SHUN CHEONG HOLDINGS LIMITED
順昌集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 650)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2012

The Board of Directors (the "Board") of Shun Cheong Holdings Limited (the "Company") announces that the preliminary consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2012, together with comparative figures for the last financial year are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2012

	Notes	**2012** **HK$'000**	2011 HK$'000
CONTINUING OPERATIONS			
REVENUE	3	**163,345**	144,684
Cost of sales		**(116,418)**	(92,870)
Gross profit		**46,927**	51,814
Other income	3	**2,034**	1,802
Administrative expenses		**(29,144)**	(22,499)
Other operating income/(expenses), net		**(376)**	485
Fair value gain on equity investment at fair value through profit or loss		**1,306**	—
Finance costs	4	**(29,091)**	(26,397)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	5	**(8,344)**	5,205
Income tax expense	6	**(1,085)**	(5,070)

* *For identification purposes only*

	Notes	**2012** **HK$'000**	2011 HK$'000
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**(9,429)**	135
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	*7*	**—**	749
PROFIT/(LOSS) FOR THE YEAR		**(9,429)**	884
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**9,746**	8,557
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**317**	9,441
Profit/(loss) for the year attributable to:			
Owners of the Company		**(9,067)**	1,647
Non-controlling interests		**(362)**	(763)
		(9,429)	884
Total comprehensive income attributable to:			
Owners of the Company		**679**	10,204
Non-controlling interests		**(362)**	(763)
		317	9,441
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*8*		
Basic			
— For profit/(loss) for the year		**(2.61 cents)**	0.47 cent
— For profit/(loss) from continuing operations		**(2.61 cents)**	0.26 cent
Diluted			
— For profit/(loss) for the year		**(2.61 cents)**	0.47 cent
— For profit/(loss) from continuing operations		**(2.61 cents)**	0.26 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**494,772**	485,356
Investment in a jointly-controlled entity		**98,400**	—
Deferred tax assets		**—**	—
Total non-current assets		**593,172**	485,356
CURRENT ASSETS			
Inventories		**4,551**	2,819
Trade receivables	*9*	**22,526**	17,210
Prepayments, deposits and other receivables		**10,700**	11,179
Equity investment at fair value through profit or loss		**3,524**	—
Cash and cash equivalents		**63,972**	106,524
Total current assets		**105,273**	137,732
CURRENT LIABILITIES			
Trade payables	*10*	**11,903**	10,918
Other payables, accruals and deposits		**50,358**	36,168
Due to related companies		**20,812**	685
Tax payable		**5,254**	3,999
Convertible bonds	*11*	**109,316**	—
Interest-bearing bank borrowing — current portion		**38,745**	3,540
Total current liabilities		**236,388**	55,310
NET CURRENT ASSETS/(LIABILITIES)		**(131,115)**	82,422
TOTAL ASSETS LESS CURRENT LIABILITIES		**462,057**	567,778
NON-CURRENT LIABILITIES			
Due to related companies		**10,235**	—
Convertible bonds	*11*	**—**	99,748
Interest-bearing bank borrowing		**233,085**	260,780
Total non-current liabilities		**243,320**	360,528
Net assets		**218,737**	207,250

	2012	2011
	HK$'000	*HK$'000*
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**3,473**	3,473
Equity component of convertible bonds	**43,272**	43,272
Reserves	**162,883**	160,505
	209,628	207,250
Non-controlling interests	**9,109**	—
Total equity	**218,737**	207,250

Notes:

1.1 BASIS OF PRESENTATION

The Group incurred a net loss of HK$9,429,000 for the year ended 31 March 2012, and at the end of the reporting period, the Group recorded net current liabilities of HK$131,115,000, which included convertible bonds (the "Bonds") of HK$109,316,000 and current portion of interest-bearing bank borrowing of HK$38,745,000.

In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

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

(1) Pursuant to the terms of the Bonds, the holder of the Bonds, Tanisca Investments Limited ("Tanisca"), which is a company wholly owned by Mr. Mo Tianquan ("Mr. Mo"), a substantial shareholder holding 60.39% issued shares of the Company at 31 March 2012, may redeem the Bonds prior to maturity under certain circumstances. Upon maturity of the Bonds on 28 March 2013, the Bonds are mandatorily convertible into ordinary shares of the Company. Further details on the terms of the Bonds are set out in note 11 to this results announcement. Subsequent to the end of the financial period, the Company received written confirmation from Tanisca that it will not redeem any portion of the Bonds during the remainder of the Bond term in any circumstance.

(2) Management is formulating, and will implement, cost saving measures to improve the performance and the cash flows of the Group's operations.

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

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

1.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an equity investment at fair value through profit or loss, which has been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

1.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) the hotel business consists of the hotel and restaurant operations in the People's Republic of China (the "PRC"); and

(b) the corporate and others segment consists of corporate income and expense items.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit/(loss) before tax from continuing operations except that finance costs are excluded from such measurement.

Segment assets exclude deferred tax assets and tax recoverable as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowing, convertible bonds and tax payable as these liabilities are managed on a group basis.

Intersegment sales and transfers, if any, are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

During the year, the Group's operating segments changed as a result of the change in the Group's internal business reporting structure for more efficient use of the managerial resources. The corresponding information for the year ended 31 March 2011 has been re-presented accordingly.

	Continuing operations						Discontinued operation			
	Hotel business		Corporate and others		Total continuing operations		Building services contracting and maintenance business		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**163,345**	144,684	**—**	—	**163,345**	144,684	**—**	1,321	**163,345**	146,005
Other revenue	**1,844**	1,800	**190**	2	**2,034**	1,802	**—**	496	**2,034**	2,298
Revenue	**165,189**	146,484	**190**	2	**165,379**	146,486	**—**	1,817	**165,379**	148,303
Segment results	**22,750**	34,363	**(2,003)**	(2,761)	**20,747**	31,602	**—**	749	**20,747**	32,351
Reconciliation										
Finance costs					**(29,091)**	(26,397)	**—**	—	**(29,091)**	(26,397)
Profit/(loss) before tax					**(8,344)**	5,205	**—**	749	**(8,344)**	5,954
Segment assets and total assets	**674,518**	612,893	**23,927**	10,195	**698,445**	623,088	**—**	—	**698,445**	623,088
Segment liabilities	**80,645**	45,864	**12,663**	1,907	**93,308**	47,771	**—**	—	**93,308**	47,771
Reconciliation										
Unallocated liabilities									**386,400**	368,067
Total liabilities									**479,708**	415,838
Other segment information:										
Depreciation	**35,891**	30,444	**9**	10	**35,900**	30,454	**—**	51	**35,900**	30,505
Fair value gain on equity investment at fair value through profit or loss	**—**	—	**1,306**	—	**1,306**	—	**—**	—	**1,306**	—
Investment in a jointly-controlled entity	**98,400**	—	**—**	—	**98,400**	—	**—**	—	**98,400**	—
Capital expenditure	**26,768**	10,404	**2**	14	**26,770**	10,418	**—**	—	**26,770**	10,418
Impairment/(write back of impairment) of other receivables recognised in profit or loss	**119**	—	**—**	(1,502)	**119**	(1,502)	**—**	(99)	**119**	(1,601)
Impairment of trade receivables recognised in profit or loss	**257**	598	**—**	—	**257**	598	**—**	—	**257**	598

Geographical information

(a) Revenue from external customers

	2012 *HK$'000*	2011 *HK$'000*
Mainland China, attributable to continuing operations	**163,345**	144,684
Hong Kong, attributable to discontinued operation	**—**	1,321
	163,345	146,005

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2012 *HK$'000*	2011 *HK$'000*
Mainland China, attributable to continuing operations	**593,160**	485,337
Hong Kong, attributable to continuing operations	**12**	19
	593,172	485,356

The non-current assets information above is based on the location of the assets and excludes deferred tax assets.

Information about a major customer

During the year, none of the Group's revenue was derived from transactions with individual external customers that amounted to 10 per cent or more of the Group's revenue (2011: Nil).

3. REVENUE AND OTHER INCOME

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

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

	2012 *HK$'000*	2011 *HK$'000*
Bank interest income	**632**	593
Dividend income	**190**	—
Others	**1,212**	1,209
	2,034	1,802

4. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2012	2011
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**18,323**	16,562
Interest on convertible bonds	**10,768**	9,835
	29,091	26,397

5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting): ^

	2012	2011
	HK$'000	*HK$'000*
Cost of services provided	**116,418**	92,870
Depreciation	**35,900**	30,505
Minimum lease payments under operating leases in respect of land and buildings	**332**	354
Auditors' remuneration	**930**	880
Employee benefit expense (including directors' remuneration):		
Wages, salaries and bonuses	**25,544**	18,859
Pension scheme contributions*	**17**	15
	25,561	18,874
Impairment of trade receivables#	**257**	598
Impairment/(write back of impairment) of other receivables, net#	**119**	(1,601)
Loss on disposal of items of property, plant and equipment	**46**	363
Gain on disposal of subsidiaries	**—**	(449)
Foreign exchange differences, net#	**—**	419

* As at 31 March 2012, the Group did not have forfeited contributions available to reduce its contributions to the pension schemes in future years (2011: Nil).

These items are included in "Other operating income/(expenses), net" in the consolidated statement of comprehensive income.

^ The disclosures presented in this note include those amounts charged/(credited) in respect of the discontinued operation.

6. INCOME TAX

The Company is exempt from tax in Bermuda until 2016. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2011: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Group	
	2012	2011
	HK$'000	*HK$'000*
Current — Elsewhere		
Charge for the year	**1,085**	3,999
Deferred	**—**	1,071
Total tax charge for the year	**1,085**	5,070

7. DISCONTINUED OPERATION

On 21 September 2010, the Company announced the decision of its board of directors to dispose of its entire interest in Super Highway Services Limited and its subsidiaries (collectively the "Disposed Group"). The Disposed Group was engaged in the building services contracting and maintenance business. The disposal of the Disposed Group was completed on 28 September 2010. As at 31March 2012 and 31 March 2011, no assets or liabilities of the Group were attributable to the discontinued operation.

	2011
	HK$'000
Revenue and other income	1,817
Expenses	(1,517)
Profit for the year of the discontinued operation	300
Gain on disposal of the Disposed Group	449
Profit before tax from the discontinued operation	749
Income tax expense	—
Profit for the year from the discontinued operation	749
Attributable to:	
Owners of the Company	749
Non-controlling interests	—
	749

The net cash flows incurred by the Disposed Group are as follows:

	2011
	HK$'000
Operating activities	1,358
Investing activities	(6,283)
Financing activities	—
Net cash outflow	(4,925)
Earning per share:	
Basic, from the discontinued operation	0.22 cent
Diluted, from the discontinued operation	0.11 cent

The calculation of basic and diluted earnings per share from discontinued operation is based on:

	2011
Profit attributable to owners of the Company from the discontinued operation	HK$749,000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	347,326,000
Weighted average number of ordinary shares used in the diluted earnings per share calculation	672,089,193

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 347,326,000 (2011: 347,326,000) in issue during the year.

The calculation of diluted earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to owners of the Company, adjusted to reflect the interest on the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 March 2012 and 2011 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

The calculations of basic and diluted earnings/(loss) per share are based on:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to owners of the Company, used in the basic earnings/(loss) per share calculation:		
From continuing operations	**(9,067)**	898
From a discontinued operation	**—**	749
	(9,067)	1,647
Interest on convertible bonds	**10,768**	9,835
Profit attributable to owners of the Company before interests on convertible bonds	**1,701***	11,482*
Attributable to:		
Continuing operations	**1,701**	10,733
Discontinued operation	**—**	749
	1,701	11,482

	Number of shares	
	2012	2011
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**347,326,000**	347,326,000
Effect of dilution of the convertible bonds on the weighted average number of ordinary shares	**324,763,193**	324,763,193
	672,089,193*	672,089,193*

* For the year ended 31 March 2012, because the diluted loss per share amount decreased when taking the convertible bonds into account, the convertible bonds 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 and the loss attributable to continuing operations of HK$9,067,000, and the weighted average number of ordinary shares of 347,326,000 in issue during the year.

For the year ended 31 March 2011, because the diluted earnings per share amount increased when taking the convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, diluted earnings per share amounts are based on the profit for the year and the profit attributable to continuing operations of HK$1,647,000 and HK$898,000, respectively, and the weighted average number of ordinary shares of 347,326,000 in issue during that year.

9. TRADE RECEIVABLES

	Group 2012 *HK$'000*	2011 *HK$'000*
Trade receivables	**23,334**	17,739
Impairment	**(808)**	(529)
	22,526	17,210

The Group grants to its trade customers credit periods which normally range from cash on delivery of services to 60 days. A longer credit period is granted to a few customers with long business relationship with the Group and with strong financial positions. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting periods, based on the invoice date and net of impairment of trade receivables, is as follows:

	Group 2012 *HK$'000*	2011 *HK$'000*
0 to 30 days	**6,350**	3,675
31 to 60 days	**1,625**	1,782
61 to 90 days	**1,408**	1,617
Over 90 days	**13,143**	10,136
	22,526	17,210

10. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting periods, based on the invoice date, is as follows:

	Group 2012 *HK$'000*	2011 *HK$'000*
Current to 30 days	**3,558**	2,793
31 to 60 days	**2,282**	2,084
Over 60 days	**6,063**	6,041
	11,903	10,918

The trade payables are non-interest-bearing and are normally settled on 90-day terms (2011: 90-day terms).

11. CONVERTIBLE BONDS

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

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

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

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

	2012 ***HK$'000***	2011 *HK$'000*
Nominal value of the Bonds issued	**120,000**	120,000
Equity component*	**(43,405)**	(43,405)
Direct transaction costs attributable to the liability component	**(236)**	(236)
Liability component at the issuance date	**76,359**	76,359
Interest expense	**37,770**	27,002
Interest paid and payable	**(4,813)**	(3,613)
Liability component at 31 March	**109,316**	99,748

The effective interest rate of the Bonds was 10.5% per annum. The fair value of the liability component of the Bonds was estimated using an equivalent market interest rate for a similar convertible bond. The carrying amount of the liability component of the Bonds at 31 March 2012 approximates to its fair value.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 March 2012, 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 increased by 12.9% to HK$163.3 million (2011: HK$144.7 million). The increase was mainly attributable to the higher average room rate charged to customers and the improved performance in the restaurant operation of the Nanning Hotel. Although the Nanning Hotel managed to improve its revenue, 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$46.9 million for the current year (2011: HK$51.8 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$8.3 million for the year ended 31 March 2012 as compared to the profitable results of HK$5.2 million for the prior year. During the year, the Nanning Hotel reported an average room rate of HK$700 (2011: HK$629) and an average occupancy rate of 76% (2011: 73%).

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 it is expected that the business operation of the Yintan Project will commence in the third quarter of 2012.

As at 31 March 2012, net asset value attributable to owners of the Company increased by 1.1%, amounting to HK$209.6 million (2011: HK$207.3 million).

Business Prospects

Looking ahead, the Group will further focus on the management and development of its core business in the Nanning Hotel with the primary objectives to improve its operation efficiency and to exercise stricter control over its operating costs. Also, according to the "12th Five-Year Plan for National Economic and Social Development*" (國民經濟和社會發展第十二個五年規劃綱要) recently announced by the PRC government, it is the intention and policy of the government to further develop the tourism industry in the western China including Guangxi Province, where the Nanning Hotel is situated. With the strong commitment of the Group's management, the continuous effort and support by the PRC government in promoting the

* *For identification purposes only*

economies of the less developed regions and the rapid development of tourism industry in the second tier cities in the PRC, the Board believes that the Nanning Hotel would contribute positively to the Group's performance in the coming years.

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

Financial Review

Liquidity and financial resources

The Group's cash and bank balances are mostly in Hong Kong dollars and Renminbi. As at 31 March 2012, the Group had unpledged cash and bank deposit balances of approximately HK$64.0 million (2011: HK$106.5 million). As at 31 March 2012, the Group had outstanding bank borrowings of HK$271.8 million (2011: HK$264.3 million). The gearing ratio of the Group which represented the total bank borrowings to the total assets was 39% (2011: 42%).

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 2012, the hotel properties held with an aggregate carrying amount of approximately HK$298.0 million (2011: HK$302.8 million) were mortgaged to a bank to secure banking facilities granted to the Group.

Employees and remuneration policy

The Group employed approximately 520 employees as at 31 March 2012 (2011: 570). 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.

EXTRACT FROM THE INDEPENDENT AUDITORS' REPORT

The following is an extract of the independent auditors' report on the Group's annual audited financial statements for the year ended 31 March 2012 which has included an emphasis of matter, but without qualification:

"Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2.1 in the consolidated financial statements which indicates that the Group incurred a consolidated net loss of HK$9,429,000 for the year ended 31 March 2012, and, as at that date, the Group's consolidated current liabilities exceeded its consolidated current assets by HK$131,115,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. As explained in note 2.1 to the consolidated financial statements, these consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to improve its operations and generate adequate cash flows to meet the Group's financial obligations as and when they fall due in the foreseeable future."

The aforesaid "note 2.1 to the consolidated financial statements" in the extract from the independent auditors' report is disclosed as note 1.1 to this results announcement.

FINAL DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year (2011: nil).

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.

CORPORATE GOVERNANCE

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 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 2012, 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 announcement.

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

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.

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.

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.

The code provision E.1.2 of the CG Code stipulates that the chairman of the Board should attend the annual general meeting (the "AGM") of the Company. The chairman did not attend the 2011 AGM due to other business engagement. Another director of the Company had chaired the 2011 AGM and answered questions from the shareholders.

The AGM also provides a useful and convenient forum for shareholders to exchange views with the Board, and with each other. At the 2011 AGM, the chairperson of the AGM and chairman/member/duly appointed delegate of the Audit Committee, the Remuneration Committee and the Nomination Committee were available to answer the questions raised by shareholders.

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 2012.

Audit Committee

The audit committee of the Company (the "Audit Committee") comprises three directors, all of which are independent non-executive directors, namely Mr. Palaschuk Derek Myles (Chairman), Professor Ye Jianping and Mr. Deng Wei.

The terms of reference for the Audit Committee have been adopted in line with the CG Code. Regular meetings have been held by the Audit Committee since establishment and it meets at least twice each year to review and supervises the Group's financial reporting process and internal control. During the year ended 31 March 2012, 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 2011 and the annual results for the year ended 31 March 2011. The financial statements of the Company and of the Group for the year ended 31 March 2012 had been reviewed by the Audit Committee.

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 annual 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, 29 June 2012

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 Mr. Deng Wei.