



# SHUN CHEONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 650

INTERIM REPORT 2015

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

CAO Jing (*Executive Chairman*)

ZHANG Shaohua (*Managing Director*)

### Non-executive Director

MO Tianquan

### Independent Non-executive Directors

YE Jianping

PALASCHUK Derek Myles

CHEN Zhiwu

WU Jiahong (resigned on 16 May 2015)

## AUDIT COMMITTEE

PALASCHUK Derek Myles (*Chairman*)

YE Jianping

WU Jiahong (resigned on 16 May 2015)

CHEN Zhiwu

## REMUNERATION COMMITTEE

WU Jiahong (*Chairman*) (resigned on 16 May 2015)

YE Jianping (*Chairman*)

CAO Jing

CHEN Zhiwu

## NOMINATION COMMITTEE

YE Jianping (*Chairman*)

PALASCHUK Derek Myles

CAO Jing

## COMPANY SECRETARY

WANG Jing

## PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited

The Bank of East Asia, Limited

Bank of China Limited, Beihai Branch

## PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited

26 Burnaby Street

Hamilton HM11

Bermuda

## HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Shops 1712–1716

17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

## REGISTERED OFFICE

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

## PRINCIPAL PLACE OF BUSINESS

Suite 2302, Wing On Centre

111 Connaught Road Central

Hong Kong

## AUDITORS

SHINEWING (HK) CPA Limited

43/F., Lee Garden One

33 Hysan Avenue

Causeway Bay, Hong Kong

## STOCK CODE

SEHK 650

## WEBSITE

<http://www.irasia.com/listco/hk/shuncheong>

# CHAIRMAN'S STATEMENT

## REVIEW OF OPERATION

### 1. Discontinued operation

The Divestment 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, although the Average Daily Rate ("ADR") of the Nanning Hotel was in general still lower than the previous levels, the turnover of the Divestment Group slightly increased by 2.3% to HK\$71.6 million (2014: HK\$70.0 million) following the completion of a majority of the renovation work. The net loss of the Divestment Group increased by 17.8% to HK\$5.3 million (2014: HK\$4.5 million) as a result of that (i) more losses of the joint ventures were picked up, reflecting the worsening performance of the Beihai Hotel since the commencement of operations due to keen competition and the fact that the Beihai Hotel has only operated for a short period of time; and (ii) more finance costs were incurred due to the imputed interest associated with several related-party loans borrowed in December 2014.

### 2. Continuing operation

The continuing operation is investment holding and does not have any business in substance. During the period under review, the Divestment Group is still part of the Group's business. The Divestment is conditional upon the fulfillment or waiver (if applicable) of many conditions precedent and may or may not be completed as contemplated. The higher amount in the net losses of the Group in the six months ended 30 September 2014 was primarily due to a finance cost of HK\$20.4 million incurred as a result of the modification of terms of the convertible bonds.

## BUSINESS PROSPECT

The Company's management believes that 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. It is also stated that the management team will put in additional efforts to alleviate the negative impacts. According to the Company's management, the Divestment Group has faced and is expected to continue to face in the foreseeable future considerable headwind as regards to its hotel business, given the unstable economic outlook in the PRC and government spending policies, as well as challenges relating to increasing operational costs, leading to uncertainty as to future performance of the Divestment Group. On 22 June 2015, the Company entered into various agreements (as amended on 23 October 2015 and 20 November 2015) in respect of the Proposed Transactions, including the disposal by the Company of its entire equity interests in the Divestment Group. Upon completion of the Proposed Transactions, the Group will no longer be engaged in the hotel and restaurant business carried on through the Divestment Group, and will be principally engaged in a new business, namely the exploration, development and production of crude oil carried out by the PRC Target. Further details of the Proposed Transactions are set out in the announcement dated 28 October 2015 jointly published by the Company and Titan Gas Technology Investment Limited and in the Company's announcement dated 20 November 2015.

## 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 2015, the Group had unpledged cash and bank deposit balances of approximately HK\$25.3 million, including the cash & bank balance classified as held for sale (31 March 2015: HK\$17.7 million). As at 30 September 2015, the Group had outstanding bank borrowings of HK\$190.3 million (31 March 2015: HK\$197.9 million). The gearing ratio of the Group which represented the total bank borrowings to the total assets was 43.3% (31 March 2015: 43.6%).

### 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.

\* For identification purposes only

# CHAIRMAN'S STATEMENT

## Pledge of assets

As at 30 September 2015, the hotel properties held with an aggregate carrying amount of approximately HK\$256.3 million (31 March 2015: HK\$272.6 million) were mortgaged to a bank to secure banking facilities granted to the Group.

## Employees and remuneration policies

The Group employed approximately 563 employees as at 30 September 2015 (31 March 2015:496). 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.

By Order of the Board

**Shun Cheong Holdings Limited**

**Cao Jing**

*Executive Chairman*

Hong Kong, 30 November 2015

# GENERAL INFORMATION

## 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 2015.

### 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 annual general meeting for the financial year ended 31 March 2015 due to other business engagement. Another director of the Company had chaired the annual general meeting for the financial year ended 31 March 2015 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 Professor Chen Zhiwu. 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 2015 have not been audited, but have been reviewed by the Audit Committee.

# GENERAL INFORMATION

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2014, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code, were as follows:

### (a) Long positions in ordinary shares of the Company

Name of director	Nature of interests	Number of ordinary shares beneficially owned	Percentage of the Company's issued share capital
Mo Tianquan	Corporate	209,753,409 (Note 1)	60.39%
Cao Jing	Family	209,753,409 (Note 2)	60.39%

Note 1: These shares are held by Upsky Enterprises Limited, a company in which Mr. Mo Tianquan is a director and a sole shareholder.

Note 2: Ms. Cao Jing is interested in the shares held by Upsky Enterprises Limited by virtue of her marital relationship with Mr. Mo Tianquan.

### (b) Long positions in convertible bonds of the Company

Name of director	Nature of interests	Number of underlying shares
Mo Tianquan	Corporate	324,763,193 (Note 1)
Cao Jing	Family	324,763,193 (Note 2)

Note 1: The underlying shares represented the new ordinary shares to be issued upon full conversion of HK\$120,000,000 convertible bonds held by Tanisca Investments Limited, a company wholly-owned by Mr. Mo Tianquan, at a conversion price of HK\$0.3695 per share issued by the Company on 28 March 2008.

Note 2: Ms. Cao Jing is interested in the underlying shares held by Tanisca Investments Limited by virtue of her marital relationship with Mr. Mo Tianquan.

Save as disclosed above, as at 30 September 2014, none of the directors of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

# GENERAL INFORMATION

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the six months ended 30 September 2014 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2014, the following interests in 5% or more of the issued share capital and underlying shares of the Company were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

### (a) Long position in ordinary shares of the Company

Name of shareholder	Capacity and nature of interests	Number of ordinary shares beneficially owned	Percentage of the Company's issued share capital
Upsky Enterprises Limited	Directly beneficially owned	209,753,409	60.39%
Luo Zhencheng	Directly beneficially owned	20,070,000	5.78%

### (b) Long position in convertible bonds of the Company

Name	Capacity and nature of interests	Number of underlying shares
Tanisca Investments Limited	Directly beneficially owned	324,763,193 (Note 1)

Note 1: The underlying shares represented the new ordinary shares to be issued upon full conversion of HK\$120,000,000 convertible bonds held by Tanisca Investments Limited at a conversion price of HK\$0.3695 per share issued by the Company on 28 March 2008.

Save as disclosed above, as at 30 September 2014, no person, other than the directors of the Company, whose interests are set out in the section "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2015, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2015

	Notes	Six months ended 30 September	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited and represented)
<b>Continuing operation</b>			
Turnover		–	–
Cost of sales		–	–
Gross profit		–	–
Other income		195	195
Administrative expenses		(2,412)	(1,866)
Fair value loss on equity investment at fair value through profit or loss		(126)	(3,836)
Finance costs	5	(2,913)	(2,720)
Loss on extinguishment of convertible bond		–	(20,369)
<b>Loss before tax</b>		<b>(5,256)</b>	<b>(28,596)</b>
Income tax expense	6	–	–
<b>Loss for the period from continuing operation</b>	8	<b>(5,256)</b>	<b>(28,596)</b>
<b>Discontinued operation</b>	7		
Loss for the period from discontinued operation		(5,319)	(4,517)
<b>Loss for the period</b>		<b>(10,575)</b>	<b>(33,113)</b>
<b>Other comprehensive income:</b>			
<b>Items that may be subsequently reclassified to profit or loss:</b>			
Exchange differences on translation of foreign operations		1,245	(993)
<b>Total comprehensive expense for the period</b>		<b>(9,330)</b>	<b>(34,106)</b>

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2015

	Notes	Six months ended 30 September	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited and represented)
<b>Loss for the period attributable to Owners of the Company:</b>			
– from continuing operation		(5,256)	(28,596)
– from discontinued operation		(5,183)	(4,173)
		<b>(10,439)</b>	<b>(32,769)</b>
<b>Loss for the period attributable to non-controlling interest:</b>			
– from continuing operation		–	–
– from discontinued operation		(136)	(344)
		<b>(136)</b>	<b>(344)</b>
		<b>(10,575)</b>	<b>(33,113)</b>
<b>Total comprehensive expense for the period attributable to Owners of the Company:</b>			
– from continuing operation		(5,256)	(28,596)
– from discontinued operation		(3,659)	(5,244)
		<b>(8,915)</b>	<b>(33,840)</b>
<b>Total comprehensive expense for the period attributable to non-controlling interest:</b>			
– from continuing operation		–	–
– from discontinued operation		(415)	(266)
		<b>(415)</b>	<b>(266)</b>
		<b>(9,330)</b>	<b>(34,106)</b>
<b>Loss per share</b>	10		
From continuing and discontinued operations Basic and Diluted		<b>(HK 3.01 cents)</b>	(HK 9.43 cents)
From continuing operations Basic and Diluted		<b>(HK 1.51 cents)</b>	(HK 8.23 cents)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

	<i>Notes</i>	<b>30 September 2015 HK\$'000 (Unaudited)</b>	31 March 2015 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	1	327,506
Interest in joint ventures		–	88,728
		<b>1</b>	416,234
<b>Current assets</b>			
Inventories		–	2,425
Trade receivables	12	–	5,393
Prepayments, deposits and other receivables		<b>605</b>	6,330
Equity investment at fair value through profit or loss		<b>6,065</b>	6,191
Deposits placed with financial institutions		<b>1,675</b>	2,491
Bank balances and cash		<b>1,196</b>	15,188
		<b>9,541</b>	38,018
<b>Assets classified as held for sale</b>	13	<b>429,888</b>	–
		<b>439,429</b>	38,018
<b>Current liabilities</b>			
Trade payables	14	–	14,716
Other payables, accruals and deposits		<b>8,290</b>	79,566
Amounts due to related companies		–	7,678
Tax payables		–	5,401
Interest-bearing bank borrowings		–	77,767
		<b>8,290</b>	185,128
Liabilities directly associated with assets classified as held for sale	13	<b>438,103</b>	–
		<b>446,393</b>	185,128
<b>Net current liabilities</b>		<b>(6,964)</b>	(147,110)
<b>Total assets less current liabilities</b>		<b>(6,963)</b>	269,124
<b>Non-current liabilities</b>			
Amounts due to related companies		–	148,941
Convertible bond	15	<b>107,394</b>	105,082
Interest-bearing bank borrowings		–	120,128
Total non-current liabilities		<b>107,394</b>	374,151
<b>Net liabilities</b>		<b>(114,357)</b>	(105,027)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

	<i>Notes</i>	<b>30 September 2015 HK\$'000 (Unaudited)</b>	31 March 2015 HK\$'000 (Audited)
<b>Capital and reserves</b>			
Share capital	16	<b>3,473</b>	3,473
Reserves		<b>(124,798)</b>	(115,883)
Capital deficiency attributable to owners of the Company		<b>(121,325)</b>	(112,410)
Non-controlling interests		<b>6,968</b>	7,383
Capital deficiency		<b>(114,357)</b>	(105,027)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

	Equity attributable to owners of the Company										
	Issued capital	Share premium	Contributed surplus <i>(Note a)</i>	Equity component of			Other reserve <i>(Note d)</i>	Accumulated losses	Total	Non-controlling interest	Capital deficiency
				convertible bonds	Capital redemptions reserve	Exchange fluctuation reserve					
				HK\$'000	HK\$'000	HK\$'000					
At 1 April 2014 (audited)	3,473	119,068	46,909	52,225	132	22,527	1,013	(245,193)	154	8,199	8,353
Loss for the period	-	-	-	-	-	-	-	(32,769)	(32,769)	(344)	(33,113)
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	(1,071)	-	-	(1,071)	78	(993)
Total comprehensive expense for the period	-	-	-	-	-	(1,071)	-	(32,769)	(33,840)	(266)	(34,106)
Imputed interest released on non-current amount due to related companies	-	-	-	-	-	-	(180)	-	(180)	-	(180)
Derecognition upon modification of terms of convertible bond	-	-	-	(52,225)	-	-	-	-	(52,225)	-	(52,225)
Recognition upon modification of terms of convertible bond	-	-	-	89,733	-	-	-	-	89,733	-	89,733
At 30 September 2014 (unaudited)	3,473	119,068	46,909	89,733	132	21,456	833	(277,962)	3,642	7,933	11,575
At 1 April 2015 (audited)	<b>3,473</b>	<b>119,068</b>	<b>46,909</b>	<b>133,092</b>	<b>132</b>	<b>23,833</b>	<b>40,296</b>	<b>(479,213)</b>	<b>(112,410)</b>	<b>7,383</b>	<b>(105,027)</b>
Loss for the period	-	-	-	-	-	-	-	(10,439)	(10,439)	(136)	(10,575)
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	1,524	-	-	1,524	(279)	1,245
Total comprehensive expense for the period	-	-	-	-	-	1,524	-	(10,439)	(8,915)	(415)	(9,330)
At 30 September 2015 (unaudited)	<b>3,473</b>	<b>119,068</b>	<b>46,909</b>	<b>133,092</b>	<b>132</b>	<b>25,357</b>	<b>40,296</b>	<b>(489,652)</b>	<b>(121,325)</b>	<b>6,968</b>	<b>(114,357)</b>

## Notes:

- 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.
- The capital redemption reserve represented the nominal value of the shares repurchased by the Company.
- The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.
- 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 2015

	Six months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax from continuing operations	(5,256)	(28,596)
Loss before tax from discontinued operations	(5,319)	(4,517)
Loss before taxation	(10,575)	(33,113)
Adjustment for:		
Finance costs	13,332	10,505
Depreciation	14,610	14,430
Loss on modifications of terms of convertible bond	–	20,369
Share of results of joint ventures	2,415	518
Impairment loss recognised in respect of trade receivables	1,081	–
Reversal of impairment loss recognised in respect of trade receivables	(668)	–
Fair value loss on equity investment at fair value through profit or loss	126	3,836
Other non-cash items	(256)	(195)
Operating cash flows before movements in working capital	20,065	16,350
Increase in trade receivables	(5,176)	(5,340)
Increase in prepayments, deposits and other receivables	(419)	(4,310)
(Decrease) increase in trade payables	(2,257)	550
Increase (decrease) in other payables, accruals and deposits	2,340	(11,673)
Other operating activities	(69)	(172)
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>14,484</b>	<b>(4,595)</b>
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>503</b>	<b>(2,881)</b>
<b>FINANCING ACTIVITIES</b>		
Interest paid	(5,851)	(8,387)
Other financing activities	–	7
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(5,851)</b>	<b>(8,380)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>9,136</b>	<b>(15,856)</b>
Cash and cash equivalents at 1 April	15,188	42,793
Effect of foreign exchange rate changes	(680)	3,522
Cash and cash equivalents at 30 September	23,644	30,459
Cash and cash equivalents of period, represented by		
Bank balances and cash	23,534	30,349
Non-pledged time deposits with original maturity of less than three months when acquired	110	110
	<b>23,644</b>	<b>30,459</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

## 1. GENERAL INFORMATION

Shun Cheong Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its head office and principal place of business is located at Suite 2302, Wing On Centre, 111 Connaught Road Central, Hong Kong.

In the opinion of the directors of the Company, the immediate and ultimate holding company of the Company is Upsky Enterprises Limited ("Upsky"), incorporated in the British Virgin Islands and Mr. Mo Tianquan is the ultimate beneficial owner of Upsky.

The consolidated financial statements are presented in Hong Kong dollars ("HK\$") which is the same as the functional currency of the Company while the functional currency of a principal subsidiary of the Company operated in the People's Republic of China (the "PRC"), 廣西沃頓國際大酒店有限公司 ("沃頓酒店"), is Renminbi ("RMB").

The principal activity of the Company is investment holding.

## 2. BASIS OF PREPARATION

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

- (i) the Group incurred a loss for the period of approximately HK\$10,575,000 for the six months ended 30 September 2015; and
- (ii) The Group had net current liabilities of approximately HK\$6,964,000 as at 30 September 2015.

In view of above, the directors of the Company have adopted the following measures with a view to improve the Group's overall financial position:

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

In light of the above, the directors of the Company are of the opinion that it is still appropriate to prepare the condensed consolidated financial statements for the six months ended 30 September 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 condensed consolidated financial statements have not incorporated any of these adjustments.

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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

## 3. PRINCIPAL ACCOUNTING POLICIES

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

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 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2015.

In the current interim period, 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 HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

The application of the above new interpretation and amendments to 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.

## 4. SEGMENT INFORMATION

For management purposes, the Group is organised into the following reportable operating segments based on their products and services:

### Continuing operations:

Corporate and others — investment in equity investment at fair value through profit or loss, corporate income, expense items, corporate assets and liabilities

### Discontinued operations:

Hotel business — hotel and restaurant operations in the People's Republic of China (the "PRC")

During the period, the operation of hotel business was classified as discontinued operation. Details of the discontinued operation are set out in note 7.

## 5. FINANCE COSTS

	Six months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
<b>Continuing operation</b>		
Effective interest expense on convertible bond	2,913	2,720
<b>Discontinued operation</b>		
Imputed interest on amounts due to related companies	4,568	–
Interest on bank borrowings	5,851	7,785
	<b>13,332</b>	<b>10,505</b>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

## 6. INCOME TAX EXPENSE

No provisions for Hong Kong profits tax and PRC enterprise income tax for both operations have been made as the Group does not have any estimated assessable profits arising in Hong Kong and PRC for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods ended 30 September 2015 and 2014.

No withholding tax were accrued as the Group did not generate distributable profits for both periods.

## 7. DISCONTINUED OPERATION

On 22 June 2015, the Company entered into the sale and purchase agreement for the disposal of entire equity interest in Aykens Holdings Limited ("Aykens"), Hopland Enterprises Limited ("Hopland") and their respective subsidiaries (collectively referred to as the "Divestment Group") to Upsky, the immediate and ultimate holding company of the Company. Mr. Mo Tianquan, a non-executive director of the Company, is the ultimate beneficial owner of Upsky. The principal activity of the Divestment Group is hotel and restaurant operation.

Its results are presented in this condensed consolidated financial statements as a discontinued operation. The comparative information of the hotel business has been represented as discontinued operation to confirm with the current period presentation.

The loss for the period from the discontinued operation is analysed as follows:

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Turnover	<b>71,634</b>	70,026
Cost of sales	<b>(52,574)</b>	(54,011)
Other income	<b>1,524</b>	246
Administrative expenses	<b>(13,069)</b>	(12,475)
Share of result of Joint Venture	<b>(2,415)</b>	(518)
Finance costs	<b>(10,419)</b>	(7,785)
Loss before tax	<b>(5,319)</b>	(4,517)
Income tax expenses	-	-
Loss for the period from discontinued operation	<b>(5,319)</b>	(4,517)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

## 7. DISCONTINUED OPERATION (CONTINUED)

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period from discontinued operation include the following:		
Depreciation and amortisation	<b>14,608</b>	14,428
Loss on written off of plant and equipment	<b>2</b>	5
Minimum lease payments under operating leases in respect of office properties	<b>–</b>	268
Employee benefit expenses	<b>18,459</b>	16,941

## 8. LOSS FOR THE PERIOD FROM CONTINUING OPERATION

Loss for the period from continuing has been arrived at after charging:

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	<b>2</b>	2
Minimum lease payments under operating leases in respect of office property	<b>512</b>	548
Employee benefit expense (including directors' remuneration)	<b>694</b>	720

## 9. DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 September 2015 and 2014.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

## 10. LOSS PER SHARE

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

	Six months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Loss:		
<b>From continuing and discontinued operations</b>		
Loss attributable to owners of the Company	(10,439)	(32,769)
Interest on convertible bond	2,913	2,720
	<b>(7,526)</b>	<b>(30,049)</b>
Loss for the purposes of diluted earnings per share		
<b>From continuing operations</b>		
Loss attributable to owners of the Company	(5,256)	(28,596)
Interest on convertible bond	2,913	2,720
	<b>(2,343)</b>	<b>(25,876)</b>
Loss for the purposes of diluted earnings per share		
	Number of shares	
	2015 '000	2014 '000
Number of shares:		
From continuing and discontinued operations		
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
	<b>672,089</b>	<b>672,089</b>
From continuing operations		
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
	<b>672,089</b>	<b>672,089</b>

For the six months ended 30 September 2015 and 2014, 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\$10,439,000 (2014: HK\$32,769,000) and the weighted average number of ordinary shares of 347,326,000 (2014: 347,326,000) in issue during the period.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

## 11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2015, the Group incurred approximately HK\$2,000 (2014: HK\$2,000) on depreciation during the six months ended 30 September 2015.

## 12. TRADE RECEIVABLES

	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Trade receivables	–	21,041
Less: allowance to doubtful debts	–	(15,648)
	–	5,393

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 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Within 30 days	–	3,951
31 to 60 days	–	746
61 to 90 days	–	10
Over 90 days	–	686
	–	5,393

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

## 13. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

As referred to Note 7, the Company entered into an agreement on 22 June 2015 for the disposal of entire equity interest in Divestment Group. The consolidated assets and liabilities of and its subsidiaries at 30 September 2015 are analysed as follows:

	30 September 2015 HK\$'000 (Unaudited)
<b>Assets</b>	
Property, plant and equipment	302,443
Investment in joint ventures	86,867
Inventories	2,399
Trade receivables (net)	9,818
Prepayments, deposits and other receivables	5,913
Bank balances and cash	22,448
	<b>429,888</b>
<b>Liabilities</b>	
Trade payables	(11,942)
Other payables and accruals	(69,770)
Amounts due to related companies	(160,908)
Tax payable	(5,194)
Interest bearing bank borrowings	(190,289)
	<b>(438,103)</b>
Liabilities directly associated with assets classified as held for sale	<b>(438,103)</b>

## 14. TRADE PAYABLES

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Within 30 days	–	2,207
31 to 60 days	–	3,464
Over 60 days	–	9,045
	<b>–</b>	<b>14,716</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

## 15. 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.

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 using an equivalent market interest rate for a similar bond without a conversion option. The effective interest rate of the Bond was 5.53% (31 March 2015: 5.53%) 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 an effective interest rate of 5.53% (31 March 2015: 5.53%).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

## 15. CONVERTIBLES BOND (CONTINUED)

	Liability component HK\$'000	Equity component HK\$'000	Total HK\$'000
At 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 (audited)	105,082	133,092	238,174
At 1 April 2015	<b>105,082</b>	<b>133,092</b>	<b>238,174</b>
Interest expenses	<b>2,913</b>	–	<b>2,913</b>
Interest paid	<b>(601)</b>	–	<b>(601)</b>
At 30 September 2015 (unaudited)	<b>107,394</b>	<b>133,092</b>	<b>240,486</b>

## 16. SHARE CAPITAL

A summary of the registered, issued and fully paid capital of the Company is as follows:

	Number of shares	Nominal value of ordinary shares	
		HK\$'000	HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 1 April 2014,			
30 September 2014, 1 April			
2015 and 30 September 2015	8,000,000	80,000	
Issued and fully paid:			
At 1 April 2014,			
30 September 2014, 1 April			
2015 and 30 September 2015	347,326	3,473	3,473

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

## 17. OPERATING LEASES COMMITMENT

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:

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Within one year	1,149	1,126
In the second to fifth years, inclusive	2,202	2,633
	<b>3,351</b>	3,759

## 18. 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 2015 and 2014:

Name of related party	Relationship	Nature of transactions	Six months ended 30 September	
			2015 HK\$'000	2014 HK\$'000
Tanisca	Related parties in which certain directors of the Company have beneficial interests	Interest paid on the convertible bond (note (i))	601	602
Upsky International Holdings Limited	Related parties in which certain directors of the Company have beneficial interests	Actual interest paid on amounts due to related companies (note (ii))	39	–
Media Partner Technology Limited	Related parties in which certain directors of the Company have beneficial interests	Actual interest paid on amounts due to related companies (note (ii))	392	–
Next Decade Investment Limited	Related parties in which certain directors of the Company have beneficial interests	Actual interest paid on amounts due to related companies (note (ii))	452	–

- (i) Interest expense on the convertible bond was paid to Tanisca at 1% per annum. Tanisca is wholly owned by Mr. Mo, 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 2015. Mr. Mo 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 Bond were disclosed in note 15.
- (ii) Interest expenses on the amounts due to related companies were paid at 1% per annum. Mr. Mo is also a director of and has beneficial interests in all the issued share capital of these companies.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

## 18. RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Other arrangements of related parties' transactions

- (i) On 30 September 2011 (the US time), the Group acquired in aggregate 25,000 shares in SouFun Holdings Limited ("SouFun") at the aggregate consideration of US\$284,410 (approximately equivalent to HK\$2,218,000) through various on-market transactions on the New York Stock Exchange. The equity interests acquired represented approximately 0.03% of the total issued share capital of SouFun as at the date of acquisition.

As Mr. Mo is a director of SouFun Holdings Limited ("SouFun") and beneficially own certain ordinary shares of Soufun, a company whose shares are listed on the New York Stock Exchange, and is also a non-executive director, a substantial shareholder and the ultimate beneficial owner of the Company, SouFun is regarded as a connected person of the Company and hence the acquisition is considered as a connected transaction for the Company under Chapter 14A of the Listing Rules.

The Group's investment in SouFun was, upon initial recognition, recognised by the Group as financial assets at fair value through profit or loss.

### (c) Compensation of key management personnel

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

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term benefits	545	567

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

### (d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No loan, quasi-loan and other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of the year or at any time during the year.

### (e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed above, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

## 19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Continuing operation'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)
	30/9/2015	31/3/2015		
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\$6,065,000	Listed securities in The New York Stock Exchange: — real estate Internet portal: HK\$6,191,000	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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

## 20. EVENT AFTER THE INTERIM PERIOD

On 22 June 2015, the Company entered into several agreements (the "Proposed Transactions") as follow:

1. A subscription agreement (as amended on 23 October 2015 and 20 November 2015) with several independent subscribers (the "Subscribers"), pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 4,017,323,774 new shares (the "Subscription Shares"), comprising (i) 1,269,414,575 ordinary subscription shares, (ii) 1,373,954,600 tranche 1 preferred shares under the Tranche 1 Preferred Shares Subscription; and (iii) 1,373,954,599 tranche 2 preferred shares, at the subscription price of HK\$0.6696 per Subscription Share (the "Proposed Subscription");
2. An acquisition agreement (as amended on 20 November 2015) with Shanghai Hongbo Investment & Management (Group) Co., Ltd and Shanghai Lida Investment Management Company Limited (the "Target Sellers") and Xilin Gol League Hongbo Mining Development Co., Ltd.(the "PRC Target"), pursuant to which the Company conditionally agreed to acquire from the Target Sellers the entire equity interests in the PRC Target at a consideration of RMB558,880,000 (equivalent to approximately HK\$682 million);
3. A CN Subscription Agreement (as amended on 20 November 2015) as issuer with League Way Ltd. (as subscriber) and Titan Gas Technology Investment Limited (as guarantor), pursuant to which League Way Ltd. conditionally agreed to subscribe for, and the Company conditionally agreed to issue, a convertible promissory note with an aggregate principal amount of HK\$250,000,000; and
4. A divestment agreement (as amended on 23 October 2015 and 20 November 2015) with Upsky (as purchaser), pursuant to which the Company conditionally agreed to sell, and Upsky conditionally agreed to purchase, 100% of the issued and outstanding share capital of the Divestment Group, the aggregate amount of the net account receivable owed by the Divestment Group to the Company and the shares of SouFun held by the Company at the initial consideration of HK\$1,652,995 which shall be subject to adjustment as set out in the divestment agreement (the "Divestment").

Completion of the Proposed Transactions is subject to the fulfilment of a number of conditions precedent as stated in the abovementioned agreements. The Proposed Transactions may or may not be completed. As at the date of approval for issuance of the condensed consolidated financial statements, the consideration of the Divestment is subject to adjustments and the financial effect of the divestment cannot yet be determined.

Details of the Proposed Transactions, the conditions precedent and the adjustments to the consideration for the Divestment are set out in the announcement dated 28 October 2015 jointly published by the Company and Titan Gas Technology Investment Limited and the announcement of the Company both dated 28 October 2015 and in the Company's announcement dated 20 November 2015.