# SHUN CHEONG HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

*Stock Code: 650*

Annual Report

2013

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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

WANG Jing

## 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 HM12
Bermuda

## PRINCIPAL PLACE OF BUSINESS

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

## AUDITORS

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue, Causeway Bay
Hong Kong

## STOCK CODE

SEHK 650

## WEBSITE

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

# DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

## EXECUTIVE DIRECTORS

### Ms. Cao Jing — Executive Chairman

**Ms. Cao**, aged 45, was appointed as Executive Chairman of the Company on 2 May 2006. Prior to that, she had over 10 years of experience in architecting large-scale enterprise software, project management and leading development in various companies in the United States of America ("USA"). Ms. Cao holds a Bachelor's Degree in Automation Engineering from Tsinghua University, the People's Republic of China (the "PRC"), and a Master's Degree in Electrical Engineering from Wright State University, the USA. She is also a director of Upsky Enterprises Limited and the spouse of Mr. Mo Tianquan.

### Mr. Zhang Shaohua — Managing Director

**Mr. Zhang**, aged 49, was appointed as an independent non-executive director of the Company on 16 September 2006. On 6 March 2008, Mr. Zhang was re-designated as the executive director and appointed as the managing director of the Company. He is an entrepreneur with over 20 years of experience in starting up, developing and managing businesses in various industry sectors. He is the founder of and has been the managing director of Beijing Beyondal Electric Co. Ltd. since 2003, a company which has a large market share in setting up internet data centre in the PRC. He has worked as the General Manager (China) for GE Digital Energy and in other companies in the areas of power quality and precision environmental control industry for many years. He holds a Bachelor's Degree in Science from the South China University of Technology and a Master's Degree in Business Administration from the Capital University of Economics and Business, the PRC.

## NON-EXECUTIVE DIRECTOR

### Mr. Mo Tianquan

**Mr. Mo**, aged 49, was appointed as a director of the Company on 2 May 2006. He has over 14 years of experience in the provision of on-line information and analysis on the trading, leasing, financing and valuation of real estate properties. He holds a Bachelor's Degree in Mechanical Engineering from South China University of Technology, a Master's Degree in Engineering from Tsinghua University, the PRC and a Degree of Master of Arts from Indiana University, the USA. He is a director and the executive chairman of SouFun Holdings Limited, a company whose shares are listed on the New York Stock Exchange conducting real estate internet business in the PRC. Mr. Mo is also a director of and has beneficial interests in all the issued share capital of Upsky Enterprises Limited, the ultimate holding company of the Company holding approximately 60.39% of the issued share capital of the Company as at the date of this annual report. He is the spouse of Ms. Cao Jing.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### Prof. Ye Jianping

**Prof. Ye**, aged 51, was appointed as an independent non-executive director of the Company on 29 July 2006. He has been teaching in the Renmin University of China since 1985 and is the professor of the Department of Land and Real Estate Management of the Renmin University of China. He is also a council member of the China Land Science Society and the vice chairman of the China Institute of Real Estate Appraisers and Agents. He holds a Bachelor's Degree in Engineering from the Wuhan University, a Master's Degree in Economics and Doctorate in Management from the Renmin University of China. He is also a fellow member of The Royal Institute of Chartered Surveyors, a China Real Estate Appraiser and a China Land Appraiser.

### Mr. Palaschuk Derek Myles

**Mr. Palaschuk**, aged 49, was appointed as an independent non-executive director of the Company on 25 February 2008. He was chief financial officer of Longtop Financial Technologies, a New York Stock Exchange listed company from September 2006 to May 2011. He was previously the chief financial officer of eLong Inc, a China-based Nasdaq-listed company, from April 2004 until July 2006. Prior to this, he worked with Sohu.com, a China-based Nasdaq-listed company, from July 2000 to March 2004 in various financial positions including chief financial officer. He also worked as an audit manager with PricewaterhouseCoopers in Hong Kong and Beijing. He holds a Bachelor of Commerce degree in accounting from the University of Saskatchewan, and an LLB from the University of British Columbia in Canada. He is also a Canadian Chartered Accountant.

### Mr. Deng Wei

**Mr. Deng**, aged 49, has 19 years of professional experience in telecommunications industry and financial industry with operating expertise in general business management and private equity business. Over the past 10 years, he has established extensive deal sourcing and financing network with investment banks, real estate developers and operators, real estate brokers, and other intermediaries in Greater China area. Mr. Deng holds a Bachelor degree and a Master in Economics degree from Tsing Hua University in the PRC and a Master of Science degree from Carnegie-Mellon University in the USA. Mr. Deng has been the Managing Director of Century Bridge Capital Partners and the President of Beijing Century Bridge Investment Co. since May 2008, focusing on equity investment opportunities in the PRC's real estate market.

# CHAIRMAN'S STATEMENT

## BUSINESS REVIEW

For the year ended 31 March 2013, the revenue of the Group's continuing operation, being the operation 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 PRC, was decreased by 3% to HK$157.9 million (2012: HK$163.3 million). The decrease was mainly attributable to the lower occupancy rate in the restaurant operation of the Nanning Hotel. It has also experienced an increasing cost pressure during the year. In particular, the material costs and staff costs increased significantly owing to the inflationary factor in the PRC and the high turnover and persistent shortage of hotel staff. Such cost pressure, together with the additional expenditure in the maintenance of the Group's hotel operations and the increasing depreciation charge on the Group's fixed assets, led to a significant drop in the gross profit to HK$41.2 million for the current year (2012: HK$46.9 million). As a result of such drop in gross profit and the increase in finance costs this year, the Group recorded a loss before tax from continuing operation of HK$25.2 million for the year ended 31 March 2013 as compared to the results of HK$8.3 million loss for the prior year. During the year, the Nanning Hotel reported an average room rate of HK$764 (2012: HK$700) and an average occupancy rate of 60.5% (2012: 76%).

In February 2012, the Group completed the transaction of the formation of a joint venture company (the "JV Company") which was established for the purpose of hotel investment and was owned by the Group as to 26.7% of its equity interest upon completion. The JV Company was treated as a jointly-controlled entity of the Group. As at the date of this announcement, the JV Company has invested RMB300 million in 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. The construction of the Yintan Project was completed as at the date of this announcement and started operation on 26 April 2013.

## BUSINESS PROSPECTS

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) 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 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 is optimistic about the prospect of the Nanning Hotel and believes that it would 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 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 new investment in the Yintan Project completed in early 2012. With the excellent hotel quality and attractive location of the Yintan Project, the Board considers that the Yintan Project has a huge potential to seize the top 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.


## ACKNOWLEDGEMENT

Finally, I would like to express my appreciation to our shareholders for their continuous support and fellow directors and all members of staff for their dedication and contribution during this year.


**Cao Jing**
*Executive Chairman*

Hong Kong
28 June 2013

* *For identification purpose only*

# CORPORATE GOVERNANCE REPORT

The Company is committed to achieving high standards of corporate governance that properly protect and promote the interests of its shareholders. The monitoring and assessment of certain governance matters are allocated to three committees: the Audit Committee, the Remuneration Committee and the Nomination Committee which operate under the defined terms of reference and are required to report to the board of directors (the "Board") on a regular basis.

## CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company had complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2013, except for code provisions A.1.1, A.4.1, A.4.2, B.1.3 and E.1.2, details of which are discussed in this report.

## BOARD OF DIRECTORS

### Composition and Role

The Board comprises:

| | | |
|---|---|---|
| Executive Directors | — | Ms. Cao Jing *(Executive Chairman)* |
| | — | Mr. Zhang Shaohua *(Managing Director)* |
| Non-executive Director | — | Mr. Mo Tianquan |
| Independent Non-executive Directors | — | Prof. Ye Jianping |
| | — | Mr. Palaschuk Derek Myles |
| | — | Mr. Deng Wei |

The Board comprises two executive directors, one non-executive director and three independent non-executive directors. The biographical details of the directors are set out in the section "Directors' and Senior Management's Biographies" on page 3 of the annual report.

All directors are updated on governance and regulatory matters. The Company has also arranged appropriate director and officer liability insurance cover in respect of legal actions against its directors.

Members of the Board are collectively responsible for overseeing the business and affairs of the Group that aims to enhancing the Company's value for stakeholders. Roles of the Board include reviewing and guiding corporate strategies and policies; monitoring financial and operating performance; ensuring the integrity of the Group's accounting and financial reporting systems; and setting appropriate policies in managing risks of the Group while the day-to-day management is delegated to the executive directors and the management. The directors of the Company during the year and up to the date of this annual report are set out in the section "Directors" on page 12 of the annual report.

Except for Mr. Mo Tianquan and Ms. Cao Jing who are spouses, no director has any relationship (including financial, business, family or other material/relevant relationship) with any other directors of the Company.

## BOARD OF DIRECTORS (CONTINUED)

The Board held four board meetings during the year. Due notice and board papers were given to all directors prior to the meeting in accordance with the Bye-laws of the Company. The attendance of each director is set out as follows:

| Name of director | Number of meetings attended |
|---|---|
| *Executive Directors* | |
| Ms. Cao Jing *(Executive Chairman)* | 5/5 |
| Mr. Zhang Shaohua *(Managing Director)* | 5/5 |
| | |
| *Non-executive Director* | |
| Mr. Mo Tianquan | 5/5 |
| | |
| *Independent Non-executive Directors* | |
| Prof. Ye Jianping | 2/5 |
| Mr. Palaschuk Derek Myles | 2/5 |
| Mr. Deng Wei | 1/5 |

CG Code provision A.1.1 stipulates that the Board should meet regularly and board meeting should be held at least four times a year at approximately quarterly intervals. During the year, four board meetings were held to review and discuss the annual and interim results together with other corporate matters and transactions happened during the year. Although the board meetings held during the year were not convened on a quarterly basis, the directors considered that sufficient meetings had been held to cover all aspects of the Company's business.

Draft minutes of board meetings are circulated to directors for comments and the signed minutes are kept by the company secretary. All directors can access to board papers and related materials.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Company was Ms. Cao Jing and the Company did not have the position of Chief Executive Officer ("CEO"). The functions of CEO were performed by the Managing Director. The Managing Director of the Company was Mr. Zhang Shaohua. The roles of the Chairman and Managing Director were segregated and were not exercised by the same individual.

The executive directors and the management team of the Company, who are all experienced in hotel management and building related maintenance services, implement the decisions from the Board and make management proposals for the Board's consideration. The team assumes full accountability to the Board for all operations of the Group.

## RE-ELECTION OF DIRECTORS

CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election and that 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.

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.

According to the provisions of the Company's Bye-laws, at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to one-third) shall retire from office by rotation provided that the Executive Chairman and/or the Managing Director of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

## RE-ELECTION OF DIRECTORS (CONTINUED)

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 considered 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.

## REMUNERATION COMMITTEE

As at the date of this report, the remuneration committee of the Company (the "Remuneration Committee") comprises three directors, of which Mr. Deng Wei (Chairman) and Professor Ye Jianping are independent non-executive directors and Ms. Cao Jing is an executive director. The Remuneration Committee is responsible for reviewing the Company's policy and structure for the remuneration of the executive directors and senior management and giving advices on the establishment of a formal and transparent procedure for developing policy on such remuneration.

During the year, the Remuneration Committee held two meetings to review and discuss matters related to directors' fee and remuneration.

CG Code provision B.1.3 stipulates that the terms of reference of 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.

Details of remuneration packages of the directors during the year are set out under the heading "Directors' Remuneration" on pages 50 to 51 of this annual report. Two committee meetings were held during the year and the attendance of each member is shown as follows:

| Name of member | Number of meetings attended |
|---|---|
| Mr. Deng Wei *(Chairman)* | 2/2 |
| Ms. Cao Jing | 2/2 |
| Prof. Ye Jianping | 2/2 |

## AUDIT COMMITTEE

As at the date of this report, the audit committee of the Company (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.

The terms of reference for the Audit Committee have been adopted in line with the CG Code. 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 Board considers that each of the Audit Committee members has broad commercial experience and that there is an appropriate balance of experiences and skills covering business, accounting and financial management disciplines on the Audit Committee. The composition and the membership of the Audit Committee comply with the requirement under Rule 3.21 of the Listing Rules.

During the year ended 31 March 2013, the Audit Committee reviewed the accounting principles and policies adopted by the Company and discussed with management the financial reporting matters, internal controls, the unaudited interim results for the six months ended 30 September 2012 and the annual results for the year ended 31 March 2012. The financial statements of the Company and of the Group for the year ended 31 March 2013 had been reviewed by the Audit Committee.

## AUDIT COMMITTEE (CONTINUED)

The Audit Committee met two times during the year and the attendance of each member is shown as below:

| Name of member | Number of meetings attended |
|---|---|
| Mr. Palaschuk Derek Myles *(Chairman)* | 2/2 |
| Prof. Ye Jianping | 2/2 |
| Mr. Deng Wei | 2/2 |

Draft minutes of the Audit Committee meetings are circulated to members of the Audit Committee for comments and the signed minutes are kept by the company secretary.

## NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") comprises three directors, of which Professor Ye Jianping (Chairman) and Mr. Palaschuk Derek Myles are independent non-executive directors and Ms. Cao Jing is an executive director. The Nomination Committee shall meet when necessary to consider the appointment of directors.

Pursuant to the terms of reference, the Nomination Committee has the power from time to time and at any time to nominate any person as a director to fill a casual vacancy or as an addition to the Board. In assessing the nomination of new directors, the Nomination Committee has taken into consideration of the nominee's qualification, ability and potential contributions to the Company.

The Nomination Committee met two times during the year to consider the re-election of directors at the Company's annual general meeting and the appointment of a director. The attendance of the Nomination Committee meetings is shown below:

| Name of member | Number of meetings attended |
|---|---|
| Prof. Ye Jianping *(Chairman)* | 2/2 |
| Ms. Cao Jing | 2/2 |
| Mr. Palaschuk Derek Myles | 2/2 |

## AUDITORS' REMUNERATION

For the year ended 31 March 2013, services provided to the Group by SHINEWING, the existing auditors of the Company, and the respective fees paid and payable were:

| Services rendered | Fees<br>HK$'000 |
|---|---|
| Audit services | 480 |

## 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.

All directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2013.

## INTERNAL CONTROL

The Board has overall responsibilities for maintaining the Group's systems of internal control and reviewing their effectiveness. The internal control systems of the Group are designed to provide reasonable assurance to minimise risk of failure in operational systems, and to assist in the achievement of the Group's goals. The systems are also structured to safeguard the Group's assets, to ensure the maintenance of proper accounting records and compliance with applicable laws, rules and regulations.

The Audit Committee has the final authority to review and approve the annual audit plan and all major changes to the plan. In addition, special reviews may also be performed on areas of concern identified by management or the Audit Committee from time to time.

In respect of the year ended 31 March 2013, the Board and the Audit Committee conducted annual review of the effectiveness of the internal control system of the Group covering the finance, operational and compliance controls and risk management functions. Based on the review, the Board considered that the Group's internal control systems were effective and adequate for its present requirements.

## ACCOUNTABILITY AND AUDIT

The directors acknowledge their responsibility for overseeing the preparation of financial statements for each financial period with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. The statement of the external auditors of the Company, Messrs. SHINEWING, with regard to their reporting responsibilities on the Company's financial statements is set out in the Independent Auditors' Report on pages 17 and 18 of this annual report.

## COMMUNICATION WITH SHAREHOLDERS

The code provision E.1.2 of the CG Code 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.

The Company communicates with the shareholders of the Company through the publication of annual and interim reports, press announcements and circulars. The annual general meeting also provides a useful and convenient forum for shareholders to exchange views with the Board, and with each other. At the annual general meeting, the chairperson of the annual general meeting and chairman/member/duly appointed delegate of the Audit Committee, the Remuneration Committee and the Nomination Committee are available to answer the questions raised by shareholders.

# REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2013.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. During the year, the principal activities of its subsidiaries consisted of hotel and restaurant operations in the People's Republic of China. Details of the principal subsidiaries and their activities are set out in note 16 to the financial statements.

## RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 19 to 64.

The directors do not recommend the payment of any dividend in respect of the year (2012: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and operation review

A review of the Group's business operations and prospects is included in the Chairman's Statement on page 4 of the annual report.

### Liquidity and financial resources

The Group's cash and bank balances are mostly in Hong Kong dollars and Renminbi. As at 31 March 2013, the Group had unpledged cash and bank deposit balances of approximately HK$32.7 million (2012: HK$64.0 million). As at 31 March 2013, the Group had outstanding interest-bearing bank borrowings of HK$236.9 million (2012: HK$271.8 million). The gearing ratio of the Group which represented the total interest-bearing bank borrowings to the total assets was 37% (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

At 31 March 2013, the hotel properties held with an aggregate carrying amount of approximately HK$294.9 million (2012: HK$298.0 million) were pledged to a bank to secure banking facilities granted to the Group.

### Employees and remuneration policy

The Group employed approximately 574 employees as at 31 March 2013 (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.

# REPORT OF THE DIRECTORS

## SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated and reclassified as appropriate for consistent presentation, is set out below:

### RESULTS

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 2010 | 2009 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **CONTINUING OPERATION** | | | | | |
| REVENUE | **157,908** | 163,345 | 144,684 | 131,826 | 15,302 |
| Profit/(loss) for the year from a continuing operation | **(25,249)** | (9,429) | 135 | 217 | (8,420) |
| **DISCONTINUED OPERATION** | | | | | |
| Profit/(loss) for the year from a discontinued operation | **–** | – | 749 | 284 | (4,370) |
| PROFIT/(LOSS) FOR THE YEAR | **(25,249)** | (9,429) | 884 | 501 | (12,790) |
| Profit/(loss) attributable to: | | | | | |
| Owners of the parent | **(24,667)** | (9,067) | 1,647 | 633 | (12,684) |
| Non-controlling interests | **(582)** | (362) | (763) | (132) | (106) |
| | **(25,249)** | (9,429) | 884 | 501 | (12,790) |

### ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

| | As at 31 March | | | | |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 2010 | 2009 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| TOTAL ASSETS | **643,076** | 698,445 | 623,088 | 605,075 | 636,983 |
| TOTAL LIABILITIES | **(436,265)** | (479,708) | (415,838) | (406,764) | (439,173) |
| NON-CONTROLLING INTERESTS | **(8,683)** | (9,109) | – | (1,265) | (1,397) |
| | **198,128** | 209,628 | 207,250 | 197,046 | 196,413 |

The information set out above does not form part of the audited financial statements.

# REPORT OF THE DIRECTORS

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 15 to the financial statements.

## SHARE CAPITAL AND CONVERTIBLE BONDS

Details of movements in the Company's share capital during the year are set out in note 29 to the financial statements. Details of the movements in the convertible bonds of the Company during the year are set out in note 27 to the financial statements.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws in Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares during the year.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements and in the consolidated statement of changes in equity, respectively.

## DISTRIBUTABLE RESERVES

Under the laws of Bermuda the Company has no reserve available for distribution to shareholders as at 31 March 2013.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, both the sales to the Group's five largest customers and the purchases from the Group's five largest suppliers accounted for less than 30% of the total sales and purchases for the year respectively.

## DIRECTORS

The directors of the Company during the year and up to the date of this report were:

### Executive directors:

Cao Jing
Zhang Shaohua

### Non-executive director:

Mo Tianquan

### Independent non-executive directors:

Ye Jianping
Palaschuk Derek Myles
Deng Wei

In accordance with the Company's Bye-laws, Mr. Mo Tianquan and Prof. Ye Jianping will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on page 3 of the annual report.

# REPORT OF THE DIRECTORS

## DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## REMUNERATION POLICY

The Company's remuneration policy is built upon the principle of providing an equitable, motivating and market-competitive remuneration package that can stimulate and drive staff at all levels to work towards achieving the Group's strategic objectives.

The remuneration of the directors of the Company is reviewed by the Remuneration Committee, having regard to directors' duties, responsibilities, the Group's operating results and comparable market statistics.

Details of the directors' remuneration and the five highest paid individuals in the Group are set out in note 14 to the financial statements.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 33 to the financial statements and in the section headed "Connected transactions" below, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year.

## CONNECTED TRANSACTIONS

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the years ended 31 March 2013 and 2012.

### (a) Related parties' transactions

| Name of related party | Relationship | Nature of transactions | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|---|
| Tanisca | Related parties in which certain directors of the Company have beneficial interests | Interest paid on the convertible bond | **1,200** | 1,200 |

*Note:* Interest expense on the convertible bond was paid and payable to Tanisca, the holder of the convertible bond, at 1% per annum. Tanisca is wholly owned by Mr. Mo Tianquan, who is a non-executive director and is also interested in approximately 60.39% of the total issued share capital of the Company as at 31 March 2013. Mr. Mo Tianquan was thus a connected person (as defined under the Listing Rules) of the Company and the issue of the Bond constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the transaction and the terms of the Bond were disclosed in note 28.

### (b) Other arrangements of related parties' transactions

(i) On 30 September 2011 (the US time), the Group acquired in aggregate 25,000 shares in SouFun Holdings Limited ("SouFun") at the aggregate consideration of US$284,410 (approximately equivalent to HK$2,218,000) through various on-market transactions on the New York Stock Exchange. The equity interests acquired represented approximately 0.03% of the total issued share capital of SouFun as at the date of acquisition.

As Mr. Mo Tianquan is the substantial shareholder and director of SouFun, beneficially holding approximately 32.4% in the total issued share capital of SouFun, and is also a non-executive director, a substantial shareholder and the ultimate beneficial owner of the Company, SouFun is regarded as a connected person of the Company and hence the acquisition is considered as a connected transaction for the Company under Chapter 14A of the Listing Rules.

The Group's investment in SouFun is accounted for as an equity investment at fair value through profit or loss, further details of which are included in note 22 to the financial statements.

(ii) As detailed in note 18 to the financial statements, the Group had an investment in the JV Company during the two years ended 31 March 2013, Mr. Mo Tianquan, a non-executive director, a substantial shareholder and the ultimate beneficial owner of the Company, also is a substantial shareholder and beneficial owner of the JV Partner.

(iii) As detailed in note 2, corporate guarantee was provided by the ultimate holding company of the Company to support the Group financially and operationally as a going concern whom agree to provide additional funding of maximum RMB65,000,000 (approximately HK$81,270,000) which is non-repayable within one year to the Group to meet in full its financial obligation as and when they fall due within the next twelve months from the end of the reporting period.

## CONNECTED TRANSACTIONS (CONTINUED)

### (c) Compensation of key management personnel

The remunerations of directors and other members of key management during the year were as follows:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Short-term benefits | **2,221** | 2,166 |

The remunerations of directors and key management were determined by the remuneration committee having regard to the performance of individuals and market trends.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2013, the interests and short positions of the directors of the Company in the shares and underlying shares of the Company and 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

### (A) Long positions in ordinary shares of the Company:

| Name of director | Nature of interest | 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 interest | 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 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 31 March 2013, 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 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 and underlying shares" above, at no time during the year 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 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 IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2013, the following interests in 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 interest | 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 interest | Number of underlying shares |
|---|---|---|
| Tanisca Investments Limited | Directly beneficially owned | 324,763,193 *(Note 1)* |

*Note 1:* The underlying shares represented the new 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 31 March 2013, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" 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.

## DIRECTORS' INTERESTS IN A COMPETING BUSINESS

The Board noted that Mr. Mo Tianquan, a non-executive director of the Company, has been interested in the 北海銀灘一號項目 (literally translated as Beihai Yintan Project No. 1) (the "Yintan Project"), a hotel project located in Beihai city, Guangxi Zhuang Autonomous Region, the PRC, which is similar to the business of the Group in Guangxi Wharton. However the Board further noted that Guangxi Wharton and the Yintan Project are located in different cities as well as in different styles. Guangxi Wharton is located in Nanning, the capital of Guangxi Zhuang Autonomous Region inland and is a five-star business hotel. The Yintan Project is located in Beihai city which is the major seashore tourism area and is a five-star resort hotel. Taking into account of the strong territoriality in the nature of hotel business, the Board considers that the Yintan Project is not competitive to the Group's business in Guangxi Wharton. Accordingly, the Board is of the view that none of the directors of the Company or their respective associates has an interest in any business apart from the Group's businesses which competes or may compete, either directly or indirectly, with the Group's businesses during the year and up to the date of this report.

## CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

# REPORT OF THE DIRECTORS

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

## AUDITORS

The financial statements of the Group for the year ended 31 March 2012 were audited by Ernst & Young.

The financial statements of the Group for the year ended 31 March 2013 were audited by SHINEWING (HK) CPA Limited ("SHINEWING").

SHINEWING will retire at the forthcoming annual general meeting of the Company and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of SHINEWING as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

**Cao Jing**
*Executive Chairman*

Hong Kong
28 June 2013

# INDEPENDENT AUDITORS' REPORT

信永中和
ShineWing

**SHINEWING** (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

**TO THE MEMBERS OF SHUN CHEONG HOLDINGS LIMITED**
*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Shun Cheong Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 19 to 64, which comprise the consolidated statement of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 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 Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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 of the Company, 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.

# INDEPENDENT AUDITORS' REPORT

## OPINION

In our opinion the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31 March 2013, and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have between properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to notes 2 and 38 to the consolidated financial statements which indicates that the Group incurred a consolidated net loss of approximately HK$25,249,000 for the year ended 31 March 2013, and as at that date, the Group's consolidated current liabilities exceeded its consolidated current assets by approximately HK$64,756,000 and the Group had contingent liability in respect of a litigation as set out in note 38 to the consolidated financial statements. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. As explained in note 2 to the consolidated financial statements, these consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to improve its operations and generate adequate cash flows to meet the Group's financial obligations as and when they fall due in the foreseeable future.

## OTHER MATTER

The financial statements of the Company for the year ended 31 March 2012 were audited by another auditor who expressed an unqualified opinion on those statements on 29 June 2012.

**SHINEWING (HK) CPA Limited**
*Certified Public Accountants*
**Wong Chuen Fai**
Practising Certificate Number: P05589

Hong Kong
28 June 2013

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

| | Notes | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| Turnover | 8 | **157,908** | 163,345 |
| Cost of sales | | **(116,634)** | (116,418) |
| Gross profit | | **41,274** | 46,927 |
| Other income | 10 | **2,128** | 2,034 |
| Administrative expenses | | **(29,769)** | (29,144) |
| Other operating expenses, net | | **(14,144)** | (376) |
| Fair value gain on equity investment at fair value through profit or loss | | **1,745** | 1,306 |
| Finance costs | 11 | **(30,739)** | (29,091) |
| Gain on modifications of terms of convertible bond | | **4,589** | – |
| Share of results of jointly controlled entities | | **(333)** | – |
| Loss before tax | | **(25,249)** | (8,344) |
| Income tax expense | 12 | **–** | (1,085) |
| Loss for the year | 13 | **(25,249)** | (9,429) |
| Other comprehensive income | | | |
| Share of other comprehensive income of jointly controlled entities | | **536** | – |
| Exchange difference arising on translation of foreign operations | | **4,171** | 9,746 |
| Other comprehensive income for the year | | **4,707** | 9,746 |
| Total comprehensive (expenses) income for the year | | **(20,542)** | 317 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

| | Note | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|---|
| Loss for the year attributable to: | | | |
| Owners of the Company | | **(24,667)** | (9,067) |
| Non-controlling interests | | **(582)** | (362) |
| | | **(25,249)** | (9,429) |
| Total comprehensive (expenses) income attributable to: | | | |
| Owners of the Company | | **(20,116)** | 679 |
| Non-controlling interests | | **(426)** | (362) |
| | | **(20,542)** | 317 |
| Loss per share | | | |
| — Basic and diluted | 16 | **(HK 7.10 cents)** | (HK 2.61 cents) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 March 2013

| | Notes | 2013 HK$'000 | 2012 HK$'000 (Restated) |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 17 | **487,541** | 494,772 |
| Interests in jointly controlled entities | 18 | **98,603** | 98,400 |
| | | **586,144** | 593,172 |
| Current assets | | | |
| Inventories | 19 | **2,506** | 4,551 |
| Trade receivables | 20 | **6,450** | 22,526 |
| Prepayments, deposits and other receivables | 21 | **7,828** | 8,750 |
| Equity investment at fair value through profit or loss | 22 | **5,269** | 3,524 |
| Deposits placed with financial institutions | 23 | **2,140** | 1,950 |
| Bank balances and cash | 24 | **32,739** | 63,972 |
| | | **56,932** | 105,273 |
| Current liabilities | | | |
| Trade payables | 25 | **13,505** | 11,903 |
| Other payables, accruals and deposits | 26 | **62,451** | 50,358 |
| Amounts due to related companies | 27 | **1,007** | 20,812 |
| Tax payables | | **5,341** | 5,254 |
| Convertible bond | 28 | **–** | 109,316 |
| Interest-bearing bank borrowing | 29 | **39,384** | 38,745 |
| | | **121,688** | 236,388 |
| Net current liabilities | | **(64,756)** | (131,115) |
| Total assets less current liabilities | | **521,388** | 462,057 |
| Non-current liabilities | | | |
| Amounts due to related companies | 27 | **10,572** | 10,235 |
| Convertible bond | 28 | **106,458** | – |
| Interest-bearing bank borrowing | 29 | **197,547** | 233,085 |
| Total non-current liabilities | | **314,577** | 243,320 |
| **Net assets** | | **206,811** | 218,737 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 March 2013

| | *Note* | **2013** **HK$'000** | 2012 HK$'000 (Restated) |
|---|---|---|---|
| Capital and reserves | | | |
| Share capital | 30 | **3,473** | 3,473 |
| Reserves | | **194,655** | 206,155 |
| Equity attributable to owners of the Company | | **198,128** | 209,628 |
| Non-controlling interests | | **8,683** | 9,109 |
| Total equity | | **206,811** | 218,737 |

The consolidated financial statements on pages 19 to 64 were approved and authorised for issue by the board of directors on 28 June 2013 and are signed on its behalf by:

**Ms. Cao Jing**
*Director*

**Mr. Zhang Shaohua**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

| | Equity attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Share Capital** HK$'000 | **Share premium** HK$'000 | **Contributed surplus** HK$'000 *(Note a)* | **Equity component of convertible bond** HK$'000 | **Capital redemptions reserve** HK$'000 *(Note b)* | **Exchange fluctuation reserve** HK$'000 *(Note c)* | **Other reserve** HK$'000 *(Note d)* | **Accumulated losses** HK$'000 | **Total** HK$'000 | **Non-controlling interests** HK$'000 | **Total equity** HK$'000 |
| At 1 April 2011 | 3,473 | 119,068 | 46,909 | 43,272 | 132 | 8,557 | – | (14,161) | 207,250 | – | 207,250 |
| Loss for the year | – | – | – | – | – | – | – | (9,067) | (9,067) | (362) | (9,429) |
| Other comprehensive income | | | | | | | | | | | |
| Exchange difference arising on translation of foreign operations | – | – | – | – | – | 9,746 | – | – | 9,746 | – | 9,746 |
| Total comprehensive income (expense) for the year | – | – | – | – | – | 9,746 | – | (9,067) | 679 | (362) | 317 |
| Capital contribution *(Note 27)* | – | – | – | – | – | – | 1,699 | – | 1,699 | – | 1,699 |
| Capital contribution by a non-controlling interest | – | – | – | – | – | – | – | – | – | 9,471 | 9,471 |
| At 31 March 2012 | 3,473 | 119,068 | 46,909 | 43,272 | 132 | 18,303 | 1,699 | (23,228) | 209,628 | 9,109 | 218,737 |
| 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 |
| Loss for the year | – | – | – | – | – | – | – | (24,667) | (24,667) | (582) | (25,249) |
| Other comprehensive income | | | | | | | | | | | |
| Share of other comprehensive income of jointly controlled entities | – | – | – | – | – | 536 | – | – | 536 | – | 536 |
| Exchange difference arising on translation of foreign operations | – | – | – | – | – | 4,015 | – | – | 4,015 | 156 | 4,171 |
| Total comprehensive income for the year | – | – | – | – | – | 4,551 | – | – | 4,551 | 156 | 4,707 |
| Total comprehensive income (expense) for the year | – | – | – | – | – | 4,551 | – | (24,667) | (20,116) | (426) | (20,542) |
| Imputed interest released on non-current amount due to related companies | – | – | – | – | – | – | (337) | – | (337) | – | (337) |
| Derecognition upon modification of terms of convertible bond *(Note 28)* | – | – | – | (43,272) | – | – | – | – | (43,272) | – | (43,272) |
| Recognition upon modification of terms of convertible bond *(Note 28)* | – | – | – | 52,225 | – | – | – | – | 52,225 | – | 52,225 |
| At 31 March 2013 | 3,473 | 119,068 | 46,909 | 52,225 | 132 | 22,854 | 1,362 | (47,895) | 198,128 | 8,683 | 206,811 |

*Notes:*

(a) The contributed surplus of the Group represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange at the time of the Group's capital reorganisation in 2006. Under the Companies Law of the Bermuda, the contributed surplus is distributable under certain specific circumstances.

(b) The capital redemption reserve represented the nominal value of the shares repurchased by the Company.

(c) The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(d) Other reserve represents a contribution from related companies resulting from the balances of interest-free loans as described in note 27 to the consolidated financial statements, being the difference between the loan principal and the fair value of their liability component calculated upon initial recognition.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

| | 2013<br>HK$'000 | 2012<br>HK$'000<br>(Restated) |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Loss before tax | **(25,249)** | (8,344) |
| Adjustments for: | | |
| Finance costs | **30,739** | 29,091 |
| Bank interest income | **(439)** | (632) |
| Share of results of jointly controlled entities | **333** | – |
| Depreciation of property, plant and equipment | **34,390** | 35,900 |
| Impairment loss recognised on trade receivables | **14,315** | 257 |
| Impairment loss recognised on other receivables | **–** | 119 |
| Gain on modifications of terms of convertible bond | **(4,589)** | – |
| Government grants | **(723)** | – |
| Loss on disposal of property, plant and equipment | **548** | 46 |
| Fair value gain on equity investment at fair value through profit or loss | **(1,745)** | (1,306) |
| Dividend income from an equity investment at fair value through profit or loss | **(190)** | (190) |
| Operating cash flows before movements in working capital | **47,390** | 54,941 |
| Decrease (increase) in inventories | **2,120** | (1,613) |
| Decrease (increase) in trade receivables | **2,133** | (4,067) |
| Decrease in prepayments, deposits and other receivables | **1,066** | 8,784 |
| Increase in trade payables | **1,215** | 497 |
| Increase in other payables, accruals and deposits | **9,637** | 5,173 |
| Net cash from operating activities | **63,561** | 63,715 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

| | 2013<br>HK$'000 | 2012<br>HK$'000<br>(Restated) |
|---|---|---|
| **INVESTING ACTIVITIES** | | |
| Interest received | **439** | 632 |
| Purchases of property, plant and equipment | **(12,657)** | (26,770) |
| Proceeds from disposal of property, plant and equipment | **6** | 75 |
| Placement of deposits with financial institution | **(190)** | (1,950) |
| Investment in jointly-controlled entities | **–** | (32,841) |
| Advance to jointly-controlled entities | **–** | (65,559) |
| Dividend received from an equity investment at fair value through profit or loss | **190** | 190 |
| Acquisition of an equity investment at fair value through profit or loss | **–** | (2,218) |
| Net cash used in investing activities | **(12,212)** | (128,441) |
| **FINANCING ACTIVITIES** | | |
| (Repayment to) advance from related companies | **(19,805)** | 32,032 |
| Government grant received | **723** | – |
| Interest paid | **(20,055)** | (19,523) |
| Repayment of bank borrowing | **(40,950)** | (3,690) |
| Capital contribution by a non-controlling interest | **–** | 9,471 |
| Net cash (used in) from financing activities | **(80,087)** | 18,290 |
| Net decrease in cash and cash equivalents | **(28,738)** | (46,436) |
| Cash and cash equivalents at beginning of year | **63,972** | 106,524 |
| Effect of foreign exchange rate changes | **(2,495)** | 3,884 |
| Cash and cash equivalents at end of year | **32,739** | 63,972 |
| Cash and cash equivalents at end of year, represented by | | |
| Bank balances and cash | **31,473** | 62,911 |
| Non-pledged time deposits with original maturity of less than three months when acquired | **1,266** | 1,061 |
| | **32,739** | 63,972 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

## 1. GENERAL

Shun Cheong Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its head office and principal place of business is located at Suite 2302, Wing On Centre, 111 Connaught Road Central, Hong Kong.

In the opinion of the directors of the Company, the immediate and ultimate holding company of the Company is Upsky Enterprises Limited ("Upsky"), incorporated in the British Virgin Islands and Mr. Mo Tianquan is the ultimate beneficial owner of Upsky Enterprises Limited.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is the same as the functional currency of the Company while the functional currency of a principal subsidiary of the Company operated in the People's Republic of China (the "PRC"), 廣西沃頓國際大酒店有限公司 ("沃頓酒店"), is Renminbi ("RMB").

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 36.

## 2. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS

Notwithstanding that the Group had (i) incurred loss for the year of approximately HK$25,249,000, (ii) net current liabilities of approximately HK$64,756,000 as at 31 March 2013 which included current portion of interest-bearing bank borrowing of approximately HK$39,384,000 and (iii) the contingent liability arising from the litigation as set out in note 38 to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis as the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year after taking into consideration of the followings:

(i) Management is formulating, and will implement, cost saving measures to improve the performance and the cash flows of the Group's operations to ensure positive cash flows will be generated from the Group.

(ii) The unutilised banking facilities of RMB130,500,000 (approximately HK$163,164,000) available from the Group's existing banker.

(iii) Corporate guarantee was provided by the ultimate holding company of the Company to support the Group financially and operationally as a going concern. The maximum amount under the corporate guarantee is of RMB65,000,000 (approximately HK$81,270,000) which is non-repayable within one year, to support the Group to meet in full its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. The directors of the Company consider the ultimate holding company has financial ability to provide such financial support to the Group.

In addition, the directors of the Company, based on independent legal advice obtained, are of the opinion that the claims and the litigation against a subsidiary of the Company as disclosed in note 38 will not have material impact on the financial position and operations of the Group.

The directors of the Company believe that the Group will have sufficient working capital to meet its financial obligations when they fall due within the next twelve months from the end of the reporting period. Accordingly, the consolidated financial statements have been prepared on a going concern basis and do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

| | |
|---|---|
| Amendments to HKFRS 1 | Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters |
| Amendments to HKFRS 7 | Financial instruments: Disclosures — Transfers of Financial Assets |
| Amendments to Hong Kong Accounting Standard ("HKAS") 12 | Deferred Tax: Recovery of Underlying Assets |

The directors of the Company anticipate that the application of the above amendments to HKFRSs has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

| | |
|---|---|
| Amendments to HKFRSs | Annual Improvements 2009–2011 Cycle[2] |
| Amendments to HKFRS 1 | First-time Adoption of HKFRSs — Government Loans[2] |
| Amendments to HKFRS 7 | Disclosures — Offsetting Financial Assets and Financial Liabilities[2] |
| Amendments to HKFRS 9 and HKFRS 7 | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4] |
| HKFRS 9 | Financial Instruments[4] |
| HKFRS 10 | Consolidated Financial Statements[2] |
| HKFRS 11 | Joint Arrangements[2] |
| HKFRS 12 | Disclosure of Interests in Other Entities[2] |
| HKFRS 13 | Fair Value Measurement[2] |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance[2] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (as revised in 2011) | Investment Entities[3] |
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income[1] |
| HKAS 19 (as revised in 2011) | Employee Benefits[2] |
| HKAS 27 (as revised in 2011) | Separate Financial Statements[2] |
| HKAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures[2] |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities[3] |
| Amendments to HKAS 36 | Recoverable Amount Disclosures for Non-Financial Assets[3] |
| Hong Kong (International Financial Reporting Interpretation Committee)-Interpretation 20 | Stripping Costs in the Production Phase of a Surface Mine[2] |
| Hong Kong (International Financial Reporting Interpretation Committee)-Interpretation 21 | Levies[3] |

[1] Effective for annual periods beginning on or after 1 July 2012.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2014.
[4] Effective for annual periods beginning on or after 1 January 2015.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

### Annual Improvements to HKFRSs 2009–2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009–2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 1 Presentation of Financial Statements, the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors of the Company do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors of the Company anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

### Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

### HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the reclassification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

### New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK (SIC)-Int 12 Consolidation — Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 is not expected to change any of the control conclusions reached by the Group in respect of its investment with other entities as at 1 January 2013.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC)-Int 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

### New and revised standards on consolidation, joint arrangements, associates and disclosures (continued)

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors of the Company anticipate that the application of these five standards will have no significant impact on amounts reported in the consolidated financial statements.

### Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with earlier application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

### HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors of the Company anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

### Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

### Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of jointly controlled entities used for equity accounting are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its investment in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of sales related taxes.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments including financial assets at fair value through profit or loss is recognised when the shareholders' rights to receive payment have been established.

### Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance lease) and buildings held for use in the production or supply of services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their estimated residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in process for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

#### Leasehold land and building for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency (i.e. HK$) of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange fluctuation reserve).

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### Retirement benefit costs

Payments to defined contribution retirement benefit plans including state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and investments in jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of their assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

### Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and equity investment at fair value through profit or loss financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss ("FVTPL") has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (continued)

Financial assets (continued)

*Financial assets at fair value through profit or loss (continued)*

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other income line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in note 22.

*Impairment loss on financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or prepayment, deposits and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (continued)

Financial assets (continued)

*Impairment loss on financial assets (continued)*

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

*Other financial liabilities*

Other financial liabilities including trade payables, other payables, accruals, amounts due to related companies, convertible bond and interest-bearing bank borrowing are subsequently measured at amortised cost, using the effective interest method.

*Convertible bond containing liability and equity components*

Convertible bond issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bond into equity, is included in equity (Equity component of convertible bond).

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in equity component of convertible bond until the embedded option is exercised (in which case the balance stated in equity component of convertible bond will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in equity component of convertible bond will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bond are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bond using the effective interest method.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (continued)

#### Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognised financial liabilities when, and only when, the Group's obligation is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs 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 assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimation (see below), that the directors of the company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

#### Going concern and liquidity

As explained in note 2, the consolidated financial statements have been prepared on a going concern basis and do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group fail to continue as a going concern since the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year taking into the considerations as detailed in note 2. The directors of the Company also believe that the Group will have sufficient working capital to meet its financial obligations when they fall due within the next twelve months from the end of the reporting period.

#### Legal title of buildings

As detailed in note 17, certain of the Group's buildings have not been granted legal title from the relevant government authorities. Although the Group has not obtained the relevant legal title as at 31 March 2013, the directors of the Company had recognised the buildings on the grounds that they expected the legal title to be obtained in the near future with no major difficulties and the Group in substance were controlling these buildings.

#### Litigation claim

As detailed in note 38, an ex-shareholder of a subsidiary of the Group (the "Subsidiary") brought legal action against the Subsidiary.

Based on the legal opinion obtained by the Group, the directors of the Company consider that the Group has valid grounds of defenses and there will not be any material adverse impact to the Group's operations and on the financial positions and results of the Groups. There is no provision for claim has been made for the year ended 2013.

### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the period and the estimate will be changed in the future period.

#### Estimated impairment of property, plant and equipment

The management of the Group determines whether the property, plant and equipment are impaired in accordance with the Group's accounting policy. The impairment loss for property, plant and equipment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of estimates such as the future revenue and discount rates. As at 31 March 2013, the carrying values of property, plant and equipment is approximately HK$487,541,000 (net of accumulated depreciation of approximately HK$341,058,000) (31 March 2012: carrying values of approximately HK$494,772,000 (net of accumulated depreciation of approximately HK$313,081,000)).

#### Estimated impairment of interests in jointly controlled entities

The Group regularly reviews interests in jointly controlled entities for impairment based on both quantitative and qualitative criteria. Such analysis typically includes various estimates and assumptions, e.g. the financial health, cash flow projections and future prospects of the companies. No impairment loss of interests in jointly controlled entities were recognised for both years and the carrying amount of interests in jointly controlled entities as at 31 March 2013 is approximately HK$98,603,000 (2012: HK$98,400,000).

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### Key sources of estimation uncertainty (continued)

#### Valuation of liability component of convertible bond

The fair values of liability component of convertible bond that are not traded in an active market are estimated by management based on the valuation performed by independent valuer. The fair values of liability component of convertible bond are valued using binomial model based on assumptions supported, where possible, by observable market prices or rates. The fair value of the liability component of convertible bond as at maturity date, 28 March 2013 and extended maturity date, 28 March 2015, were approximately HK$120,000,000 and HK$106,520,000 respectively. Further details are given in Note 28.

#### Estimated impairment of trade receivables

The management of the Group performs ongoing credit evaluations of receivables and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from trade receivables and maintains a provision for estimated credit losses based upon its historical experience. As at 31 March 2013, the carrying amount of trade receivables is approximately HK$6,450,000 (net of allowance for doubtful debts of approximately HK$15,136,000) (2012: carrying amount of approximately HK$22,526,000 (net of allowance for doubtful debts of approximately HK$808,000)).

#### Income tax

The Group is subject to income taxes in Hong Kong and the PRC. There are certain calculations for which the ultimate tax determination may be uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

## 6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategies remain unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the interest-bearing bank borrowing disclosed in note 29, convertible bond disclosed in note 28, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company monitors capital risk using a gearing ratio, which is defined as interest-bearing bank borrowing divided by total assets. The gearing ratios as at the end of the reporting periods were as follows:

The gearing ratio at 31 March 2013 and 2012 are as follows:

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Interest-bearing bank borrowing | **236,931** | 271,830 |
| Total assets | **643,076** | 698,445 |
| Gearing ratio | **37%** | 39% |

## 7. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Equity investment at fair value through profit or loss | **5,269** | 3,524 |
| Loans and receivables (including cash and cash equivalents) | **44,780** | 92,823 |
| | **50,049** | 96,347 |
| **Financial liabilities** | | |
| Financial liabilities at amortised cost | **408,308** | 455,173 |

### (b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, equity investment at fair value through profit or loss, trade payables, other payables, accruals, bank balances and cash, amounts due to related companies, convertible bond and interest-bearing bank borrowing. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Market risk

*Currency risk*

The Group operates mainly in the PRC and HK, transactions, assets and liabilities denominated in currencies other than the functional currency of the group companies are minimal and therefore the directors of the Company considers the foreign exchange risk is minimal.

The Group is mainly expose to currency risk arise from US$. The Group believes that the pegged rate between the US$ and the HK$ will be materially unaffected by any changes in the value of US$ against other currencies. In this respect, the Group considers its exposure to foreign currency risk in respect of HK$ to be minimal.

*Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate cash and bank balances, short term deposits and convertible bond. Details of the Group's bank balances and cash and convertible bond are disclosed in notes 24 and 28 respectively. The Group is also exposed to cash flow interest rate risk in relation to variable-rate interest-bearing bank borrowing as disclosed in note 29. The Group currently does not have an interest rate hedging policy. However, the director's of the Company monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

*Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates for interest-bearing bank borrowing and deposit at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2012: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 March 2013 would increase/decrease by approximately HK$1,043,000 (2012: HK$914,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate interest-bearing bank borrowing and deposit.

## 7. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (continued)

#### Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments operating in information technology industry sector quoted in the New York Stock Exchange. In addition, the Group currently does not have any hedging policy and will consider hedging the risk exposure should the need arise.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the price of the respective equity instruments had been 5% (2012: 5%) higher/lower, post-tax loss for the year ended 31 March 2013 would decrease/increase by approximately HK$198,000 (2012: decrease/increase by HK$132,000) as a result of the changes in fair value of equity investment at fair value through profit or loss.

The Group's sensitivity to equity investment at fair value through profit or loss has not changed significantly from the prior year.

#### Credit risk

As at 31 March 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to cash and cash equivalents, trade receivables, deposit and other receivables. Management has policies in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of hotel operations, the Group has certain concentration of credit risk in view of its customers. 17% (2012: 50%) and 42% (2012: 63%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively. It has policies in place to ensure that sale of rooms to corporate customers are made to customers with an appropriate credit history. Sales to walk-in customers are made by credit cards or cash.

The Group's concentration of credit risk by geographical locations is mainly in PRC, which accounted for 100% (31 March 2012: 100%) of the total trade receivable as at 31 March 2013.

Cash and bank deposits are mainly placed in major domestic banks with good credit ratings. Rental deposits are mainly paid to domestic private entities who are currently leasing the office premises to the Group. Other receivables primarily represent the amounts due from parties which have good credit rating. The directors of the Company consider the credit risk is minimal and under control.

#### Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Group aims to maintain a reasonable level of cash and cash equivalents and flexibility in funding by keeping committed credit lines available.

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and additional funding to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and interest-bearing bank borrowings. The directors of the Company believe that the Group will have sufficient working capital to meet its financial obligations when they fall due within the next twelve months from the end of the reporting period. Details were stated in note 2.

## 7. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Ultimate responsibility for liquidity risk management rests with the board of directors, which 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 using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations. As at 31 March 2013, the Group had available unutilised short-term bank loan facilities of approximately RMB130,500,000 (equivalents to approximately HK$163,164,000 (2012: RMB99,000,000 (equivalents to approximately HK$121,770,000)).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

| | **On demand or within 1 year HK$'000** | **1 to 5 years HK$'000** | **Over 5 years HK$'000** | **Total undiscounted cash flows HK$'000** | **Carrying amount HK$'000** |
|---|---|---|---|---|---|
| **At 31 March 2013** | | | | | |
| Trade payables | **13,505** | **–** | **–** | **13,505** | **13,505** |
| Other payables and accruals | **39,835** | **–** | **–** | **39,835** | **39,835** |
| Amounts due to related companies | **1,007** | **11,934** | **–** | **12,941** | **11,579** |
| Interest-bearing bank borrowing | **42,160** | **200,538** | **60,245** | **302,943** | **236,931** |
| Convertible bond | **1,200** | **121,200** | **–** | **122,400** | **106,458** |
| | **97,707** | **333,672** | **60,245** | **491,624** | **408,308** |

| | On demand or within 1 year HK$'000 | 1 to 5 years HK$'000 | Over 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
|---|---|---|---|---|---|
| At 31 March 2012 | | | | | |
| Trade payables | 11,903 | – | – | 11,903 | 11,903 |
| Other payables and accruals | 31,077 | – | – | 31,077 | 31,077 |
| Amounts due to related companies | 20,812 | 11,934 | – | 32,746 | 31,047 |
| Interest-bearing bank borrowing | 57,909 | 204,321 | 86,386 | 348,616 | 271,830 |
| Convertible bond | 121,200 | – | – | 121,200 | 109,316 |
| | 242,901 | 216,255 | 86,386 | 545,542 | 455,173 |

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

## 7. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The following table details the Group's expected maturity for some of its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

| | Less than 1 year HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
|---|---|---|---|
| **At 31 March 2013** | | | |
| Trade receivables | **6,450** | **6,450** | **6,450** |
| Deposits and other receivables | **3,451** | **3,451** | **3,451** |
| Deposits placed with financial institution | **2,141** | **2,141** | **2,140** |
| Equity investment at fair value through profit or loss | **5,269** | **5,269** | **5,269** |
| Bank balances and cash | **33,024** | **33,024** | **32,739** |
| | **50,335** | **50,335** | **50,049** |

| | Less than 1 year HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
|---|---|---|---|
| At 31 March 2012 | | | |
| Trade receivables | 22,526 | 22,526 | 22,526 |
| Deposits and other receivables | 4,375 | 4,375 | 4,375 |
| Deposits placed with financial institution | 1,951 | 1,951 | 1,950 |
| Equity investment at fair value through profit or loss | 3,524 | 3,524 | 3,524 |
| Bank balances and cash | 64,561 | 64,561 | 63,972 |
| | 96,937 | 96,937 | 96,347 |

### (c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

## 7. FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Fair value (continued)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into level 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair values measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | Level 1 | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| **Equity investment at fair value through profit or loss** | | |
| Listed equity investment | **5,269** | 3,524 |

There were no transfers between instruments in Level 1 and Level 2 in the current and prior years.

The carrying amounts of financial assets and financial liabilities that are current in nature reported in the consolidated statement of financial position of the Group approximate their fair values due to their immediate or short-term maturities.

The directors of the Company consider the carrying amounts of interest-bearing bank borrowings and amounts due to related companies approximate their fair values as they are carried at amortised cost using the effective interest rate method.

## 8. TURNOVER

Turnover represents the fair value of the consideration received and receivable from outside customers during the year. An analysis of the Group's turnover for the year is as follows:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Hotel business | **157,908** | 163,345 |

## 9. SEGMENT INFORMATION

Information reported to the board of directors of the Group, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

For management purposes, the Group is currently organised into two major operating segments which are the same as the reportable segments of the group: hotel business and corporate and others.

The two reportable and operating segments are as follows:

| | | |
|---|---|---|
| Hotel business | — | hotel and restaurant operations in the PRC |
| Corporate and others | — | investment in equity investment at fair value through profit or loss, corporate income, expense items, corporate assets and liabilities |

## 9. SEGMENT INFORMATION (CONTINUED)

### (a) Segment revenue and results

The following is an analysis of the Group's turnover and results by reportable and operating segments for the years ended 31 March:

| | Hotel business | | Corporate and others | | Total | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Turnover | | | | | | |
| Sales to external customers | **157,908** | 163,345 | **–** | – | **157,908** | 163,345 |
| Other revenue | **1,925** | 1,844 | **203** | 190 | **2,128** | 2,034 |
| Segment revenue | **159,833** | 165,189 | **203** | 190 | **160,036** | 165,379 |
| Segment profit (loss) | **3,116** | 22,750 | **(2,215)** | (2,003) | **901** | 20,747 |
| Finance costs | | | | | **(30,739)** | (29,091) |
| Gain on modifications of terms of convertible bond | | | | | **4,589** | – |
| Loss before tax | | | | | **(25,249)** | (8,344) |

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of finance costs and gain on modifications of terms of convertible bond. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

### (b) Segment assets and liabilities

| | Hotel business | | Corporate and others | | Total | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| ASSETS | | | | | | |
| Segment and consolidated assets | **609,188** | 674,518 | **33,888** | 23,927 | **643,076** | 698,445 |
| LIABILITIES | | | | | | |
| Segment liabilities | **73,245** | 80,645 | **14,290** | 12,663 | **87,535** | 93,308 |
| Unallocated liabilities | | | | | **348,730** | 386,400 |
| Consolidated liabilities | | | | | **436,265** | 479,708 |

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments;
- all liabilities are allocated to operating segments other than tax payables, interest-bearing bank borrowing and convertible bond.

## 9. SEGMENT INFORMATION (CONTINUED)

### (c) Other segment information

| | Hotel business | | Corporate and others | | Total | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | | |
| Depreciation of property, plant and equipment | **34,387** | 35,891 | **3** | 9 | **34,390** | 35,900 |
| Fair value gain on equity investment at fair value through profit or loss | **–** | – | **1,745** | 1,306 | **1,745** | 1,306 |
| Capital expenditure | **12,656** | 26,768 | **1** | 2 | **12,657** | 26,770 |
| Impairment loss recognised on other receivables | **–** | 119 | **–** | – | **–** | 119 |
| Impairment loss recognised on trade receivables | **14,315** | 257 | **–** | – | **14,315** | 257 |
| Government grants | **(723)** | – | **–** | – | **(723)** | – |
| Bank interest income | **(438)** | (631) | **(1)** | (1) | **(439)** | (632) |
| Interests in jointly controlled entities | **98,603** | 98,400 | **–** | – | **98,603** | 98,400 |
| Share of results of jointly controlled entities | **(333)** | – | **–** | – | **(333)** | – |
| Loss on disposal of property, plant and equipment | **548** | 46 | **–** | – | **548** | 46 |
| Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets: | | | | | | |
| Income tax expense | **–** | 1,085 | **–** | – | **–** | 1,085 |

## 9. SEGMENT INFORMATION (CONTINUED)

### (d) Geographical segment

The Group operates in two principal geographical areas: the PRC (country of domicile) and Hong Kong.

Information about the Group's revenue from external customers is presented based on the location of the operations and information about its non-current assets is presented based on the geographical location of the assets as detailed below:

| | Revenue from external customers | | Non-current assets | |
|---|---|---|---|---|
| | **For the year ended 2013 HK$'000** | For the year ended 2012 HK$'000 | **As at 2013 HK$'000** | As at 2012 HK$'000 |
| The PRC | **157,908** | 163,345 | **586,134** | 593,160 |
| Hong Kong | **–** | – | **10** | 12 |

### (e) Information about major customers

During the year, none of the Group's turnover was derived from transactions with individual external customers contributing over 10 per cent of the Group's turnover (2012: Nil).

## 10. OTHER INCOME

| | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|
| Bank interest income | **439** | 632 |
| Dividend income | **190** | 190 |
| Government grants | **723** | – |
| Other | **776** | 1,212 |
| | **2,128** | 2,034 |

*Note:* Government grants in respect of encouragement of development of the Group were recognised at the time the Group fulfilled the relevant granting conditions.

## 11. FINANCE COSTS

| | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|
| Interest on bank borrowings wholly repayable within five years | **18,855** | 18,323 |
| Effective interest expense on convertible bond (*note 28*) | **11,884** | 10,768 |
| | **30,739** | 29,091 |

## 12. INCOME TAX EXPENSE

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Current tax: | | |
| PRC Enterprise Income Tax | **–** | 1,085 |
| Deferred tax *(note 32)* | **–** | – |
| | **–** | 1,085 |

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not generate any assessable profit arising from Hong Kong for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years.

The tax charged for the year can be reconciled to the loss before tax per the consolidated statements of comprehensive income as follows:

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Loss before tax | **(25,249)** | (8,344) |
| Tax at the domestic income tax rate at 25% (2012: 25%) *(note)* | **(6,312)** | (2,086) |
| Tax effect of income not taxable | **(629)** | (374) |
| Tax effect of expenses not deductible | **6,941** | 3,545 |
| Tax charge for the year | **–** | 1,085 |

Details of deferred tax are set out in note 32.

*Note:* The domestic tax rate (which is the People's Republic of China on EIT rate) in the jurisdiction where the operation of the Group is substantially based is used.

## 13. LOSS FOR THE YEAR

The Group's loss for the year has been arrived at after charging:

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Directors' emoluments *(note 14)* | **1,056** | 1,031 |
| Retirement benefit scheme contributions (excluding contributions for directors) | **3,549** | 2,449 |
| Other staff costs | **26,580** | 24,513 |
| Total employee benefit expenses | **31,185** | 27,993 |
| Depreciation of property, plant and equipment | **34,390** | 35,900 |
| Auditor's remuneration | **480** | 930 |
| Minimum lease payment under operating leases of offices properties | **416** | 334 |
| Loss on disposal of property, plant and equipment | **548** | 46 |
| Impairment loss recognised on trade receivables (included in other operating expenses, net) | **14,315** | 257 |
| Impairment loss recognised on other receivables (included in other operating expenses, net) | **–** | 119 |

## 14. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

### (a) Directors' emoluments

The emoluments paid or payable to each of the 7 (2012: 7) directors and the chief executive were as follows:

| | Executive directors | | Non-executive director | Independent non-executive directors | | | | |
|---|---|---|---|---|---|---|---|---|
| | Ms. Cao Jing HK$'000 | Mr. Zhang Shaohua HK$'000 *(Note b)* | Mr. Mo Tianquan HK$'000 | Prof. Ye Jianping HK$'000 | Mr. Palaschuk Derek Myles HK$'000 | Mr. Deng Wei HK$'000 *(Note a)* | Mr. Yao Xusheng HK$'000 *(Note a)* | Total HK$'000 |
| **For the year ended 31 March 2013** | | | | | | | | |
| Fees | **–** | **100** | **600** | **76** | **180** | **100** | **–** | **1,056** |
| Other emoluments: | | | | | | | | |
| Salaries and other benefits | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| Retirement benefit scheme contributions | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| Total emoluments | **–** | **100** | **600** | **76** | **180** | **100** | **–** | **1,056** |
| For the year ended 31 March 2012 | | | | | | | | |
| Fees | – | 100 | 600 | 51 | 180 | 2 | 98 | 1,031 |
| Other emoluments: | | | | | | | | |
| Salaries and other benefits | – | – | – | – | – | – | – | – |
| Retirement benefit scheme contributions | – | – | – | – | – | – | – | – |
| Total emoluments | – | 100 | 600 | 51 | 180 | 2 | 98 | 1,031 |

*Note a:* On 23 March 2012, Mr. Yao Xusheng resigned and Mr. Deng Wei has been newly appointed as independent non-executive directors.

*Note b:* Mr. Zhang Shaohua is also the chief executive of the Company for the year ended 31 March 2012 and 2013 and his emoluments disclosed above include those for services rendered by her the as chief executive.

None of the directors and the chief executive waived or agreed to waive any emoluments paid by the Group during the two years ended 31 March 2013.

### (b) Employees' emoluments

The five highest paid individuals of the Group included two (2012: two) directors of the Company, details of whose emoluments are set out in (a) above. The emoluments of the remaining three (2012: three) individuals are as follows:

| | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|
| Salaries and other benefits | **1,143** | 1,123 |
| Retirement benefit scheme contributions | **22** | 12 |
| | **1,165** | 1,135 |

## 14. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

### (b) Employees' emoluments (continued)

The emoluments of the remaining three (2012: three) individuals were within the following bands:

| | **2013 Number of employees** | 2012 Number of employees |
|---|---|---|
| Nil–HK$1,000,000 | **3** | 3 |

During the two years ended 31 March 2013, no emoluments were paid or payable by the Group to any of the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

## 15. DIVIDEND

No dividend was paid or proposed during the two years ended 31 March 2013, nor has any dividend been proposed since the end of the reporting period. (2012:Nil)

## 16. LOSS PER SHARE

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

| | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|
| **(Loss)/earnings** | | |
| (Loss)/earnings for the purpose of basic (loss)/earnings per share | | |
| Loss for the year attributable to the owners of the Company | **(24,667)** | (9,067) |
| Effect of dilutive potential ordinary shares: | | |
| Interest on convertible bond | **11,884** | 10,768 |
| (Loss)/earnings for the purpose of diluted (loss)/earnings per share | **(12,783)** | 1,701 |

| | **2013 '000** | 2012 '000 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic loss per share | **347,326** | 347,326 |
| **Effect of dilutive potential ordinary shares** | | |
| Convertible bond | **324,763** | 324,763 |
| Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share | **672,089** | 672,089 |

| | **2013** | 2012 |
|---|---|---|
| Basic and diluted loss per share (in HK cents) | **(7.10)** | (2.61) |

For the year ended 31 March 2013 and 2012, because the diluted loss per share amount decreased when taking the convertible bond into account, the convertible bond had an anti-dilutive effect on the basic loss per share for the year and were ignored in the calculation of diluted loss per share. Therefore, diluted loss per share amounts are based on the loss for the year attributable to owners of the Company of approximately HK$24,667,000 (2012: HK$9,067,000), and the weighted average number of ordinary shares of approximately 347,326,000 (2012: 347,326,000) in issue during the year.

## 17. PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings HK$'000 | Machinery and equipment HK$'000 | Furniture and office equipment HK$'000 | Motor vehicles HK$'000 | Leasehold improvement HK$'000 | Construction in progress HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 April 2011 | 387,714 | 126,309 | 65,787 | 3,349 | 162,921 | 5,787 | 751,867 |
| Exchange realignment | 14,708 | 5,352 | 2,784 | 143 | 6,901 | – | 29,888 |
| Additions | – | 2,900 | 198 | 2,486 | 7,455 | 13,731 | 26,770 |
| Transfers | – | 177 | 2,120 | – | 17,221 | (19,518) | – |
| Disposals | – | (220) | (452) | – | – | – | (672) |
| As at 31 March 2012 and 1 April 2012 | 402,422 | 134,518 | 70,437 | 5,978 | 194,498 | – | 807,853 |
| Exchange realignment | 10,258 | 3,281 | 1,760 | 104 | 4,744 | – | 20,147 |
| Additions | – | 202 | 10,403 | – | 2,052 | – | 12,657 |
| Disposals | – | (6,511) | (4,539) | (1,008) | – | – | (12,058) |
| At 31 March 2013 | 412,680 | 131,490 | 78,061 | 5,074 | 201,294 | – | 828,599 |
| **Accumulated depreciation** | | | | | | | |
| At 1 April 2011 | 84,947 | 88,348 | 47,272 | 1,926 | 44,018 | – | 266,511 |
| Exchange realignment | 3,530 | 3,744 | 2,001 | 83 | 1,863 | – | 11,221 |
| Charge for the year | 15,932 | 6,295 | 4,300 | 658 | 8,715 | – | 35,900 |
| Eliminated on disposals | – | (198) | (353) | – | – | – | (551) |
| At 31 March 2012 and 1 April 2012 | 104,409 | 98,189 | 53,220 | 2,667 | 54,596 | – | 313,081 |
| Exchange realignment | 1,698 | 1,597 | 865 | 43 | 888 | – | 5,091 |
| Charge for the year | 11,622 | 6,413 | 4,036 | 910 | 11,409 | – | 34,390 |
| Eliminated on disposals | – | (6,185) | (4,311) | (1,008) | – | – | (11,504) |
| At 31 March 2013 | 117,729 | 100,014 | 53,810 | 2,612 | 66,893 | – | 341,058 |
| **Carrying values** | | | | | | | |
| **At 31 March 2013** | **294,951** | **31,476** | **24,251** | **2,462** | **134,401** | **–** | **487,541** |
| At 31 March 2012 | 298,013 | 36,329 | 17,217 | 3,311 | 139,902 | – | 494,772 |

*Note:* Land and buildings are held under medium-term leases and situated in the PRC.

## 17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis, after taking into account their estimated residual values, over their estimated useful lives as follows:

| | |
|---|---|
| Land and buildings | 2% to 3% |
| Machinery and equipment | 6% to 20% |
| Furniture and office equipment | 9% to 30% |
| Motor vehicles | 18% to 24% |
| Leasehold improvement | 3 to 5 years or over the lease terms, whichever is shorter |

The Group has pledged land and buildings with a net carrying value of approximately HK$294,951,000 (2012: HK$298,013,000) to secure interest-bearing bank borrowing granted to the Group. Details were stated in note 29.

At the end of reporting period, the Group is in the process of obtaining the building ownership certificate for staff quarter locating in the PRC with carrying amount of approximately HK$4,271,000 (2012: HK$4,370,000). The directors of the Company confirmed that although the subsidiary has not yet obtained the building ownership certificate of the staff quarter, the ownership of staff quarter vested with the subsidiary.

## 18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

| | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|
| Cost of investment in jointly controlled entities — unlisted | **32,841** | 32,841 |
| Share of post acquisition profit and other comprehensive income | **203** | – |
| Advance to a jointly-controlled entity | **65,559** | 65,559 |
| | **98,603** | 98,400 |

The advance to a jointly-controlled entity is unsecured, interest-free and repayable on demand. In the opinion of the directors, the advance is considered as quasi-equity investments in the jointly-controlled entity.

At 31 March 2013 and 2012, the Group had interests in the following jointly controlled entities:

| Name of entities | Form of business structure | Place of incorporation and operation | Particulars of registered capital | Percentage of equity interest attributable to the Group 2013 | 2012 | Principal activity |
|---|---|---|---|---|---|---|
| 廣西普凱興業酒店投資有限公司 ("興業酒店") | Domestic equity joint venture | PRC | RMB50,360,000 | **26.7%** | 26.7% | Investment holding |
| 北海海興房地產開發有限公司 ("北海海興") | Wholly-owned domestic enterprise | PRC | RMB10,000,000 | **26.7%*** | – | Building services contracting and maintenance business consists of the provisions of building related maintenance services (Inactive) |

* The interests in jointly-controlled entities is indirectly held by the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2013

## 18. INTERESTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

On 6 October 2011, the Group entered into a joint venture agreement (as supplemented by the supplemental agreements dated 29 November 2011 and 14 December 2011, the "JV Agreement") with 北京普凱世杰投資諮詢有限公司 (the "JV Partner") in relation to the formation of 興業酒店 (the "JV Company") for the purpose of investing in and management of the existing hotel projects of the JV partner and/or any potential hotel projects in the PRC. The total capital investment made by the Group was RMB80,000,000 (equivalents to approximately HK$98,400,000) which accounting for approximately 26.7% of the JV Company's equity interest at 31 March 2012. As unanimous consent is need to be obtained from the Group and the JV Partner, the ownership of the JV Company is classified as interests in jointly controlled entity.

On 31 August 2012, 興業酒店 entered into a sales and purchase agreement to acquire 100% equity interest of 北海海興 with RMB1,000,000 (approximately equals to HK$1,250,000). After the completion of the acquisition, 北海海興 became the wholly owned subsidiary of 興業酒店.

The below table lists the jointly controlled entities of the Group which, in the opinion of the directors of the Company principally affected the results of the year or forms a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

The summarised financial information in respect of the Group's interests in jointly-controlled entities which are accounted for using the equity method were set out below:

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Current assets | **10,693** | 1,682 |
| Non-current assets | **577,177** | 441,120 |
| Current liabilities | **(214,109)** | (73,800) |
| Non-current liabilities | **(250,000)** | (246,000) |
| Net assets | **123,761** | 123,002 |
| Group's share of net assets of jointly controlled entities | **33,044** | 32,841 |

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Income recognised in profit or loss | **–** | – |
| Expenses recognised in profit or loss | **(1,248)** | – |
| Other comprehensive income | **2,007** | – |
| Group's share of profit and other comprehensive income for the year | **203** | – |

## 19. INVENTORIES

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Raw materials | **652** | 779 |
| Low-valued consumables | **1,279** | 3,166 |
| Consumables | **575** | 606 |
| | **2,506** | 4,551 |

## 20. TRADE RECEIVABLES

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Trade receivables | **21,586** | 23,334 |
| Less: allowance for doubtful debts | **(15,136)** | (808) |
| | **6,450** | 22,526 |

Settlement of trade receivables is in accordance with the terms specified in the contracts governing the relevant transactions. The Group allows credit period ranging 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 does not hold any collateral over these balances.

(a) The following is an aged analysis of trade receivables net of allowance for doubtful debts based on the invoice dates at the end of the reporting period which approximated the respective revenue recognition dates:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Within 30 days | **1,950** | 6,350 |
| 31 days–60 days | **1,950** | 1,625 |
| 61 days–90 days | **974** | 1,408 |
| Over 90 days | **1,576** | 13,143 |
| | **6,450** | 22,526 |

(b) Movements in the allowance for doubtful debts during the year are as follows:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| At 1 April | **808** | 529 |
| Impairment loss recognised on receivables | **14,315** | 257 |
| Exchange realignment | **13** | 22 |
| At 31 March | **15,136** | 808 |

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$15,136,000 (2012: HK$808,000) which were in severe financial difficulties. Impairment loss of approximately HK$14,315,000 (2012: HK$257,000) has been recognised during the year ended 31 March 2013 accordingly.

## 20. TRADE RECEIVABLES (CONTINUED)

(c) As at 31 March 2013, approximately HK$2,550,000 (2012: HK$22,526,000) of the Group's trade receivables were past due but not impaired. The ageing analysis of these past due but not impaired receivables is as follows:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Less than 30 days past due | **244** | 6,350 |
| 31 to 90 days past due | **988** | 3,033 |
| Over 90 days past due | **1,318** | 13,143 |
| | **2,550** | 22,526 |

Trade receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default. Trade receivables that were past due but not impaired were related to a number of individual customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances that are still considered fully recoverable.

## 21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Prepayments | **4,377** | 4,375 |
| Deposits and other receivables | **3,451** | 4,375 |
| | **7,828** | 8,750 |

The above assets are neither past due nor impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Movements in the allowance for doubtful debts of other receivables during the year are as follows:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| At 1 April | **119** | – |
| Impairment loss recognised on receivables | **–** | 119 |
| At 31 March | **119** | 119 |

Included in the allowance for doubtful debts are individually impaired other receivables with an aggregate balance of approximately HK$119,000 (2012: HK$119,000) which were in severe financial difficulties. Impairment loss of approximately HK$119,000 (2013: Nil) has been recognised during the year ended 31 March 2012.

## 22. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Listed securities | | |
| — Equity securities listed in The New York Stock Exchange | **5,269** | 3,524 |

The above equity investment at 31 March 2013 and 2012 was classified as held for trading and was, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

## 23. DEPOSITS PLACED WITH FINANCIAL INSTITUTIONS

The deposits placed with financial institutions are for the purpose of securities trading. The deposits carry interest at market rates which range from 0.001% to 0.05% (2012: 0.001% to 0.05%) per annum.

## 24. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.001% to 0.50% (2012: 0.001% to 0.50%) per annum. As at 31 March 2013, the fixed interest rate on bank deposits with initial terms ranging from one month to three months were 2.57% to 2.75% (2012: 2.25% to 3.10%) per annum.

At 31 March 2013, the Group's bank balances and cash denominated in RMB amounted to approximately RMB11,645,000, equivalent to approximately HK$14,560,000 (2012: approximately RMB44,163,000, equivalent to approximately HK$54,321,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

The Group's bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| US$ | **14,653** | 2,463 |

## 25. TRADE PAYABLES

Ageing analysis of the Group's trade payables at the end of the reporting period presented based on the invoice dates are as follows:

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Within 30 days | **2,774** | 3,558 |
| 31 days–60 days | **2,334** | 2,282 |
| Over 60 days | **8,397** | 6,063 |
| Trade payables | **13,505** | 11,903 |

The credit period on purchases of goods ranges from cash on delivery to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

## 26. OTHER PAYABLES, ACCRUALS AND DEPOSITS

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Deposits received | **22,616** | 19,281 |
| Other payables | **36,423** | 26,106 |
| Accruals | **3,412** | 4,971 |
| | **62,451** | 50,358 |

## 27. AMOUNTS DUE TO RELATED COMPANIES

Balances with related companies are unsecured and interest-free. Amounts of approximately HK$1,007,000 (2012: HK$20,812,000) and HK$10,572,000 (2012: HK$10,235,000) are repayable on demand, classified as current and repayable after four years (2012: five years), classified as non-current, respectively. Principal with nominal value of HK$11,934,000 (2012: 11,934,000) is repayable after four years (2012: five years). Mr. Mo Tianquan, a non-executive director of the Company, had beneficial interest in both related companies.

The fair value of the liability component of the amounts due to related companies after five years was estimated at the inception date using an equivalent market interest rate for a similar loan. The residual amount was assigned as the equity component of the amounts due to related companies and is included in shareholder's equity.

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Liability component | **10,572** | 10,235 |
| Capital contribution | **1,362** | 1,699 |
| Nominal value | **11,934** | 11,934 |

The effective interest rate used was 3.25% per annum for the two years ended 2013.

## 28. CONVERTIBLE BOND

On 28 March 2008, the Company issued a five-year, 1% convertible bond with nominal value of HK$120,000,000 (the "Bond") to Tanisca Investment Limited ("Tanisca"). Interest is payable half year in arrears. The Bond 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 Bond may be redeemed at the option of the Company in whole or in part, upon written confirmation obtained from the bondholder in accordance with the terms of the Bond, or by the bondholder under certain circumstances. Unless previously redeemed, purchased and cancelled or converted, all the outstanding Bond 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 Bond 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 Bond was adjusted from 200,000,000 to 324,763,193 shares.

On 28 March 2013, the Group has entered into a deed of amendment ("Deed of Amendment") with the holder of the Bond to extend the maturity date of the Bond of principal amount of HK$120,000,000 from 28 March 2013 to 28 March 2015. The conversion price remained at HK$0.3695 per share and if any of the Bond has not been converted subsequently, it shall be redeemed on the extended maturity date on 28 March 2015 ("modification"). On 20 May 2013, the shareholders has duly passed the Deed of Amendment in special general meeting.

The fair value of the liability component of the Bond 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 Bond was 11.16% (2012: 10.50%) per annum. The residual amount was assigned as the equity component of the Bond and is included in shareholders' equity.

## 28. CONVERTIBLE BOND (CONTINUED)

The modification resulted in the extinguishment of the financial liability of the Bond and the recognition of its new financial liability and equity components. The fair value of the new liability immediately following the modification was approximately HK$106,458,000. The financial liability was determined using an effective interest rate of 11.16% (2012: 10.50%).

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

| | Liability component HK$'000 | Equity component HK$'000 | Total HK$'000 |
|---|---|---|---|
| At 1 April 2011 | 99,748 | 43,405 | 143,153 |
| Direct transaction costs | – | (133) | (133) |
| Interest expenses *(note 11)* | 10,768 | – | 10,768 |
| Interest paid | (1,200) | – | (1,200) |
| At 31 March 2012 and 1 April 2012 | 109,316 | 43,272 | 152,588 |
| Interest expenses *(note 11)* | 11,884 | – | 11,884 |
| Interest paid | (1,200) | – | (1,200) |
| Derecognition of original liability/equity component | (120,000) | (43,272) | (163,272) |
| Recognition of new liability/equity component upon modification | 106,458 | 52,225 | 158,683 |
| **At 31 March 2013** | **106,458** | **52,225** | **158,683** |

## 29. INTEREST-BEARING BANK BORROWING

| | Effective interest rate (%) | Maturity | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|---|
| Secured bank loan | Floating rate at the prime lending rate of the People's Bank of China | February 2019 | **236,931** | 271,830 |

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Carrying amount repayable: | | |
| Within one year | **39,384** | 38,745 |
| More than one year, but not exceeding two years | **39,384** | 38,745 |
| More than two years but not more than five years | **118,154** | 116,235 |
| More than five years | **40,009** | 78,105 |
| Total secured interest-bearing bank borrowing | **236,931** | 271,830 |
| Less: Amounts due within one year shown under current liabilities | **(39,384)** | (38,745) |
| | **197,547** | 233,085 |

The interest-bearing bank borrowing is secured by the pledge of the Group's land and buildings situated in PRC with a carrying value of approximately HK$294,951,000 (2012: HK$298,013,000) (note 17).

## 30. SHARE CAPITAL

| | Number of shares '000 | Share capital HK$'000 |
|---|---|---|
| Ordinary shares of HK$0.01 each | | |
| Authorised: | | |
| At 1 April 2011, 31 March 2012, 1 April 2012 and 31 March 2013 | 8,000,000 | 80,000 |
| Issued and fully paid: | | |
| At 1 April 2011, 31 March 2012, 1 April 2012 and 31 March 2013 | 347,326 | 3,473 |

## 31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|
| Non-current assets | | |
| Property, plant and equipment | **10** | 12 |
| Investments in subsidiaries *(note a)* | **255,224** | 257,157 |
| | **255,234** | 257,169 |
| Current assets | | |
| Deposits placed with financial institutions | **2,140** | 1,950 |
| Prepayments, deposits and other receivables | **653** | 595 |
| Equity investment at fair value through profit or loss | **5,269** | 3,524 |
| Bank balances and cash | **3,904** | 3,564 |
| | **11,966** | 9,633 |
| Current liabilities | | |
| Other payables and accruals | **2,515** | 1,468 |
| Convertible bond | **–** | 109,316 |
| | **2,515** | 110,784 |
| Net current assets (liabilities) | **9,451** | (101,151) |
| Total assets less current liabilities | **264,685** | 156,018 |
| Non-current liability | | |
| Convertible bond | **106,458** | – |
| Net assets | **158,227** | 156,018 |
| Capital and reserves | | |
| Share capital | **3,473** | 3,473 |
| Reserves *(note b)* | **154,754** | 152,545 |
| Total equity | **158,227** | 156,018 |

## 31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

*Note a:*

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Unlisted shares, at cost | **2** | 2 |
| Amounts due from subsidiaries | **255,222** | 257,155 |
| | **255,224** | 257,157 |

The amounts due from subsidiaries were unsecured, non-interest bearing and had no fixed terms of repayment.

*Note b:*

| | **Share premium** HK$'000 | **Contributed surplus** HK$'000 *(note i)* | **Capital redemption reserve** HK$'000 | **Equity component of convertible bond** HK$'000 | **Accumulated losses** HK$'000 | **Total** HK$'000 |
|---|---|---|---|---|---|---|
| At 1 April 2011 | 119,068 | 60,918 | 132 | 43,272 | (59,698) | 163,692 |
| Loss for the year and total comprehensive expense for the year | – | – | – | – | (11,147) | (11,147) |
| At 31 March 2012 and 1 April 2012 | 119,068 | 60,918 | 132 | 43,272 | (70,845) | 152,545 |
| Loss for the year and total comprehensive expense for the year | – | – | – | – | (6,744) | (6,744) |
| Derecognition upon modification of terms of convertible bond | – | – | – | (43,272) | – | (43,272) |
| Recognition upon modification of terms of convertible bond | – | – | – | 52,225 | – | 52,225 |
| **At 31 March 2013** | **119,068** | **60,918** | **132** | **52,225** | **(77,589)** | **154,754** |

*Note i:* The contributed surplus of the Company represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange at the time of the Company's capital reorganisation in 2006. Under the Companies Law of the Bermuda, the contributed surplus is distributable under certain specific circumstances. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders in certain circumstances.

## 32. DEFERRED TAXATION

At the end of the reporting period, the Group did not recognise tax losses of approximately HK$6,735,000 (2012: HK$6,735,000) due to the unpredictability of future profit streams. Tax loss amounting to HK$6,735,000 will expire in 2017.

Under the Enterprise Income Tax (the "EIT") Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. No deferred taxation has been recognised in respect of these temporary differences attributable to accumulated profits of the PRC subsidiaries since the PRC subsidiaries recorded accumulated losses during the two years ended 31 March 2013.

## 33. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the years ended 31 March 2013 and 2012.

### (a) Related parties' transactions

| Name of related party | Relationship | Nature of transactions | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|---|---|
| Tanisca | Related parties in which certain directors of the Company have beneficial interests | Interest paid on the convertible bond | **1,200** | 1,200 |

*Note:* Interest expense on the convertible bond was paid to Tanisca, the holder of the convertible bond, at 1% per annum. Tanisca is wholly owned by Mr. Mo Tianquan, who is a non-executive director and is also interested in approximately 60.39% of the total issued share capital of the Company as at 31 March 2013. Mr. Mo Tianquan was thus a connected person (as defined under the Listing Rules) of the Company and the issue of the Bond constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the transaction and the terms of the Bond were disclosed in note 28.

### (b) Other arrangements of related parties' transactions

(i) On 30 September 2011 (the US time), the Group acquired in aggregate 25,000 shares in SouFun Holdings Limited ("SouFun") at the aggregate consideration of US$284,410 (approximately equivalent to HK$2,218,000) through various on-market transactions on the New York Stock Exchange. The equity interests acquired represented approximately 0.03% of the total issued share capital of SouFun as at the date of acquisition.

As Mr. Mo Tianquan is the substantial shareholder and director of SouFun, beneficially holding approximately 32.4% in the total issued share capital of SouFun, and is also a non-executive director, a substantial shareholder and the ultimate beneficial owner of the Company, SouFun is regarded as a connected person of the Company and hence the acquisition is considered as a connected transaction for the Company under Chapter 14A of the Listing Rules.

The Group's investment in SouFun is accounted for as an equity investment at fair value through profit or loss, further details of which are included in note 22.

(ii) As detailed in note 18, the Group had an investment in the JV Company during the year two years ended 31 March 2013, Mr. Mo Tianquan, a non-executive director, a substantial shareholder and the ultimate beneficial owner of the Company, also is a substantial shareholder and beneficial owner of the JV Partner.

(iii) As detailed in note 2, corporate guarantee was provided by the ultimate holding company of the Company to support the Group financially and operationally as a going concern whom agree to provide additional funding of maximum RMB65,000,000 (approximately HK$81,270,000) which is non-repayable within one year to the Group to meet in full its financial obligation as and when they fall due within the next twelve months from the end of the reporting period.

### (c) Compensation of key management personnel

The remunerations of directors and other members of key management during the year were as follows:

| | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|
| Short-term benefits | **2,221** | 2,166 |

The remunerations of directors and key management were determined by the remuneration committee having regard to the performance of individuals and market trends.

## 34. RETIREMENT BENEFIT PLANS

### Defined contribution plans

The Group operates a Mandatory Provident Fund ("MPF") Scheme for all qualifying employees in Hong Kong. The assets of the MPF are held separately from those of the Group, in funds under the control of trustees. The retirement benefit cost for the MPF charged to the consolidated statement of comprehensive income represents contributions payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

The employees of certain subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by PRC government. These subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to consolidated statement of comprehensive income of approximately HK$3,549,000 (2012: HK$2,449,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

## 35. OPERATING LEASES COMMITMENTS

### The Group as lessee

The Group leases various offices properties under non-cancellable operating lease agreements. At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Within one year | **1,289** | 400 |
| In the second to fifth year inclusive | **1,561** | 239 |
| | **2,850** | 639 |

Leases are negotiated for a term of three to five years (2012: three to five years) and rentals are fixed during the lease period.

## 36. PARTICULAR OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 31 March 2013 and 2012 are as follows:

| Name of subsidiaries | Place of incorporation registration/ operation | Issued and fully paid registered capital | Percentage of nominal value of issued ordinary share capital held by the Company | | Forms of legal entity | Principal activities |
|---|---|---|---|---|---|---|
| | | | Directly | Indirectly | | |
| Aykens Holdings Limited | British Virgin Islands | US$100 | 100% | – | Private limited company | Investment holding |
| Hopland Enterprises Limited | British Virgin Islands | US$100 | 100% | – | Private limited company | Investment holding |
| 沃頓酒店 | PRC | US$31,927,280 | – | 100% | Wholly-owned foreign enterprise | Hotel and restaurant operation |
| Open Land Holdings Limited ("Open Land") | Hong Kong | HK$10,000 | – | 100% | Private limited company | Investment holding |

## 36. PARTICULAR OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

| Name of subsidiaries | Place of incorporation registration/ operation | Issued and fully paid registered capital | Percentage of nominal value of issued ordinary share capital held by the Company | | Forms of legal entity | Principal activities |
|---|---|---|---|---|---|---|
| | | | Directly | Indirectly | | |
| Unisonic Investment Limited | Hong Kong | HK$10,000 | – | 100% | Private limited company | Investment holding |
| 廣西普凱礦業科技有限公司 | PRC | US$3,000,000 | – | 60% | Sino-foreign equity joint venture | Development advisory and promotion of new technology for use of mineral resources |

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of both years or during both years.

## 37. EVENT AFTER THE REPORTING PERIOD

On 20 May 2013, the shareholders have duly passed the Deed of Amendment as mentioned in note 28 in special general meeting.

## 38. CONTINGENT LIABILITY

As set out in the announcements made by the Company on 24 June 2013 and 25 June 2013, during the year ended 31 March 2013, an ex-shareholder of a subsidiary of the Group (the "Subsidiary") brought legal action against the Subsidiary. The total claim amount and the estimated legal costs are approximately RMB124,810,000 (equivalents to HK$153,518,000).

Based on the legal opinion obtained by the Group, the directors of the Company consider that the Group has valid grounds of defenses and there will not be any material adverse impact to the Group's operations and on the financial positions and results of the Group.

## 39. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The changes included (i) the equity component of the convertible bond of approximately HK$43,272,00 as at 31 March 2012 had been grouped to the reserves in the consolidated statement of financial position; (ii) deposits placed with financial institutions of approximately HK$1,950,000 has been reclassified from prepayments, deposits and other receivables as at 31 March 2012; and (iii) the reclassification of interest paid and advance from related companies from operating activities to financing activities and replacement of deposits with financial institutions from decrease in prepayments, deposits and other receivables for better presenting the nature of respective transactions in the consolidated statement of cash flows.

As the equity component of the convertible bond is formed part of the reserves and the Group had no deposits placed with financial institutions included in the prepayments, deposits and other receivables as at 1 April 2011, the above reclassification has not resulted in any effect on the information presented in the consolidated statement of financial position as at 1 April 2011. Accordingly, the Group has not presented a third consolidated statement of financial position as at 1 April 2011 and the related notes.