



# **SHUN CHEONG HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**Stock Code: 650**

## **ANNOUNCEMENT OF AUDITED FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2004**

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 2004 together with comparative figures for the last year are as follows:

	<i>Notes</i>	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
TURNOVER	2		
Continuing operations		<b>734,189</b>	644,019
Discontinued operations	7	<u>—</u>	<u>291</u>
		<b>734,189</b>	644,310
Cost of installation and cost of sales		<u><b>(633,591)</b></u>	<u>(553,836)</u>
Gross profit		<b>100,598</b>	90,474
Other revenue		<b>1,842</b>	2,718
Administrative expenses		<b>(77,943)</b>	(80,814)
Gain on dissolution of discontinued operations		<b>4,105</b>	—
Loss on dissolution of a subsidiary		<b>(33)</b>	—
Provision for amounts due from former subsidiaries		<b>(2,179)</b>	—
Unrealised holding losses on long term investments		<u><b>(8,863)</b></u>	<u>(8,374)</u>
PROFIT FROM OPERATING ACTIVITIES	3	<b>17,527</b>	4,004
Finance costs	4	<u><b>(1,877)</b></u>	<u>(2,034)</u>
		<b>15,650</b>	1,970
Share of losses of associates		<u>—</u>	<u>(2)</u>
PROFIT BEFORE TAX		<b>15,650</b>	1,968
Tax	5	<u><b>(4,418)</b></u>	<u>(4,872)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		<b>11,232</b>	(2,904)
Minority interests		<u><b>(9,427)</b></u>	<u>(11,781)</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u><b>1,805</b></u>	<u>(14,685)</u>
EARNINGS/(LOSS) PER SHARE	6		
Basic		<u><b>0.39 cents</b></u>	<u>(3.17 cents)</u>

**Notes:**

**1. Adoption of a revised Statement of Standard Accounting Practice (“SSAP”)**

SSAP 12 (Revised) “Income taxes” is effective for the first time for the current year’s financial statements, which prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The SSAP has had no significant impact for these financial statements on the amounts recorded for income taxes. However, the related note disclosures are now more extensive than previously required.

**2. Turnover and segment information**

The Group has determined business segments should be presented as its primary segment reporting basis.

**a. Business segments**

	Building services contracting business		Project management		Trading of electrical and mechanical engineering materials and equipment		(Discontinued) Provision of broadband connectivity services		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	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	704,579	588,147	2,240	4,638	27,370	51,234	—	291	—	—	734,189	644,310
Inter-segment sales	—	—	—	—	9,951	8,342	—	—	(9,951)	(8,342)	—	—
Total revenue	<u>704,579</u>	<u>588,147</u>	<u>2,240</u>	<u>4,638</u>	<u>37,321</u>	<u>59,576</u>	<u>—</u>	<u>291</u>	<u>(9,951)</u>	<u>(8,342)</u>	<u>734,189</u>	<u>644,310</u>
Segment results	<u>23,122</u>	<u>4,874</u>	<u>2,240</u>	<u>4,638</u>	<u>(2,707)</u>	<u>606</u>	<u>—</u>	<u>(458)</u>	<u>—</u>	<u>—</u>	<u>22,655</u>	<u>9,660</u>
Interest income and unallocated gain											1,842	2,718
Gain on dissolution of discontinued operations											4,105	—
Loss on dissolution of a subsidiary											(33)	—
Provision for amounts due from former subsidiaries											(2,179)	—
Unrealised holding losses on long term investments											(8,863)	(8,374)
Finance costs											(1,877)	(2,034)
Share of losses of associates											—	(2)
Profit before tax											15,650	1,968
Tax											(4,418)	(4,872)
Profit/(Loss) before minority interests											11,232	(2,904)
Minority interests											(9,427)	(11,781)
Net profit/(Loss) from ordinary activities attributable to shareholders											<u>1,805</u>	<u>(14,685)</u>

## b. Geographical segments

No geographical segment information is presented as over 90% of the Group's revenue was derived from customers based in Hong Kong and over 90% of the Group's assets were located in Hong Kong.

## 3. Profit from operating activities

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

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Cost of inventories sold	<b>24,583</b>	43,188
Cost of installation	<b>609,008</b>	510,648
	<u><b>633,591</b></u>	<u>553,836</u>
Depreciation	<b>2,539</b>	3,087
Minimum lease payments under operating leases in respect of land and buildings	<b>1,425</b>	1,993
Auditors' remuneration	<b>800</b>	800
Staff costs (including directors' remuneration):		
Wages and salaries	<b>64,181</b>	64,217
Pension scheme contributions	<b>2,811</b>	2,982
<i>Less: Forfeited contributions</i>	<b>(1,038)</b>	(238)
Net pension contributions	<u><b>1,773</b></u>	<u>2,744</u>
	<u><b>65,954</b></u>	<u>66,961</u>
Provision for bad debts	<b>109</b>	—
Recovery of bad debts	<b>(392)</b>	(754)
Loss on disposal of fixed assets	<b>7</b>	434
Interest income	<b>(203)</b>	(568)
	<u><u><b>(203)</b></u></u>	<u><u>(568)</u></u>

## 4. Finance costs

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans wholly repayable within five years	<b>1,110</b>	1,405
Bank charges	<b>716</b>	546
Interest on finance leases	<b>51</b>	83
	<u><b>1,877</b></u>	<u>2,034</u>

## 5. Tax

The Company is exempted from taxation in Bermuda until 2016.

Hong Kong profits tax has been provided at the rate of 17.5% (2003 – 16%) on the estimated assessable profits arising in or derived from Hong Kong.

Taxation charge comprised:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Hong Kong		
Current year	<b>4,590</b>	5,245
Overprovision in prior years	<b>(66)</b>	(66)
Deferred taxation	<b>(106)</b>	(307)
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Tax charge for the year	<b><u>4,418</u></b>	<b><u>4,872</u></b>

## 6. Earnings/(Loss) per share

The calculations of earnings/(loss) per share were based on the net profit attributable to shareholder of HK\$1,805,000 (2003: net loss of HK\$14,685,000) and 463,721,600 ordinary shares (2003: 463,721,600 shares) in issue during the year.

The diluted earnings/(loss) per share for the year ended 31 March 2004 and 2003 had not been disclosed as no diluting events existed during the two years.

## 7. Discontinued operations

In prior years, 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 gain of approximately HK\$4.1 million arising on the dissolution of the subsidiary being recorded in the consolidated profit and loss account for the year ended 31 March 2004.

## **DIVIDEND**

The Board does not propose any final dividend in respect of the year ended 31 March 2004 (2003: Nil).

## **QUALIFIED AUDIT OPINION**

The auditors' report on the Group's and the Company's financial statements for the year ended 31 March 2004 stated that the evidence available to them was limited in respect of the Group's three equity long term investments in unlisted companies in the consolidated balance sheet as at 31 March 2004. Such investments have nil carrying values in the consolidated balance sheet as at 31 March 2004 after fair value provisions of approximately HK\$8,036,000 (2003: HK\$5,435,000) 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 2004, or as to the appropriateness of the unrealised holding losses on these three investments of approximately HK\$8,036,000 included in the profit and loss account for the year ended 31 March 2004.

The auditors' report in respect of the year ended 31 March 2003 was also qualified on account of a similar scope limitation in respect of the fair value of these three equity investments aggregating HK\$8,036,000 as at 31 March 2003 and the unrealised holding loss on these investments of approximately HK\$5,435,000 recognised in the profit and loss account for the year ended 31 March 2003.

Except for any adjustments that might have been found to be necessary had the auditors been able to obtain sufficient evidence relating to the Group's three long term investments referred to above, in the opinion of the auditors the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2004 and of the profit 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 the year ended 31 March 2004 was approximately HK\$734 million (2003: HK\$644 million), an increase of 14% over last year. The net profit for the year was approximately HK\$1.8 million (2003: net loss of HK\$14.7 million), which included a gain on dissolution of discontinued operations of approximately HK\$4.1 million, less provision for amounts due from former subsidiaries of approximately HK\$2.2 million and unrealised losses on long term investments of approximately HK\$8.9 million (2003: HK\$8.4 million).

The significant slow down in housing 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 fierce competition amongst eligible contractors. As at 31 March 2004, the Group had uncompleted contracts on hand of approximately HK\$698 million while those of the last year were approximately HK\$869 million.

## **BUSINESS PROSPECTS**

Local economy improved during the fiscal year under review. Annual growth has been revised to 6% in recent months and deflation was reduced to 0.1%. Unemployment rate also declined from last year's 8.6% to the current level of 7%. However, there remains chronic shortage of new projects to provide sufficient work for the workforce in the building industry. As a result, the Group continued to suffer from keen competition. Tender prices were awarded at little or no profit margin incommensurate with the commercial risks involved.

With the initiative from the Central Government to provide greater involvement of Hong Kong companies in the infrastructure development of Pan Pearl River Delta, it is hoped that there will be new opportunities for business in the Greater China in coming years. Despite this adverse market conditions, your directors remain optimistic of improved performance in the coming 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\$36.9 million as at 31 March 2004, while that of previous year were approximately HK\$54.2 million. The total bank borrowings were approximately HK\$30.3 million as at 31 March 2004, a decrease of approximately HK\$6.8 million as compared to that of last year. The decrease was mainly due to the repayment of bank loan during the year. The total bank borrowings substantially comprised bank overdraft, term loan and trust receipt loans at various interest rates. As at 31 March 2004, the ratio of the total bank borrowings to shareholders' equity was approximately 30%. 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.

## **PLEDGED OF ASSETS**

As at 31 March 2004, certain of the Group's leasehold land and properties with net book value of HK\$16.1 million and bank fixed deposits of HK\$26.8 million were pledged to secure general banking facilities granted to the Group.

## **EMPLOYEES AND REMUNERATION POLICY**

The Group employed approximately 230 employees as at 31 March 2004.

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.

## **CONTINGENT LIABILITIES**

The Group had no material contingent liabilities as at 31 March 2004.

## **AUDIT COMMITTEE**

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

The audit committee comprises four members, Dr. Chan Chok Ki, Mr. Ho Hin Kwan, Edmund and Mr. Yu Hon To, David being independent non-executive directors of the Company, and Mr. Yu Sek Kee, Stephen, a non-executive director of the Company.

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

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

## **CODE OF BEST PRACTICE**

In the opinion of the directors, the Company 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 annual report except that three independent non-executive directors are not appointed for specific terms but they are subject to retirement by rotation in accordance with the Company's Bye-laws.

## **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 2004 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, 15 July 2004

*As at the date hereof, the Board of Directors of the Company comprises of nine Directors, of which four are Executive Directors, namely Dr. Wong Sai Wing, James, Mr. Chan Yuen Keung, Zuric, Mr. Au Shiu Wai, Frank and Mr. Au Yu Fai, Patrick; and two are Non-Executive Directors, namely Mr. Yu Sek Kee, Stephen and Mr. Hong Yiu, and three are Independent Non-Executive Directors, namely Dr. Chan Chok Ki, Mr. Ho Hin Kwan, Edmund and Mr. Yu Hon To, David.*

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

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