SHUN CHEONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 650

2014 Annual Report

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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
WU Jiahong

AUDIT COMMITTEE

PALASCHUK Derek Myles *(Chairman)*
YE Jianping
WU Jiahong

REMUNERATION COMMITTEE

WU Jiahong *(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 46, 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 50, 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 50, 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 52, 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 50, 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. Wu Jiahong

Mr. Wu, aged 47, was appointed as an independent non-executive director of the Company on 16 September 2013. Mr. Wu is currently also an executive director of Rosan Resources Holdings Limited (listed in Hong Kong) since 2006. He has over 15 years of experience in corporate finance and strategic management. Mr. Wu holds a Bachelor of Art diploma from the Beijing Foreign Studies University of Beijing, the PRC and a Master of Business Administration degree from the Georgetown University in the United States.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

For the year ended 31 March 2014, 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 23% to HK$121.4 million (2013: HK$157.9 million). The decrease was mainly attributable to the lower occupancy rate in the restaurant operation of the Nanning Hotel. In the financial year ended 31 March 2014, a large scale of the decoration has been initiated and accomplished in Nanning Hotel. The hotel has 16 floors and the decoration covered totally twelve floors of the Hotel. The decoration has significant impact on the normal hotel operation. Even though the cost of sales was managed to be decreased by 8% to HK$107 million (2013: HK$116.6 million), there was drop in the gross profit to HK$14.4 million for the current year (2013: HK$41.3 million).

On 5 June 2014, the wholly owned subsidiary, Open Land Holdings Limited, received the Civil Judgment ((2013) Nan Shi Min San Chu Zi No. 41), and it does not agree with the Civil Judgment and intends to file appeal with lawyers. For the prudence purposes, the management of the Company made provision for the litigation issue.

As a result of such drop in gross profit and provision made for the litigation issue this year, the Group recorded a loss before tax from continuing operation of HK$197.8 million for the year ended 31 March 2014 as compared to the results of HK$25.2 million loss for the prior year. During the year, the Nanning Hotel reported an average room rate of HK$757 (2013: HK$764) and an average occupancy rate of 39.4% (2013: 60.5%).

BUSINESS PROSPECTS

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), it is the intention and policy of the government to further develop the tourism industry in the western China including Guangxi province.

The Beibu Gulf rim is the common development pole for China-ASEAN, which is economically co-constructed, co-developed and shared area by countries of China-ASEAN. The local government is providing a wide range of tax benefits to attract domestic and foreign investments and is also applying the Free-Trade Zone for the area. A well-known tourist zone of Beibu Gulf rim (環北部灣旅遊區) was defined as the geographic area covering six cities of Guangxi province, and Nanning and Beihai are two strategically important cities of the tourist zone.

The Board believes that the hotel business in Nanning and Beihai will contribute positively to the Shun Cheong Group. As introduced above, the management invested in twelve floors decoration of the Nanning Hotel and believes that the hotel will provide improved customer services and hotel facilities in coming years, which is a core competitive advantage to seize the growth opportunity in local tourism and restaurant industry. The hotel management is enhancing sales force regarding wedding banquet and related services as well.

In late April 2013, the Beihai Yintan No. 1 hotel, which is a part of the Yintan Project, launched formal operation. The special geographic location provides scene of the full seaview and silvery sand beach for the entertainment of the hotel guests. And the business development in Nanning Hotel and Beihai Yintan Project enables the Shun Cheong Group take advantage of the synergy benefits brought by the urban integration in the Beibu Gulf.

Cao Jing
Executive Chairman

Hong Kong
30 June 2014

* *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 2014, 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. Wu Jiahong

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 3 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 five 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. Wu Jiahong	2/5

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, five 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.

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. Wu Jiahong (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 54 to 55 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. Wu Jiahong *(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. Wu Jiahong.

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 2014, 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 2013 and the annual results for the year ended 31 March 2013. The financial statements of the Company and of the Group for the year ended 31 March 2014 including the disclaimer of opinion in the auditor's report 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. Wu Jiahong	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 2014, services provided to the Group by SHINEWING, the existing auditors of the Company, and the respective fees paid and payable were:

Services rendered	Fees HK$'000
Audit services	612

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 2014.

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 2014, 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 Auditor's 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 2013 annual general meeting due to other business engagement. Another director of the Company had chaired the 2013 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 2014.

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 38 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2014 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 19 to 72.

The directors do not recommend the payment of any dividend in respect of the year (2013: 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 2014, the Group had unpledged cash and bank deposit balances of approximately HK$42.8 million (2013: HK$32.7 million). As at 31 March 2014, the Group had outstanding interest-bearing bank borrowings of HK$234.8 million (2013: HK$236.9 million). The gearing ratio of the Group which represented the total interest-bearing bank borrowings to the total assets was 36.5% (2013: 37%).

Treasury and funding policy

The assets and liabilities of the Group are mainly denominated in Hong Kong dollars and Renminbi. The Group's bank borrowing is on a floating rate at the prime lending rate of the People's Bank of China. Taking into account of the expected cash flows of the Group's operations and cash and investment in marketable securities currently in hand, the Group expects that it will have sufficient working capital for its financial liabilities as they fall due. As the main operation of the Group is in the PRC, the Group has minimal exposure to foreign exchange fluctuation in Renminbi.

Pledge of assets

As at 31 March 2014, the hotel properties held with an aggregate carrying amount of approximately HK$283 million (2013: HK$295 million) were pledged to a bank to secure banking facilities granted to the Group.

Employees and remuneration policy

The Group employed approximately 540 employees as at 31 March 2014 (2013: 574). 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.

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				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONTINUING OPERATION					
REVENUE	**121,384**	157,908	163,345	144,684	131,826
(Loss)/profit for the year from a continuing operation	**(197,773)**	(25,249)	(9,429)	135	217
DISCONTINUED OPERATION					
Profit/(loss) for the year from a discontinued operation	**–**	–	–	749	284
(LOSS)/PROFIT FOR THE YEAR	**(197,773)**	(25,249)	(9,429)	884	501
(Loss)/profit attributable to:					
Owners of the parent	**(197,298)**	(24,667)	(9,067)	1,647	633
Non-controlling interests	**(475)**	(582)	(362)	(763)	(132)
	(197,773)	(25,249)	(9,429)	884	501

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**643,581**	643,076	698,445	623,088	605,075
TOTAL LIABILITIES	**(635,228)**	(436,265)	(479,708)	(415,838)	(406,764)
NON-CONTROLLING INTERESTS	**(8,199)**	(8,683)	(9,109)	–	(1,265)
	154	198,128	209,628	207,250	197,046

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 17 to the consolidated financial statements.

SHARE CAPITAL AND CONVERTIBLE BONDS

Details of movements in the Company's share capital during the year are set out in note 31 to the consolidated financial statements. Details of the movements in the convertible bonds of the Company during the year are set out in note 29 to the consolidated 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 32 to the consolidated 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 2014.

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
Wu Jiahong

In accordance with the Company's Bye-laws, Mr. Palaschuk Derek Myles will retire and, being eligible, offer himself 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.

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 consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 35 to the consolidated 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 2014 and 2013.

(a) Related parties' transactions

Name of related party	Relationship	Nature of transactions	**2014** **HK$'000**	2013 HK$'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 2014. 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 29 to the consolidated financial statements.

(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 consolidated financial statements.

(ii) As detailed in note 18 to the consolidated financial statements, the Group had an investment in 廣西普凱興業酒店有限公司 ("興業酒店") during the two years ended 31 March 2014, 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 北京普凱世傑投資諮詢有限公司, the joint venture partner of 興業酒店.

(iii) 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$81,185,000) 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 year ended 31 March 2013.

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:

	2014 HK$'000	2013 HK$'000
Short-term benefits	**1,150**	2,221

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 2014, 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 2014, 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 2014, 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 2014, 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

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
30 June 2014

INDEPENDENT AUDITOR'S 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 were engaged to audit 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 72, which comprise the consolidated statement of financial position as at 31 March 2014, and the consolidated statement of profit or loss and other 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.

Except for the limitation on our work as described in the basis for disclaimer of opinion paragraph, 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. However, because of the matters described in the basis for disclaimer of opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS OF DISCLAIMER OF OPINION

Material uncertainty relating to the going concern basis

The Group had net current liabilities of approximately HK$393,771,000 as at 31 March 2014 and the Group incurred a loss for the year of approximately HK$197,773,000 for the year ended 31 March 2014.

As explained in the basis of preparation set out in note 2 to the consolidated financial statements, the consolidated financial statements have been prepared by the directors of the Company on a going concern basis, the validity of which depends upon the successful implementation and outcome of the measures to be undertaken by the Group as described in note 2 to the consolidated financial statements. In view of the extent of the material uncertainties relating to the successful implementation and outcome of the measures to be undertaken by the Group as mentioned above which might cast a significant doubt on the Group's ability to continue as a going concern, we have disclaimed our audit opinion on the consolidated financial statements.

Should the Group be not able to continue its business as a going concern, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities, write down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the "Basis of Disclaimer of Opinion" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong
30 June 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Turnover	8	**121,384**	157,908
Cost of sales		**(106,938)**	(116,634)
Gross profit		**14,446**	41,274
Other income	10	**2,775**	2,128
Administrative expenses		**(25,287)**	(29,769)
Other operating expenses		**(2,882)**	(14,144)
Provision for litigation	27	**(166,780)**	–
Fair value gain on equity investment at fair value through profit or loss		**8,131**	1,745
Finance costs	11	**(23,372)**	(30,739)
Gain on deregistration of a subsidiary	34	**119**	–
Gain on modifications of terms of convertible bond		**–**	4,589
Share of results of joint ventures		**(4,923)**	(333)
Loss before tax		**(197,773)**	(25,249)
Income tax expense	12	**–**	–
Loss for the year	13	**(197,773)**	(25,249)
Other comprehensive (expenses) income			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive (expenses) income of joint ventures		**(144)**	536
Release of translation reserve upon deregistration of a foreign subsidiary	34	**(119)**	–
Exchange difference arising on translation of foreign operations		**(73)**	4,171
Other comprehensive (expenses) income for the year		**(336)**	4,707
Total comprehensive expenses for the year		**(198,109)**	(20,542)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(197,298)**	(24,667)
Non-controlling interests		**(475)**	(582)
		(197,773)	(25,249)
Total comprehensive expenses attributable to:			
Owners of the Company		**(197,625)**	(20,116)
Non-controlling interests		**(484)**	(426)
		(198,109)	(20,542)
Loss per share			
— Basic and diluted	16	**(HK 56.80 cents)**	(HK 7.10 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	17	**477,508**	487,541
Interests in joint ventures	18	**93,536**	98,603
		571,044	586,144
Current assets			
Inventories	19	**2,219**	2,506
Trade receivables	20	**5,236**	6,450
Prepayments, deposits and other receivables	21	**6,563**	7,828
Equity investment at fair value through profit or loss	22	**13,400**	5,269
Deposits placed with financial institutions	23	**2,326**	2,140
Bank balances and cash	24	**42,793**	32,739
		72,537	56,932
Current liabilities			
Trade payables	25	**13,572**	13,505
Other payables, accruals and deposits	26	**90,066**	62,451
Provision for litigation	27	**166,606**	–
Amounts due to related companies	28	**924**	1,007
Tax payables		**5,335**	5,341
Convertible bond	29	**112,991**	–
Interest-bearing bank borrowings	30	**76,814**	39,384
		466,308	121,688
Net current liabilities		**(393,771)**	(64,756)
Total assets less current liabilities		**177,273**	521,388
Non-current liabilities			
Amounts due to related companies	28	**10,921**	10,572
Convertible bond	29	**–**	106,458
Interest-bearing bank borrowings	30	**157,999**	197,547
Total non-current liabilities		**168,920**	314,577
Net assets		**8,353**	206,811

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Capital and reserves			
Share capital	31	**3,473**	3,473
Reserves		**(3,319)**	194,655
Equity attributable to owners of the Company		**154**	198,128
Non-controlling interests		**8,199**	8,683
Total equity		**8,353**	206,811

The consolidated financial statements on pages 19 to 72 were approved and authorised for issue by the board of directors on 30 June 2014 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 2014

	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 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 joint ventures	–	–	–	–	–	536	–	–	536	–	536
Exchange difference arising on translation of foreign operations	–	–	–	–	–	4,015	–	–	4,015	156	4,171
Total other comprehensive income for the year	–	–	–	–	–	4,551	–	–	4,551	156	4,707
Total comprehensive income (expenses) 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 29)*	–	–	–	(43,272)	–	–	–	–	(43,272)	–	(43,272)
Recognition upon modification of terms of convertible bond *(note 29)*	–	–	–	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
At 1 April 2013	3,473	119,068	46,909	52,225	132	22,854	1,362	(47,895)	198,128	8,683	206,811
Loss for the year	–	–	–	–	–	–	–	(197,298)	(197,298)	(475)	(197,773)
Other comprehensive expense											
Share of other comprehensive expenses of joint ventures	–	–	–	–	–	(144)	–	–	(144)	–	(144)
Release of translation reserve upon deregistration of a foreign subsidiary *(note 34)*	–	–	–	–	–	(119)	–	–	(119)	–	(119)
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(64)	–	–	(64)	(9)	(73)
Total other comprehensive expenses for the year	–	–	–	–	–	(327)	–	–	(327)	(9)	(336)
Total comprehensive expenses for the year	–	–	–	–	–	(327)	–	(197,298)	(197,625)	(484)	(198,109)
Imputed interest released on non-current amount due to related companies	–	–	–	–	–	–	(349)	–	(349)	–	(349)
At 31 March 2014	3,473	119,068	46,909	52,225	132	22,527	1,013	(245,193)	154	8,199	8,353

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 28 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 2014

	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(197,773)**	(25,249)
Adjustments for:		
Finance costs	**23,372**	30,739
Bank interest income	**(50)**	(439)
Share of results of joint ventures	**4,923**	333
Depreciation of property, plant and equipment	**38,237**	34,390
Impairment loss recognised on other receivables	**1,574**	–
Impairment loss recognised on trade receivables	**1,165**	14,315
Reversal of impairment loss recognised on trade receivables in prior years	**(1,337)**	–
Gain on deregistration of a subsidiary	**(119)**	–
Gain on modifications of terms of convertible bond	**–**	(4,589)
Government grants	**(418)**	(723)
(Gain) loss on disposal of property, plant and equipment	**(1)**	548
Loss on written off of property, plant and equipment	**352**	–
Fair value gain on equity investment at fair value through profit or loss	**(8,131)**	(1,745)
Dividend income from an equity investment at fair value through profit or loss	**(186)**	(190)
Operating cash flows before movements in working capital	**(138,392)**	47,390
Decrease in inventories	**284**	2,120
Decrease in trade receivables	**1,378**	2,133
(Increase) decrease in prepayments, deposits and other receivables	**(319)**	1,066
Increase in trade payables	**85**	1,215
Increase in other payables, accruals and deposits	**27,696**	9,637
Increase in provision for litigation	**166,780**	–
Net cash from operating activities	**57,512**	63,561

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	2014 HK$'000	2013 HK$'000
INVESTING ACTIVITIES		
Interest received	**50**	439
Purchases of property, plant and equipment	**(29,013)**	(12,657)
Proceeds from disposal of property, plant and equipment	**1**	6
Placement of deposits with financial institution	**(186)**	(190)
Dividend received from an equity investment at fair value through profit or loss	**186**	190
Net cash used in investing activities	**(28,962)**	(12,212)
FINANCING ACTIVITIES		
Repayment to related companies	**(83)**	(19,805)
Government grants received	**418**	723
Interest paid	**(16,839)**	(20,055)
Repayment of bank borrowings	**(39,384)**	(40,950)
New bank borrowings raised	**37,590**	–
Net cash used in financing activities	**(18,298)**	(80,087)
Net increase (decrease) in cash and cash equivalents	**10,252**	(28,738)
Cash and cash equivalents at beginning of year	**32,739**	63,972
Effect of foreign exchange rate changes	**(198)**	(2,495)
Cash and cash equivalents at end of year	**42,793**	32,739
Cash and cash equivalents at end of year, represented by		
Bank balances and cash	**42,683**	31,473
Non-pledged time deposits with original maturity of less than three months when acquired	**110**	1,266
	42,793	32,739

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.

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 ("Nanning Hotel"), 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 38.

2. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the following facts and circumstances:

(i) the Group incurred a loss for the year of approximately HK$197,773,000 for the year ended 31 March 2014;

(ii) the Group had net current liabilities of approximately HK$393,771,000 as at 31 March 2014; and

(iii) pursuant to a special resolution duly passed on 29 June 2014 at a special general meeting of the Company, the maturity date of the convertible bond of HK$120,000,000 originally maturing on 28 March 2015 was extended to 30 April 2018. Details are already set out in the Company's announcement on 12 June 2014 and 29 June 2014.

In view of above, the directors of the Company have adopted the following measures with a view to improve the Group's overall financial and cash flow position and to maintain the Group's existence as a going concern:

(i) The Group's principal banker shall continue to provide continuing financing to the Group under the Group's existing available facilities amounted to RMB162,000,000 (approximately HK$202,338,000);

(ii) The Group shall implement cost-saving measures to maintain adequate cash flows for the Group's operations; and

(iii) As set out in the Company's announcement on 24 June 2014, the Group is preparing to file appeal in relation to a civil judgement as mentioned in note 39. A provision for the litigation of approximately HK$166,780,000 had been made as at 31 March 2014.

In light of the above, the directors of the Company are of the opinion that it is still appropriate to prepare the consolidated financial statements for the year ended 31 March 2014 on a going concern basis.

Should the Group be not able to continue to operate as a going concern, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities, write down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments.

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

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

Amendments to Hong Kong Accounting Standard ("HKAS") 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements 2009–2011 Cycle
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosures of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK (International Financial Reporting Interpretation Committee) ("IFRIC") – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current year and prior year and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. The amendments 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 additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are 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 have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply 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 for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1 January 2013. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see note 7(c) for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 Consolidated Financial Statements, HKFRS 11 Joint Arrangements, HKFRS 12 Disclosure of Interests in Other Entities, HKAS 27 (as revised in 2011) Separate Financial Statements and HKAS 28 (as revised in 2011) Investments in Associates and Joint Ventures, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC) Int-12 Consolidation — Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

As a result of the initial application of HKFRS 10, the directors of the Company made an assessment whether the Group has control over its investees at the date of initial application and concluded that the application of HKFRS 10 does not result in any change in control conclusions.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, HK(SIC)-Int13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements — joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements — jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Interests in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Interests in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company reviewed and assessed the classification of the Group's interests in joint ventures in accordance with the requirements of HKFRS 11. The directors of the Company concluded that the Group's investment in 廣西普凱興業酒店投資有限公司 ("興業酒店"), which was classified as a jointly controlled entity under HKAS 31 should be classified as a joint venture under HKFRS 11 and continue to account for using the equity method.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements. Details are set out in notes 18 and 38.

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

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation[4]
Amendments to HKAS 19	Defined Benefit Plans — Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, except as disclosed below. Early application is permitted.

3 HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, application of HKFRS 9 is permitted.

4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

Annual Improvements to HKFRSs 2010–2012 Cycle

The Annual Improvements to HKFRSs 2010–2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

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

New and revised HKFRSs issued but not yet effective (continued)

Annual Improvements to HKFRSs 2010–2012 Cycle (continued)

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010–2012 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011–2013 Cycle

The Annual Improvements to HKFRSs 2011–2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011–2013 Cycle will have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments:

  Recognition and Measurement to be 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 reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting 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.

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

New and revised HKFRSs issued but not yet effective (continued)

HKFRS 9 Financial Instruments (continued)

- 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 fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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 the effect until a detailed review has been completed.

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

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting 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 have been made to HKFRS 12 and HKAS 27 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 early 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.

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments are issued to address the accounting for acquisitions of interest in joint operations, in which (i) the relevant principles on business combinations accounting in HKFRS 3 and other HKFRSs should be applied and (ii) the relevant information that is required in those HKFRSs in relation to business combination should be disclosed. The amendments to HKFRS 11 is effective for annual periods beginning on or after 1 January 2016, with early application permitted. The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective (continued)

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptance Methods of Depreciation and Amortisation

The amendments establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The amendments are effective for annual periods beginning on or after 1 January 2016 with early application permitted. The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

Amendments to HKAS 32 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 directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective (continued)

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The directors of the Company do not anticipate that the application of these amendments to HKAS 39 will have any effect on the Group's consolidated financial statements as the Group does not have any derivatives that are subject to novation.

HK (IFRIC)-Int 21 Levies

HK (IFRIC)-Int 21 Levies addresses the issue of when to recognise a liability to pay a levy. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The directors of the Company anticipate that the application of HK (IFRIC)-Int 21 will have no effect on the Group's consolidated financial statements as the Group does not have any levy arrangements.

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 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.

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 and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

— Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

— Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

— Level 3 inputs are unobservable inputs for the asset or liability.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

— has power over the investee;

— is exposed, or has rights, to variable returns from its involvement with the investee; and

— has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investment in subsidiaries

Investments in subsidiaries are stated at cost less any identified impairment loss on the statement of financial position of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, interests in joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint ventures. When the Group's share of losses of a joint venture exceeds its interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint ventures.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's interests in joint ventures. 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.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

Where a group entity transacts with an a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interest in the joint venture 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 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.

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 at 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 on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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 of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year , in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 profit or loss and other 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, 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 its 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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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 financial assets at fair value through profit or loss. 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, deposits placed with financial institutions 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") include financial assets designated as at FVTPL on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

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

A financial asset 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 Financial Instruments: Recognition and Measurement 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 profit or loss and other comprehensive income. Fair value is determined in the manner described in note 7(c).

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 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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 borrowings 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to of disposals 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) 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 CGU) 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 CGU) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

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.

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 the consolidated financial statements.

Going concern and liquidity

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation and outcome of the measures to be undertaken by the Group. Details are explained in note 2.

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 2014, 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 notes 27 and 39, an ex-shareholder of a subsidiary of the Group (the "Ex-shareholder") brought legal action against a subsidiary of the Group (the "Subsidiary").

On 5 June 2014, the civil judgment was received from the Intermediate People's Court Guangxi Zhuang Autonomous Region and the Subsidiary was ordered to settle the compensation of approximately RMB110 million and corresponding indemnify based on the principal amount of RMB110 million at the People's Bank of China lending rate from 10 January 2011 and ending on the last day of the period as specified in the judgment to the Ex-shareholder. The Subsidiary is preparing to file an appeal to a higher court for the civil judgement received. In the opinion of the directors of the Company, provision for RMB133,392,000 (approximately HK$166,780,000) has been made regarding the case for prudence purposes for the year ended 31 March 2014 (2013: nil).

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

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 2014, the carrying values of property, plant and equipment is approximately HK$477,508,000 (net of accumulated depreciation of approximately HK$377,762,000) (31 March 2013: carrying values of approximately HK$487,541,000 (net of accumulated depreciation of approximately HK$341,058,000)).

Estimated impairment of interests in joint ventures

The Group regularly reviews interests in joint ventures 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 joint ventures were recognised for both years and the carrying amount of interests in joint ventures as at 31 March 2014 is approximately HK$93,536,000 (2013: HK$98,603,000).

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 immediately following the modification, was approximately HK$106,458,000. Further details are given in note 29.

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 2014, the carrying amount of trade receivables is approximately HK$5,236,000 (net of allowance for doubtful debts of approximately HK$14,948,000) (2013: carrying amount of approximately HK$6,450,000 (net of allowance for doubtful debts of approximately HK$15,136,000)).

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 convertible bond disclosed in note 29, interest-bearing bank borrowings disclosed in note 30, 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 borrowings divided by total assets. The gearing ratios as at the end of the reporting periods were as follows:

The gearing ratio at 31 March 2014 and 2013 are as follows:

	2014	2013
	HK$'000	HK$'000
Interest-bearing bank borrowings	**234,813**	236,931
Total assets	**643,581**	643,076
Gearing ratio	**36%**	37%

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014	2013
	HK$'000	HK$'000
Financial assets		
Equity investment at fair value through profit or loss	**13,400**	5,269
Loans and receivables (including cash and cash equivalents)	**54,318**	44,780
	67,718	50,049
Financial liabilities		
Financial liabilities at amortised cost	**413,530**	408,308

7. FINANCIAL INSTRUMENTS (CONTINUED)

(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, deposits placed with financial institutions, bank balances and cash, trade payables, other payables, accruals, amounts due to related companies, convertible bond and interest-bearing bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk, 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 29 respectively. The Group is also exposed to cash flow interest rate risk in relation to variable-rate interest-bearing bank borrowings as disclosed in note 30. 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 borrowings 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 (2013: 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 2014 would increase/decrease by approximately HK$577,000 (2013: HK$1,043,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate interest-bearing bank borrowings and deposit.

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% (2013: 5%) higher/lower, post-tax loss for the year ended 31 March 2014 would decrease/increase by approximately HK$503,000 (2013: HK$198,000) 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.

7. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk

As at 31 March 2014, 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. 19% (2013: 17%) and 48% (2013: 42%) 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% (2013: 100%) of the total trade receivable as at 31 March 2014.

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.

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 2014, the Group had available unutilised bank loan facilities of approximately RMB162,000,000 (equivalents to approximately HK$202,338,000 (2013: RMB130,500,000 (equivalents to approximately HK$163,164,000)).

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.

7. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk (continued)

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 2014					
Trade payables	**13,572**	**–**	**–**	**13,572**	**13,572**
Other payables and accruals	**40,309**	**–**	**–**	**40,309**	**40,309**
Amounts due to related companies	**924**	**11,934**	**–**	**12,858**	**11,845**
Interest-bearing bank borrowings	**91,614**	**183,933**	**–**	**275,547**	**234,813**
Convertible bond	**121,200**	**–**	**–**	**121,200**	**112,991**
	267,619	**195,867**	**–**	**463,486**	**413,530**

	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 borrowings	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

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 2014			
Trade receivables	**5,236**	**5,236**	**5,236**
Deposits and other receivables	**3,963**	**3,963**	**3,963**
Deposits placed with financial institution	**2,326**	**2,326**	**2,326**
Equity investment at fair value through profit or loss	**13,400**	**13,400**	**13,400**
Bank balances and cash	**42,793**	**42,793**	**42,793**
	67,718	**67,718**	**67,718**

	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

(c) Fair value measurements of financial instruments

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The Group's financial asset at fair value through profit or loss is measured at fair value at the end of each reporting period. The following table gives information about how the fair value of the financial asset is determined.

Financial asset	Fair value as at 2014	Fair value as at 2013	Fair value hierarchy	Valuation technique(s) and key input(s)
Designated non-derivative financial assets classified as financial assets at fair value through profit or loss in the consolidated statement of financial position (see note 22)	Listed securities in the New York Stock Exchange: — Technology: US$1,710,500	Listed securities in the New York Stock Exchange: — Technology: US$675,500	Level 1	Quoted bid prices in an active market.

There were no transfers between levels of fair value hierarchy in the current year and prior year.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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:

	2014 HK$'000	2013 HK$'000
Hotel business	**121,384**	157,908

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

(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**	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Turnover						
Sales to external customers	**121,384**	157,908	**–**	–	**121,384**	157,908
Other revenue	**2,582**	1,925	**193**	203	**2,775**	2,128
Segment revenue	**123,966**	159,833	**193**	203	**124,159**	160,036
Segment (loss) profit	**(12,771)**	3,116	**5,031**	(2,215)	**(7,740)**	901
Finance costs					**(23,372)**	(30,739)
Provision for litigation					**(166,780)**	–
Gain on deregistration of a subsidiary					**119**	–
Gain on modifications of terms of convertible bond					**–**	4,589
Loss before tax					**(197,773)**	(25,249)

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, provision for litigation, gain on deregistration of a subsidiary 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.

9. SEGMENT INFORMATION (CONTINUED)

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	Hotel business		Corporate and others		Total	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS						
Segment and consolidated assets	**611,140**	609,188	**32,441**	33,888	**643,581**	643,076
LIABILITIES						
Segment liabilities	**99,235**	73,245	**16,248**	14,290	**115,483**	87,535
Unallocated liabilities					**519,745**	348,730
Consolidated liabilities					**635,228**	436,265

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, provision for litigation, interest-bearing bank borrowings and convertible bond.

9. SEGMENT INFORMATION (CONTINUED)

(c) Other segment information

	Hotel business		Corporate and others		Total	
	2014	2013	**2014**	2013	**2014**	2013
	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	**38,233**	34,387	**4**	3	**38,237**	34,390
Fair value gain on equity investment at fair value through profit or loss	**–**	–	**8,131**	1,745	**8,131**	1,745
Capital expenditure	**29,013**	12,656	**–**	1	**29,013**	12,657
Impairment loss recognised on other receivables	**1,574**	–	**–**	–	**1,574**	–
Impairment loss recognised on trade receivables	**1,165**	14,315	**–**	–	**1,165**	14,315
Reversal of impairment loss recognised on trade receivables in prior years	**(1,337)**	–	**–**	–	**(1,337)**	–
Government grants	**(418)**	(723)	**–**	–	**(418)**	(723)
Bank interest income	**(50)**	(438)	**–**	(1)	**(50)**	(439)
Interests in joint ventures	**93,536**	98,603	**–**	–	**93,536**	98,603
Share of results of joint ventures	**4,923**	333	**–**	–	**4,923**	333
Loss on written off of property, plant and equipment	**352**	–	**–**	–	**352**	–
(Gain) loss on disposal of property, plant and equipment	**(1)**	548	**–**	–	**(1)**	548
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	**–**	–	**–**	–	**–**	–
Finance cost	**15,639**	18,855	**7,733**	11,884	**23,372**	30,739

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 2014 HK$'000	For the year ended 2013 HK$'000	**As at 2014 HK$'000**	As at 2013 HK$'000
The PRC	**121,384**	157,908	**571,037**	586,134
Hong Kong	**–**	–	**7**	10

(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 (2013: nil).

10. OTHER INCOME

	2014 HK$'000	2013 HK$'000
Bank interest income	**50**	439
Dividend income from an equity investment at fair value through profit or loss	**186**	190
Government grants	**418**	723
Reversal of impairment loss recognised on trade receivables in prior years	**1,337**	–
Other	**784**	776
	2,775	2,128

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

	2014 HK$'000	2013 HK$'000
Interest on bank borrowings wholly repayable within five years	**15,639**	18,855
Effective interest expense on convertible bond *(note 29)*	**7,733**	11,884
	23,372	30,739

12. INCOME TAX EXPENSE

	2014 **HK$'000**	2013 HK$'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	**–**	–
Deferred tax *(note 33)*	**–**	–
	–	–

Pursuant to the rules and regulations of the Bermuda, the Company is not subject to any income tax in the Bermuda.

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. No provision for EIT has been made in the consolidated financial statements as the Group did not generate any assessable profit for both years.

The tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 **HK$'000**	2013 HK$'000
Loss before tax	**(197,773)**	(25,249)
Tax at the domestic income tax rate at 25% (2013: 25%) *(note)*	**(49,444)**	(6,312)
Tax effect of income not taxable	**(182)**	(629)
Tax effect of expenses not deductible	**43,057**	6,858
Tax effect of share of results of joint ventures	**1,231**	83
Tax effect of tax loss not recognised	**5,338**	–
Tax expense for the year	**–**	–

Details of deferred tax are set out in note 33.

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:

	2014 HK$'000	2013 HK$'000
Directors' and chief executive's emoluments *(note 14)*	**1,150**	1,056
Retirement benefit scheme contributions (excluding contributions for directors and chief executive)	**4,657**	3,549
Other staff costs	**26,132**	26,580
Total employee benefit expenses	**31,939**	31,185
Depreciation of property, plant and equipment	**38,237**	34,390
Auditor's remuneration	**612**	480
Minimum lease payment under operating leases of offices properties	**468**	416
Loss on written off of property, plant and equipment	**352**	–
Loss on disposal of property, plant and equipment	**–**	548
Impairment loss recognised on trade receivables (included in other operating expenses)	**1,165**	14,315
Impairment loss recognised on other receivables (included in other operating expenses)	**1,574**	–

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

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the 7 (2013: 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 c)*	Mr. Mo Tianquan HK$'000	Mr. Ye Jianping HK$'000	Mr. Palaschuk Derek Myles HK$'000	Mr. Deng Wei HK$'000 *(Note a)*	Mr. Wu Jiahong HK$'000 *(Note b)*	Total HK$'000
For the year ended 31 March 2014								
Fees	**–**	**104**	**623**	**104**	**187**	**62**	**70**	**1,150**
Other emoluments:								
Salaries and other benefits	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Retirement benefit scheme contributions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total emoluments	**–**	**104**	**623**	**104**	**187**	**62**	**70**	**1,150**
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

Note a: Mr. Deng Wei has been resigned as independent non-executive director on 8 November 2013.

Note b: Mr. Wu Jiahong has been newly appointed as independent non-executive director on 16 September 2013.

Note c: Mr. Zhang Shaohua is also the chief executive of the Company for the year ended 31 March 2013 and 2014 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 2014.

(b) Employees' emoluments

The five highest paid individuals of the Group included two (2013: two) directors of the Company, details of whose emoluments are set out in (a) above. The emoluments of the remaining three (2013: three) individuals are as follows:

	2014 HK$'000	2013 HK$'000
Salaries and other benefits	**748**	1,143
Retirement benefit scheme contributions	**11**	22
	759	1,165

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

(b) Employees' emoluments (continued)

The emoluments of the remaining three (2013: three) individuals were within the following bands:

	2014 Number of employees	2013 Number of employees
Nil–HK$1,000,000	**3**	3

During the two years ended 31 March 2014, no emoluments were paid or payable by the Group to any of the directors or the chief executive 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 2014, nor has any dividend been proposed since the end of the reporting period.

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:

	2014 HK$'000	2013 HK$'000
Loss		
Loss for the purpose of basic loss per share		
Loss for the year attributable to the owners of the Company	**(197,298)**	(24,667)
Effect of dilutive potential ordinary shares:		
Interest on convertible bond	**7,733**	11,884
Loss for the purpose of diluted loss per share	**(189,565)**	(12,783)

	2014 '000	2013 '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 per share	**672,089**	672,089

	2014	2013
Basic and diluted loss per share (in HK cents)	**(56.80)**	(7.10)

For the year ended 31 March 2014 and 2013, 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$197,298,000 (2013: HK$24,667,000), and the weighted average number of ordinary shares of approximately 347,326,000 (2013: 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$'000	Total HK$'000
Cost						
At 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)
As at 31 March 2013 and 1 April 2013	412,680	131,490	78,061	5,074	201,294	828,599
Exchange realignment	(389)	(138)	(92)	(5)	(226)	(850)
Additions	–	1,893	10,628	4	16,488	29,013
Written off	–	(746)	(550)	(8)	–	(1,304)
Disposals	–	–	–	(188)	–	(188)
At 31 March 2014	412,291	132,499	88,047	4,877	217,556	855,270
Accumulated depreciation						
At 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 and 1 April 2013	117,729	100,014	53,810	2,612	66,893	341,058
Exchange realignment	(135)	(112)	(59)	(3)	(84)	(393)
Charge for the year	11,703	8,512	3,049	664	14,309	38,237
Written back	–	(677)	(268)	(7)	–	(952)
Eliminated on disposals	–	–	–	(188)	–	(188)
At 31 March 2014	129,297	107,737	56,532	3,078	81,118	377,762
Carrying values						
At 31 March 2014	**282,994**	**24,762**	**31,515**	**1,799**	**136,438**	**477,508**
At 31 March 2013	294,951	31,476	24,251	2,462	134,401	487,541

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 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$282,994,000 (2013: HK$294,951,000) to secure interest-bearing bank borrowings granted to the Group. Details were stated in note 30.

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$4,096,000 (2013: HK$4,271,000). 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 JOINT VENTURES

	2014 HK$'000	2013 HK$'000
Cost of investment in joint ventures — unlisted	**32,841**	32,841
Share of post acquisition (loss) profit and other comprehensive (expenses) income	**(4,864)**	203
Advance to a joint venture	**65,559**	65,559
	93,536	98,603

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

At 31 March 2014 and 2013, the Group had interests in the following joint ventures:

Name of entities	Form of business structure	Place of incorporation and operation	Particulars of registered capital	Percentage of ownership interest and voting rights held by the Group 2014	2013	Principal activity
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%***	26.7%*	Building services contracting and maintenance business consists of the provisions of building related maintenance services

* The interests in joint ventures are indirectly held by the Company.

18. INTERESTS IN JOINT VENTURES (CONTINUED)

The summarised financial information below represents amounts shown in 興業酒店 and its subsidiary, 北海海興's financial statements prepared in accordance with HKFRSs.

	2014 HK$'000	2013 HK$'000
Current assets	**5,397**	10,693
Non-current assets	**611,278**	577,177
Current liabilities	**(262,092)**	(214,109)
Non-current liabilities	**(249,800)**	(250,000)
Net assets	**104,783**	123,761

The above amounts of assets and liabilities include the following:

	2014 HK$'000	2013 HK$'000
Cash and cash equivalents	**2,175**	1,280
Current financial liabilities (excluding trade and other payables and provisions)	**–**	–
Non-current financial liabilities (excluding trade and other payables and provisions)	**249,800**	250,000

	2014 HK$'000	2013 HK$'000
Revenue	**–**	–
Loss for the year	**(18,439)**	(1,248)
Other comprehensive (expense) income for the year	**(539)**	2,007
Total comprehensive (expense) income for the year	**(18,978)**	759

The above loss for the year includes the following:

	2014 HK$'000	2013 HK$'000
Depreciation	**17,197**	85
Interest income	**–**	3
Interest expenses	**–**	–
Income tax expenses	**–**	–

18. INTERESTS IN JOINT VENTURES (CONTINUED)

Reconciliation of the above summarised financial information to the carrying amount of the interests in the joint ventures recognised in the consolidated financial statements:

	2014 HK$'000	2013 HK$'000
Net assets of 興業酒店 and its subsidiary, 北海海興	**104,783**	123,761
Proportion of the Group's interests in 興業酒店 and its subsidiary, 北海海興	**26.7%**	26.7%
Carrying amount of the Group's interests in 興業酒店 and its subsidiary, 北海海興	**27,977**	33,044

19. INVENTORIES

	2014 HK$'000	2013 HK$'000
Raw materials	**530**	652
Low-valued consumables	**1,207**	1,279
Consumables	**482**	575
	2,219	2,506

20. TRADE RECEIVABLES

	2014 HK$'000	2013 HK$'000
Trade receivables	**20,184**	21,586
Less: allowance for doubtful debts	**(14,948)**	(15,136)
	5,236	6,450

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:

	2014 HK$'000	2013 HK$'000
Within 30 days	**2,793**	1,950
31 days–60 days	**1,323**	1,950
61 days–90 days	**68**	974
Over 90 days	**1,052**	1,576
	5,236	6,450

20. TRADE RECEIVABLES (CONTINUED)

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

	2014 HK$'000	2013 HK$'000
At 1 April	**15,136**	808
Impairment loss recognised on receivables	**1,165**	14,315
Reversal of impairment loss recognised on receivables	**(1,337)**	–
Exchange realignment	**(16)**	13
At 31 March	**14,948**	15,136

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$14,948,000 (2013: HK$15,136,000) which were in severe financial difficulties. Impairment loss of approximately HK$1,165,000 (2013: HK$14,315,000) has been recognised during the year ended 31 March 2014 accordingly.

(c) As at 31 March 2014, approximately HK$1,120,000 (2013: HK$2,550,000) of the Group's trade receivables were past due as at the reporting date but not impaired. The ageing analysis of these past due but not impaired receivables is as follows:

	2014 HK$'000	2013 HK$'000
Less than 30 days past due	**17**	244
31 to 90 days past due	**136**	988
Over 90 days past due	**967**	1,318
	1,120	2,550

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

	2014 HK$'000	2013 HK$'000
Prepayments	**2,600**	4,377
Deposits and other receivables	**3,963**	3,451
	6,563	7,828

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.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

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

	2014 **HK$'000**	2013 HK$'000
At 1 April	**119**	119
Impairment loss recognised on other receivables	**1,574**	–
At 31 March	**1,693**	119

Included in the allowance for doubtful debts are individually impaired other receivables with an aggregate balance of approximately HK$1,693,000 (2013: HK$119,000) which were in severe financial difficulties. Impairment loss of approximately HK$1,574,000 (2013: nil) has been recognised during the year ended 31 March 2014 accordingly.

22. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 **HK$'000**	2013 HK$'000
Listed securities		
— Equity securities listed in The New York Stock Exchange	**13,400**	5,269

The above equity investment at 31 March 2014 and 2013 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% (2013: 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% (2013: 0.001% to 0.50%) per annum. As at 31 March 2014, the fixed interest rate on bank deposits with initial terms ranging from one month to three months were 0.01% (2013: 2.57% to 2.75%) per annum.

At 31 March 2014, the Group's bank balances and cash denominated in RMB amounted to approximately RMB23,139,000, equivalent to approximately HK$28,900,000 (2013: approximately RMB11,645,000, equivalent to approximately HK$14,560,000). 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:

	2014 **HK$'000**	2013 HK$'000
US$	**13,186**	14,653

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:

	2014 HK$'000	2013 HK$'000
Within 30 days	**2,497**	2,774
31 days–60 days	**2,308**	2,334
Over 60 days	**8,767**	8,397
	13,572	13,505

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

	2014 HK$'000	2013 HK$'000
Deposits received	**49,757**	22,616
Other payables	**35,631**	36,423
Accruals	**4,678**	3,412
	90,066	62,451

27. PROVISION FOR LITIGATION

	Litigation HK$'000
At 1 April 2013	–
Provided for the year	166,780
Exchange realignment	(174)
At 31 March 2014	**166,606**

The litigation proceedings represented the Ex-shareholder has brought legal proceedings against the Subsidiary in relation to a contractual dispute. Details of the litigation are set out in notes 39 and 40(ii).

28. AMOUNTS DUE TO RELATED COMPANIES

Balances with related companies are unsecured and interest-free. Amounts of approximately HK$924,000 (2013: HK$1,007,000) and HK$10,921,000 (2013: HK$10,572,000) are repayable on demand, classified as current and repayable after three years (2013: four years), classified as non-current, respectively. Principal with nominal value of HK$11,934,000 (2013: HK$11,934,000) is repayable after three years (2013: four 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.

	2014 HK$'000	2013 HK$'000
Liability component	**10,921**	10,572
Capital contribution	**1,013**	1,362
Nominal value	**11,934**	11,934

The effective interest rate used was 3.25% per annum for the two years ended 2014.

29. 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 is 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 right 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 Tanisca 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 have 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 6.84% (2013: 11.16%) per annum. The residual amount was assigned as the equity component of the Bond and is included in shareholders' equity.

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 6.84% (2013: 11.16%).

Subsequent to the year ended 31 March 2014, pursuant to a special general meeting of the Company, the maturity date of the convertible bond of HK$120,000,000 originally maturing on 28 March 2015 was extended to 30 April 2018 (the "2nd Amendment"). Details are already set out in the Company's announcement on 12 June 2014 and 29 June 2014.

29. CONVERTIBLE BOND (CONTINUED)

The Bond has 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 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 and 1 April 2013	106,458	52,225	158,683
Interest expenses *(note 11)*	7,733	–	7,733
Interest paid	(1,200)	–	(1,200)
At 31 March 2014	**112,991**	**52,225**	**165,216**

30. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	2014 HK$'000	2013 HK$'000
Unsecured bank loan	Fixed rate at 5%	March 2015	**37,470**	–
Secured bank loan	Floating rate at the prime lending rate of the People's Bank of China	February 2019	**197,343**	236,931
			234,813	236,931

	2014 HK$'000	2013 HK$'000
Carrying amount repayable*:		
Within one year	**76,814**	39,384
More than one year, but not exceeding two years	**39,344**	39,384
More than two years but not more than five years	**118,655**	118,154
More than five years	**–**	40,009
Total secured interest-bearing bank borrowings	**234,813**	236,931
Less: Amounts due within one year shown under current liabilities	**(76,814)**	(39,384)
Amounts shown under non-current liabilities	**157,999**	197,547

* The amounts due are based on scheduled repayment dates as set out in the loan agreements.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's unsecured and secured bank loan are ranged from 5% to 6.55% (2013: 6.55%) per annum.

During the year, the Group obtained new loans in the amount of approximately HK$37,470,000 (2013: nil). The loans bear interest at fixed rate and will be repayable in March 2015. The proceeds were used to finance the working capital.

The interest-bearing bank borrowings is secured by the pledge of the Group's land and buildings situated in PRC with a carrying value of approximately HK$282,994,000 (2013: HK$294,951,000) (note 17).

31. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2012, 31 March 2013, 1 April 2013 and 31 March 2014	8,000,000	80,000
Issued and fully paid:		
At 1 April 2012, 31 March 2013, 1 April 2013 and 31 March 2014	347,326	3,473

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014 HK$'000	2013 HK$'000
Non-current assets		
Property, plant and equipment	**6**	10
Interests in subsidiaries *(note a)*	**88,830**	255,224
	88,836	255,234
Current assets		
Deposits placed with financial institutions	**2,326**	2,140
Prepayments, deposits and other receivables	**971**	653
Equity investment at fair value through profit or loss	**13,400**	5,269
Bank balances and cash	**2,762**	3,904
	19,459	11,966
Current liabilities		
Other payables and accruals	**4,337**	2,515
Convertible bond	**112,991**	–
	117,328	2,515
Net current (liabilities) assets	**(97,869)**	9,451
Total assets less current liabilities	**(9,033)**	264,685
Non-current liability		
Convertible bond	**–**	106,458
Net assets	**(9,033)**	158,227
Capital and reserves		
Share capital	**3,473**	3,473
Reserves *(note b)*	**(12,506)**	154,754
Total equity	**(9,033)**	158,227

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note a:

	2014 HK$'000	2013 HK$'000
Unlisted shares, at cost	**2**	2
Amounts due from subsidiaries	**255,434**	255,222
	255,436	255,224
Less: Impairment loss recognised on amounts due from subsidiaries	**(166,606)**	–
	88,830	255,224

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 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 and 1 April 2013	119,068	60,918	132	52,225	(77,589)	154,754
Loss for the year and total comprehensive expense for the year	–	–	–	–	(167,260)	(167,260)
At 31 March 2014	**119,068**	**60,918**	**132**	**52,225**	**(244,849)**	**(12,506)**

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.

33. DEFERRED TAXATION

At the end of the reporting period, the Group did not recognise tax losses of approximately HK$28,085,000 (2013: HK$6,735,000) due to the unpredictability of future profit streams. Tax loss amounting to HK$28,085,000 (2013: HK$6,735,000) will expire in 2017.

Under the EIT Law, 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 2014.

34. DEREGISTRATION OF A SUBSIDIARY

During the year ended 31 March 2014, the Group deregistered a wholly-owned subsidiary 廣西沃頓物業服務有限公司.

Net assets of the deregistered subsidiary at its respective date of deregistration were as follows:

	HK$'000
Net assets disposed of:	
Net assets	–
Release of cumulative exchange translation reserve	(119)
Gain on deregistration	119
Net cash outflow arising on deregistration	
Bank balances and cash	–

The deregistered subsidiary did not have significant contribution to the Group's revenue, loss and cash flow for the year and prior periods.

35. 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 2014 and 2013.

(a) Related parties' transactions

Name of related party	Relationship	Nature of transactions	2014 HK$'000	2013 HK$'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 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 2014. 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 29.

(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.

35. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(i) (continued)

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 興業酒店 during the year two years ended 31 March 2014, 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 北京普凱世傑投資諮詢有限公司, the joint venture partner of 興業酒店.

(iii) 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$81,185,000) 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 year ended 31 March 2013.

(c) Compensation of key management personnel

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

	2014 **HK$'000**	2013 HK$'000
Short-term benefits	**1,150**	2,221

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

36. 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 profit or loss and other 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 profit or loss and other comprehensive income of approximately HK$4,657,000 (2013: HK$3,549,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

37. 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:

	2014 **HK$'000**	2013 HK$'000
Within one year	**1,159**	1,289
In the second to fifth year inclusive	**456**	1,561
	1,615	2,850

Leases are negotiated for a term of three to five years (2013: three to five years) and rentals are fixed during the lease period.

38. PARTICULAR OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 31 March 2014 and 2013 are as follows:

Name of subsidiaries	Place of incorporation registration/ operation	Issued and fully paid share capital/ registered capital	Proportion effective ownership interest 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
Nanning Hotel	PRC	US$31,927,280	–	100%	Wholly-owned foreign enterprise	Hotel and restaurant operation
Open Land Holdings Limited	Hong Kong	HK$10,000	–	100%	Private limited company	Investment holding
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 ("普凱礦業")	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.

38. PARTICULAR OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in the PRC. The principal activities of these subsidiaries are summarised as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		2014	2013
Catering	the PRC	**1**	–
Inactive	the PRC	**1**	2
		2	2

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of effective interests held by non-controlling interests		Voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
						HK$'000	HK$'000	**HK$'000**	HK$'000
普凱礦業	the PRC	**40%**	40%	**40%**	40%	**(475)**	(582)	**8,199**	8,683

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

普凱礦業	2014	2013
	HK$'000	HK$'000
Non-current assets	**–**	–
Current assets	**21,314**	22,798
Current liabilities	**(934)**	(1,198)
Non-current liabilities	**–**	–
Equity attributable to owners of the Company	**12,181**	12,917
Non-controlling interests	**8,199**	8,683

38. PARTICULAR OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

普凱礦業	2014 HK$'000	2013 HK$'000
Revenue	–	–
Expenses	(1,193)	(1,466)
Loss for the year	(1,187)	(1,456)
Loss attributable to owners of the Company	(712)	(874)
Loss attributable to the non-controlling interests	(475)	(582)
Loss for the year	(1,187)	(1,456)
Other comprehensive (expense) income attributable to owners of the Company	(12)	201
Other comprehensive (expense) income attributable to the non-controlling interests	(9)	156
Other comprehensive (expense) income for the year	(21)	357
Total comprehensive expense attributable to owners of the Company	(724)	(673)
Total comprehensive expense attributable to the non-controlling interests	(484)	(426)
Total comprehensive expense for the year	(1,208)	(1,099)
Dividends paid to non-controlling interests	–	–
Net cash outflow from operating activities	(1,331)	(11,259)
Net cash outflow from investing activities	6	9,481
Net cash (outflow) inflow from financing activities	(55)	194
Net cash outflow	(1,380)	(1,584)

39. LITIGATION

In prior year ended 31 March 2013, an Ex-shareholder brought legal action against the Subsidiary. The total claim amount and the estimated legal costs are approximately RMB124,810,000 (equivalents to HK$155,888,000).

During the year, as explained in the announcement made by the Company on 24 June 2014, the Subsidiary has received the civil judgment from the Intermediate People's Court Guangxi Zhuang Autonomous Region and the Subsidiary was ordered to settle the compensation of approximately RMB110 million and corresponding indemnify based on the principal amount of RMB110 million at the People's Bank of China lending rate from 10 January 2011 and ending on the last day of the period as specified in the judgment to the Ex-shareholder. The Subsidiary is preparing to file an appeal for the civil judgement received. The Company had made provision of RMB133,392,000 (approximately HK$166,780,000).

40. EVENTS AFTER REPORTING PERIOD

(i) As set out in the announcement made by the Company on 3 June 2014, the Company and Tanisca entered into a 2nd Amendment to extend the maturity date of the Bond to 30 April 2018 and the conversion period will accordingly be extended to 30 April 2018. The effectiveness of the 2nd Amendment depends on the fulfillment of the conditions as set out in the Company's announcement dated on 3 June 2014. On 29 June 2014, the resolution of the special general meeting was duly passed and the extension of the maturity date of convertible bond is completed.

(ii) Refer to the announcement made by the Company on 24 June 2014, the Subsidiary has received the civil judgment on 5 June 2014, details refer to note 39. Provision has been made for prudence purposes and details refer to note 27.