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SHUN CHEONG HOLDINGS LIMITED

順昌集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 650)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

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 2013. The interim results of the Group are unaudited but have been reviewed by the audit committee of the Company (the "Audit Committee").

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 September 2013

		Six months ended 30 September	
		2013	2012
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**61,891**	84,453
Cost of sales		**(45,976)**	(47,848)
Gross profit		**15,915**	36,605
Other income		**1,106**	1,327
Administrative expenses		**(10,209)**	(16,122)
Fair value gain (loss) on equity investment at fair value through profit or loss		**4,867**	(511)
Finance costs		**(15,228)**	(15,290)
Share of results of a joint venture		**(185)**	(33)
(Loss) profit before tax	*4*	**(3,734)**	5,976
Income tax expense	*5*	**(274)**	(3,091)
(Loss) profit for the period		**(4,008)**	2,885
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**2,980**	54
Total comprehensive (expense) income for the period		**(1,028)**	2,939
(Loss) profit for the period attributable to:			
Owners of the Company		**(3,557)**	2,920
Non-controlling interests		**(451)**	(35)
		(4,008)	2,885
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(546)**	2,974
Non-controlling interests		**(482)**	(35)
		(1,028)	2,939
(Loss) earnings per share attributable to owners of the Company			
Basic and diluted	*6*	**(HK 1.02) cent**	HK 0.84 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

	Notes	30 September 2013 (Unaudited) HK$'000	31 March 2013 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	7	**496,733**	487,541
Investment in a joint venture		**98,920**	98,603
		595,653	586,144
Current assets			
Inventories		**2,377**	2,506
Trade receivables	8	**5,367**	6,450
Prepayments, deposits and other receivables		**19,164**	7,828
Equity investment at fair value through profit or loss		**10,136**	5,269
Deposit placed with financial institutions		**2,140**	2,140
Bank balances and cash		**22,049**	32,739
		61,233	56,932
Current liabilities			
Trade payables	9	**11,912**	13,505
Other payables, accruals and deposits		**69,250**	62,451
Amount due to related companies		**935**	1,007
Tax payable		**5,695**	5,341
Interest-bearing bank borrowing		**39,974**	39,384
		127,766	121,688
Net current liabilities		**(66,533)**	(64,756)
Total assets less current liabilities		**529,120**	521,388
Non-current liabilities			
Amounts due to related companies		**10,747**	10,572
Convertible bond	10	**112,398**	106,458
Interest-bearing bank borrowing		**200,502**	197,547
		323,647	314,577
Net assets		**205,473**	206,811

	Note	**30 September 2013 (Unaudited)** ***HK$'000***	31 March 2013 (Audited) *HK$'000*
Capital and reserve			
Share capital	*11*	**3,473**	3,473
Reserves		**193,799**	194,655
Equity attributable to owners of the Company:		**197,272**	198,128
Non-controlling interests		**8,201**	8,683
Total equity		**205,473**	206,811

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	Equity attributable to owners of the Company										
	Issued capital	Share premium	Contributed surplus *(Note a)*	Equity component of convertible bonds	Capital redemptions reserve *(Note b)*	Exchange fluctuation reserve *(Note c)*	Other reserve *(Note d)*	Accumulated losses	Total	Non-controlling interest	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2012	3,473	119,068	46,909	43,272	132	18,303	1,699	(23,228)	209,628	9,109	218,737
Profit (loss) for the period	–	–	–	–	–	–	–	2,920	2,920	(35)	2,885
Other comprehensive income for the period: Exchange differences on translation of foreign operations	–	–	–	–	–	54	–	–	54	–	54
Total comprehensive income (expense) for the period	–	–	–	–	–	54	–	2,920	2,974	(35)	2,939
At 30 September 2012 (unaudited)	3,473	119,068	46,909	43,272	132	18,357	1,699	(20,308)	212,602	9,074	221,676
At 1 April 2013	**3,473**	**119,068**	**46,909**	**52,225**	**132**	**22,854**	**1,362**	**(47,895)**	**198,128**	**8,683**	**206,811**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,557)**	**(3,557)**	**(451)**	**(4,008)**
Other comprehensive income for the period: Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**3,011**	**–**	**–**	**3,011**	**(31)**	**2,980**
Total comprehensive income (expense) for the period	**–**	**–**	**–**	**–**	**–**	**3,011**	**–**	**(3,557)**	**(546)**	**(482)**	**(1,028)**
Release of exchange translation reserve upon deregistration of a subsidiary	**–**	**–**	**–**	**–**	**–**	**(135)**	**–**	**–**	**(135)**	**–**	**(135)**
Imputed interest released on non-current amount due to related companies	**–**	**–**	**–**	**–**	**–**	**–**	**(175)**	**–**	**(175)**	**–**	**(175)**
At 30 September 2013 (unaudited)	**3,473**	**119,068**	**46,909**	**52,225**	**132**	**25,730**	**1,187**	**(51,452)**	**197,272**	**8,201**	**205,473**

Notes:

(a) The contributed surplus of the Group represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange at the time of the Group's capital reorganisation in 2006. Under the Companies Law of the Bermuda, the contributed surplus is distributable under certain specific circumstances.

(b) The capital redemption reserve represented the nominal value of the shares repurchased by the Company.

(c) The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(d) Other reserve represents a contribution from related companies resulting from the balances of interest-free loans, being the difference between the loan principal and the fair value of their liability component calculated upon initial recognition.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 September 2013

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**15,099**	15,083
Net cash outflow from investing activities	**(18,959)**	(1,459)
Net cash outflow from financing activities	**(9,359)**	(20,017)
Net decrease in cash and cash equivalents	**(13,219)**	(6,393)
Cash and cash equivalents at beginning of period	**34,879**	63,972
Effect of foreign exchange rate changes	**2,529**	–
Cash and cash equivalents at end of period	**24,189**	57,579
Cash and cash equivalents of period, represented by		
Bank balances and cash	**22,049**	56,718
Non-pledged time deposits with original maturity of less than three months when acquired	**2,140**	861
	24,189	57,579

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

1. BASIS OF PREPARATION

Notwithstanding that the Group had (i) incurred loss for the six months ended 30 September 2013 of approximately HK$4,008,000, (ii) net current liabilities of approximately HK$66,533,000 as at 30 September 2013 which included current portion of interest-bearing bank borrowing of approximately HK$39,974,000 and (iii) the contingent liability arising from the litigation as set out in note 14 to the condensed consolidated financial statements, the condensed consolidated financial statements have been prepared on a going concern basis as the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year after taking into consideration of the followings:

(i) Management is formulating, and will implement, cost saving measures to improve the performance and the cash flows of the Group's operations to ensure positive cash flows will be generated from the Group.

(ii) The unutilised banking facilities of RMB162,000,000 (approximately HK$206,600,000) available from the Group's existing banker.

(iii) Corporate guarantee was provided by the ultimate holding company of the Company to support the Group financially and operationally as a going concern. The maximum amount under the corporate guarantee is of RMB65,000,000 (approximately HK$82,485,000) to the Group to meet in full its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. The directors of the Company consider the ultimate holding company has financial ability to provide such financial support to the Group.

In addition, the directors of the Company, based on independent legal advice obtained, are of the opinion that the claims and the litigation against a subsidiary of the Company as disclosed in note 14 will not have material impact on the financial position and operations of the Group.

The directors of the Company believe that the Group will have sufficient working capital to meet its financial obligations when they fall due within the next twelve months from the end of the reporting period. Accordingly, the consolidated financial statements have been prepared on a going concern basis and do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2013.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
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
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
HK (IFRIC)*–Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine

* *HK (IFRIC) represents the Hong Kong (International Financial Reporting Interpretations Committee)*

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for 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 existing 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.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies 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, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer 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.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 17.

Amendments to HKAS 34 Interim Financial Reporting (as part of the Annual Improvements to HKFRSs 2009–2011 Cycle)

The Group has applied the amendments to HKAS 34 Interim Financial Reporting as part of the Annual Improvements to HKFRSs 2009–2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (CODM) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since the CODM consider there is no material change on assets and liabilities of the Group's reportable segments for performance assessment and resource allocation purposes, the Group has not included total asset information as part of segment information.

The application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early adopted new and revised HKASs, HKFRSs, interpretations and amendments issued by the HKICPA that have been issued but are not yet effective for the current interim period.

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 Peoples' 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

Segment results:

	For the six months ended 30 September					
	Hotel Business		Corporate and others		Total	
	2013	2012	**2013**	2012	**2013**	2012
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**61,891**	84,453	**–**	–	**61,891**	84,453
Other revenue	**965**	1,326	**141**	1	**1,106**	1,327
Revenue	**62,856**	85,779	**141**	1	**62,997**	85,780
Segment results	**9,355**	23,860	**2,139**	(2,594)	**11,494**	21,266
Finance costs					**(15,228)**	(15,290)
					(3,734)	5,976

4. (LOSS) PROFIT BEFORE TAX

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**13,393**	14,285
Minimum lease payments under operating leases in respect of office properties	**670**	183
Employee benefit expense (including directors' remuneration)	**15,304**	10,625

5. INCOME TAX EXPENSE

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 (2012: Nil).

The tax charge on profits assessable in PRC was approximately HK$274,000 for the period (2012: HK$3,091,000), which has been calculated at the tax rate of 25% under the Law of the People's Republic of China on Enterprise Income Tax in which the PRC subsidiaries operates.

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

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

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss) earnings:		
(Loss) profit attributable to owners of the Company	**(3,557)**	2,920
Interest on convertible bond	**5,940**	5,766
Earnings for the purposes of diluted earnings per share	**2,383**	8,686

	Number of shares	
	2013	2012
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share	**347,326**	347,326
Effect of dilution of the convertible bond on the weighted average number of ordinary shares	**324,763**	324,763
	672,089	672,089

For the six months ended 30 September 2013 and 2012, 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 period attributable to owners of the Company of approximately HK$3,557,000 (2012: profit for the period attributable to owners of the Company of approximately HK$2,920,000) and the weighted average number of ordinary shares of 347,326,000 (2012: 347,326,000) in issue during the period.

7. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2013, the Group incurred approximately HK$13,393,000 on acquisition of property, plant and equipment and net book value of approximately HK$25,000 for the disposal of property, plant and equipment. The disposal of property, plant and equipment resulted in gain on disposal of approximately HK$1,000 during the six months ended 30 September 2013.

8. TRADE RECEIVABLES

	30 September 2013 (Unaudited) ***HK$'000***	31 March 2013 (Audited) *HK$'000*
Trade receivables	**20,729**	21,586
Less: allowance to doubtful debts	**(15,362)**	(15,136)
	5,367	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.

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

	30 September 2013 (Unaudited) ***HK$'000***	31 March 2013 (Audited) *HK$'000*
Within 30 days	**4,521**	1,950
31 to 60 days	**572**	1,950
61 to 90 days	**258**	974
Over 90 days	**16**	1,576
	5,367	6,450

9. TRADE PAYABLES

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

	30 September 2013 (Unaudited)	31 March 2013 (Audited)
	HK$'000	*HK$'000*
Within 30 days	**3,193**	2,774
31 to 60 days	**2,033**	2,334
Over 60 days	**6,686**	8,397
	11,912	13,505

10. CONVERTIBLES BOND

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

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

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

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 11.16% (2012: 10.50%) 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 11.16% (2012: 10.50%).

	Liability component *HK$'000*	Equity component *HK$'000*	Total *HK$'000*
At 1 April 2012	109,316	43,272	152,588
Interest expenses	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	106,458	52,225	158,683
At 1 April 2013	**106,458**	**52,225**	**158,683**
Interest expenses	**5,940**	**–**	**5,940**
At 30 September 2013	**112,398**	**52,225**	**164,623**

11. SHARE CAPITAL

	As at 30 September 2013 (Unaudited) ***HK$'000***	As at 31 March 2013 (Audited) *HK$'000*
Authorised:		
8,000,000,000 ordinary shares of HK$0.01 each	**80,000**	80,000
Issued and fully paid:		
347,326,000 ordinary shares of HK$0.01 each	**3,473**	3,473

12. OPERATING LEASES COMMITMENTS

The Group leases various offices properties under non-cancellable operating lease agreements. At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 30 September 2013 (Unaudited) ***HK$'000***	As at 31 March 2013 (Audited) *HK$'000*
Within one year	**1,255**	1,289
In the second to fifth years, inclusive	**953**	1,561
	2,208	2,850

13. COMMITMENTS

Save for the operating lease commitments detailed in note 12 above, the Group had no significant capital commitment outstanding as at 30 September 2013 (31 March 2013: Nil).

14. CONTINGENT LIABILITY

As set out in the announcements made by the Company on 24 June 2013 and 25 June 2013, during the year ended 31 March 2013, an ex-shareholder of a subsidiary of the Group (the "Subsidiary") brought legal action against the Subsidiary. The total claim amount and the estimated legal costs are approximately RMB124,810,000 (equivalents to HK$158,384,000).

Based on the legal opinion obtained by the Group, the directors of the Company consider that the Group has valid grounds of defenses and there will not be any material adverse impact to the Group's operations and on the financial positions and results of the Group.

15. DEREGISTRATION OF A SUBSIDIARY

On 12 April 2013, the Group's wholly-owned subsidiary, 廣西沃頓物業服務有限公司 was deregistered. The assets (liabilities) of this deregistered subsidiary as at the date of deregistration were insignificant. This deregistered subsidiary has no material effect on the Group's turnover, results and cash flows for the six months ended 30 September 2013.

16. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these condensed interim financial information, the Group had the following material transactions with related parties during the six months ended 30 September 2013 and 2012:

Name of related party	**Relationship**	**Nature of transaction**	**Six months ended 30 September 2013 (Unaudited)** ***HK$'000***	**Six months ended 30 September** 2012 (Unaudited) *HK$'000*
Tanisca	Related parties in which certain directors of the Company have beneficial interests	Interest expenses on the Bonds paid or payable to a related company	**602**	600

Note: Interest expense on the convertible bond was paid to Tanisca, the holder of the convertible bond, at 1% per annum. Tanisca is wholly owned by Mr. Mo Tianquan, who is a non-executive director and is also interested in approximately 60.39% of the total issued share capital of the Company as at 30 September 2013.

Mr. Mo Tianquan was thus a connected person (as defined under the Listing Rules) of the Company and the issue of the Bond constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the transaction and the terms of the Bonds were disclosed in a circular dated 21 November 2007 to all shareholders of the Company.

(b) Compensation of key management personnel

The remunerations of directors and other members of key management during the period were as follows:

	Six months ended 30 September 2013 (Unaudited) *HK$'000*	2012 (Unaudited) *HK$'000*
Short-term benefits	**51**	50

The remunerations of directors and key management were determined by the remuneration committee having regard to the performance of individuals and market trends.

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

Financial assets	**Fair value as at**		**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
	30/9/2013	31/3/2013		
Held-for-trading non-derivative financial assets classified as Equity investment at fair value through profit or loss in the statement of financial position	Listed securities in The New York Stock Exchange: — real estate Internet portal: HK$10,136,000	Listed securities in The New York Stock Exchange: — real estate Internet portal: HK$5,269,000	Level 1	Quoted bid prices in an active market.

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

INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30 September 2013 (2012: Nil).

REVIEW OF OPERATION

For the period ended 30 September 2013, the Group was mainly engaged in the hotel and restaurant operations of the Guangxi Wharton International Hotel Limited* (廣西沃頓國際大酒店有限公司) (the "Nanning Hotel") located in Guangxi Province, the PRC. During the period, the Group's revenue from the operation of the Nanning Hotel decreased by 26.7% to HK$61.9 million (2012: HK$84.5 million). The decrease was mainly attributable to the lower occupancy rate in the restaurant operation of the Nanning Hotel. It also has experienced an increasing turnover and persistent shortage of hotel staff. Such cost pressure, together with the additional expenditure in the maintenance of the Group's hotel operations and the increasing depreciation charge on the Group's fixed assets, led to a significant drop in the gross profit to HK$15.9 million (2012: HK$36.6 million). As a result of such drop in gross profit and the increase in financial costs this year, the Group recorded a loss before tax from continuing operation of HK$3.7 million for the period ended 30 September 2013 as compared to the results of HK$6.0 million profit for the period ended 30 September 2012. During the period, the Nanning Hotel reported an average room rate of HK$873 (2012: HK$769) and an average occupancy rate of 31% (2012: 65%).

In February 2012, the Group completed the transaction of the formation of Guangxi Pukai Xingye Hotel Investment Limited* (廣西普凱興業酒店投資有限公司) (the "JV Company"). The JV Company was owned by the Group as to 26.7% of its equity interest upon completion. The JV Company was treated as a jointly-controlled entity of the Group. As at the date of the announcement, the JV Company has invested RMB300 million in Beihai Yintan Project No.1* (北海銀灘一號項目) (the "Yintan Project"), which is a project of one five-star hotel located in the major seashore tourism area of Beihai City, Guangxi Province, the PRC.

BUSINESS PROSPECT

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

* *For identification purposes only*

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

FINANCIAL REVIEW

Liquidity and financial resources

The Group's cash and bank balances are mostly in Hong Kong dollars and Renminbi. As at 30 September 2013, the Group had unpledged cash and bank deposit balances of approximately HK$22.0 million (31 March 2013: HK$32.7 million). As at 30 September 2013, the Group had outstanding bank borrowings of HK$240.4 million (31 March 2013: HK$236.9 million). The gearing ratio of the Group which represented the total bank borrowings to the total assets was 37% (31 March 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 30 September 2013, the hotel properties held with an aggregate carrying amount of approximately HK$288.6 million (31 March 2013: HK$295.0 million) were mortgaged to a bank to secure banking facilities granted to the Group.

Employees and remuneration policies

The Group employed approximately 581 employees as at 30 September 2013 (31 March 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.

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 2013.

Compliance with the Corporate Governance Code

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

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

2. CG Code provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Board will ensure the retirement of each director, other than those hold office as Executive Chairman or Managing Director, by rotation at least once every three years in order to comply with the CG Code. The Board presently considers that the continuity of office of the Executive Chairman and the Managing Director provides the Group a strong and consistent leadership and is of great importance to the smooth operations of the Group. As a result, the Board concurred that the Executive Chairman and the Managing Director need not be subject to retirement by rotation.

3. CG Code provision E.1.2 stipulates that the chairman of the Board should attend the annual general meeting of the Company. The chairman did not attend the 2013 annual general meeting due to other business engagement. Another director of the Company had chaired the 2013 annual general meeting and answered questions from the shareholders together with chairman/member/duly appointed delegate of the Audit Committee, the remuneration committee and the nomination committee of the Company. In the opinion of the directors, the Company had provided a useful, effective and convenient forum for shareholders to exchange views with the Board and with each other, and had served the same purpose as laid down by CG Code.

Audit Committee

The Audit Committee comprises three directors, all of which are independent non-executive directors, namely Mr. Palaschuk Derek Myles (Chairman), Professor Ye Jianping and Mr. Wu Jiahong. 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 2013 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 2013, 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, 27 November 2013

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.