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**SHUN CHEONG HOLDINGS LIMITED**

**順昌集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 650)**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

The Board of Directors (the “Board”) of Shun Cheong Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2015. The interim results of the Group are unaudited but have been reviewed by the audit committee of the Company (the “Audit Committee”).

\* *For identification purposes only*

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**  
*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015*

		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>NOTES</i>	<b>2015</b>	2014
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited and represented)</b>
<b>Continuing operation</b>			
Turnover		–	–
Cost of sales		–	–
Gross profit		–	–
Other income		<b>195</b>	195
Administrative expenses		<b>(2,412)</b>	(1,866)
Fair value loss on equity investment at fair value through profit or loss		<b>(126)</b>	(3,836)
Finance costs	5	<b>(2,913)</b>	(2,720)
Loss on extinguishment of convertible bond		–	(20,369)
<b>Loss before tax</b>		<b>(5,256)</b>	(28,596)
Income tax expense	6	–	–
<b>Loss for the period from continuing operation</b>	8	<b>(5,256)</b>	(28,596)
<b>Discontinued operation</b>	7		
Loss for the period from discontinued operation		<b>(5,319)</b>	(4,517)
<b>Loss for the period</b>		<b>(10,575)</b>	(33,113)
<b>Other comprehensive income:</b>			
<b>Items that may be subsequently reclassified to profit or loss:</b>			
Exchange differences on translation of foreign operations		<b>1,245</b>	(993)
<b>Total comprehensive expense for the period</b>		<b>(9,330)</b>	(34,106)

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

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 30 SEPTEMBER 2015*

		<b>30 September 2015</b>	31 March 2015
	<i>NOTES</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	<i>11</i>	<b>1</b>	327,506
Interest in joint ventures		–	88,728
		<b>1</b>	416,234
<b>Current assets</b>			
Inventories		–	2,425
Trade receivables	<i>12</i>	–	5,393
Prepayments, deposits and other receivables		<b>605</b>	6,330
Equity investment at fair value through profit or loss		<b>6,065</b>	6,191
Deposits placed with financial institutions		<b>1,675</b>	2,491
Bank balances and cash		<b>1,196</b>	15,188
		<b>9,541</b>	38,018
<b>Asset classified as held for sale</b>	<i>13</i>	<b>429,888</b>	–
		<b>439,429</b>	38,018
<b>Current liabilities</b>			
Trade payables	<i>14</i>	–	14,716
Other payables, accruals and deposits		<b>8,290</b>	79,566
Amounts due to related companies		–	7,678
Tax payables		–	5,401
Interest-bearing bank borrowings		–	77,767
		<b>8,290</b>	185,128
Liabilities directly associated with assets classified as held for sale	<i>13</i>	<b>438,103</b>	–
		<b>446,393</b>	185,128
<b>Net current liabilities</b>		<b>(6,964)</b>	(147,110)
<b>Total assets less current liabilities</b>		<b>(6,963)</b>	269,124

		<b>30 September 2015</b>	31 March 2015
	<i>NOTES</i>	<i>HK\$'000</i> <b>(Unaudited)</b>	<i>HK\$'000</i> <b>(Audited)</b>
<b>Non-current liabilities</b>			
Amounts due to related companies		–	148,941
Convertible bond	15	<b>107,394</b>	105,082
Interest-bearing bank borrowings		–	120,128
		<hr/>	<hr/>
Total non-current liabilities		<b>107,394</b>	374,151
		<hr/>	<hr/>
<b>Net liabilities</b>		<b>(114,357)</b>	(105,027)
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Share capital	16	<b>3,473</b>	3,473
Reserves		<b>(124,798)</b>	(115,883)
		<hr/>	<hr/>
Capital deficiency attributable to owners of the Company		<b>(121,325)</b>	(112,410)
Non-controlling interests		<b>6,968</b>	7,383
		<hr/>	<hr/>
Capital deficiency		<b>(114,357)</b>	(105,027)
		<hr/>	<hr/>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

	Equity attributable to owners of the Company										
	Issued capital	Share premium	Contributed surplus <i>(Note a)</i>	Equity component of convertible bonds <i>(Note a)</i>	Capital redemptions reserve <i>(Note b)</i>	Exchange fluctuation reserve <i>(Note c)</i>	Other reserve <i>(Note d)</i>	Accumulated losses	Total	Non-controlling interest	Capital deficiency
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2014 (audited)	3,473	119,068	46,909	52,225	132	22,527	1,013	(245,193)	154	8,199	8,353
Loss for the period	-	-	-	-	-	-	-	(32,769)	(32,769)	(344)	(33,113)
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	(1,071)	-	-	(1,071)	78	(993)
Total comprehensive expense for the period	-	-	-	-	-	(1,071)	-	(32,769)	(33,840)	(266)	(34,106)
Imputed interest released on non-current amount due to related companies	-	-	-	-	-	-	(180)	-	(180)	-	(180)
Derecognition upon modification of terms of convertible bond	-	-	-	(52,225)	-	-	-	-	(52,225)	-	(52,225)
Recognition upon modification of terms of convertible bond	-	-	-	89,733	-	-	-	-	89,733	-	89,733
At 30 September 2014 (unaudited)	<u>3,473</u>	<u>119,068</u>	<u>46,909</u>	<u>89,733</u>	<u>132</u>	<u>21,456</u>	<u>833</u>	<u>(277,962)</u>	<u>3,642</u>	<u>7,933</u>	<u>11,575</u>
At 1 April 2015 (audited)	3,473	119,068	46,909	133,092	132	23,833	40,296	(479,213)	(112,410)	7,383	(105,027)
Loss for the period	-	-	-	-	-	-	-	(10,439)	(10,439)	(136)	(10,575)
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	1,524	-	-	1,524	(279)	1,245
Total comprehensive expense for the period	-	-	-	-	-	1,524	-	(10,439)	(8,915)	(415)	(9,330)
At 30 September 2015 (unaudited)	<u>3,473</u>	<u>119,068</u>	<u>46,909</u>	<u>133,092</u>	<u>132</u>	<u>25,357</u>	<u>40,296</u>	<u>(489,652)</u>	<u>(121,325)</u>	<u>6,968</u>	<u>(114,357)</u>

*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, being the difference between the loan principal and the fair value of their liability component calculated upon initial recognition.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax from continuing operations	<b>(5,256)</b>	(28,596)
Loss before tax from discontinued operations	<b>(5,319)</b>	(4,517)
	<hr/>	<hr/>
Loss before taxation	<b>(10,575)</b>	(33,113)
Adjustment for:		
Finance costs	<b>13,332</b>	10,505
Depreciation	<b>14,610</b>	14,430
Loss on modifications of terms of convertible bond	–	20,369
Share of results of joint ventures	<b>2,415</b>	518
Impairment loss recognised in respect of trade receivables	<b>1,081</b>	–
Reversal of impairment loss recognised in respect of trade receivables	<b>(668)</b>	–
Fair value loss on equity investment at fair value through profit or loss	<b>126</b>	3,836
Other non-cash items	<b>(256)</b>	(195)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	<b>20,065</b>	16,350
Increase in trade receivables	<b>(5,176)</b>	(5,340)
Increase in prepayments, deposits and other receivables	<b>(419)</b>	(4,310)
(Decrease) increase in trade payables	<b>(2,257)</b>	550
Increase (decrease) in other payables, accruals and deposits	<b>2,340</b>	(11,673)
Other operating activities	<b>(69)</b>	(172)
	<hr/>	<hr/>
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>14,484</b>	(4,595)
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>503</b>	(2,881)
<b>FINANCING ACTIVITIES</b>		
Interest paid	<b>(5,851)</b>	(8,387)
Other financing activities	<b>–</b>	7
	<hr/>	<hr/>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(5,851)</b>	(8,380)



	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<b>9,136</b>	(15,856)
Cash and cash equivalents at 1 April	<b>15,188</b>	42,793
Effect of foreign exchange rate changes	<u>(680)</u>	<u>3,522</u>
Cash and cash equivalents at 30 September	<u><b>23,644</b></u>	<u>30,459</u>
Cash and cash equivalents of period, represented by		
Bank balances and cash	<b>23,534</b>	30,349
Non-pledged time deposits with original maturity of less than three months when acquired	<u>110</u>	<u>110</u>
	<u><b>23,644</b></u>	<u>30,459</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2015*

### 1. GENERAL INFORMATION

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 (“沃頓酒店”), is Renminbi (“RMB”).

The principal activity of the Company is investment holding.

### 2. BASIS OF PREPARATION

In preparing the condensed 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 period of approximately HK\$10,575,000 for the six months ended 30 September 2015; and
- (ii) The Group had net current liabilities of approximately HK\$6,964,000 as at 30 September 2015.

In view of above, the directors of the Company have adopted the following measures with a view to improve the Group’s overall financial position:

The Group’s principal banker shall continue to provide continuing financing to the Group under the Group’s existing available facilities;

In light of the above, the directors of the Company are of the opinion that it is still appropriate to prepare the condensed consolidated financial statements for the six months ended 30 September 2015 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 condensed consolidated financial statements have not incorporated any of these adjustments.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2015.

In the current interim period, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and Interpretations ("Int(s)") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

The application of the above new interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and disclosures set out in these condensed consolidated financial statements.

### 4. SEGMENT INFORMATION

For management purposes, the Group is organised into the following reportable operating segments based on their products and services:

#### Continuing operations:

Corporate and others – investment in equity investment at fair value through profit or loss, corporate income, expense items, corporate assets and liabilities

#### Discontinued operations:

Hotel business – hotel and restaurant operations in the People's Republic of China (the "PRC")

During the period, the operation of hotel business was classified as discontinued operation. Details of the discontinued operation are set out in note 7.

### 5. FINANCE COSTS

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Continuing operation</b>		
Effective interest expense on convertible bond	2,913	2,720
<b>Discontinued operation</b>		
Imputed interest on amounts due to related companies	4,568	–
Interest on bank borrowings	5,851	7,785
	<u>13,332</u>	<u>10,505</u>

## 6. INCOME TAX EXPENSE

No provisions for Hong Kong profits tax and PRC enterprise income tax for both operations have been made as the Group does not have any estimated assessable profits arising in Hong Kong and PRC for both periods.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods ended 30 September 2015 and 2014.

No withholding tax were accrued as the Group did not generate distributable profits for both periods.

## 7. DISCONTINUED OPERATION

On 22 June 2015, the Company entered into the sale and purchase agreement for the disposal of entire equity interest in Aykens Holdings Limited (“Aykens”), Hopland Enterprises Limited (“Hopland”) and their respective subsidiaries (collectively referred to as the “Divestment Group”) to Upsky, the immediate and ultimate holding company of the Company. Mr. Mo Tianquan, a non-executive director of the Company, is the ultimate beneficial owner of Upsky. The principal activity of the Divestment Group is hotel and restaurant operation.

Its results are presented in this condensed consolidated financial statements as a discontinued operation. The comparative information has been represented the results of the hotel business as discontinued operation to confirm with the current period presentation.

The loss for the period from the discontinued operation is analysed as follows:

	<b>Six months ended 30 September</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Turnover	<b>71,634</b>	70,026
Cost of sales	<b>(52,574)</b>	(54,011)
Other income	<b>1,524</b>	246
Administrative expenses	<b>(13,069)</b>	(12,475)
Share of result of Joint Venture	<b>(2,415)</b>	(518)
Finance costs	<b>(10,419)</b>	(7,785)
	<hr/>	<hr/>
Loss before tax	<b>(5,319)</b>	(4,517)
Income tax expenses	<b>–</b>	–
	<hr/>	<hr/>
Loss for the period from discontinued operation	<b>(5,319)</b>	(4,517)
	<hr/> <hr/>	<hr/> <hr/>
	<b>Six months ended 30 September</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Loss for the period from discontinued operation include the following:		
Depreciation and amortisation	<b>14,608</b>	14,428
Loss on written off of plant and equipment	<b>2</b>	5
Minimum lease payments under operating lease in respect of office property	<b>–</b>	268
Employee benefit expenses	<b>18,459</b>	16,941
	<hr/> <hr/>	<hr/> <hr/>

## 8. LOSS FOR THE PERIOD FROM CONTINUING OPERATION

Loss for the period from continuing has been arrived at after charging:

	Six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	and represented	
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	2	2
Minimum lease payments under operating lease in respect of office property	512	548
Employee benefit expense (including directors' remuneration)	694	720
	<u>694</u>	<u>720</u>

## 9. DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 September 2015 and 2014.

## 10. LOSS PER SHARE

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

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss:		
<b>From continuing and discontinued operations</b>		
Loss attributable to owners of the Company	(10,439)	(32,769)
Interest on convertible bond	2,913	2,720
	<u>(7,526)</u>	<u>(30,049)</u>
Loss for the purposes of diluted earnings per share		
<b>From continuing operations</b>		
Loss attributable to owners of the Company	(5,256)	(28,596)
Interest on convertible bond	2,913	2,720
	<u>(2,343)</u>	<u>(25,876)</u>

	<b>Number of shares</b>	
	<b>2015</b>	2014
	<b>'000</b>	<b>'000</b>
Number of shares:		
From continuing and discontinued operations		
Weighted average number of ordinary shares for the purpose of the basic earnings per share	<b>347,326</b>	347,326
Effect of dilution of the convertible bond on the weighted average number of ordinary shares	<b>324,763</b>	324,763
	<b>672,089</b>	672,089
From continuing operations		
Weighted average number of ordinary shares for the purpose of the basic earnings per share	<b>347,326</b>	347,326
Effect of dilution of the convertible bond on the weighted average number of ordinary shares	<b>324,763</b>	324,763
	<b>672,089</b>	672,089

For the six months ended 30 September 2015 and 2014, 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 periods and were ignored in the calculation of diluted loss per share. Therefore, diluted loss per share amounts are based on the loss for the period attributable to owners of the Company of approximately HK\$10,439,000 (2014: HK\$32,769,000) and the weighted average number of ordinary shares of 347,326,000 (2014: 347,326,000) in issue during the period.

#### **11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 September 2015, the Group incurred approximately HK\$2,000 (2014: HK\$2,000) on depreciation during the six months ended 30 September 2015.

#### **12. TRADE RECEIVABLES**

	<b>30 September</b>	31 March
	<b>2015</b>	2015
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Trade receivables	–	21,041
Less: allowance to doubtful debts	–	(15,648)
	–	5,393

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.

The following is an aged analysis of the 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:

	<b>30 September 2015 HK\$'000 (unaudited)</b>	31 March 2015 HK\$'000 (audited)
Within 30 days	–	3,951
31 to 60 days	–	746
61 to 90 days	–	10
Over 90 days	–	686
	<u>–</u>	<u>5,393</u>

**13. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE**

As referred to Note 7, the Company entered into an agreement on 22 June 2015 for the disposal of entire equity interest in Divestment Group. The consolidated assets and liabilities of Divestment Group and its subsidiaries at 30 September 2015 are analysed as follows:

	<b>30 September 2015 HK\$'000 (Unaudited)</b>
<b>Assets</b>	
Property, plant and equipment	302,443
Investment in joint ventures	86,867
Inventories	2,399
Trade receivable (net)	9,818
Prepayments, deposits and other receivables	5,913
Bank balances and cash	22,448
	<u>429,888</u>
Assets classified as held for sale	<u>429,888</u>
<b>Liabilities</b>	
Trade payable	(11,942)
Other payables and accruals	(69,770)
Amounts due to related companies	(160,908)
Tax payable	(5,194)
Interest bearing bank borrowings	(190,289)
	<u>(438,103)</u>
Liabilities directly associated with assets classified as held for sale	<u>(438,103)</u>

#### 14. TRADE PAYABLES

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	<b>30 September 2015 HK\$'000 (Unaudited)</b>	31 March 2015 HK\$'000 (Audited)
Within 30 days	–	2,207
31 to 60 days	–	3,464
Over 60 days	–	9,045
	<hr/>	<hr/>
	–	14,716
	<hr/> <hr/>	<hr/> <hr/>

#### 15. CONVERTIBLE BOND

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

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

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

On 3 June 2014, the Group has entered into a deed of amendment (the “2nd Amendment”) with the holder of the Bond to extend the maturity date of the Bond of principal amount of HK\$120,000,000 from 28 March 2015 to 30 April 2018. 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 30 April 2018 (“modification”). On 29 June 2014, 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 5.53% (31 March 2015: 5.53%) 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\$102,024,000. The financial liability was determined using an effective interest rate of 5.53% (31 March 2015: 5.53%).

	<b>Liability component</b> <i>HK\$'000</i>	<b>Equity component</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 April 2014	112,991	52,225	165,216
Interest expenses	5,269	–	5,269
Derecognition of original liability/ equity component	(114,002)	(52,225)	(166,227)
Recognition of new liability/equity component upon modification	102,024	133,092	235,116
Interest paid	(1,200)	–	(1,200)
	<u>105,082</u>	<u>133,092</u>	<u>238,174</u>
At 31 March 2015 (audited)	<u>105,082</u>	<u>133,092</u>	<u>238,174</u>
At 1 April 2015	<b>105,082</b>	<b>133,092</b>	<b>238,174</b>
Interest expenses	<b>2,913</b>	–	<b>2,913</b>
Interest paid	<b>(601)</b>	–	<b>(601)</b>
	<u>107,394</u>	<u>133,092</u>	<u>240,486</u>
At 30 September 2015 (unaudited)	<u>107,394</u>	<u>133,092</u>	<u>240,486</u>

## 16. SHARE CAPITAL

A summary of the registered, issued and fully paid capital of the Company is as follows:

	<b>Number of shares</b>	<b>Nominal value of ordinary shares</b>	
		<i>HK\$'000</i>	<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each			
Authorised:			
At 1 April 2014, 30 September 2014, 1 April 2015 and 30 September 2015	<u>8,000,000</u>	<u>80,000</u>	
Issued and fully paid:			
At 1 April 2014, 30 September 2014, 1 April 2015 and 30 September 2015	<u>347,326</u>	<u>3,473</u>	<u>3,473</u>

## 17. OPERATING LEASES COMMITMENT

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:

	<b>30 September 2015 HK\$'000 (Unaudited)</b>	31 March 2015 HK\$'000 (Audited)
Within one year	<b>1,149</b>	1,126
In the second to fifth years, inclusive	<b>2,202</b>	2,633
	<b><u>3,351</u></b>	<b><u>3,759</u></b>

## 18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Continuing operation's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30/9/2015	31/3/2015		
Held-for-trading non-derivative financial assets classified as Equity investment at fair value through profit or loss in the statement of financial position	Listed securities in The New York Stock Exchange: — real estate Internet portal: HK\$6,065,000	Listed securities in The New York Stock Exchange: — real estate Internet portal: HK\$6,191,000	Level 1	Quoted bid prices in an active market.

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

## 19. EVENT AFTER THE INTERIM PERIOD

On 22 June 2015, the Company entered into several agreements (the “Proposed Transactions”) as follow:

- (i) A subscription agreement (as amended on 23 October 2015 and 20 November 2015) with several independent subscribers (the “Subscribers”), pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 4,017,323,774 new shares (the “Subscription Shares”), comprising (i) 1,269,414,575 ordinary shares, (ii) 1,373,954,600 tranche 1 preferred shares; and (iii) 1,373,954,599 tranche 2 preferred shares, at the subscription price of HK\$0.6696 per Subscription Share (the “Proposed Subscription”);
- (ii) An acquisition agreement (as amended on 20 November 2015) with Shanghai Hongbo Investment & Management (Group) Co., Ltd and Shanghai Lida Investment Management Company Limited (the “Target Sellers”) and Xilin Gol League Hongbo Mining Development Co., Ltd. (the “PRC Target”), pursuant to which the Company conditionally agreed to acquire from the Target Sellers the entire equity interests in the PRC Target at a consideration of RMB558,880,000 (equivalent to approximately HK\$682 million);
- (iii) A CN Subscription Agreement (as amended on 20 November 2015) with League Way Ltd. (as subscriber) and Titan Gas Technology Investment Limited (as guarantor), pursuant to which League Way Ltd. conditionally agreed to subscribe for, and the Company conditionally agreed to issue, a convertible promissory note with an aggregate principal amount of HK\$250,000,000; and
- (iv) A divestment agreement (as amended on 23 October 2015 and 20 November 2015) with Upsky (as purchaser), pursuant to which the Company conditionally agreed to sell, and Upsky conditionally agreed to purchase, 100% of the issued and outstanding share capital of the Divestment Group, the aggregate amount of the net account receivable owed by the Divestment Group to the Company and the shares of SouFun held by the Company at the initial consideration of HK\$1,652,995 which shall be subject to adjustment as set out in the divestment agreement (the “Divestment”).

Completion of the Proposed Transactions is subject to the fulfilment of a number of conditions precedent as stated in the abovementioned agreements. The Proposed Transactions may or may not be completed. As at the date of approval for issuance of the condensed consolidated financial statements, the consideration of the Divestment is subject to adjustments and the financial effects of the Divestment cannot yet be determined.

Details of the Proposed Transactions, the conditions precedent and the adjustments to the consideration for the Divestment 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.

## REVIEW OF OPERATION

### 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 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 of the joint ventures were 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. 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.

\* For identification purposes only

## **FINANCIAL REVIEW**

### **Liquidity and financial resources**

The Group's cash and bank balances are mostly in Hong Kong dollars and Renminbi. As at 30 September 2015, the Group had unpledged cash and bank deposit balances of approximately HK\$25.3 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 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.

## **CORPORATE GOVERNANCE**

### **Directors' securities transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. On specific enquiries made, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2015.

## **Compliance with the Corporate Governance Code**

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

1. CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. All the existing non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the Company’s annual general meeting in accordance with the Bye-laws of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the CG Code.
2. CG Code provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Board will ensure the retirement of each director, other than those hold office as Executive Chairman or Managing Director, by rotation at least once every three years in order to comply with the CG Code. The Board presently considers that the continuity of office of the Executive Chairman and the Managing Director provides the Group a strong and consistent leadership and is of great importance to the smooth operations of the Group. As a result, the Board concurred that the Executive Chairman and the Managing Director need not be subject to retirement by rotation.
3. CG Code provision E.1.2 stipulates that the chairman of the Board should attend the annual general meeting of the Company. The chairman did not attend the annual general meeting for the financial year ended 31 March 2015 due to other business engagement. Another director of the Company had chaired the annual general meeting for the financial year ended 31 March 2015 and answered questions from the shareholders together with chairman/member/duly appointed delegate of the Audit Committee, the remuneration committee and the nomination committee of the Company. In the opinion of the directors, the Company had provided a useful, effective and convenient forum for shareholders to exchange views with the Board and with each other, and had served the same purpose as laid down by CG Code.

## **Audit Committee**

The Audit Committee comprises three directors, all of which are independent non-executive directors, namely Mr. Palaschuk Derek Myles (Chairman), Professor Ye Jianping and Professor Chen Zhiwu. Regular meetings have been held by the Audit Committee since establishment and it meets at least twice each year to review and supervise the Group’s financial reporting process and internal control. The Company’s interim results for the six months ended 30 September 2015 have not been audited, but have been reviewed by the Audit Committee.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

During the six months ended 30 September 2015, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

## **PUBLICATION OF RESULTS ANNOUNCEMENT**

The results announcement is published on the website of The Stock Exchange of Hong Kong Limited at <http://www.hkex.com.hk> and the Company's website at <http://www.irasia.com/listco/hk/shuncheong>. The interim report will be despatched to the shareholders of the Company and will be published on the above websites in due course.

By Order of the Board  
**Shun Cheong Holdings Limited**  
**Cao Jing**  
*Executive Chairman*

Hong Kong, 30 November 2015

*As at the date hereof, the Board comprises six directors, of whom two are executive directors, namely Ms. Cao Jing (executive chairman) and Mr. Zhang Shaohua (managing director), one is non-executive director, namely Mr. Mo Tianquan, and three are independent non-executive directors, namely Prof. Ye Jianping, Mr. Palaschuk Derek Myles and Prof. Chen Zhiwu.*