



SHUN CHEONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

The Board of Director (the “Board”) of Shun Cheong Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2002 together with comparative figures for the corresponding period last year as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For six months ended 30 September 2002

		Six months ended 30 September	
		2002	2001
		(unaudited)	(unaudited and restated)
	Notes	HK\$'000	HK\$'000
TURNOVER	2		
Continuing operations		268,073	332,151
Discontinued operations		291	22,485
		<u>268,364</u>	<u>354,636</u>
Cost of installation and cost of sales		(219,181)	(297,681)
Gross profit		49,183	56,955
Other revenue		1,361	1,106
Administrative expenses		(40,374)	(60,717)
Unrealised holding losses on other investments		(1,078)	—
PROFIT (LOSS) FROM OPERATING ACTIVITIES	3		
Continuing operations		9,550	5,082
Discontinued operations		(458)	(7,738)
		<u>9,092</u>	<u>(2,656)</u>
Finance costs	4	(1,190)	(2,514)
		<u>7,902</u>	<u>(5,170)</u>
Share of losses of associates		—	(5,364)
PROFIT (LOSS) BEFORE TAX		7,902	(10,534)
Tax	5	(1,877)	(1,739)
PROFIT (LOSS) BEFORE MINORITY INTERESTS		6,025	(12,273)
Minority interests		(4,965)	1,565
NET PROFIT (LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>1,060</u>	<u>(10,708)</u>
EARNINGS (LOSS) PER SHARE	6		
Basic		<u>0.23 cents</u>	<u>(2.77) cents</u>
Diluted		<u>0.23 cents</u>	<u>N/A</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

These condensed interim financial statements should be read in conjunction with the 2002 annual report.

The accounting policies adopted in preparing these unaudited condensed interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 March 2002, except that the Group has adopted the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting period commencing on or after 1 January 2002:

SSAP 1 (revised):	Presentation of financial statements
SSAP 11 (revised):	Foreign currency translation
SSAP 15 (revised):	Cash flow statements
SSAP 25 (revised):	Interim financial reporting
SSAP 33:	Discontinuing operations
SSAP 34:	Employee benefits

The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity and has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

2. Segmental information

a. Business segments

The following table presents revenue, profit and certain expenditure information for the Group's business segments.

	Building service contracting business		Project management		Trading of electrical and mechanical engineering materials and equipment		(Discontinued) Provision of broadband connectivity services		(Discontinued) Provision of design, installation and maintenance services of karaoke-on-demand systems		Eliminations		Consolidated	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	and restated)	and restated)	and restated)	and restated)	and restated)	and restated)	and restated)	and restated)	and restated)	and restated)	and restated)	and restated)	and restated)	and restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:														
Sales to external customers	235,824	298,990	3,227	2,085	29,022	31,076	291	11,437	—	11,048	—	—	268,364	354,636
Inter segment sales	5	171	—	—	5,376	12,274	—	—	—	—	(5,381)	(12,445)	—	—
Total revenue	<u>235,829</u>	<u>299,161</u>	<u>3,227</u>	<u>2,085</u>	<u>34,398</u>	<u>43,350</u>	<u>291</u>	<u>11,437</u>	<u>—</u>	<u>11,048</u>	<u>(5,381)</u>	<u>(12,445)</u>	<u>268,364</u>	<u>354,636</u>
Segment results	<u>4,930</u>	<u>2,401</u>	<u>3,227</u>	<u>2,085</u>	<u>1,110</u>	<u>(505)</u>	<u>(458)</u>	<u>(3,910)</u>	<u>—</u>	<u>(3,833)</u>	<u>—</u>	<u>—</u>	<u>8,809</u>	<u>(3,762)</u>
Interest income and unallocated gains													1,361	1,106
Unrealised holding losses on other investments													(1,078)	—
Finance costs													(1,190)	(2,514)
Share of losses of associates													—	(5,364)
Profit (Loss) before tax													7,902	(10,534)
Tax													(1,877)	(1,739)
Profit (Loss) before minority interests													6,025	(12,273)
Minority interests													(4,965)	1,565
Net Profit (Loss) from ordinary activities attributable to shareholders													<u>1,060</u>	<u>(10,708)</u>

b. Geographical segments

The Group's turnover was all derived from its operations and customers in Hong Kong. Accordingly, no analysis for geographical segments has been disclosed.

3. Profit (Loss) from operating activities

Profit (Loss) from operating activities is arrived at after charging/(crediting):

	Six months ended 30 September	
	2002	2001
	(unaudited)	(unaudited and restated)
	HK\$'000	HK\$'000
Depreciation		
– owned fixed assets	1,577	2,598
– fixed assets held under finance lease	108	251
Minimum lease payments under operating leases in respect of land and buildings	1,226	1,833
Staff costs (including directors' remuneration)		
Wages and salaries	32,018	42,820
Net pension contributions	1,158	1,713
	<u>33,176</u>	<u>44,533</u>
Loss on disposal of fixed assets	467	—
Interest income	(321)	(969)
	<u>33,922</u>	<u>43,564</u>

4. Finance costs

	Six months ended 30 September	
	2002	2001
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest on overdrafts and short term loans	850	1,989
Interest on finance leases	45	100
Bank charges	295	425
	<u>1,190</u>	<u>2,514</u>

5. Taxation

The Company is exempted from taxation in Bermuda unit 2016. Hong Kong profits tax has been provided at the rate of 16% (2001 – 16%) on the estimated assessable profits arising in or from Hong Kong.

Taxation in the condensed consolidated profit and loss account comprises:

	Six months ended 30 September	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Group:		
Hong Kong	1,877	1,739
Deferred	—	—
	<u>1,877</u>	<u>1,739</u>
Share of tax attributable to associates	—	—
Tax charge for the period	<u>1,877</u>	<u>1,739</u>

6. Earnings (Loss) per share

	Six months ended 30 September	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Earnings (Loss) for the purposes of computing basic and diluted earnings (loss) per share	<u>1,060</u>	<u>(10,708)</u>
Number of ordinary share:		
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	463,721,600	386,746,600
Effect of dilutive share option	—	4,846
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	<u>463,721,600</u>	<u>386,751,446</u>

Diluted loss per share for six months ended 30 September 2001 had not been shown as the share options outstanding during that period had an anti-dilutive effect on the basic loss per share for that period.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend (2001: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operation

The Group turnover for six months ended 30 September 2002 was approximately HK\$268.36 million while that for the same period last year was approximately HK\$354.64 million, a decrease of 24%. Net profit attributable to shareholders for the period was HK\$1.06 million while net loss for the last period was HK\$10.71 million. The improvements on the performance of the Group was mainly due to the cessation of the broadband connectivity business and karaoke on demand business since the last financial year end date and the concentration of the Group's core business of building services contracting and the maintenance of building works.

As at 30 September 2002, the Group's uncompleted contracts on hand was approximately HK\$809 million while that of as at 31 March 2002 was approximately HK\$558 million.

Liquidity and Financial Resources

The Group's cash and bank balances were approximately HK\$48 million as at 30 September 2002 while that of as at 31 March 2002 was HK\$53 million. The total bank borrowings were approximately HK\$41 million as at 30 September 2002, an increase of approximately HK\$19 million as compared to that of as at 31 March 2002. The increase was mainly to finance the material purchased for the completion of building services contracting projects. The total bank borrowing substantially comprised bank overdraft and bank trust receipt loans at various interest rates. The period-end gearing ratio, as measured by the total bank borrowings over shareholders' equity, was approximately 36% (*as at 31 March 2002 – 19%*). As the Group's transactions are mostly settled by Hong Kong dollars, the use of financial instruments for hedging purposes is not considered necessary.

Treasury and Funding Policy

There were no significant changes in the Group's treasury and funding policies during the period under review.

Pledge of Assets

Certain bank deposits of HK\$26.8 million (*as at 31 March 2002 – HK\$26.8 million*) were pledged to secure banking facilities of the Group.

Employees and Remuneration Policy

The Group employed approximately 220 employees as at 30 September 2002. There were no significant changes in the remuneration policy and benefits to the employees of the Group.

Business Prospect

The recent announcement of the housing policies by the Government indicated that the housing developments in both public and private sectors would be significantly reduced in the coming years. As a result, it is expected that the Group will continue to face a very fierce competition in the building services industries and the margin for profit in building services and related trading activities will likely be lower than that of previous years. However, the Group had recently expanded its business into non-building related projects so as to diversify its core business into non-building sector.

Following China's successful bid to host the 2010 World Trade Fair and the recent developments of holiday resorts in Macau, there will be more opportunities in China and Macau. The Group will continue to concentrate the development of its core building services business both in Hong Kong and in the Greater China. Despite the downturn of the local building industry, your directors remain optimistic of satisfactory performance of the Group in the coming year.

PURCHASE, SALE AND REDEMPTION OF SHARES

There was no purchase, sale and redemption of the Company's share by the Company or any of its subsidiaries during the period.

AUDIT COMMITTEE

The members of the audit committee of the Company comprise Messrs. Sinclair X LI and Chok Ki CHAN, the independent non-executive directors and Mr. Stephen Sek Kee YU, the non-executive director.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 30 September 2002 of the Company now reported on.

CODE OF BEST PRACTICE

None of the directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in the compliance with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited except that two independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at Annual General Meetings in accordance with the Company's Bye-law 99(A).

PUBLICATION OF FINANCIAL INFORMATION

The Company's interim report containing all the information required by paragraphs 46(1) to 46(6) inclusive in Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

On behalf of the Board
James Sai Wing Wong
Chairman

Hong Kong SAR, 20 December 2002

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

Please also refer to the published version of this announcement in the Standard.