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 2015

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 2015, 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 2015

	Notes	**2015** *HK$'000*	2014 *HK$'000*
Revenue	*4*	**143,695**	121,384
Cost of sales		**(115,825)**	(106,938)
Gross profit		**27,870**	14,446
Other income	*5*	**2,570**	2,775
Administrative expenses		**(36,854)**	(25,287)
Other operating expenses		**(2,866)**	(2,882)
Impairment loss recognised in respect of property, plant and equipment		**(120,865)**	–
Provision for litigation		**–**	(166,780)
Fair value (loss) gain on equity investment at fair value through profit or loss		**(7,209)**	8,131
Finance costs	*6*	**(23,432)**	(23,372)
Gain on deregistration of a subsidiary		**–**	119
Loss on modifications of terms of convertible bond		**(68,890)**	–
Share of results of joint ventures		**(5,258)**	(4,923)
Loss before tax		**(234,934)**	(197,773)
Income tax expense	*7*	**–**	–
Loss for the year	*8*	**(234,934)**	(197,773)

* *For identification purposes only*

	Note	**2015** **HK$'000**	2014 *HK$'000*
Other comprehensive income (expenses)			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income (expenses) of joint ventures		**450**	(144)
Release of translation reserve upon deregistration of a foreign subsidiary		**–**	(119)
Exchange difference arising on translation of foreign operations		**954**	(73)
Other comprehensive income (expenses) for the year		**1,404**	(336)
Total comprehensive expenses for the year		**(233,530)**	(198,109)
Loss for the year attributable to:			
Owners of the Company		**(234,020)**	(197,298)
Non-controlling interests		**(914)**	(475)
		(234,934)	(197,773)
Total comprehensive expenses attributable to:			
Owners of the Company		**(232,714)**	(197,625)
Non-controlling interests		**(816)**	(484)
		(233,530)	(198,109)
Loss per share			
— Basic and diluted	*9*	**(HK67.38 cents)**	(HK56.80 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		**327,506**	477,508
Interests in joint ventures		**88,728**	93,536
		416,234	571,044
Current assets			
Inventories	*10*	**2,425**	2,219
Trade receivables	*11*	**5,393**	5,236
Prepayments, deposits and other receivables		**6,330**	6,563
Equity investment at fair value through profit or loss		**6,191**	13,400
Deposits placed with financial institutions		**2,491**	2,326
Bank balances and cash		**15,188**	42,793
		38,018	72,537
Current liabilities			
Trade payables	*12*	**14,716**	13,572
Other payables, accruals and deposits		**79,566**	90,066
Provision for litigation		**–**	166,606
Amounts due to related companies		**7,678**	924
Tax payables		**5,401**	5,335
Convertible bond	*13*	**–**	112,991
Interest-bearing bank borrowings		**77,767**	76,814
		185,128	466,308
Net current liabilities		**(147,110)**	(393,771)
Total assets less current liabilities		**269,124**	177,273
Non-current liabilities			
Amounts due to related companies		**148,941**	10,921
Convertible bond	*13*	**105,082**	–
Interest-bearing bank borrowings		**120,128**	157,999
Total non-current liabilities		**374,151**	168,920
Net (liabilities) assets		**(105,027)**	8,353

	Note	2015 HK$'000	2014 HK$'000
Capital and reserves			
Share capital	14	**3,473**	3,473
Reserves		**(115,883)**	(3,319)
(Capital deficiency) equity attributable to owners of the Company		**(112,410)**	154
Non-controlling interests		**7,383**	8,199
(Capital deficiency) total equity		**(105,027)**	8,353

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 consolidated net loss of approximately HK$234,934,000 for the year ended 31 March 2015;

(ii) the Group had recorded net current liabilities and net liabilities of approximately HK$147,110,000 and HK$105,027,000 as at 31 March 2015 respectively;

In view of above, the directors of the Company considered the Group has adequate cash flows to maintain the Group's operation:

(i) The Group's principal banker shall continue to provide continuing financing to the Group under the Group's existing available facilities;

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

Accordingly, 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 2015 on a going concern basis.

Should the Group be not able to continue to operate as a going concern, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities, write down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The 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 the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and Interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRS Interpretations Committee) ("HK(IFRIC)")-Int 21	Levies

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

The Group has applied amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities for the first time in the current year. The amendments to HKFRS 10 define an investment entity and introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an 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 to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity, the directors of the Company consider that the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. 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 amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

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

The Group has applied amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to HKAS 36 require disclosures on additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. If the recoverable amount is fair value less costs of disposal, an entity shall disclose the level of the fair value hierarchy within which the fair value measurement of the asset or cash generating unit is categorised in its entirety. The Group is required to make additional disclosures for Level 2 and Level 3 of the fair value hierarchy:

- a description of the valuation techniques used to measure the fair value less costs of disposals. If there is any change in valuation techniques, the fact and the reason should also be disclosed;

- each key assumption on which management has based its determination of fair value less costs of disposal; and

- the discount rates used in the current and previous measurement if fair value less costs of disposal is measured using a present value technique.

The amendments have been applied retrospectively. The directors of the Company consider that the application of the amendments to HKAS 36 has had no material impact on the disclosures in the Group's consolidated financial statements.

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

The Group has applied amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to HKAS 39 introduce an exception to the requirements for the discontinuation of hedge accounting in HKAS 39 if specific conditions are met. The amendments to HKAS 39 state that the novation of a hedging instrument is not be considered an expiration or termination if the novation (a) is required by laws or regulations; (b) results in a central counterparty or an entity acting in a similar capacity becoming the new counterparty to each of the parties to the novated derivative and (c) does not result in changes to the terms of the original over-the-counter derivatives other than the changes directly attributable to the novation. For all other novations outside the scope of the exemption, an entity should assess if they meet the derecognition criteria and the conditions for continuation of hedge accounting.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

HK(IFRIC)-Int 21 Levies

The Group has applied HK(IFRIC)-Int 21 Levies for the first time in the current year. HK(IFRIC)-Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by government. 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.

HK(IFRIC)-Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Part 9 of Hong Kong Companies Ordinance (Cap. 622)

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information 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:

HKFRS 9	Financial Instruments[4]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[2]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]

[1] Effective for annual periods beginning on or after 1 July 2014.
[2] Effective for annual periods beginning on or after 1 January 2016.
[3] Effective for annual periods beginning on or after 1 January 2017.
[4] Effective for annual periods beginning on or after 1 January 2018.

The directors of the Company anticipate that, except as described below, the application of other new and revised standards, amendments and interpretations will have no material impact on the results and financial position of the Group.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are required 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 accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting 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.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

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 and it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will be effective for annual periods beginning on or after 1 January 2017 with early application permitted. The directors of the Company anticipate no material effect on the Group. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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.

Annual Improvement to HKFRSs 2012–2014 Cycle

The Annual Improvements to HKFRSs 2012–2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012–2014 Cycle will have a material effect on the Group's consolidated financial statements.

Amendments to HKAS 19 Defined Benefit Plans — Employee Contributions

The amendments to HKAS 19 simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. Specifically, contributions that are linked to services are attributed to periods of services as a negative benefit. The amendments to HKAS 19 specifies that such negative benefit are attributed in the same way as the gross benefit, i.e. attribute to periods of services under the plan's contribution formula or on a straight-line basis.

Besides, the amendments also states that if the contributions are independent of the number of years of employee service, such contributions may be recognised as a reduction of the service cost as they fall due.

The amendments to HKAS 19 will become effective for annual periods beginning on or after 1 July 2014 with early application permitted.

The directors of the Company anticipate that the application of the amendments to HKAS 19 will have no material impact to the Group.

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The directors of the Company anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's 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 27 Equity Method in Separate Financial Statements

The amendments to HKAS 27 allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. As a result of the amendments, the entity can choose to account for these investments either:

(i) at cost;

(ii) in accordance with HKFRS 9 (or HKAS 39); or

(iii) using the equity method as described in HKAS 28.

The amendments to HKAS 27 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied retrospectively.

The directors of the Company anticipate that the application of HKAS 27 in the future may not have a material impact on the amounts reported and disclosures made in the financial statements.

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 revenue and results by reportable and operating segments for the years ended 31 March:

	Hotel business		Corporate and others		Total	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue						
Sales to external customers	**143,695**	121,384	**–**	–	**143,695**	121,384
Other revenue	**1,336**	2,582	**1,234**	193	**2,570**	2,775
Segment revenue	**145,031**	123,966	**1,234**	193	**146,265**	124,159
Segment (loss) profit	**(122,292)**	(12,771)	**(10,763)**	5,031	**(133,055)**	(7,740)
Finance costs					**(23,432)**	(23,372)
Provision for litigation					**–**	(166,780)
Litigation claim					**(9,557)**	–
Gain on deregistration of a subsidiary					**–**	119
Loss on modifications of terms of convertible bond					**(68,890)**	–
Loss before tax					**(234,934)**	(197,773)

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, litigation claim, gain on deregistration of a subsidiary and loss 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	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS						
Segment and consolidated assets	**433,871**	611,140	**20,381**	32,441	**454,252**	643,581
LIABILITIES						
Segment liabilities	**87,713**	99,235	**6,569**	4,403	**94,282**	103,638
Unallocated liabilities					**464,997**	531,590
Consolidated liabilities					**559,279**	635,228

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

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

(c) Other segment information

	Hotel business		Corporate and others		Total	
	2015	2014	**2015**	2014	**2015**	2014
	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	**38,992**	38,233	**4**	4	**38,996**	38,237
Fair value loss (gain) on equity investment at fair value through profit or loss	**–**	–	**7,209**	(8,131)	**7,209**	(8,131)
Capital expenditure	**4,844**	29,013	**–**	–	**4,844**	29,013
Impairment loss recognised on other receivables	**1,173**	1,574	**–**	–	**1,173**	1,574
Impairment loss recognised on trade receivables	**1,193**	1,165	**–**	–	**1,193**	1,165
Impairment loss recognised on property, plant and equipment	**120,865**	–	**–**	–	**120,865**	**–**
Reversal of impairment loss recognised on trade receivables in prior years	**(680)**	(1,337)	**–**	–	**(680)**	(1,337)
Government grants	**–**	(418)	**–**	–	**–**	(418)
Bank interest income	**(65)**	(50)	**(6)**	–	**(71)**	(50)
Interests in joint ventures	**88,728**	93,536	**–**	–	**88,728**	93,536
Share of results of joint ventures	**5,258**	4,923	**–**	–	**5,258**	4,923
Loss on written off of property, plant and equipment	**5**	352	**–**	–	**5**	352
Gain on disposal of property, plant and equipment	**–**	(1)	**–**	–	**–**	(1)
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	**16,377**	15,639	**7,055**	7,733	**23,432**	23,372

(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 2015	For the year ended 2014	**As at 2015**	As at 2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**143,695**	121,384	**416,231**	571,037
Hong Kong	**–**	–	**3**	7

(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 (2014: nil).

4. REVENUE

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

	2015	2014
	HK$'000	*HK$'000*
Hotel business	**143,695**	121,384

5. OTHER INCOME

	2015	2014
	HK$'000	*HK$'000*
Bank interest income	**71**	50
Dividend income from an equity investment at fair value through profit or loss	**195**	186
Government grants	**–**	418
Exchange gain	**1,032**	–
Reversal of impairment loss recognised on trade receivables in prior years	**680**	1,337
Other	**592**	784
	2,570	2,775

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

	2015	2014
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**15,656**	15,639
Imputed interest on amounts due to related companies	**2,507**	–
Effective interest expense on convertible bond	**5,269**	7,733
	23,432	23,372

7. INCOME TAX EXPENSE

	2015	2014
	HK$'000	*HK$'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 have any assessable profits subject to EIT Law for the year ended 31 March 2015 (2014: nil).

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:

	2015	2014
	HK$'000	*HK$'000*
Loss before tax	**(234,934)**	(197,773)
Tax at the domestic income tax rate at 25% (2014: 25%) *(note)*	**(58,734)**	(49,444)
Tax effect of income not taxable	**(495)**	(182)
Tax effect of expenses not deductible	**55,163**	43,057
Tax effect of share of results of joint ventures	**1,315**	1,231
Tax effect of tax loss not recognised	**2,751**	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:

	2015 *HK$'000*	2014 *HK$'000*
Directors' and chief executive's emoluments	**1,134**	1,150
Retirement benefit scheme contributions (excluding contributions for directors and chief executive)	**3,808**	4,657
Other staff costs	**27,959**	26,132
Total employee benefit expenses	**32,901**	31,939
Depreciation of property, plant and equipment	**38,996**	38,237
Auditor's remuneration	**740**	612
Minimum lease payment under operating leases of offices properties	**302**	468
Loss on written off of property, plant and equipment	**5**	352
Litigation claim	**9,557**	–
Impairment loss recognised on trade receivables (included in other operating expenses)	**1,193**	1,165
Impairment loss recognised on other receivables (included in other operating expenses)	**1,173**	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:

	2015 *HK$'000*	2014 *HK$'000*
Loss		
Loss for the purpose of basic loss per share		
Loss for the year attributable to the owners of the Company	**(234,020)**	(197,298)
Effect of dilutive potential ordinary shares:		
Interest on convertible bond	**5,269**	7,733
Loss for the purpose of diluted loss per share	**(228,751)**	(189,565)

	2015 *'000*	2014 *'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

	2015	2014
Basic and diluted loss per share *(in HK cents)*	**(67.38)**	(56.80)

For the year ended 31 March 2015 and 2014, because the diluted loss per share amount decreased when taking into account the convertible bond, 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$234,020,000 (2014: HK$197,298,000), and the weighted average number of ordinary shares of approximately 347,326,000 (2014: 347,326,000) in issue during the year.

10. INVENTORIES

	2015	2014
	HK$'000	*HK$'000*
Raw materials	**688**	530
Low-valued consumables	**1,335**	1,207
Consumables	**402**	482
	2,425	2,219

11. TRADE RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**21,041**	20,184
Less: allowance for doubtful debts	**(15,648)**	(14,948)
	5,393	5,236

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:

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**3,951**	2,793
31 days–60 days	**746**	1,323
61 days–90 days	**10**	68
Over 90 days	**686**	1,052
	5,393	5,236

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

	2015	2014
	HK$'000	*HK$'000*
At 1 April	**14,948**	15,136
Impairment loss recognised on receivables	**1,193**	1,165
Reversal of impairment loss recognised on receivables	**(680)**	(1,337)
Exchange realignment	**187**	(16)
At 31 March	**15,648**	14,948

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$15,648,000 (2014: HK$14,948,000) which were in severe financial difficulties. Impairment loss of approximately HK$1,193,000 (2014: HK$1,165,000) has been recognised during the year ended 31 March 2015 accordingly.

(c) As at 31 March 2015, approximately HK$695,000 (2014: HK$1,120,000) 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 based on credit terms is as follows:

	2015	2014
	HK$'000	*HK$'000*
Less than 30 days past due	**2**	17
31 to 90 days past due	**117**	136
Over 90 days past due	**576**	967
	695	1,120

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 is as follows:

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**2,207**	2,497
31 days–60 days	**3,464**	2,308
Over 60 days	**9,045**	8,767
	14,716	13,572

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 Investments 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 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 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.

On 3 June 2014, the Group has entered into a deed of amendment (the "2nd Amendment") with the holder of the Bond to extend the maturity date of the Bond of principal amount of HK$120,000,000 from 28 March 2015 to 30 April 2018. The conversion price remained at HK$0.3695 per share and if any of the Bond has not been converted subsequently, it shall be redeemed on the extended maturity date on 30 April 2018 ("modification"). On 29 June 2014, the shareholders have duly passed the Deed of Amendment in special general meeting.

The fair value of the liability component of the Bond was estimated at the issuance date by the directors of the Company with reference to the valuation performed by independent professional valuers. The fair value of the debt portion of the convertible bond is determined by discounted cash flow using the inputs including estimated cash flows over the remaining terms of the convertible bond and discount rate that reflect the credit risk of the Company. The discount rate of the Bond was 5.53% (2014: 6.84%) per annum. The residual amount was assigned as the equity component of the Bond and is included in shareholders' equity.

The modification resulted in the extinguishment of the financial liability of the Bond and the recognition of its new financial liability and equity components. The fair value of the new liability immediately following the modification was approximately HK$102,024,000. The financial liability was determined using a discount rate of 5.53% (2014: 6.84%).

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

	Liability component *HK$'000*	**Equity component** *HK$'000*	**Total** *HK$'000*
At 1 April 2013	106,458	52,225	158,683
Interest expenses	7,733	–	7,733
Interest paid	(1,200)	–	(1,200)
At 31 March 2014 and 1 April 2014	112,991	52,225	165,216
Interest expenses	5,269	–	5,269
Derecognition of original liability/equity component	(114,002)	(52,225)	(166,227)
Recognition of new liability/equity component upon modification	102,024	133,092	235,116
Interest paid	(1,200)	–	(1,200)
At 31 March 2015	105,082	133,092	238,174

Note:

The fair value of the convertible bond was valued by using the Binomial Tree Model. The fair value of the debt portion of the convertible bond is determined by discounted cash flow using the inputs including estimated cash flows over the remaining terms of the convertible bond and discount rate that reflect the credit risk of the Company. The residual amount, representing the value of the equity conversion component, is included in the equity component of convertible bond under equity attributable to the owners of the Company.

The liability component of the convertible bond is classified under non-current liabilities.

14. SHARE CAPITAL

	Number of shares *'000*	Share capital *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2013, 31 March 2014, 1 April 2014 and 31 March 2015	8,000,000	80,000
Issued and fully paid:		
At 1 April 2013, 31 March 2014, 1 April 2014 and 31 March 2015	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 approximately HK$155,888,000). Details were set out in the announcements of the Company dated 24 June 2013 and 26 June 2013.

On 24 June 2014, the judgment of the legal proceeding was delivered and the Subsidiary was ordered to settle compensation of approximately RMB110,000,000 (equivalent to approximately HK$137,280,000) to the Ex-shareholder. In opinion of the directors of the Company, provision of RMB133,392,000 (equivalent to approximately HK$166,606,000) was recognised on the consolidated statement of financial position and results of operations of the Group for the year ended 31 March 2014. Subsequent to the receipt of the judgment, the Subsidiary filed an appeal to the Higher People's Court of Guangxi Zhuang Autonomous Region and the second instance of the case was held on 4 November 2014. Detail of the judgment and appeal were set out in the announcement of the Company dated 24 June 2014.

On 18 December 2014, the final judgment of the legal proceeding was delivered and the Subsidiary was ordered to settle compensation of approximately RMB139,314,000 (equivalent to approximately HK$176,163,000). The Subsidiary has paid the litigation settlement in full and the above case was closed during the year. Detailed of the judgment and appeal were set out in the announcement of the Company dated 18 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 March 2015, 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, increased by 18.4% to HK$143.7 million (2014: HK$121.4 million). Tackling the intensified market competition, the increase in revenue was mainly attributable to the improved occupancy rate in the hotel operation of the Nanning Hotel while the average room rate is decreased. The cost of sales has increased by 8% to HK$115.8 million (2014: HK$106.9 million). The Group's gross profit increased to HK$27.9 million for the current year (2014: HK$14.4 million).

Due to the unrealized loss of convertible bonds at fair value through profit or loss and the significant assets impairment loss occurred, the Group recorded a loss before tax from continuing operation of HK$234.9 million for the year ended 31 March 2015 as compared to the results of HK$197.8 million loss for the prior year. During the year, the Nanning Hotel reported an average room rate of HK$678 (2014: HK$757) and an average occupancy rate of 55.76% (2014: 39.4%).

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.

Due to the slowdown of the overall national economic growth and the further implementation of the anti-corruption campaign, a much smaller revenue increase or even decrease in the hotel industry was observed in 2014 and is anticipated to continue in the following two or three years. From the national perspective, revenues of the overall hotel and catering segments decreased by 1% and 4% respectively as reported in some public domains. From the regional perspective, information from the local statistics bureau indicates that for the year of 2014, revenue of the overall hotel segment in Guangxi Province decreased by 2.4% and revenue of the overall hotel segment in Nanning city decreased by 2.96%.

The Board believes that although the hotel business faces challenges, the management team will put much more efforts to alleviate the negative impacts as stated above. For example, wholesale contracts have been signed with local clients to ensure the occupancy of the hotels and measures to control labor and other costs have been taken to offset the overall cost rising in China.

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 2015, the Group had unpledged cash and bank deposit balances of approximately HK$15.2 million (2014: HK$42.8 million). As at 31 March 2015, the Group had outstanding interest-bearing bank borrowings of HK$197.9 million (2014: HK$234.8 million). The gearing ratio of the Group which represented the total interest-bearing bank borrowings to the total assets was 43.6% (2014: 36.5%).

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 2015, the hotel properties held with an aggregate carrying amount of approximately HK$272.6 million (2014: HK$283.0 million) were pledged to a bank to secure banking facilities granted to the Group.

Employees and remuneration policy

The Group employed approximately 496 employees as at 31 March 2015 (2014: 540). 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

Basis of Disclaimer of Opinion

Material uncertainty relating to the going concern basis

The Group had net current liabilities of approximately HK$147,110,000 and net liabilities of approximately HK$105,027,000 as at 31 March 2015 and the Group incurred a loss for the year of approximately HK$234,934,000 for the year ended 31 March 2015.

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. However, we are unable to obtain sufficient appropriate audit evidence regarding the continuing provision of financing by the Group's principal banker to the Group, successful implementation and outcome of the measures and therefore on the appropriateness of the use of the going concern assumption adopted for the preparation of 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 for 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 (2014: 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 2015, 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 2014 AGM due to other business engagement. Another director of the Company had chaired the 2014 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 2014 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 2015.

Audit Committee

During the year ended 31 March 2015, 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 (resigned on 16 May 2015). 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 2015, 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 2014 and the annual results for the year ended 31 March 2014. As set out in the announcement of the Company dated 19 May 2015, Mr. Wu Jiahong ("Mr. Wu") resigned as a director of the Company with effect from 16 May 2015. The Board will identify and appoint an independent non-executive director within three months to fill the board positions (including the Audit Committee and Remuneration Committee memberships) left by Mr. Wu according to the requirements under the Listing Rules regarding the number of independent non-executive director, the composition of the Company's Audit Committee and Remuneration Committee.

The annual financial statement and annual result announcement of the Company and of the Group for the year ended 31 March 2015 had been reviewed by the Audit Committee with members of Mr. Palaschuk Derek Myles and Professor Ye Jianping.

EVENT AFTER THE REPORTING PERIOD

The Board refers to the Company's announcement dated 8 June 2015, which stated that:

(a) Mr. Mo Tianquan (a non-executive director of the Company and the major shareholder of the Company) (the "Major Shareholder") and the Company are in current discussions with an independent third party (the "Potential Investor") in respect of a possible acquisition of ordinary shares in the Company and part of the convertible bonds issued by the Company held by companies wholly-owned by the Major Shareholder by the Potential Investor (the "Possible Transfer") which, if proceeds, may lead to a change in control of the Company and the making of a mandatory general offer under the Takeovers Code for all the issued shares and the outstanding securities of the Company (other than those already owned by or agreed to be acquired by the Potential Investor and parties acting in concert with them) (the "Possible Takeover Offer");

(b) the Company and the Potential Investor are in current discussions in respect of a possible subscription of new ordinary and preferred shares in the Company by the Potential Investor and other independent third parties (the "Possible Subscription");

(c) the Potential Investor has referred an opportunity to the Company in respect of a possible acquisition of a new business by the Company from independent third parties who are not connected persons of the Company or are not associates of the Potential Investor (the "Possible Acquisition"); and the Company and the Potential Investor (in the capacity as the future majority shareholder of the Company upon completion of the Possible Transfer) are in discussions and negotiations in respect of (i) the Possible Acquisition, and (ii) in connection with the Possible Acquisition, an affiliated company of one of the vendors under the Acquisition will subscribe for a new convertible note in the Company (the "Possible CN Subscription"); and

(d) the Major Shareholder, the Company and the Potential Investor (in the capacity as the future majority shareholder of the Company upon completion of the Possible Transfer) are in current discussions and negotiations in respect of a possible disposal of the Company's business by the Company to a company wholly-owned by the Major Shareholder and the Potential Investor has also suggested certain proposals to the Company and the Major Shareholder regarding the payment of the consideration for the disposal (the "Possible Disposal Arrangements"), together with the Possible Transfer, the Possible Takeover Offer, the Possible Subscription, the Possible CN Subscription and the Possible Acquisition, the "Possible Transactions").

It is currently proposed that the Possible Transfer will be conditional on, among other things, approvals of the Possible Subscription, the Possible Acquisition, the Possible CN Subscription and the Possible Disposal Arrangements by the Company's shareholders, the Stock Exchange and the Securities and Futures Commission (to the extent necessary).

It is also proposed that the Possible CN Subscription will be conditional on, among other things, completion of the Possible Acquisition. The Possible Subscription, the Possible Acquisition and the Possible Disposal Arrangements are inter-conditional and shall be completed simultaneously. The Possible Acquisition and the Possible Disposal Arrangements if proceed may constitute notifiable transactions for the Company under the Listing Rules. The Possible Disposal Arrangements will also constitute connected transactions for the Company. Accordingly, the Possible Acquisition and the Possible Disposal Arrangements may be subject to approvals of the Company's shareholders and the Stock Exchange (to the extent necessary). The Possible Subscription and the Possible CN Subscription involve a possible issue of new shares under specific mandates and thus will also require approvals from the Company's shareholders and the Stock Exchange.

The Possible Disposal Arrangements may constitute special deals under Rule 25 of the Takeovers Code and will be conditional upon obtaining the consent of the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (or any of its delegate(s)) and approval from the independent shareholders of the Company.

As at the date of 20 June 2015, discussions are still in progress, and no agreement regarding any of the Possible Transactions has been entered into. The structure of the Possible Transactions currently under negotiations may change. The Possible Takeover Offer and/or the Possible Transactions may or may not proceed.

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, 20 June 2015

As at the date of this announcement, the Executive Directors of the Company is Ms. Cao Jing (executive chairman) and Mr. Zhang Shaohua (managing director), the Non-executive Director is Mr. Mo Tianquan and the Independent Non-executive Directors are Prof. Ye Jianping and Mr. Palaschuk Derek Myles.