



# SHUN CHEONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

## ANNOUNCEMENT OF AUDITED FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2003

The Board of Directors (the “Board”) of Shun Cheong Holdings Limited (the “Company”) announced the audited consolidated final results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2003 together with comparative figures for the last year are as follows:

	Notes	Year ended 31 March	
		2003 HK\$'000	2002 HK\$'000
TURNOVER	2		
Continuing operations		<b>644,019</b>	663,702
Discontinued operations	7	<b>291</b>	34,730
		<b>644,310</b>	698,432
Cost of installation and cost of sales		<b>(553,836)</b>	(572,382)
Gross profit		<b>90,474</b>	126,050
Other revenue		<b>2,718</b>	2,451
Administrative expenses		<b>(80,666)</b>	(119,684)
Provision against obsolete inventories		<b>(148)</b>	(179)
Provision for impairment of fixed assets	7	—	(826)
Legal expenses		—	(7,907)
Loss on disposal of subsidiaries, net	7	—	(341)
Unrealised holding losses on long term investments		<b>(8,374)</b>	(6,567)
Provision for impairment of goodwill		—	(12,680)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		<b>4,004</b>	(19,683)
Finance costs	4	<b>(2,034)</b>	(3,194)
		<b>1,970</b>	(22,877)
Share of losses of associates		<b>(2)</b>	(3,605)
PROFIT/(LOSS) BEFORE TAX		<b>1,968</b>	(26,482)
Tax	5	<b>(4,872)</b>	(5,209)
LOSS BEFORE MINORITY INTERESTS		<b>(2,904)</b>	(31,691)
Minority interests		<b>(11,781)</b>	(3,631)
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	1	<b>(14,685)</b>	(35,322)
LOSS PER SHARE	6		
Basic		<b>(3.17) cents</b>	(8.37) cents
Diluted		<b>(3.17) cents</b>	N/A

Notes:

## 1. Adoption of new and revised statements of standard accounting practice

In the current year, the Group has for the first time adopted a number of new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants which are effective for accounting period commencing on or after 1 January 2002. Adoption of these SSAPs has led to a number of changes in the Group’s accounting policies. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements.

SSAP 34 “Employee benefits” prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in the recognition of an accrual for paid holiday carried forward by the Group’s employees as at the balance sheet date. The recognition of this accrual has resulted in HK\$2,131,000 and HK\$2,074,000 being included in the balance of the Group’s accruals in respect of paid leave carried forward as at 31 March 2003 and 2002 respectively. As a consequence, the consolidated accumulated losses at 1 April 2002 and 2001 have been increased by HK\$2,074,000. There is no impact on the Group’s net loss from ordinary activities attributable to shareholders for the year ended 31 March 2002.

## 2. Turnover and segment information

The Group has determined business segments should be presented as primary reporting format.

### a. Business segments

	Building services 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	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	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	588,147	604,357	4,638	6,660	51,234	52,685	291	14,188	—	20,542	—	—	644,310	698,432
Inter-segment sales	—	—	—	—	8,342	29,069	—	—	—	—	(8,342)	(29,069)	—	—
Total revenue	<u>588,147</u>	<u>604,357</u>	<u>4,638</u>	<u>6,660</u>	<u>59,576</u>	<u>81,754</u>	<u>291</u>	<u>14,188</u>	<u>—</u>	<u>20,542</u>	<u>(8,342)</u>	<u>(29,069)</u>	<u>644,310</u>	<u>698,432</u>
Segment results	<u>4,874</u>	<u>17,743</u>	<u>4,638</u>	<u>6,660</u>	<u>606</u>	<u>(3,007)</u>	<u>(458)</u>	<u>(6,389)</u>	<u>—</u>	<u>(9,646)</u>	<u>—</u>	<u>—</u>	<u>9,660</u>	<u>5,361</u>
Interest income and unallocated gain													2,718	2,451
Legal expenses													—	(7,907)
Finance costs													(2,034)	(3,194)
Provision for impairment of goodwill													—	(12,680)
Unrealised holding losses on long term investments													(8,374)	(6,567)
Loss on disposal of subsidiaries, net													—	(341)
Share of losses of associates													(2)	(3,605)
Profit/(Loss) before tax													1,968	(26,482)
Tax													(4,872)	(5,209)
Loss before minority interests													(2,904)	(31,691)
Minority interests													(11,781)	(3,631)
Net loss from ordinary activities attributable to shareholders													<u>(14,685)</u>	<u>(35,322)</u>

b. **Geographical segments**

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

**3. Profit/(Loss) from operating activities**

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	<b>2003</b> <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Cost of inventories sold	<b>43,188</b>	43,744
Cost of installation	<b>510,648</b>	528,638
	<u><b>553,836</b></u>	<u>572,382</u>
Depreciation	<b>3,087</b>	6,615
Minimum lease payments under operating lease in respect of land and buildings	<b>1,993</b>	3,655
Auditors' remuneration	<b>800</b>	750
Staff costs (including directors' remuneration):		
Wages and salaries	<b>64,217</b>	85,289
Pension contributions	<b>2,982</b>	3,447
<i>Less: Forfeited contributions</i>	<b>(238)</b>	(297)
	<u><b>2,744</b></u>	<u>3,150</u>
	<b>66,961</b>	88,439
Provision for/(recovery of) bad debts	<b>(754)</b>	1,346
Loss on disposal of fixed assets	<b>434</b>	2,037
Interest income	<b>(568)</b>	(1,407)
	<u><b>(568)</b></u>	<u>(1,407)</u>

**4. Finance costs**

	<b>2003</b> <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans wholly repayable within five years	<b>1,405</b>	2,407
Bank charges	<b>546</b>	593
Interest on finance leases	<b>83</b>	194
	<u><b>2,034</b></u>	<u>3,194</u>

## 5. Taxation

The Company is exempted from taxation in Bermuda until 2016.

Hong Kong profits tax has been provided at the rate of 16% (2002 – 16%) on the estimated assessable profits arising in or derived from Hong Kong.

Taxation charge (credit) comprised:

	Year ended 31 March	
	2003	2002
	HK\$'000	HK\$'000
Hong Kong		
Current year	5,245	6,722
Under/(over) provision in prior years	(66)	153
Deferred taxation	(307)	(1,666)
	<u>4,872</u>	<u>5,209</u>
Share of tax attributable to associates	<u>—</u>	<u>—</u>
Tax charge for the year	<u><u>4,872</u></u>	<u><u>5,209</u></u>

## 6. Loss per share

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

	2003	2002
	HK\$'000	HK\$'000
<b>Loss</b>		
Net loss attributable to shareholders, used in the basic and diluted loss per share calculations	<u>(14,685)</u>	<u>(35,322)</u>

	Number of shares	
	2003	2002
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in basic loss per share calculation	463,721,600	422,025,767
Assumed issued at no consideration on deemed exercise of all share options outstanding during the year	<u>—</u>	<u>2,159</u>
Weighted average number of ordinary shares used in diluted loss per share calculation	<u><u>463,721,600</u></u>	<u><u>422,027,926</u></u>

Diluted loss per share for the year ended 31 March 2002 had not been shown as the share options outstanding during that year had an anti dilutive effect on the basic loss per share for that year.

## **7. Discontinued Operations**

In view of a strategic plan to concentrate on the Group's business in its core activities, the Group in the prior year planned to cease its broadband connectivity services business and disposed of certain of its interests in a subsidiary which was principally involved in provision of design, installation and maintenance services of karaoke-on-demand systems.

Accordingly, a provision for impairment of approximately HK\$826,000 was made against the fixed assets relating to the broadband connectivity services and a loss of approximately HK\$1,122,000 arose on the disposal of certain interests in the karaoke-on-demand system business in the year ended 31 March 2002. The net loss attributable to the discontinued operations for the years ended 31 March 2003 and 2002 were approximately HK\$478,000 and HK\$16,278,000 respectively.

## **DIVIDEND**

The Board does not propose any final dividend in respect of the year ended 31 March 2003 (2002 – HK\$Nil cent per share).

## **QUALIFIED AUDIT OPINION**

The auditors' report on the Group's and the Company's financial statements for the year ended 31 March 2003 stated that the evidence available to them was limited because of the following matters:

1. Included in the long term investments in the consolidated balance sheet as at 31 March 2003 are three equity investments in unlisted companies in the carrying amount of approximately HK\$8,036,000 as at 31 March 2003. Such investments are stated after fair value provisions of approximately HK\$5,435,000 (2002: HK\$527,000) were made by the directors in the current year. The auditors were unable to satisfy themselves as to the reliability of the financial information on which these provisions were based and there were no practical alternative audit procedures that the auditors could perform to satisfy themselves that these investments have been fairly stated at 31 March 2003, or as to the appropriateness of the unrealised holding losses on these investments of approximately HK\$5,435,000 included in the profit and loss account for the year ended 31 March 2003.

The auditors' report in respect of the year ended 31 March 2002 was also qualified on account of a similar scope limitation in respect of the fair value of two of these equity investments aggregating HK\$9,218,000 as at 31 March 2002 and the unrealised holding loss on one of these investments of approximately HK\$527,000 included in the profit and loss account for the year ended 31 March 2002.

2. In respect of the audited financial statements of the Group for the year ended 31 March 2001, the predecessor auditors' report thereon, dated 24 August 2001, was qualified concerning certain payments aggregating approximately HK\$8,800,000 with regard to their propriety and completeness. The auditors' report in respect of the year ended 31 March 2002 was also qualified on account of this matter. Prior to the release of those financial statements of the Group for the year ended 31 March 2001, the board of directors had agreed to commission an investigation into this matter under the direction of the audit committee. The investigation has not been completed and no report has been issued up to the date of this auditors' report. Pending the final outcome of the investigation, there were no practical audit procedures that the auditors could perform to obtain sufficient evidence regarding either the propriety, or the completeness of such payments and their potential impact, if any, on the financial statements of the Company and the Group for either the current or prior years.

Except for any adjustments or disclosures that might have been found to be necessary had the auditors been able to obtain sufficient evidence relating to the matters discussed in the preceding paragraphs, in the opinion of the auditors the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2003 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Companies Ordinance.

## **BUSINESS REVIEW**

The Group's turnover for this year was approximately HK\$644 million while that for the last year was HK\$698 million. The net loss for the year including a further provision for impairment in value of hi-tech investments of approximately HK\$8.4 million was approximately HK\$14.7 million as compared with HK\$35.3 million for the previous year.

The significant slow down in construction developments in both public and private sectors continued during the year with limited availability of building services projects. As a result, the Group continued to face unprecedented competition amongst eligible contractors and the margins for profits in building services and related trading activities are significantly lower than that of previous years. As at 31 March 2003, the Group's uncompleted contracts on hand was approximately HK\$869 million while that of the last year was approximately HK\$558 million.

## **BUSINESS PROSPECTS**

Throughout the entire year 2002, the Hong Kong economy was plagued by falling property prices, wage cuts and layoffs. The recent announcement of a rise of unemployment to 8.6% and the continued deflation in consumer expenditures for last four and half consecutive years indicated that the local economy has succumbed into a recession. We have yet to see some light at the end of the tunnel. Under the present circumstances, the local market of the building services industry will remain poor in the coming year. Across the border, the China's economy remains robust supported by strong internal and external demand. With the recent inception of Closer Economic Partnership Arrangement between Hong Kong and China, it is hoped that there could be new business opportunities in China.

The Group, being a building services contractor based in Hong Kong, will concentrate its core building services business both in Hong Kong and in the Greater China area based upon the Group's expertise and competitive advantage in this specialist trade. Your directors remain optimistic of satisfactory performance of the Group in the coming fiscal year.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's cash and bank balances are mostly in Hong Kong Dollars. The cash and bank deposit balances were approximately HK\$54,173,000 as at 31 March 2003, while that of previous year were approximately HK\$52,826,000. The total bank borrowings were approximately HK\$37,074,000 as at 31 March 2003, an increase of approximately HK\$15,105,000 as compared to that of last year. The increase was mainly due to the funding of the additional working capital for building services contracting business made during the year. The total bank borrowings substantially comprised bank overdraft and bank trust receipt loans at various interest rates. As at 31 March 2003, the ratio of the total bank borrowings to shareholders' equity was approximately 38%. 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**

The Group's overall treasury and funding policy is that of risk management and control. The assets and liabilities of the Group are mainly denominated either in Hong Kong or United States dollars. Accordingly, the Group has minimal exposure to foreign exchange fluctuation. However, the Group will closely monitor the overall currency and interest rate exposures. When considered appropriate, the Group will hedge against currency exposure as well as interest rate exposure.

## **PLEGGED OF ASSETS**

As at 31 March 2003, certain of the Group's leasehold land and properties with net book value of HK\$16.5 million and bank fixed deposits of HK\$27.3 million were pledged to secure general banking facilities granted to the Group.

## **EMPLOYEES AND REMUNERATION POLICY**

The Group employed approximately 240 employees as at 31 March 2003.

Remuneration is determined by reference to market terms and the qualifications and the experience of the staff concerned. Salaries are reviewed annually depending on individual merits. The Group also provides other benefits including retirement benefits scheme, medical insurance and educational subsidy to all eligible staff. Additionally, the Group has a share option scheme for its executives and employees. No such options were granted by the Company under the share option scheme during the year ended 31 March 2003, and there are no outstanding options granted by the Company as at 31 March 2003.

## **CONTINGENT LIABILITIES**

The Group had no material contingent liabilities as at 31 March 2003.

## **AUDIT COMMITTEE**

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal control systems of the Group.

The audit committee during the year comprises three members, Dr. Chan Chok Ki and Mr. Li X Sinliar both being independent non-executive directors of the Company, and Mr. Yu Sek Kee, Stephen, the non-executive director of the Company. Dr. Chan was appointed as the independent non-executive director of the Company on 1 August 2002 and as the member of audit committee on the same date. Mr. Yuen Yiu Bun, Kenneth resigned as the independent non-executive director and as the member of audit committee on 31 July 2002.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and the audited final results for the year ended 31 March 2003 of the Company now reported on.

## **PURCHASE, SALES OR REDEMPTION OF LISTED SHARES**

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

## **CODE OF BEST PRACTICE**

In the opinion of the directors, the Company had complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting period covered by the final report 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 DETAILED ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE**

A detailed announcement of final results of the Group for the year ended 31 March 2003 containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

By order of the Board  
**Shun Cheong Holdings Limited**  
**Wong Sai Wing, James**  
*Chairman*

Hong Kong SAR, 18 July 2003



# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the “Meeting”) of Shun Cheong Holdings Limited (the “Company”) will be held at Fung Shui Room, 6th Floor, The Macro Polo Hong Kong Hotel, Harbour City, Kowloon, Hong Kong at 11:00 a.m. on Friday, 26 September 2003 for the sole purpose of the following:

1. To receive and consider the audited Consolidated Financial Statements and Reports of the Directors and the Auditors for the year ended 31 March 2003.
2. To re-elect the retiring Directors and to authorise the Board of Directors to fix their remuneration.
3. To re-appoint auditors and to authorise the Board of Directors to fix their remuneration.
4. To consider and, if thought fit, pass with or without amendments the following resolution as Ordinary Resolution of the Company:

“THAT:

- (a) subject to sub-paragraph (b) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot and issue additional shares in the capital of the Company and to make or grant offers agreements and options which might require the exercise of such powers either during or after the Relevant Period, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in sub-paragraph (a) of this resolution, otherwise than pursuant to a Rights Issue (as hereinafter defined) or the exercise of subscription or conversion rights under any warrants of the Company or any securities which are convertible into shares of the Company or any share option scheme, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company on the date of this resolution and this approval shall be limited accordingly; and
- (c) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution in general meeting;

“Rights Issue” means an offer of shares open for a period fixed by the directors to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the law of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

By Order of the Board  
**Shun Cheong Holdings Limited**  
**Ou Ka Chi**  
*Company Secretary*

Hong Kong SAR, 18 July 2003

*Notes:*

- (1) A member entitled to attend and vote at the Meeting is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the Bye-laws of the Company, vote in his stead. A proxy need not be a member of the Company.
- (2) A member being a corporation, in addition to any letter of authorization from a recognized clearing house (if applicable), may by resolution of its directors authorize such person, as it deems appropriate, to act as its representative (the “corporate representative”) to attend and vote on its behalf and for the number of shares it represents. Any member wishing to appoint such corporate representative for the purposes of the Meeting are required to produce and lodge with the Company’s share registrar in Hong Kong, Central Registration Hong Kong Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong duly certified true copies of the resolution of the board of directors of the member authorizing the appointment of the corporate representative not less than 48 hours before the time for holding the Meeting or any adjourned Meeting at which the corporate representative named in such resolution proposes to vote.
- (3) A form of proxy for use for the aforesaid purpose will be delivered forthwith together with a copy of this original notice to the registered address of the members entitled to vote at the Meeting. In order to be valid, the said form of proxy, together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, must be lodged with the Company’s share registrar in Hong Kong, Central Registration Hong Kong Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time for holding the Meeting or any adjourned Meeting at which the person named in such instrument proposes to vote.

- (4) Whether or not you propose to attend the Meeting in person, you are strongly urged to complete and return the said form of proxy in accordance with the instructions printed thereon. Completion and return of such form of proxy will not preclude you from attending the Meeting and voting in person if you so wish (in which case any appointment of proxy for the purpose of the Meeting will be automatically revoked).
- (5) For joint registered holders of any share attending the Meeting on the same occasion, the vote of the holder whose name stands first on the register who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.

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

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