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 2014

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 2014, together with comparative figures for the last financial year are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2014

	Notes	**2014** HK$'000	2013 HK$'000
Turnover	4	**121,384**	157,908
Cost of sales		**(106,938)**	(116,634)
Gross profit		**14,446**	41,274
Other income	5	**2,775**	2,128
Administrative expenses		**(25,287)**	(29,769)
Other operating expenses		**(2,882)**	(14,144)
Provision for litigation		**(166,780)**	–
Fair value gain on equity investment at fair value through profit or loss		**8,131**	1,745
Finance costs	6	**(23,372)**	(30,739)
Gain on deregistration of a subsidiary		**119**	–
Gain on modifications of terms of convertible bond		**–**	4,589
Share of results of joint ventures		**(4,923)**	(333)
Loss before tax		**(197,773)**	(25,249)
Income tax expense	7	**–**	–
Loss for the year	8	**(197,773)**	(25,249)

* *For identification purposes only*

	Note	2014 HK$'000	2013 HK$'000
Other comprehensive (expenses) income			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive (expenses) income of joint ventures		**(144)**	536
Release of translation reserve upon deregistration of a foreign subsidiary		**(119)**	–
Exchange difference arising on translation of foreign operations		**(73)**	4,171
Other comprehensive (expenses) income for the year		**(336)**	4,707
Total comprehensive expenses for the year		**(198,109)**	(20,542)
Loss for the year attributable to:			
Owners of the Company		**(197,298)**	(24,667)
Non-controlling interests		**(475)**	(582)
		(197,773)	(25,249)
Total comprehensive expenses attributable to:			
Owners of the Company		**(197,625)**	(20,116)
Non-controlling interests		**(484)**	(426)
		(198,109)	(20,542)
Loss per share			
— Basic and diluted	9	**(HK56.80 cents)**	(HK7.10 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment		**477,508**	487,541
Interests in joint ventures		**93,536**	98,603
		571,044	586,144
Current assets			
Inventories	*10*	**2,219**	2,506
Trade receivables	*11*	**5,236**	6,450
Prepayments, deposits and other receivables		**6,563**	7,828
Equity investment at fair value through profit or loss		**13,400**	5,269
Deposits placed with financial institutions		**2,326**	2,140
Bank balances and cash		**42,793**	32,739
		72,537	56,932
Current liabilities			
Trade payables	*12*	**13,572**	13,505
Other payables, accruals and deposits		**90,066**	62,451
Provision for litigation		**166,606**	–
Amounts due to related companies		**924**	1,007
Tax payables		**5,335**	5,341
Convertible bond	*13*	**112,991**	–
Interest-bearing bank borrowings		**76,814**	39,384
		466,308	121,688
Net current liabilities		**(393,771)**	(64,756)
Total assets less current liabilities		**177,273**	521,388
Non-current liabilities			
Amounts due to related companies		**10,921**	10,572
Convertible bond	*13*	**–**	106,458
Interest-bearing bank borrowings		**157,999**	197,547
Total non-current liabilities		**168,920**	314,577
Net assets		**8,353**	206,811

	Note	2014 HK$'000	2013 HK$'000
Capital and reserves			
Share capital	*14*	**3,473**	3,473
Reserves		**(3,319)**	194,655
Equity attributable to owners of the Company		**154**	198,128
Non-controlling interests		**8,199**	8,683
Total equity		**8,353**	206,811

Notes:

1. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS

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

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

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

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

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

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

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

(iii) As set out in the Company's announcement on 24 June 2014, the Group is preparing to file appeal in relation to a civil judgement as mentioned in note 15. A provision for the litigation of approximately HK$166,780,000 had been made as at 31 March 2014.

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

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

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

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

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

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

HKFRS 13 Fair Value Measurement

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

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

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

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

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

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

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

Impact of the application of HKFRS 10

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

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

Impact of the application of HKFRS 11

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

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

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

Impact of the application of HKFRS 12

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

New and revised HKFRSs issued but not yet effective

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

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

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

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

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

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

Annual Improvements to HKFRSs 2010–2012 Cycle

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

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

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

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

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

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

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

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

Annual Improvements to HKFRSs 2011–2013 Cycle

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

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

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

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

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

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

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described below:

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

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

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

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

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

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

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

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

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

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

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

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

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

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

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

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

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

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

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

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

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

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

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

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

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

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

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

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

HK (IFRIC)-Int 21 Levies

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

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

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

3. SEGMENT INFORMATION

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

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

The two reportable and operating segments are as follows:

Hotel business	—	hotel and restaurant operations in the People's Republic of China (the "PRC")
Corporate and others	—	investment in equity investment at fair value through profit or loss, corporate income, expense items, corporate assets and liabilities

(a) Segment revenue and results

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

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

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

(b) Segment assets and liabilities

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

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

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

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

(c) Other segment information

	Hotel business		Corporate and others		Total	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:						
Depreciation of property, plant and equipment	**38,233**	34,387	**4**	3	**38,237**	34,390
Fair value gain on equity investment at fair value through profit or loss	**–**	–	**8,131**	1,745	**8,131**	1,745
Capital expenditure	**29,013**	12,656	**–**	1	**29,013**	12,657
Impairment loss recognised on other receivables	**1,574**	–	**–**	–	**1,574**	–
Impairment loss recognised on trade receivables	**1,165**	14,315	**–**	–	**1,165**	14,315
Reversal of impairment loss recognised on trade receivables in prior years	**(1,337)**	–	**–**	–	**(1,337)**	–
Government grants	**(418)**	(723)	**–**	–	**(418)**	(723)
Bank interest income	**(50)**	(438)	**–**	(1)	**(50)**	(439)
Interests in joint ventures	**93,536**	98,603	**–**	–	**93,536**	98,603
Share of results of joint ventures	**4,923**	333	**–**	–	**4,923**	333
Loss on written off of property, plant and equipment	**352**	–	**–**	–	**352**	–
(Gain) loss on disposal of property, plant and equipment	**(1)**	548	**–**	–	**(1)**	548
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:						
Income tax expense	**–**	–	**–**	–	**–**	–
Finance cost	**15,639**	18,855	**7,733**	11,884	**23,372**	30,739

(d) Geographical segment

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

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

	Revenue from external customers		**Non-current assets**	
	For the year ended 2014	For the year ended 2013	**As at 2014**	As at 2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**121,384**	157,908	**571,037**	586,134
Hong Kong	**–**	–	**7**	10

(e) Information about major customers

During the year, none of the Group's turnover was derived from transactions with individual external customers contributing over 10 per cent of the Group's turnover (2013: nil).

4. TURNOVER

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

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

5. OTHER INCOME

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

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

6. FINANCE COSTS

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

7. INCOME TAX EXPENSE

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

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

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years. No provision for EIT has been made in the consolidated financial statements as the Group did not generate any assessable profit for both years.

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

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

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

8. LOSS FOR THE YEAR

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

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

9. LOSS PER SHARE

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

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

	2014 *'000*	2013 *'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**347,326**	347,326
Effect of dilutive potential ordinary shares		
Convertible bond	**324,763**	324,763
Weighted average number of ordinary shares for the purpose of diluted loss per share	**672,089**	672,089

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

For the year ended 31 March 2014 and 2013, because the diluted loss per share amount decreased when taking the convertible bond into account, the convertible bond had an anti-dilutive effect on the basic loss per share for the year and were ignored in the calculation of diluted loss per share. Therefore, diluted loss per share amounts are based on the loss for the year attributable to owners of the Company of approximately HK$197,298,000 (2013: HK$24,667,000), and the weighted average number of ordinary shares of approximately 347,326,000 (2013: 347,326,000) in issue during the year.

10. INVENTORIES

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

11. TRADE RECEIVABLES

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

Settlement of trade receivables is in accordance with the terms specified in the contracts governing the relevant transactions. The Group allows credit period ranging from cash on delivery of services to 60 days. A longer credit period is granted to a few customers with long business relationship with the Group and with strong financial positions. The Group does not hold any collateral over these balances.

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

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

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

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

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

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

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

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

12. TRADE PAYABLES

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

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

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

13. CONVERTIBLE BOND

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

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

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

The fair value of the liability component of the Bond was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The effective interest rate of the Bond was 6.84% (2013: 11.16%) per annum. The residual amount was assigned as the equity component of the Bond and is included in shareholders' equity.

The modification resulted in the extinguishment of the financial liability of the Bond and the recognition of its new financial liability and equity components. The fair value of the new liability immediately following the modification was approximately HK$106,458,000. The financial liability was determined using an effective interest rate of 6.84% (2013: 11.16%).

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

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

	Liability component	**Equity component**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2012	109,316	43,272	152,588
Interest expenses *(note 6)*	11,884	–	11,884
Interest paid	(1,200)	–	(1,200)
Derecognition of original liability/equity component	(120,000)	(43,272)	(163,272)
Recognition of new liability/equity component upon modification	106,458	52,225	158,683
At 31 March 2013 and 1 April 2013	106,458	52,225	158,683
Interest expenses *(note 6)*	7,733	–	7,733
Interest paid	(1,200)	–	(1,200)
At 31 March 2014	112,991	52,225	165,216

14. SHARE CAPITAL

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

15. LITIGATION

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 March 2014, the revenue of the Group's continuing operation, being the operation of the Guangxi Wharton International Hotel Limited* (廣西沃頓國際大酒店有限公司) (the "Nanning Hotel") located in Guangxi Province, the PRC, was decreased by 23% to HK$121.4 million (2013: HK$157.9 million). The decrease was mainly attributable to the lower occupancy rate in the restaurant operation of the Nanning Hotel. In the financial year ended 31 March 2014, a large scale of the decoration has been initiated and accomplished in Nanning Hotel. The hotel has 16 floors and the decoration covered totally twelve floors of the Hotel. The decoration has significant impact on the normal hotel operation. Even though the cost of sales was managed to be decreased by 8% to HK$107 million (2013: HK$116.6 million), there was drop in the gross profit to HK$14.4 million for the current year (2013: HK$41.3 million).

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

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

Business Prospects

According to the "12th Five-Year Plan for National Economic and Social Development*" (國民經濟和社會發展第十二個五年規劃綱要), it is the intention and policy of the government to further develop the tourism industry in the western China including Guangxi province.

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

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

* *For identification purposes only*

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

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 2014, the Group had unpledged cash and bank deposit balances of approximately HK$42.8 million (2013: HK$32.7 million). As at 31 March 2014, the Group had outstanding interest-bearing bank borrowings of HK$234.8 million (2013: HK$236.9 million). The gearing ratio of the Group which represented the total interest-bearing bank borrowings to the total assets was 36.5% (2013: 37%).

Treasury and funding policy

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

Pledge of assets

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

Employees and remuneration policy

The Group employed approximately 540 employees as at 31 March 2014 (2013: 574). Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually depending on individual merits. The Group also provides other benefits including retirement benefit scheme, medical insurance and educational subsidies to all eligible staff.

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 2014:

Basis of Disclaimer of Opinion

Material uncertainty relating to the going concern basis

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

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

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

Disclaimer of Opinion

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

FINAL DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year (2013: 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 2014, except for code provisions A.1.1, A.4.1, A.4.2, B.1.3 and E.1.2, details of which are discussed in this 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, five board meetings were held to review and discuss the annual and interim results together with other corporate matters and transactions happened during the year. Although the board meetings held during the year were not convened on a quarterly basis, the directors considered that sufficient meetings had been held to cover all aspects of the Company's business.

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 2013 AGM due to other business engagement. Another director of the Company had chaired the 2013 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 2013 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 2014.

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. Wu Jiahong. The terms of reference for the Audit Committee have been adopted in line with the CG Code. Regular meetings have been held by the Audit Committee since establishment and it meets at least twice each year to review and supervises the Group's financial reporting process and internal control.

During the year ended 31 March 2014, the Audit Committee reviewed the accounting principles and policies adopted by the Company and discussed with management the financial reporting matters, internal controls, the unaudited interim results for the six months ended 30 September 2013 and the annual results for the year ended 31 March 2013. The annual financial statement and annual result announcement of the Company and of the Group for the year ended 31 March 2014 had been reviewed by the Audit Committee.

EVENT AFTER THE REPORTING PERIOD

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

(ii) Refer to the announcement made by the Company on 24 June 2014, the Subsidiary has received the civil judgment on 5 June 2014, details refer to note 15. Provision has been made for prudence purposes.

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, 30 June 2014

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. Wu Jiahong.