued operation	—	749
	6,917	7,685

	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	347,326,000	347,326,000
Effect of dilution of the convertible bonds on the weighted average number of ordinary shares	324,763,193	324,763,193
	672,089,193*	672,089,193*

* Because the diluted earnings per share amount increases when taking the convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the periods and were ignored in the calculation of diluted earnings per share. Therefore, diluted earnings per share amounts are based on the profit for the period attributable to the owners of the Company and the profit attributable to the owners of the Company from continuing operations of HK\$HK\$1,654,000 (2010: HK\$2,878,000) and HK\$1,654,000 (2010: HK\$2,129,000), respectively, and the weighted average number of ordinary shares of 347,326,000 (2010: 347,326,000) in issue during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9. TRADE RECEIVABLES

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Trade receivables	18,248	17,739
Impairment	(529)	(529)
	17,719	17,210

The Group grants to its trade customers credit periods which normally range from cash on delivery of services to 60 days. A longer credit period is granted to a few customers with long business relationship with the Group and with strong financial positions. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at 30 September 2011, based on the invoice date and net of impairment of trade receivables, is as follows:

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
0 to 30 days	2,904	3,675
31 to 60 days	2,487	1,782
61 to 90 days	954	1,617
Over 90 days	11,374	10,136
	17,719	17,210

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10. TRADE PAYABLES

An aged analysis of trade payables as at 30 September 2011, based on the invoice date, is as follows:

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Current to 30 days	5,756	2,793
31 to 60 days	2,167	2,084
Over 60 days	5,161	6,041
	13,084	10,918

11. SHARE CAPITAL

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Authorised: 8,000,000,000 ordinary shares of HK\$0.01 each	80,000	80,000
Issued and fully paid: 347,326,000 ordinary shares of HK\$0.01 each	3,473	3,473

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. OPERATING LEASE ARRANGEMENTS

As lessee, the Group leases certain of its office properties under operating lease arrangements. Leases for office properties are negotiated for terms of three to five years (31 March 2011: three to five years).

At 30 September 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 September 2011 (Unaudited) HK\$'000	As at 31 March 2011 (Audited) HK\$'000
Within one year	681	747
In the second to fifth years, inclusive	331	622
	1,012	1,369

13. COMMITMENTS

Save for the operating lease commitments detailed in note 12 above, the Group had no significant capital commitment outstanding as at 30 September 2011 (31 March 2011: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14. CONTINGENT LIABILITIES

As at 30 September 2011, the Group had no significant contingent liabilities.

15. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in the condensed consolidated interim financial information, the Group had the following material transactions with related parties during the six months ended 30 September 2011:

	<i>Note</i>	Six months ended 30 September	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interest expenses on convertible bonds paid or payable to a related company	(i)	602	601

Note:

- (i) Interest expenses on convertible bonds were paid and payable to Tanisca Investments Limited ("Tanisca"), the holder of the convertible bonds, at 1% per annum. Tanisca is wholly owned by Mr. Mo Tianquan ("Mr. Mo"), who is a non-executive director of the Company and is also interested in approximately 60.39% of the total issued share capital of the Company as at 30 September 2011. Mr. Mo was thus a connected person (as defined under the Listing Rules) of the Company and therefore the issue of the convertible bonds constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the transaction and the terms of the convertible bonds were disclosed in a circular dated 21 November 2007 to all shareholders of the Company.
- (b) **Compensation of key management personnel of the Group**
The executive directors of the Company are the key management personnel of the Group. During the reporting period, the short-term employee benefits to the key management personnel were HK\$50,000 (2010: HK\$50,000), being the directors' fees to the executive directors, and no post-employment benefit has been made to them during the period (2010: Nil).