SHUN CHEONG HOLDINGS LIMITED

順昌集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 650)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

The Board of Directors (the "Board") of Shun Cheong Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2011. The interim results of the Group are unaudited but have been reviewed by the audit committee of the Company (the "Audit Committee").

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
CONTINUING OPERATIONS			
REVENUE	4	**76,082**	65,834
Cost of sales		**(39,049)**	(28,638)
Gross profit		**37,033**	37,196
Other income	4	**891**	474
Administrative expenses		**(19,307)**	(24,496)
Finance costs	5	**(14,090)**	(11,083)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**4,527**	2,091
Income tax expense	7	**(2,873)**	—
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**1,654**	2,091
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation	8	**—**	749
PROFIT FOR THE PERIOD		**1,654**	2,840

* *For identification purposes only*

	Notes	Six months ended 30 September 2011 (Unaudited) HK$'000	2010 (Unaudited) HK$'000
Attributable to:			
Owners of the Company		**1,654**	2,878
Non-controlling interests		**—**	(38)
		1,654	2,840
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*9*		
Basic			
— For profit for the period		**0.48 cent**	0.83 cent
— For profit from continuing operations		**0.48 cent**	0.61 cent
Diluted			
— For profit for the period		**0.48 cent**	0.83 cent
— For profit from continuing operations		**0.48 cent**	0.61 cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**1,654**	2,840
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**7,879**	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**9,533**	2,840
Attributable to:		
Owners of the Company	**9,533**	2,878
Non-controlling interests	**—**	(38)
	9,533	2,840

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 September 2011 (Unaudited)** *HK$'000*	As at 31 March 2011 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**493,512**	485,356
CURRENT ASSETS			
Inventories		**3,155**	2,819
Trade receivables	*10*	**17,719**	17,210
Prepayments, deposits and other receivables		**19,900**	11,179
Cash and cash equivalents		**121,190**	106,524
Total current assets		**161,964**	137,732
CURRENT LIABILITIES			
Trade payables	*11*	**13,084**	10,918
Other payables and accruals		**40,203**	36,168
Due to related companies		**708**	685
Tax payable		**7,009**	3,999
Interest-bearing bank borrowing — current portion		**3,660**	3,540
Total current liabilities		**64,664**	55,310
NET CURRENT ASSETS		**97,300**	82,422
TOTAL ASSETS LESS CURRENT LIABILITIES		**590,812**	567,778
NON-CURRENT LIABILITIES			
Convertible bonds		**104,409**	99,748
Interest-bearing bank borrowing		**269,620**	260,780
Total non-current liabilities		**374,029**	360,528
Net assets		**216,783**	207,250

	As at 30 September 2011 (Unaudited) *HK$'000*	As at 31 March 2011 (Audited) *HK$'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	**170,038**	160,505
	216,783	207,250
Non-controlling interests	**—**	—
Total equity	**216,783**	207,250

Notes:

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 September 2011 has been prepared in accordance with the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2011.

2. ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 March 2011, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong, that affect the Group and are adopted for the first time for the current period's financial information.

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*
HKAS 34 Amendment	Amendment to HKAS 34 *Interim Financial Reporting*
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*

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

The adoption of the new and revised HKFRSs has had no significant financial effect on the unaudited condensed consolidated interim financial information.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three 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");

(b) the building services contracting and maintenance business consisted of the provisions of building related maintenance services. In the prior period, on 28 September 2010, the Group disposed of the whole of the building services contracting and maintenance business, upon which this operating segment was discontinued; and

(c) 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 profit, which is a measure of adjusted profit before tax from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, as well as head office and corporate expenses are excluded from such measurement.

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 period, the Group's operating segments changed as a result of the change in the Group's internal organisation structure. The corresponding information for the six months ended 30 September 2010 has been re-presented accordingly.

Segment results:

	For the six months ended 30 September									
	Continuing operations						Discontinued operation			
	Hotel business		Corporate and others		Total continuing operations		Building services contracting and maintenance business		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	(Unaudited)		**(Unaudited)**		**(Unaudited)**		**(Unaudited)**		**(Unaudited)**	
	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	**76,082**	65,834	**—**	—	**76,082**	65,834	**—**	1,321	**76,082**	67,155
Other revenue	**890**	436	**1**	38	**891**	474	**—**	496	**891**	970
Revenue	**76,972**	66,270	**1**	38	**76,973**	66,308	**—**	1,817	**76,973**	68,125
Segment results	**20,622**	15,312	**(2,005)**	(2,138)	**18,617**	13,174	**—**	749	**18,617**	13,923
Reconciliation										
Finance costs					**(14,090)**	(11,083)	**—**	—	**(14,090)**	(11,083)
Profit before tax					**4,527**	2,091	**—**	749	**4,527**	2,840

4. REVENUE AND OTHER INCOME

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

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

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**275**	38
Others	**616**	436
	891	474

5. FINANCE COSTS

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

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**8,827**	6,276
Interest on convertible bonds	**5,263**	4,807
	14,090	11,083

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:^

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of services provided	**39,049**	28,638
Depreciation	**15,341**	14,299
Minimum lease payments under operating leases in respect of land and buildings	**165**	92
Employee benefit expense (including directors' remuneration)	**8,660**	8,625

^ *The disclosures presented in this note include those amounts charged in respect of the discontinued operation.*

7. 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 period (2010: Nil). The tax charge on profits assessable elsewhere was HK$2,873,000 for the period (2010: Nil), which has been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

8. DISCONTINUED OPERATION

In the prior period, on 21 September 2010, the Company announced the decision of the Board 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 30 September 2010, no assets or liabilities of the Group were attributable to the discontinued operation.

	Six months ended 30 September 2010 *HK$'000*
Revenue and other income	1,817
Expenses	(1,517)
Profit for the period 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 period 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:

	Six months ended 30 September 2010 *HK$'000*
Operating activities	1,358
Investing activities	(6,283)
Financing activities	—
Net cash outflow	(4,925)
Earnings 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 the discontinued operation is based on:

	Six months ended 30 September 2010
Profit attributable to owners of the Company from the discontinued operation	HK$749,000
Weighted average number of ordinary shares in issue during the period 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

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 347,326,000 (2010: 347,326,000) in issue during the period.

The calculation of diluted earnings per share amount is based on the profit for the period 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 period, as used in the basic earnings 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 per share amount presented for the periods ended 30 September 2011 and 2010 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

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

	Six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation:		
From continuing operations	**1,654**	2,129
From a discontinued operation	**—**	749
	1,654	2,878
Interests on convertible bonds	**5,263**	4,807
Profit attributable to owners of the Company before interests on convertible bonds	**6,917***	7,685*
Attributable to:		
Continuing operations	**6,917**	6,936
Discontinued operation	**—**	749
	6,917	7,685

	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings 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*

* *Because the diluted earnings per share amount increases when taking the convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the periods and were ignored in the calculation of diluted earnings per share. Therefore, diluted earnings per share amounts are based on the profit for the period attributable to the owners of the Company and the profit attributable to the owners of the Company from continuing operations of HK$1,654,000 (2010: HK$2,878,000) and HK$1,654,000 (2010: HK$2,129,000), respectively, and the weighted average number of ordinary shares of 347,326,000 (2010: 347,326,000) in issue during the period.*

10. TRADE RECEIVABLES

	As at 30 September 2011 (Unaudited) *HK$'000*	As at 31 March 2011 (Audited) *HK$'000*
Trade receivables	**18,248**	17,739
Impairment	**(529)**	(529)
	17,719	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 30 September 2011, based on the invoice date and net of impairment of trade receivables, is as follows:

	As at 30 September 2011 (Unaudited) *HK$'000*	As at 31 March 2011 (Audited) *HK$'000*
0 to 30 days	**2,904**	3,675
31 to 60 days	**2,487**	1,782
61 to 90 days	**954**	1,617
Over 90 days	**11,374**	10,136
	17,719	17,210

11. TRADE PAYABLES

An aged analysis of trade payables as at 30 September 2011, based on the invoice date, is as follows:

	As at 30 September 2011 (Unaudited) *HK$'000*	As at 31 March 2011 (Audited) *HK$'000*
Current to 30 days	**5,756**	2,793
31 to 60 days	**2,167**	2,084
Over 60 days	**5,161**	6,041
	13,084	10,918

INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30 September 2011 (2010: Nil).

REVIEW OF OPERATION

For the period ended 30 September 2011, the Group was engaged in the hotel and restaurant operations of the Guangxi Wharton International Hotel (the "Nanning Hotel") located in Guangxi Province, the PRC. The revenue of the Group's continuing operations, being the operation of the Nanning Hotel, increased by 15.7% to HK$76.1 million (2010: HK$65.8 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. During the reporting period, the Nanning Hotel reported an average room rate of HK$688 (2010: HK$584) and an average occupancy rate of 66% (2010: 70%). Attributable to the effort of the management by exercising stricter control over the Group's expenses, the Group's profit before tax from continuing operations has increased to HK$4.5 million (2010: HK$2.1 million). Nevertheless, the profit of the Group for the period was down by 39.3% to HK$1.7 million (2010: HK$2.8 million). Such decrease was mainly due to the provision for corporate income tax of HK$2.9 million in the current period (2010: Nil) and the inclusion of a profit of HK$0.7 million in the profit for the prior period relating to the disposal of the building services contracting and maintenance business by the Group in September 2010.

As at 30 September 2011, net asset value attributable to owners of the Company increased by 4.6%, amounting to HK$216.8 million (as at 31 March 2011: HK$207.3 million).

BUSINESS PROSPECT

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 continuous effort and support by the PRC government in promoting the economies of the less developed regions and the rapid development of tourism industry in the second-tier cities, the Board believes that the operation of the Nanning Hotel will continue to grow and 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 of the Group to further diversify and enlarge its hotel investments and portfolio. The Group continuously explores and evaluates other potential investment opportunities which could bring long-term benefits to the Group. On 6 October 2011, the Company entered into a joint venture agreement, which was subsequently supplemented by a supplemental agreement dated 29 November 2011, to establish a joint venture company in the PRC for the purposes of investment in and management of potential hotel projects with promising prospects. The Board expects that the formation of the joint venture company shall have a positive impact on the future earnings of the Group and is in the interests of the Group and the shareholders as a whole. Both agreements have not been completed as at the date of this announcement and will be subject to the approval from the independent shareholders of the Company. Further details on the agreements and the establishment of the joint venture company are contained in the announcements of the Company dated 6 October 2011 and 29 November 2011.

FINANCIAL REVIEW

Liquidity and financial resources

The Group's cash and bank balances are mostly in Hong Kong dollars and Renminbi. As at 30 September 2011, the Group had unpledged cash and bank deposit balances of approximately HK$121.2 million (31 March 2011: HK$106.5 million). As at 30 September 2011, the Group had outstanding bank borrowing of HK$273.3 million (31 March 2011: HK$264.3 million). The gearing ratio of the Group which represented the total bank borrowings to the total assets was 42% (31 March 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. The maximum bank facilities granted by bank to the Group is HK$390.4 million (31 March 2011: HK$377.6 million). Taking into account cash in hand and available credit facilities, the Group has sufficient working capital for its present requirements. The Renminbi has been pegged to a basket of currencies. Accordingly, the Group has minimal exposure to foreign exchange fluctuation.

Pledge of assets

As at 30 September 2011, the hotel properties held with an aggregate carrying amount of approximately HK$306.3 million (31 March 2011: HK$302.8 million) were mortgaged to a bank to secure banking facilities granted to the Group.

Employees and remuneration policies

The Group employed approximately 530 employees as at 30 September 2011 (31 March 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.

EVENTS AFTER THE REPORTING PERIOD

1. Acquisition of equity interests in SouFun Holdings Limited ("SouFun")

As at the close of trading hours of the New York Stock Exchange (the "NYSE") on 30 September 2011 (the US time), which is 1 October 2011 (the Hong Kong time), the Company acquired in aggregate 25,000 shares of SouFun through various on-market transactions on the NYSE (the "Acquisition"). The aggregate consideration of the Acquisition was US$284,410 (approximately equivalent to HK$2,218,000), which would be settled in cash on the basis of the third business day after the transaction date. The equity interests acquired represent approximately 0.03% of the total issued share capital of SouFun as at the date of Acquisition. SouFun is a company listed on the NYSE conducting real estate internet business in the PRC. The Board considered that SouFun was a good investment and the investment was made to generate returns on the Company's cash.

As at the date of Acquisition, Mr. Mo Tianquan ("Mr. Mo") was the substantial shareholder and director of SouFun, beneficially holding approximately 32.4% in the total issued share capital of SouFun, and Mr. Mo was also a controlling shareholder and non-executive director of the Company. Therefore, SouFun was regarded as a connected person of the Company and hence the Acquisition constituted a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules.

Further details on the Acquisition are contained in the announcement of the Company dated 4 October 2011.

2. Formation of a joint venture company

On 6 October 2011, 廣西沃頓國際大酒店有限公司 (literally translated as Guangxi Wharton International Hotel Limited) ("Guangxi Wharton"), an indirect wholly-owned subsidiary of the Company, entered into a joint venture agreement (the "JV Agreement") with 北京普凱世杰投資咨詢有限公司 (literally translated as Beijing Pukai Shijie Investment Consultancy Company) (the "JV Partner") in relation to the formation of a joint venture company (the "JV Company"). The JV Agreement was subsequently varied and supplemented by a supplemental agreement (the "Supplemental Agreement") entered into between Guangxi Wharton and the JV Partner on 29 November 2011. Pursuant to the terms of the JV Agreement and the Supplemental Agreement, the formation of the JV Company was for the purposes of investment in and management of the existing hotel projects of the JV Partner and/or any potential hotel projects in the PRC or any place with development potential. The total capital investment in the JV Company by both parties would be RMB300 million in aggregate, in which RMB80 million would be invested in cash by Guangxi Wharton and the remaining RMB220 million would be invested in cash by the JV Partner upon completion of the JV Agreement and the Supplemental Agreement. It is expected that the capital investment by Guangxi Wharton would be funded by the available internal resources of the Group. The JV Company would be owned by Guangxi Wharton as to approximately 26.7% and by the JV Partner as to approximately 73.3%. The Board considered that the entering into of the JV Agreement and the Supplemental Agreement was an opportunity of the Group to further diversify and enlarge its existing businesses on hotel investments. It would also create a potential for the Group to further expand its hotel investments in the future through the strategic alliance with the JV Partner, which was experienced and professional in hotel investments.

As the JV Partner was beneficially owned as to 80% by Mr. Mo, who was also a non-executive director and controlling shareholder of the Company, the JV Partner was regarded as a connected person of the Company and the entering into of the JV Agreement and the Supplemental Agreement constituted a major and connected transaction for the Company under Chapter 14 and Chapter 14A of the Listing Rules respectively, which will be subject to the approval from the independent shareholders of the Company.

Further details on the JV Agreement and the Supplemental Agreement are contained in the announcements of the Company dated 6 October 2011 and 29 November 2011 respectively.

CORPORATE GOVERNANCE

Directors' securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. On specific enquiries made, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2011.

Compliance with the Code on Corporate Governance Practices

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

1. CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. All the existing non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

2. CG Code provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Board will ensure the retirement of each director, other than those hold office as Executive Chairman or Managing Director, by rotation at least once every three years in order to comply with the CG Code. The Board presently considers that the continuity of office of the Executive Chairman and the Managing Director provides the Group a strong and consistent leadership and is of great importance to the smooth operations of the Group.

3. CG Code provision B.1.3 stipulates that the terms of reference of the remuneration committee of the Company (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.

4. CG Code provision E.1.2 stipulates that the chairman of the Board should attend the annual general meeting of the Company. The chairman did not attend the 2011 annual general meeting due to other business engagement. Another director of the Company had chaired the 2011 annual general meeting and answered questions from the shareholders. In the opinion of the directors, the Company had provided a useful and convenient forum for shareholders to exchange views with the Board and with each other, and had served the same purpose as laid down by CG Code.

Audit Committee

The Audit Committee comprises three directors, all of whom are independent non-executive directors, namely Mr. Palaschuk Derek Myles (Chairman), Professor Ye Jianping and Mr. Yao Xusheng. Regular meetings have been held by the Audit Committee since establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Company's interim results for the six months ended 30 September 2011 have not been audited, but have been reviewed by the Audit Committee.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2011, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

PUBLICATION OF RESULTS ANNOUNCEMENT

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

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

Hong Kong, 30 November 2011

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. Yao Xusheng.