

## APPENDIX IV

## FINANCIAL INFORMATION OF THE GROUP

### 1. AUDITORS' REPORTS, INTERIM REPORT AND FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial information of the Group for each of the three years ended 31 March 2013, 2014 and 2015 and the unaudited condensed consolidated financial information of the Group are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.irasia.com/listco/hk/shuncheong>) respectively:

- annual report of the Company for the year ended 31 March 2013 published on 30 July 2013 (pages 17 to 64);
- annual report of the Company for the year ended 31 March 2014 published on 28 July 2014 (pages 17 to 72); and
- annual report of the Company for the year ended 31 March 2015 published on 20 July 2015 (pages 18 to 84).
- interim report of the Company for the six months ended 30 September 2015 published on 30 December 2015 (pages 8 to 26).

### 2. INDEBTEDNESS OF THE GROUP

#### Borrowings

As at 31 March 2016, being the latest practicable date (the "**Latest Practicable Date**") for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding secured bank borrowings of approximately HK\$[114] million, unsecured bank borrowing of approximately HK\$[36] million, amounts due to related companies of approximately HK\$[159] million and convertible bonds of approximately HK\$[110] million.

As at 31 March 2016, the Group had (i) secured bank borrowings due within one year and due beyond one year but not exceeding five years of approximately HK\$[38] million and HK\$[76] million respectively and (ii) unsecured bank borrowing due within one year amounted to approximately HK\$[36] million. These bank borrowings carried interest from [5.86]% to [6.55]% per annum. The aggregate banking facilities amounted to approximately HK\$[421] million whereas the unutilised banking facilities amounted to approximately HK\$[270] million. As at the close of business on 31 March 2016, the Group had pledged lands and buildings of approximately HK\$[259] million.

As at 31 March 2016, the Group had amounts due to related companies repayable on demand or due within one year and due beyond one year but not exceeding five years of approximately HK\$[15] million and HK\$[144] million respectively. The current amounts due to related companies of approximately HK\$[15] million was interest free whereas the non-current amounts due to the related companies of approximately HK\$[144] million carried fixed interest of [1]% per annum.

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**Contingent liabilities**

Save as disclosed above, as at 31 March 2016, the Group had no material contingent liabilities.

Save as disclosed above and apart from intra-group liabilities and normal trade payables, as at 31 March 2016, the Group did not have any outstanding mortgages, charges, debentures, other loan capital, bank overdrafts, loans, debt securities, other similar indebtedness, liabilities under acceptances or acceptances credits or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors confirmed there was no material adverse change in the indebtedness and contingent liabilities of the Group since 31 March 2016 and being the date for determining the Group's indebtedness.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the rate of exchange prevailing at the close of business on 31 March 2016.

**3. DIVIDEND AND FINANCIAL SUMMARY**

No dividends have been declared/paid by the Company for the years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015.

The following summary financial information (i) for the six months ended 30 September 2015 is extracted from the unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2015 as set forth in the interim report of the Company for the six months ended 30 September 2015; (ii) for the financial years ended 31 March 2014 and 2015 is extracted from the audited consolidated financial statements of the Company for the financial year ended 31 March 2015 as set forth in the annual report of the Company for the financial year ended 31 March 2015, and (iii) for the financial year ended 31 March 2013 is extracted from the audited consolidated financial statements of the Company for the financial year ended 31 March 2014 as set forth in the annual report of the Company for the financial year ended 31 March 2014.

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**Consolidated statements of profit or loss and other comprehensive income**

	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	157,908	121,384	143,695
Cost of sales	<u>(116,343)</u>	<u>(106,938)</u>	<u>(115,825)</u>
Gross profit	41,274	14,446	27,870
Other income	2,128	2,775	2,570
Administrative expenses	(29,769)	(25,287)	(36,854)
Other operating expenses	(14,144)	(2,882)	(2,866)
Impairment loss recognised in respect of property, plant and equipment	—	—	(120,865)
Provision for litigation	—	(166,780)	—
Fair value (loss) gain on equity investment at fair value through profit or loss	1,745	8,131	(7,209)
Finance costs	(30,739)	(23,372)	(23,432)
Gain on deregistration of a subsidiary	—	119	—
Gain/(loss) on modifications of terms of convertible bond	4,589	—	(68,890)
Share of results of joint ventures	<u>(333)</u>	<u>(4,923)</u>	<u>(5,258)</u>
Loss before tax	(25,249)	(197,773)	(234,934)
Income tax expense	<u>—</u>	<u>—</u>	<u>—</u>
Loss for the year	<u>(25,249)</u>	<u>(197,773)</u>	<u>(234,934)</u>
Other comprehensive income (expenses)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Share of other comprehensive income (expenses) of joint ventures	536	(144)	450
Release of translation reserve upon deregistration of a foreign subsidiary	—	(119)	—
Exchange difference arising on translation of foreign operations	<u>4,171</u>	<u>(73)</u>	<u>954</u>
Other comprehensive income (expenses) for the year	<u>4,707</u>	<u>(336)</u>	<u>1,404</u>
Total comprehensive expenses for the year	<u><u>(20,542)</u></u>	<u><u>(198,109)</u></u>	<u><u>(233,530)</u></u>

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	<b>2013</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Loss for the year attributable to:			
Owners of the Company	(24,667)	(197,298)	(234,020)
Non-controlling interests	<u>(582)</u>	<u>(475)</u>	<u>(914)</u>
	<u>25,249</u>	<u>(197,773)</u>	<u>(234,934)</u>
Total comprehensive expenses attributable to:			
Owners of the Company	(20,116)	(197,625)	(232,714)
Non-controlling interests	<u>(426)</u>	<u>(484)</u>	<u>(816)</u>
	<u>(20,542)</u>	<u>(198,109)</u>	<u>(233,530)</u>
Loss per share			
— Basic and diluted	<u>(HK7.10 cents)</u>	<u>(HK56.80 cents)</u>	<u>(HK67.38 cents)</u>

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**Consolidated statements of financial position**

	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	487,541	477,508	327,506
Interests in joint ventures	<u>98,603</u>	<u>93,536</u>	<u>88,728</u>
	<u>586,144</u>	<u>571,044</u>	<u>416,234</u>
Current assets			
Inventories	2,506	2,219	2,425
Trade receivables	6,450	5,236	5,393
Prepayments, deposits and other receivables	7,828	6,563	6,330
Equity investment at fair value through profit or loss	5,269	13,400	6,191
Deposits placed with financial institutions	2,140	2,326	2,491
Bank balances and cash	<u>32,739</u>	<u>42,793</u>	<u>15,188</u>
	<u>56,932</u>	<u>72,537</u>	<u>38,018</u>
Current liabilities			
Trade payables	13,505	13,572	14,716
Other payables, accruals and deposits	62,451	90,066	79,566
Provision for litigation	—	166,606	—
Amounts due to related companies	1,007	924	7,678
Tax payables	5,341	5,335	5,401
Convertible bond	—	112,991	—
Interest-bearing bank borrowings	<u>39,384</u>	<u>76,814</u>	<u>77,767</u>
	<u>121,688</u>	<u>466,308</u>	<u>185,128</u>
Net current liabilities	<u>(64,756)</u>	<u>(393,771)</u>	<u>(147,110)</u>
Total assets less current liabilities	<u>521,388</u>	<u>177,273</u>	<u>269,124</u>
Non-current liabilities			
Amounts due to related companies	10,572	10,921	148,941
Convertible bond	106,458	—	105,082
Interest-bearing bank borrowings	<u>197,547</u>	<u>157,999</u>	<u>120,128</u>
Total non-current liabilities	<u>314,577</u>	<u>168,920</u>	<u>374,151</u>
<b>Net (liabilities) assets</b>	<u><u>206,811</u></u>	<u><u>8,353</u></u>	<u><u>(105,027)</u></u>

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	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital and reserves			
Share capital	3,473	3,473	3,473
Reserves	<u>194,655</u>	<u>(3,319)</u>	<u>(115,883)</u>
(Capital deficiency) equity attributable to owners of the Company	198,128	154	(112,410)
Non-controlling interests	<u>8,683</u>	<u>8,199</u>	<u>7,383</u>
<b>(Capital deficiency) total equity</b>	<u><u>206,811</u></u>	<u><u>8,353</u></u>	<u><u>(105,027)</u></u>

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**Condensed consolidated statements of profit or loss and other comprehensive income**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited and represented)	(Unaudited)
<b>Continuing operation</b>		
Turnover	—	—
Cost of sales	<u>—</u>	<u>—</u>
Gross profit	—	—
Other income	195	195
Administrative expenses	(1,866)	(2,412)
Fair value loss on equity investment at fair value through profit or loss	(3,836)	(126)
Finance costs	(2,720)	(2,913)
Loss on extinguishment of convertible bond	<u>(20,369)</u>	<u>—</u>
<b>Loss before tax</b>	(28,596)	(5,256)
Income tax expense	<u>—</u>	<u>—</u>
<b>Loss for the period from continuing operation</b>	(28,596)	(5,256)
<b>Discontinued operation</b>		
Loss for the period from discontinued operation	<u>(4,517)</u>	<u>(5,319)</u>
<b>Loss for the period</b>	(33,113)	(10,575)
<b>Other comprehensive income:</b>		
<b>Items that may be subsequently reclassified to profit or loss:</b>		
Exchange differences on translation of foreign operations	<u>(993)</u>	<u>1,245</u>
<b>Total comprehensive expense for the period</b>	<u><u>(34,106)</u></u>	<u><u>(9,330)</u></u>

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	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited and represented)	(Unaudited)
<b>Loss for the period attributable to Owners of the Company:</b>		
— from continuing operation	(28,596)	(5,256)
— from discontinued operation	<u>(4,173)</u>	<u>(5,183)</u>
	<u>(32,769)</u>	<u>(10,439)</u>
<b>Loss for the period attributable to non-controlling interest:</b>		
— from continuing operation	—	—
— from discontinued operation	<u>(344)</u>	<u>(136)</u>
	<u>(344)</u>	<u>(136)</u>
	<u><u>(33,113)</u></u>	<u><u>(10,575)</u></u>
<b>Total comprehensive expense for the period attributable to Owners of the Company:</b>		
— from continuing operation	(28,596)	(5,256)
— from discontinued operation	<u>(5,244)</u>	<u>(3,659)</u>
	<u>(33,840)</u>	<u>(8,915)</u>
<b>Total comprehensive expense for the period attributable to non-controlling interest:</b>		
— from continuing operation	—	—
— from discontinued operation	<u>(266)</u>	<u>(415)</u>
	<u>(266)</u>	<u>(415)</u>
	<u><u>(34,106)</u></u>	<u><u>(9,330)</u></u>
<b>Loss per share</b>		
From continuing and discontinued operations Basic and Diluted	<u>(HK 9.43 cents)</u>	<u>(HK 3.01 cents)</u>
From continuing operations Basic and Diluted	<u>(HK 8.23 cents)</u>	<u>(HK 1.51 cents)</u>



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**Condensed consolidated statements of financial position**

	<b>31 March 2015</b>	<b>30 September 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Unaudited)
<b>Non-current assets</b>		
Property, plant and equipment	327,506	1
Interest in joint ventures	<u>88,728</u>	<u>—</u>
	416,234	1
<b>Current assets</b>		
Inventories	2,425	—
Trade receivables	5,393	—
Prepayments, deposits and other receivables	6,330	605
Equity investment at fair value through profit or loss	6,191	6,065
Deposits placed with financial institutions	2,491	1,675
Bank balances and cash	<u>15,188</u>	<u>1,196</u>
	38,018	9,541
<b>Asset classified as held for sale</b>	<u>—</u>	<u>429,888</u>
	<u>38,018</u>	<u>439,429</u>
<b>Current liabilities</b>		
Trade payables	14,716	—
Other payables, accruals and deposits	79,566	8,290
Amounts due to related companies	7,678	—
Tax payables	5,401	—
Interest-bearing bank borrowings	<u>77,767</u>	<u>—</u>
	185,128	8,290
Liabilities directly associated with assets classified as held for sale	<u>—</u>	<u>438,103</u>
	<u>185,128</u>	<u>446,393</u>
<b>Net current liabilities</b>	<u>(147,110)</u>	<u>(6,964)</u>
<b>Total assets less current liabilities</b>	<u><u>269,124</u></u>	<u><u>(6,963)</u></u>

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	<b>31 March 2015</b>	<b>30 September 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Unaudited)
<b>Non-current liabilities</b>		
Amounts due to related companies	148,941	—
Convertible bond	105,082	107,394
Interest-bearing bank borrowings	<u>120,128</u>	<u>—</u>
Total non-current liabilities	<u>374,151</u>	<u>107,394</u>
<b>Net liabilities</b>	<u>(105,027)</u>	<u>(114,357)</u>
<b>Capital and reserves</b>		
Share capital	3,473	3,473
Reserves	<u>(115,883)</u>	<u>(124,798)</u>
Capital deficiency attributable to owners of the Company	(112,410)	(121,325)
Non-controlling interests	<u>7,383</u>	<u>6,968</u>
Capital deficiency	<u>(105,027)</u>	<u>(114,357)</u>

#### 4. MANAGEMENT DISCUSSION AND ANALYSIS OF HISTORICAL RESULTS OF OPERATIONS

Reproduced below is the management discussion and analysis of the Group's operations for the financial years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015, respectively. The information reproduced below is principally extracted from the sections of "Business review" and "Management discussion and analysis" of the annual report of the Company for each of the three financial years ended 31 March 2015 and the sections of "Review of operation", "Business prospect" and "Financial review" of the interim report of the Company for the six months ended 30 September 2015 to provide further information relating to the financial condition and results of operations of the Group during the respective periods stated. These extracted materials were prepared prior to the date of this circular and speak as of the date they were originally published. The Company's prospects and intentions may have changed since that date, and the readers should therefore not place undue reliance on this information, including the information consisting of or relating to forward-looking or future statements. Readers should instead pay attention to other sections of this circular, namely:

- Summary;
- Letter from the Board;
- Letter from the Independent Financial Advisor;
- Forward-looking statements;
- Share capital;
- Appendix V — Unaudited Financial Information of the Divestment Group;
- Appendix VI — Unaudited Pro Forma Financial Information of the Restructured Group;
- Appendix X — Valuation Report on Properties of the Divestment Group; and
- Appendix XII — Statutory and General Information.

##### **For the six months ended 30 September 2015**

##### ***Business review***

##### ***1. Discontinued operation***

The Divestment Group was mainly engaged in the hotel and restaurant operations of the Guangxi Wharton International Hotel Limited\* (廣西沃頓國際大酒店有限公司) (the "Nanning Hotel") located in Guangxi Province, the PRC. During the period, although the Average Daily Rate ("ADR") of the Nanning Hotel was in general still lower than the previous levels, the turnover of the Divestment Group slightly increased by 2.3% to HK\$71.6 million (2014: HK\$70.0 million) following the completion of a majority of the

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renovation work. The net loss of the Divestment Group increased by 17.8% to HK\$5.3 million (2014: HK\$4.5 million) as a result of that (i) more losses was of the joint ventures was picked up, reflecting the worsening performance of the Beihai Hotel since the commencement of operations due to keen competition and the fact that the Beihai Hotel has only operated for a short period of time; and (ii) more finance costs were incurred due to the imputed interest associated with several related-party loans borrowed in December 2014.

### 2. *Continuing operation*

The continuing operation is investment holding and does not have any business in substance. During the period under review, the Divestment Group is still part of the Group's business. The Divestment is conditional upon the fulfillment or waiver (if applicable) of many conditions precedent and may or may not be completed as contemplated. The higher amount in the net losses of the Group in the six months ended 30 September 2014 was primarily due to a finance cost of HK\$20.4 million incurred as a result of the modification of terms of the convertible bonds.

### *Business prospect*

The Company's management believes that due to the slowdown of the overall national economic growth and the further implementation of the anti-corruption campaign, a much smaller revenue increase or even decrease in the hotel industry was observed in 2014 and is anticipated to continue. It is also stated that the management team will put in additional efforts to alleviate the negative impacts as stated above. According to the Company's management, the Divestment Group has faced and is expected to continue to face in the foreseeable future considerable headwind as regards to its hotel business, given the unstable economic outlook in the PRC and government spending policies, as well as challenges relating to increasing operational costs, leading to uncertainty as to future performance of the Divestment Group.

On 22 June 2015, the Company entered into various agreements (as amended on 23 October 2015 and 20 November 2015) in respect of the Proposed Transactions, including the disposal by the Company of its entire equity interests in the Divestment Group. Upon completion of the Proposed Transactions, the Group will no longer be engaged in the hotel and restaurant business carried on through the Divestment Group, and will be principally engaged in a new business, namely the exploration, development and production of crude oil carried out by the PRC Target. Further details of the Proposed Transactions are set out in the announcement dated 28 October 2015 jointly published by the Company and Titan Gas Technology Investment Limited and in the Company's announcement dated 20 November 2015.

### *Liquidity and financial resources*

The Group's cash and bank balances are mostly in Hong Kong dollars and Renminbi. As at 30 September 2015, the Group had unpledged cash and bank deposit balances of approximately HK\$2.3 million, including the cash & bank balance classified as held for sale (31 March 2015: HK\$17.7 million). As at 30 September 2015, the Group had

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outstanding bank borrowings of HK\$190.3 million (31 March 2015: HK\$197.9 million). The gearing ratio of the Group which represented the total bank borrowings to the total assets was 43.3% (31 March 2015: 43.6%).

### *Treasury and funding policy*

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

### *Pledge of assets*

As at 30 September 2015, the hotel properties held with an aggregate carrying amount of approximately HK\$256.3 million (31 March 2015: HK\$272.6 million) were mortgaged to a bank to secure banking facilities granted to the Group.

### *Employees and remuneration policies*

The Group employed approximately 563 employees as at 30 September 2015 (31 March 2015:496). 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.

### **For the year ended 31 March 2015**

#### *Business review*

For the year ended 31 March 2015, 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, increased by 18.4% to HK\$143.7 million (2014: HK\$121.4 million). Tackling the intensified market competition, the increase in revenue was mainly attributable to the improved occupancy rate in the hotel operation of the Nanning Hotel while the average room rate is decreased. The cost of sales has increased by 8% to HK\$115.8 million (2014: HK\$106.9 million). The Group's gross profit increased to HK\$27.9 million for the current year (2014: HK\$14.4 million).

Due to the unrealised loss of convertible bonds at fair value through profit or loss and the significant assets impairment loss occurred, the Group recorded a loss before tax from continuing operation of HK\$234.9 million for the year ended 31 March 2015 as

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compared to the results of HK\$197.8 million loss for the prior year. During the year, the Nanning Hotel reported an average room rate of HK\$678 (2014: HK\$757) and an average occupancy rate of 55.76% (2014: 39.4%).

### *Liquidity and financial resources*

The Group's cash and bank balances are mostly in Hong Kong dollars and Renminbi. As at 31 March 2015, the Group had unpledged cash and bank deposit balances of approximately HK\$15.2 million (2014: HK\$42.8 million). As at 31 March 2015, the Group had outstanding interest-bearing bank borrowings of HK\$197.9 million (2014: HK\$234.8 million). The gearing ratio of the Group which represented the total interest-bearing bank borrowings to the total assets was 43.6% (2014: 36.5%).

### *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 2015, the hotel properties held with an aggregate carrying amount of approximately HK\$272.6 million (2014: HK\$283.0 million) were pledged to a bank to secure banking facilities granted to the Group.

### *Employees and remuneration policy*

The Group employed approximately 496 employees as at 31 March 2015 (2014: 540). 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.

## **For the year ended 31 March 2014**

### *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

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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 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.



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*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.

**For the year ended 31 March 2013**

*Business review*

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

In February 2012, the Group completed the transaction of the formation of a joint venture company (the "**JV Company**") which was established for the purpose of hotel investment and was owned by the Group as to 26.7% of its equity interest upon completion. The JV Company was treated as a jointly-controlled entity of the Group. As at the date of this announcement, the JV Company has invested RMB300 million in Beihai Yintan Project No. 1\* (北海銀灘一號項目) (the "**Yintan Project**"), which is a project of one five-star hotel located in the major seashore tourism area of Beihai City, Guangxi Province, the PRC. The construction of the Yintan Project was completed as at the date of this announcement and started operation on 26 April 2013.

*Business 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.



## APPENDIX IV

## FINANCIAL INFORMATION OF THE GROUP

### *Liquidity and financial resources*

The Group's cash and bank balances are mostly in Hong Kong dollars and Renminbi. As at 31 March 2013, the Group had unpledged cash and bank deposit balances of approximately HK\$32.7 million (2012: HK\$64.0 million). As at 31 March 2013, the Group had outstanding interest-bearing bank borrowings of HK\$236.9 million (2012: HK\$271.8 million). The gearing ratio of the Group which represented the total interest-bearing bank borrowings to the total assets was 37% (2012: 39%).

### *Treasury and funding policy*

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

### *Pledge of assets*

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

### *Employees and remuneration policy*

The Group employed approximately 574 employees as at 31 March 2013 (2012: 520).

Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually depending on individual merits. The Group also provides other benefits including retirement benefit scheme, medical insurance and educational subsidies to all eligible staff.

## **5. HEDGING POLICY**

During the three years ended 31 March 2015, the Group was mainly exposed to currency risk arise from US\$. The Group believed 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 considered its exposure to foreign currency risk in respect of HK\$ to be minimal. For the three years ended 31 March 2015, the Group was also exposed to cash flow interest rate risk in relation to variable-rate interest-bearing bank borrowings and equity price risk in respect of its investments in listed equity securities. The Group did not have any hedging policy but would consider hedging the risk exposure should the need arise.

**APPENDIX IV**

**FINANCIAL INFORMATION OF THE GROUP**

**6. SIGNIFICANT INVESTMENTS**

The major significant investment made by the Group was its investment in the Joint Venture, which owned the Yintan Project in Beihai, the PRC, made in the year ended 31 March 2012. During the three years ended 31 March 2015, the Group recorded share of loss of joint ventures (including the Joint Venture and its subsidiaries) amounted to HK\$0.3 million, HK\$4.9 million and HK\$5.3 million respectively. The results of the Joint Venture and its subsidiaries were affected by, among other things, that the hotel was only newly launched in late April 2013 and the general competitive market environment. Further details on the prospect of this investment are set out in the sub-section headed "4. Management Discussion and Analysis of Historical Results of Operations" in this Appendix above.