



SHUN CHEONG
Interim Report **Holdings Limited**
2012 (Incorporated in Bermuda with limited liability)
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

DENG Wei

AUDIT COMMITTEE

PALASCHUK Derek Myles (*Chairman*)

YE Jianping

DENG Wei

REMUNERATION COMMITTEE

DENG Wei (*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 Fulcrum Group (Bermuda) Limited

26 Burnaby Street

Hamilton HM11

Bermuda

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Shops 1712–1716

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

22/F, CITIC Tower

1 Tim Mei Avenue, 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 2012, the Group was mainly engaged in the hotel and restaurant operations of the Guangxi Wharton International Hotel Limited* (廣西沃頓國際大酒店有限公司) (the "Nanning Hotel") located in Guangxi Province, the People's Republic of China (the "PRC"). During the period, the Group's revenue from the operation of the Nanning Hotel increased by 11% to HK\$84.5 million (2011: HK\$76.1 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 period, the Nanning Hotel reported an average room rate of HK\$769 (2011: HK\$688) and an average occupancy rate of 65% (2011: 66%). Although the Nanning Hotel managed to improve its revenue, the operating costs for the hotel also increased. In particular, the salary and staff related costs, electricity cost and the hotel maintenance expenditure increased significantly. Due to the increases in both the revenue and operating costs, the Group has recorded a gross profit of HK\$36.6 million which is similar to last year's level (2011: HK\$37.0 million). Attributable to the effort of the management by exercising stricter control over the Group's expenses, the Group's profit before tax and profit for the period have increased to HK\$6.0 million (2011: HK\$4.5 million) and HK\$2.9 million (2011: HK\$1.7 million), respectively.

In February 2012, the Group completed the transaction of the formation of Guangxi Pukai Xingye Hotel Investment Limited* (廣西普凱興業酒店投資有限公司) (the "JV Company"). The JV Company was owned by the Group as to 26.7% of its equity interest and was treated as a jointly-controlled entity of the Group. The JV Company was principally engaged in the investment in and operation of the Beihai Yintan Project No.1* (北海銀灘一號項目) (the "Yintan Project"), which is a project of one five-star hotel located in the major seashore tourism area of Beihai City, Guangxi Province, the PRC. Currently, the Yintan Project is going through the internal testing and rehearsal stage and it is expected that the business operation of the Yintan Project will formally commence by the first quarter of 2013. For the reporting period, the Group recorded a share of loss of the jointly-controlled entity of approximately HK\$33,000.

As at 30 September 2012, net asset value attributable to owners of the Company increased by 1.4%, amounting to HK\$212.6 million (as at 31 March 2012: HK\$209.6 million).

BUSINESS PROSPECT

Looking ahead, the Group will further focus on the management and development of its core business in the Nanning Hotel with the primary objectives to improve its operation efficiency and to exercise stricter control over its operating costs. Also, 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) 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 strong commitment of the Group's management, 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 in the PRC, the Board believes that the Nanning Hotel would contribute positively to the Group's performance in the coming years.

* For identification purpose only

CHAIRMAN'S STATEMENT

BUSINESS PROSPECT (CONTINUED)

Besides the development of the existing core business in the Nanning Hotel, it has been the intention and strategy of the Group to further diversify and enlarge its hotel investments and portfolio. The Group will continue to explore and evaluate other potential investment opportunities which could bring long-term benefits to the Group and its shareholders. Such intention is evidenced by our investment in the Yintan Project in early 2012. With the excellent hotel quality and attractive location of the Yintan Project, the Board considers that the Yintan Project has a potential to seize the high ranking in the hotel market of Beihai City. The Board believes that the prospect of the Yintan Project will be promising and expects that it will have a positive impact on the Group's future performance.

INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30 September 2012 (2011: Nil).

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 2012, the Group had unpledged cash and bank deposit balances of approximately HK\$57.6 million (31 March 2012: HK\$64.0 million). As at 30 September 2012, the Group had outstanding bank borrowings of HK\$271.8 million (31 March 2012: HK\$271.8 million). The gearing ratio of the Group which represented the total bank borrowings to the total assets was 40% (31 March 2012: 39%).

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. Taking into account of the expected cash flows of the Group's operations and cash and investment in marketable securities currently in hand, the Group expects that it will have sufficient working capital for its financial liabilities as they fall due. As the main operation of the Group is in the PRC, the Group has minimal exposure to foreign exchange fluctuation in Renminbi.

Pledge of Assets

As at 30 September 2012, the hotel properties held with an aggregate carrying amount of approximately HK\$290.0 million (31 March 2012: HK\$298.0 million) were mortgaged to a bank to secure banking facilities granted to the Group.

Investments

As at 30 September 2012, the Group had investment in listed equity securities, at market value, of HK\$3,013,000 (31 March 2012: HK\$3,524,000).

Contingent Liabilities

As at 30 September 2012, the Group had no significant contingent liabilities.

CHAIRMAN'S STATEMENT

FINANCIAL REVIEW (CONTINUED) Employees and Remuneration Policies

The Group employed approximately 590 employees as at 30 September 2012 (31 March 2012: 520). 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.

By Order of the Board

Cao Jing

Executive Chairman

Hong Kong, 27 November 2012

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2012.

Compliance with the Corporate Governance Code

In the opinion of the Board, the Company had complied with the applicable code provisions of the Corporate Governance Code (the "CG Code"), which was revised and renamed with effect from 1 April 2012, 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. As a result, the Board concurred that the Executive Chairman and the Managing Director need not be subject to retirement by rotation.
3. 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 2012 annual general meeting due to other business engagement. Another director of the Company had chaired the 2012 annual general meeting and answered questions from the shareholders together with chairman/member/duly appointed delegate of the audit committee (the "Audit Committee"), the remuneration committee and the nomination committee of the Company. In the opinion of the directors, the Company had provided a useful, effective 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.

Audit Committee

The Audit Committee comprises three directors, all of which are independent non-executive directors, namely Mr. Palaschuk Derek Myles (Chairman), Professor Ye Jianping and Mr. Deng Wei. 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 2012 have not been audited, but have been reviewed by the Audit Committee.

GENERAL INFORMATION

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

As at 30 September 2012, 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 (Note 1)	60.39%
Cao Jing	Family	209,753,409 (Note 2)	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.

(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.

GENERAL INFORMATION

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

Save as disclosed above, as at 30 September 2012, 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 2012 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.

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

As at 30 September 2012, 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.

GENERAL INFORMATION

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

Save as disclosed above, as at 30 September 2012, 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 2012, 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	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
REVENUE	3	84,453	76,082
Cost of sales		(47,848)	(39,049)
Gross profit		36,605	37,033
Other income	3	1,327	891
Administrative expenses		(16,122)	(19,307)
Fair value loss on equity investment at fair value through profit or loss		(511)	–
Finance costs	4	(15,290)	(14,090)
Share of loss of a jointly-controlled entity		(33)	–
PROFIT BEFORE TAX	5	5,976	4,527
Income tax expense	6	(3,091)	(2,873)
PROFIT FOR THE PERIOD		2,885	1,654
Attributable to:			
Owners of the Company		2,920	1,654
Non-controlling interests		(35)	–
		2,885	1,654
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	7		
Basic and diluted		0.84 cent	0.48 cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	2,885	1,654
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	54	7,879
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,939	9,533
Attributable to:		
Owners of the Company	2,974	9,533
Non-controlling interests	(35)	–
	2,939	9,533

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 September 2012 (Unaudited) HK\$'000	As at 31 March 2012 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		482,088	494,772
Investment in a jointly-controlled entity		98,367	98,400
Total non-current assets		580,455	593,172
CURRENT ASSETS			
Inventories		4,280	4,551
Trade receivables	8	25,437	22,526
Prepayments, deposits and other receivables		14,855	10,700
Equity investment at fair value through profit or loss		3,013	3,524
Cash and cash equivalents		57,579	63,972
Total current assets		105,164	105,273
CURRENT LIABILITIES			
Trade payables	9	10,675	11,903
Other payables, accruals and deposits		47,416	50,358
Due to related companies		795	20,812
Tax payable		8,345	5,254
Convertible bonds	10	114,482	109,316
Interest-bearing bank borrowing — current portion		38,745	38,745
Total current liabilities		220,458	236,388
NET CURRENT LIABILITIES		(115,294)	(131,115)
TOTAL ASSETS LESS CURRENT LIABILITIES		465,161	462,057
NON-CURRENT LIABILITIES			
Due to related companies		10,400	10,235
Interest-bearing bank borrowing		233,085	233,085
Total non-current liabilities		243,485	243,320
Net assets		221,676	218,737

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2012 (Unaudited) HK\$'000	As at 31 March 2012 (Audited) HK\$'000
	<i>Note</i>		
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		165,857	162,883
		212,602	209,628
Non-controlling interests		9,074	9,109
Total equity		221,676	218,737

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Issued capital	Share premium account	Contributed surplus	Equity component			Other reserve**	Accumulated losses	Total	Non-controlling interests	Total equity
				of convertible bonds	Capital redemptions reserve	Exchange fluctuation reserve					
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2012	3,473	119,068*	46,909*	43,272	132*	18,303*	1,699*	(23,228)*	209,628	9,109	218,737
Profit for the period	-	-	-	-	-	-	-	2,920	2,920	(35)	2,885
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	54	-	-	54	-	54
Total comprehensive income for the period	-	-	-	-	-	54	-	2,920	2,974	(35)	2,939
At 30 September 2012	3,473	119,068*	46,909*	43,272	132*	18,357*	1,699*	(20,308)*	212,602	9,074	221,676
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

* These reserve accounts comprise the consolidated reserves of HK\$165,857,000 (31 March 2012: HK\$162,883,000) in the condensed consolidated statement of financial position.

** Other reserve represents a contribution from related companies resulting from the balances of interest-free loans, being the difference between the loan principal and the fair value of their liability component calculated upon initial recognition.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Net cash inflow from operating activities	15,083	19,651
Net cash outflow from investing activities	(1,459)	(8,092)
Net cash outflow from financing activities	(20,017)	–
Net increase/(decrease) in cash and cash equivalents	(6,393)	11,559
Cash and cash equivalents at beginning of period	63,972	106,524
Effect of foreign exchange rate changes	–	3,107
Cash and cash equivalents at end of period	57,579	121,190
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	56,718	29,069
Non-pledged time deposits with original maturity of less than three months when acquired	861	92,121
	57,579	121,190

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1.1 BASIS OF PRESENTATION

As at 30 September 2012, the Group recorded net current liabilities of HK\$115,294,000, which included convertible bonds (the "Bonds") of HK\$114,482,000 and current portion of interest-bearing bank borrowing of HK\$38,745,000. In view of such circumstance, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

The unaudited condensed consolidated interim financial information has been prepared on a going concern basis. In the opinion of the directors of the Company, the Group should be able to continue as a going concern in the coming year taking into consideration of the following:

- (1) Pursuant to the terms of the Bonds, the holder of the Bonds, Tanisca Investments Limited ("Tanisca"), which is a company wholly owned by Mr. Mo Tianquan ("Mr. Mo"), a substantial shareholder holding 60.39% issued shares of the Company at 30 September 2012, may redeem the Bonds prior to maturity under certain circumstances. Upon maturity of the Bonds on 28 March 2013, the Bonds are mandatorily convertible into ordinary shares of the Company. Further details on the terms of the Bonds are set out in note 10 to the condensed financial statements. The Company received written confirmation from Tanisca that it will not redeem any portion of the Bonds during the remainder of the Bond term in any circumstance.
- (2) Management has formulated and implemented cost saving measures to improve the performance and the cash flows of the Group's operations.

Based on the aforesaid factors, the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial liabilities as they fall due for the foreseeable future. Accordingly, the unaudited condensed consolidated interim financial information has been prepared on a going concern basis.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the unaudited condensed consolidated interim financial information.

1.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30 September 2012 have 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 2012.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

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 2012, 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 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes — Deferred Tax: Recovery of Underlying Assets</i>

The adoption of the new and revised HKFRSs has had no significant financial effect on the unaudited 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 two reportable operating segments as follows:

- (a) the hotel business consists of the hotel and restaurant operations in the PRC; and
- (b) 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 results, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that finance costs 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment results:

	For the six months ended 30 September					
	Hotel business		Corporate and others		Total	
	2012	2011	2012	2011	2012	2011
	(Unaudited)		(Unaudited)		(Unaudited)	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:						
Sales to external customers	84,453	76,082	–	–	84,453	76,082
Other revenue	1,326	890	1	1	1,327	891
Revenue	85,779	76,972	1	1	85,780	76,973
Segment results	23,860	20,622	(2,594)	(2,005)	21,266	18,617
<i>Reconciliation</i>						
Finance costs					(15,290)	(14,090)
Profit before tax					5,976	4,527

3. REVENUE AND OTHER INCOME

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

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

	Six months ended	
	30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	142	275
Others	1,185	616
	1,327	891

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2012	2011
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on bank loans wholly repayable within five years	9,359	8,827
Interest on convertible bonds	5,766	5,263
Imputed interest expense on non-current interest-free loans from related companies	165	–
	15,290	14,090

5. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2012	2011
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Cost of services provided	47,848	39,049
Depreciation*	14,285	15,341
Minimum lease payments under operating leases in respect of land and buildings	183	165
Employee benefit expense (including directors' remuneration)#	10,625	8,660

* This item is included in "cost of sales" in the condensed consolidated income statement.

Amount of HK\$7,371,000 (2011: HK\$5,252,000) is included in "cost of sales" in the condensed consolidated income statement.

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 (2011: Nil). The tax charge on profits assessable elsewhere was HK\$3,091,000 for the period (2011: HK\$2,873,000), 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. 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 (2011: 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 2012 and 2011 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.

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

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
<i>Earnings</i>		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	2,920	1,654
Interest on convertible bonds	5,766	5,263
Profit attributable to owners of the Company before interest on convertible bonds	8,686*	6,917*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

	Number of shares	
	2012	2011
<i>Shares</i>		
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 amount is based on the profit for the period attributable to owners of the Company of HK\$2,920,000 (2011: HK\$1,654,000) and the weighted average number of ordinary shares of 347,326,000 (2011: 347,326,000) in issue during the period.

8. TRADE RECEIVABLES

	As at 30 September 2012 (Unaudited) HK\$'000	As at 31 March 2012 (Audited) HK\$'000
Trade receivables	26,245	23,334
Impairment	(808)	(808)
	25,437	22,526

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8. TRADE RECEIVABLES (CONTINUED)

An aged analysis of the trade receivables as at 30 September 2012, based on the invoice date and net of impairment of trade receivables, is as follows:

	As at 30 September 2012 (Unaudited) HK\$'000	As at 31 March 2012 (Audited) HK\$'000
0 to 30 days	8,936	6,350
31 to 60 days	1,586	1,625
61 to 90 days	723	1,408
Over 90 days	14,192	13,143
	25,437	22,526

9. TRADE PAYABLES

An aged analysis of trade payables as at 30 September 2012, based on the invoice date, is as follows:

	As at 30 September 2012 (Unaudited) HK\$'000	As at 31 March 2012 (Audited) HK\$'000
Current to 30 days	3,447	3,558
31 to 60 days	2,628	2,282
Over 60 days	4,600	6,063
	10,675	11,903

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10. CONVERTIBLE BONDS

On 28 March 2008, the Company issued the five-year, 1% convertible bonds with a nominal value of HK\$120,000,000 (the "Bonds") to Tanisca. Interest is payable half yearly in arrears. The Bonds are convertible at any time from the first anniversary of the issue date to the maturity date of 28 March 2013, at the holder's option, into 200,000,000 ordinary shares of the Company at an initial conversion price of HK\$0.6 per share, subject to adjustments in certain events. The Bonds may be redeemed at the option of the Company in whole or in part, upon written confirmation to the bondholder in accordance with the terms of the Bonds, or by the bondholder under certain circumstances. Unless previously redeemed, purchased and cancelled or converted, all the outstanding Bonds will be converted into ordinary shares of the Company on the maturity date.

On 12 June 2008, the Company, by a rights issue, allotted and issued 208,395,600 ordinary shares of HK\$0.01 each at the price HK\$0.5 per share. As a result, the conversion price of the Bonds was adjusted from HK\$0.6 per share to HK\$0.3695 per share, and the number of shares falling to be issued upon full conversion of the Bonds was adjusted from 200,000,000 to 324,763,193 shares.

The fair value of the liability component of the Bonds was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The effective interest rate of the Bonds was 10.5% per annum. The residual amount was assigned as the equity component of the Bonds and is included in shareholders' equity.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10. CONVERTIBLE BONDS (CONTINUED)

The Bonds have been split as to the liability and equity components, as follows:

	As at 30 September 2012 (Unaudited) HK\$'000	As at 31 March 2012 (Audited) HK\$'000
Nominal value of the Bonds issued	120,000	120,000
Equity component*	(43,405)	(43,405)
Direct transaction costs attributable to the liability component	(236)	(236)
Liability component at the issuance date	76,359	76,359
Interest expense	43,536	37,770
Interest paid and payable	(5,413)	(4,813)
Liability component at end of period	114,482	109,316

* The direct transaction costs attributable to the equity component of the Bonds amounted to HK\$133,000.

11. SHARE CAPITAL

	As at 30 September 2012 (Unaudited) HK\$'000	As at 31 March 2012 (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 2012: three to five years).

At 30 September 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 September 2012 (Unaudited) HK\$'000	As at 31 March 2012 (Audited) HK\$'000
Within one year	1,285	400
In the second to fifth years, inclusive	2,191	239
	3,476	639

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 2012 (31 March 2012: Nil).

14. CONTINGENT LIABILITIES

As at 30 September 2012, the Group had no significant contingent liabilities.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these condensed consolidated interim financial information, the Group had the following material transactions with related parties during the six months ended 30 September 2012:

	Note	Six months ended 30 September	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Interest expenses on the Bonds paid or payable to a related company	(i)	600	602

Note:

- (i) Interest expenses on the Bonds were paid and payable to Tanisca, the holder of the Bonds, at 1% per annum. Tanisca is wholly owned by 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 2012. Mr. Mo was thus a connected person (as defined under the Listing Rules) of the Company and therefore the issue of the Bonds constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the transaction and the terms of the 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 (2011: HK\$50,000), being the directors' fees to the executive directors, and no post-employment benefit has been made to them during the period (2011: Nil).