



# **SHUN CHEONG HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

## **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2003**

The Board of Directors (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 2003 together with comparative figures for the corresponding period last year as follows:

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For six months ended 30 September 2003

		Six months ended	
		30 September 2003	30 September 2002
		(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000
TURNOVER	2		
Continuing operations		<b>396,829</b>	268,073
Discontinued operations	3	<b>—</b>	291
		<u><b>396,829</b></u>	<u>268,364</u>
Cost of installation and cost of sales		<u><b>(351,284)</b></u>	<u>(219,181)</u>
Gross profit		<b>45,545</b>	49,183
Other revenue		<b>991</b>	1,361
Administrative expenses		<b>(39,114)</b>	(40,374)
Gain on dissolution of subsidiaries, net		<b>6,805</b>	—
Provision for amounts due from former subsidiaries		<b>(2,179)</b>	—
Unrealised holding losses on long term investments, net		<u><b>(1,641)</b></u>	<u>(1,078)</u>
PROFIT FROM OPERATING ACTIVITIES	4	<b>10,407</b>	9,092
Finance costs	5	<b>(1,279)</b>	(1,190)
		<u><b>9,128</b></u>	<u>7,902</u>
Share of losses of associates		<u><b>—</b></u>	<u>—</u>
PROFIT BEFORE TAX		<b>9,128</b>	7,902
Tax	6	<b>(2,046)</b>	(1,877)
		<u><b>7,082</b></u>	<u>6,025</u>
PROFIT BEFORE MINORITY INTERESTS		<b>7,082</b>	6,025
Minority interests		<b>(4,524)</b>	(4,965)
		<u><b>2,558</b></u>	<u>1,060</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u><b>2,558</b></u>	<u>1,060</u>
EARNINGS PER SHARE	7		
Basic		<u><b>0.55 cents</b></u>	<u>0.23 cents</u>
Diluted		<u><b>0.55 cents</b></u>	<u>0.23 cents</u>

Notes:

## 1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with the Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” and the requirements of the Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These unaudited condensed consolidated interim financial statements should be read in conjunction with the 2003 annual report.

The accounting policies and basis of preparation used in preparing these unaudited condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2003, except that the Group has adopted the SSAP 12 (Revised) “Income Taxes” which is effective for accounting period commencing on or after 1 January 2003.

The adoption of this revised SSAP 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		Eliminations		Consolidated	
	2003 (unaudited) HK\$’000	2002 (unaudited) HK\$’000	2003 (unaudited) HK\$’000	2002 (unaudited) HK\$’000	2003 (unaudited) HK\$’000	2002 (unaudited) HK\$’000	2003 (unaudited) HK\$’000	2002 (unaudited) HK\$’000	2003 (unaudited) HK\$’000	2002 (unaudited) HK\$’000	2003 (unaudited) HK\$’000	2002 (unaudited) HK\$’000
Segment revenue:												
Sales to external customers	383,702	235,824	897	3,227	12,230	29,022	—	291	—	—	396,829	268,364
Intersegment sales	—	5	—	—	4,258	5,376	—	—	(4,258)	(5,381)	—	—
Total revenue	<u>383,702</u>	<u>235,829</u>	<u>897</u>	<u>3,227</u>	<u>16,488</u>	<u>34,398</u>	<u>—</u>	<u>291</u>	<u>(4,258)</u>	<u>(5,381)</u>	<u>396,829</u>	<u>268,364</u>
Segment results	<u>8,354</u>	<u>4,930</u>	<u>897</u>	<u>3,227</u>	<u>(2,820)</u>	<u>1,110</u>	<u>—</u>	<u>(458)</u>	<u>—</u>	<u>—</u>	<u>6,431</u>	<u>8,809</u>
Interest income and unallocated gains											991	1,361
Gain on dissolution of subsidiaries, net											6,805	—
Provision for amounts due from former subsidiaries											(2,179)	—
Unrealised holding losses on long term investments, net											(1,641)	(1,078)
Finance costs											(1,279)	(1,190)
Share of losses of associates											—	—
Profit before tax											9,128	7,902
Tax											(2,046)	(1,877)
Profit before minority interests											7,082	6,025
Minority interests											(4,524)	(4,965)
Net Profit from ordinary activities attributable to shareholders											<u>2,558</u>	<u>1,060</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. Discontinued operations

In view of a strategic plan by the Group to concentrate on its core activities, the directors determined to phase out the Group's broadband connectivity services business and it was substantially abandoned during the year ended 31 March 2002. In addition, certain of the Group's interests in a subsidiary, which was principally involved in the provision of design, installation and maintenance services of karaoke-on-demand systems, was disposed during the year ended 31 March 2002. Accordingly, the directors considered the aforesaid two businesses were discontinued operations during the year ended 31 March 2002.

During the year ended 31 March 2003, there were essentially no business activities of the broadband connectivity services. The subsidiary engaged in the broadband connectivity services business was in liquidation as of 31 March 2003 and was dissolved in August 2003 resulting in a net gain of approximately HK\$6.8 million arose on the dissolution of the subsidiary being recorded in the condensed consolidated profit and loss account for the six months ended 30 September 2003.

## 4. Profit from operating activities

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

	<b>Six months ended</b>	
	<b>30 September 2003 (unaudited) HK\$'000</b>	<b>30 September 2002 (unaudited) HK\$'000</b>
Cost of inventories sold	<b>11,388</b>	24,078
Cost of installation	<b>339,896</b>	195,103
	<b>351,284</b>	219,181
Depreciation		
– owned fixed assets	<b>1,136</b>	1,577
– fixed assets held under finance lease	<b>108</b>	108
Minimum lease payments under operating leases in respect of land and buildings	<b>793</b>	1,226
Staff costs (including directors' remuneration)		
Wages, salaries and others	<b>32,341</b>	32,018
Pension contributions	<b>961</b>	1,271
<i>Less: Forfeited contributions</i>	<b>—</b>	(113)
Net pension contributions	<b>961</b>	1,158
	<b>33,302</b>	33,176
Loss on disposal of fixed assets	<b>—</b>	467
Recovery of doubtful debts	<b>(281)</b>	—
Interest income	<b>(180)</b>	(321)

## 5. Finance costs

	<b>Six months ended</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2003</b>	<b>2002</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on bank loans, overdrafts and other loans wholly repayable within five years	<b>662</b>	850
Interest on finance leases	<b>26</b>	45
Bank charges	<b>591</b>	295
	<b><u>1,279</u></b>	<b><u>1,190</u></b>

## 6. Taxation

The Company is exempted from taxation in Bermuda unit 2016. Hong Kong profits tax has been provided at the rate of 17.5% (2002 – 16%) on the estimated assessable profits arising in or from Hong Kong.

Taxation in the condensed consolidated profit and loss account comprises:

	<b>Six months ended</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2003</b>	<b>2002</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Group:		
Hong Kong	<b>2,046</b>	1,877
Deferred	<b>—</b>	—
	<b><u>2,046</u></b>	<b><u>1,877</u></b>
Share of tax attributable to associates	<b>—</b>	—
	<b><u>2,046</u></b>	<b><u>1,877</u></b>

## 7. Earnings per share

	<b>Six months ended</b>	
	<b>30 September 2003 (unaudited) HK\$'000</b>	30 September 2002 (unaudited) HK\$'000
Earnings for the purposes of computing basic and diluted earnings per share	<u><b>2,558</b></u>	<u>1,060</u>
Number of ordinary share: Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u><b>463,721,600</b></u>	<u>463,721,600</u>

### **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend (2002 – nil).

### **MANAGEMENT DISCUSSION AND ANALYSIS**

#### **Review of Operation**

The Group's turnover for six months ended 30 September 2003 was approximately HK\$397 million, an increase of 48% as comparing with HK\$268 million for the same period last year. Net profit attributable to shareholders for the period was approximately HK\$2.56 million while that for the last period was approximately HK\$1.06 million.

As at 30 September 2003, the Group's uncompleted contracts on hand was approximately HK\$667 million while that of as at 31 March 2003 was approximately HK\$869 million.

#### **Liquidity and Financial Resources**

The Group's cash and bank balances were approximately HK\$48 million as at 30 September 2003 while that of as at 31 March 2003 were approximately HK\$54 million. The total bank borrowings were approximately HK\$32 million as at 30 September 2003, a decrease of approximately HK\$5 million as compared to that of as at 31 March 2003. The decrease in the Group's cash and bank balances was mainly to repay the bank borrowings during the period. The total bank borrowings 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 32% (as at 31 March 2003 – 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**

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

## **Pledge of Assets**

As at 30 September 2003, certain of the Group's leasehold land and properties with a net book value of HK\$16.3 million (*as at 31 March 2003 – HK\$16.5 million*) and bank fixed deposits of HK\$27.3 million (*as at 31 March 2003 – HK\$27.3 million*) were pledged to secure general banking facilities granted to the Group.

## **Employees and Remuneration Policy**

The Group employed approximately 220 employees as at 30 September 2003. There were no significant changes in the remuneration policy and benefits to the employees of the Group.

## **Investments and Others**

As at 30 September 2003, the Group's long term investments comprising one listed securities and four unlisted securities were in carrying amount of approximately HK\$10.89 million (*as at 31 March 2003 – HK\$12.53 million*) after a further provision for impairment in value of approximately HK\$1.64 million made during the period.

As at 30 September 2003, the Group had no plan for any material investments or capital assets.

## **Business Prospect**

The recent announcement of a growth in the local economy to 4% and a small improvement of the continued deflation in consumer expenditures in the 3rd quarter this year indicated that the Hong Kong economy might start to recover from the bottom. However, there was no change in the housing policies by the Government and as a result the housing developments in both public and private sectors would continue to be reduced in the coming years. Under these circumstances, 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.

The Group, being a building services contractor based in Hong Kong, will concentrate its core building services business in Hong Kong and in the Greater China area based on 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.

## **PURCHASE, SALE AND REDEMPTION OF SHARES**

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

## **AUDIT COMMITTEE**

The members of the audit committee of the Company comprise Messrs. CHAN Chok Ki and HO Hin Kwan, Edmund, the independent non-executive directors and Mr. YU Sek Kee, Stephen, 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 2003 of the Company now reported on.

## **CODE OF BEST PRACTICE**

None of the directors of the Company 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 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, 12 December 2003

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

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