



SHUN CHEONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock code: 650/2936 (temporary counter)

ANNOUNCEMENT

The Directors wish to provide further information of the qualified opinion by the Company's auditors with respect to three of its unlisted investments which it did not have control nor significant influence in the daily operational and financial decisions of these investee companies.

The Directors plans to concentrate on the Group's existing core business of building services contracting and related trading activities and not to invest in unlisted companies which the Group does not have control nor significant influence in the future.

AUDITORS' QUALIFICATION CONTAINED IN 2004 ANNUAL REPORT

The Directors wish to clarify certain matters relating to the auditors' qualification as contained in the Company's annual report for the year ended 31 March 2004.

Ernst & Young, the Company's auditors, mentioned in its auditors' report dated 15 July 2004 that, in the course of its audit of the Group's financial statements for the year ended 31 March 2004, they have not been provided with sufficient evidence relating to the Group's three long term equity investments in unlisted companies, which had an aggregate carrying value of nil in the Group's consolidated balance sheet as at 31 March 2004 after fair value provisions of approximately HK\$8,036,000 made by the Directors during the year then ended. The Company's auditors mentioned in its report that they were unable to satisfy themselves as to the reliability of the financial information on which the above provisions were based and there were no practical alternative audit procedures that could be performed by them in order to satisfy themselves that these unlisted investments have been fairly stated as 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. Similar qualifications by the Company's auditors were also made in respect of the Company's accounts for the year ended 31 March 2003.

BACKGROUND AND REASONS FOR THE RELATED PROVISIONS ON THE GROUP'S UNLISTED INVESTMENTS

As mentioned in note 17 to the financial statements of the Company for the year ended 31 March 2004, the Group had 10.47%, 8.91% and 22.33% equity interests in three unlisted companies with nil fair values as at 31 March 2004 as estimated by the Directors. The Group is a passive investor of and does not involve in the daily operational and financial decisions of these investee companies and none of the Directors have interests in these investee companies. The Directors consider that the Group has no control or significant influence in these investee companies. The principal activities of these investee companies are not relating to the core businesses of the Group.

Despite the qualifications with respect to the three unlisted investments mentioned above contained in the auditors' report, the Directors consider that, based on the unaudited management accounts for the current financial year and the audited financial statements for the prior years of these investee companies, it was prudent and appropriate to fully provide for such investments. The Directors also wish to confirm that they have applied such degree of skill, care and diligence in the discharge of their duties in the preparation of the Company's accounts as per requirements of the Listing Rules.

MEASURES TO AVOID RECURRENCE OF SIMILAR QUALIFICATION BY THE AUDITORS

All three unlisted investments had been fully provided for and have an aggregate carrying value of nil in the consolidation financial statements of the Group as at 31 March 2004. The Group is intended to dispose these investments if possible. The Directors plan to concentrate on the Group's existing core business of building services contracting and related trading activities and not to invest in unlisted companies which the Group does not have control nor significant influence in the future.

DEFINITIONS

In this announcement, the following expressions have the following meanings:

“Company”	Shun Cheong Holdings Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Directors”	directors of the Company
“Group”	The Company and its subsidiaries
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

By order of the Board
Shun Cheong Holdings Limited
Chan Yuen Keung, Zuric
Chairman

Hong Kong, 8 October 2004

As at the date hereof, the board of Directors comprises of eight Directors, of whom five are executive Directors, namely Mr. Chan Yuen Keung, Zuric, Mr. Hong Yiu, Mr. Yu Sek Kee, Stephen, Mr. Au Shiu Wai, Frank and Mr. Au Yu Fai, Patrick and three independent non-executive Directors, namely Dr. Chan Chok Ki, Mr. Ho Hin Kwan, Edmund and Mr. Yu Hon To, David.

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