



SHUN CHEONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 650)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

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 2004 together with comparative figures for the corresponding period in last year as follows:

	<i>Notes</i>	Six months ended 30 September	
		2004 (Unaudited)	2003 (Unaudited and restated)
		<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	2	249,407	396,829
Cost of installation and cost of sales		(226,088)	(351,284)
Gross profit		23,319	45,545
Other revenue		724	991
Administrative expenses		(31,427)	(39,114)
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		(1,039)	(1,641)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	3	(8,423)	10,407
Finance costs	4	(775)	(1,279)
PROFIT/(LOSS) BEFORE TAX		(9,198)	9,128
Tax	5	(1,231)	(2,046)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(10,429)	7,082
Minority interests		(2,017)	(4,524)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(12,446)	2,558
EARNINGS/(LOSS) PER SHARE – Basic	6	(10.73 cents)	2.21 cents

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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 2004 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 2004.

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		Eliminations		Consolidated	
	Six Months ended		Six Months ended		Six Months ended		Six Months ended		Six Months ended	
	30 September		30 September		30 September		30 September		30 September	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HKS’000	HKS’000	HKS’000	HKS’000	HKS’000	HKS’000	HKS’000	HKS’000	HKS’000	HKS’000
Segment revenue:										
Sales to external customers	236,628	383,702	1,023	897	11,756	12,230	-	-	249,407	396,829
Intersegment sales	-	-	-	-	1,152	4,258	(1,152)	(4,258)	-	-
Total revenue	<u>236,628</u>	<u>383,702</u>	<u>1,023</u>	<u>897</u>	<u>12,908</u>	<u>16,488</u>	<u>(1,152)</u>	<u>(4,258)</u>	<u>249,407</u>	<u>396,829</u>
Segment results	<u>(8,050)</u>	<u>8,354</u>	<u>1,023</u>	<u>897</u>	<u>(1,081)</u>	<u>(2,820)</u>	<u>-</u>	<u>-</u>	<u>(8,108)</u>	<u>6,431</u>
Interest income and unallocated gains									724	991
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									(1,039)	(1,641)
Finance costs									(775)	(1,279)
Profit/(loss) before tax									(9,198)	9,128
Tax									(1,231)	(2,046)
Profit/(loss) before minority interests									(10,429)	7,082
Minority interests									(2,017)	(4,524)
Net profit/(loss) from ordinary activities attributable to shareholders									<u>(12,446)</u>	<u>2,558</u>

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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	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	7,230	11,388
Cost of installation	218,858	339,896
	<u>226,088</u>	<u>351,284</u>
Depreciation		
– owned fixed assets	933	1,136
– fixed assets held under finance lease	39	108
Minimum lease payments under operating leases in respect of land and buildings	703	793
Staff costs (including directors' remuneration)	24,655	33,302
Loss on disposal of fixed assets	19	–
Recovery of doubtful debts	–	(281)
Bank interest income	(14)	(180)
	<u>(14)</u>	<u>(180)</u>

4. Finance costs

	Six months ended 30 September	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	391	662
Interest on finance leases	43	26
Bank charges	341	591
	<u>775</u>	<u>1,279</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: 17.5%) on the estimated assessable profits arising in or derived from Hong Kong.

Taxation in the unaudited condensed consolidated profit and loss account comprises:

	Six months ended 30 September	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Group:		
Current – Hong Kong	1,231	2,046
Deferred	–	–
	<u>1,231</u>	<u>2,046</u>

6. Earnings/(loss) per share

	Six months ended 30 September	
	2004	2003
	(Unaudited)	(Unaudited and restated)
	HK\$'000	HK\$'000
<i>Earnings/(loss)</i>		
Net profit/(loss) attributable to shareholders used in basic earnings/(loss) per share calculations	<u>(12,446)</u>	<u>2,558</u>
<i>Shares</i>		
Number of ordinary shares in issue used in basic earnings/(loss) per share calculations	<u>115,930,400</u>	<u>115,930,400</u>

The earnings per share for the six months ended 30 September 2003 has been restated to reflect the reduction in number of ordinary shares in issue to 115,930,400 shares as a result of the Capital Reorganisation (as defined in the Company's circular dated 24 August 2004).

The diluted earnings/(loss) per share have not been disclosed as no diluting events existed during the six months ended 30 September 2003 and 2004.

7. Movements of reserves

A special resolution was passed by the shareholders of the Company during the special general meeting held on 16 September 2004 to approve the Capital Reorganisation. As a result, a sum of HK\$45,212,856 was transferred from the issued capital account to the accumulated losses account to set off part of the accumulated losses of the Company. The credit arising from the cancellation of the share premium account of HK\$110,631,927 was transferred partly to the accumulated losses account to set off the balance of the accumulated losses of the Company of HK\$63,722,800, and the remaining credit of HK\$46,909,127 was transferred to the Company's contributed surplus account.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operation

The Group's turnover for the six months ended 30 September 2004 was approximately HK\$249 million (2003: HK\$397 million). Net loss attributable to shareholders for the period was approximately HK\$12.4 million (2003: net profit of HK\$2.6 million). The net loss was mainly due to the decrease in turnover and gross profit. The Group was awarded some new contracts but their contribution to the revenue for this period was negligible as work on these contracts had just commenced in this period. Although there was an increase in number of staff as more workers were hired to cope with contract requirements, the Group still managed to reduce the staff costs by approximately HK\$8.6 million. The net profit of last year included the net gain on dissolution of subsidiaries of approximately HK\$6.8 million and the provision of amounts due from former subsidiaries of HK\$2.2 million.

As at 30 September 2004, the Group's uncompleted contracts on hand was approximately HK\$755 million (as at 31 March 2004: HK\$698 million).

Liquidity and Financial Resources

The Group's cash and bank balances were approximately HK\$40 million as at 30 September 2004 (as at 31 March 2004: HK\$36.9 million). The total bank borrowings were approximately HK\$42.7 million as at 30 September 2004, an increase of approximately HK\$12.4 million as compared to that of 31 March 2004. The increase in the Group's total bank borrowings was mainly due to funding requirements for operations and working capital. The total bank borrowings comprised bank overdraft, installment loans and trust receipt loans at various interest rates.

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The gearing ratio, as measured by the total bank borrowings over shareholders' equity, was approximately 49% as at 30 September 2004 (as at 31 March 2004: 30%).

As the Group's transactions are mostly settled in Hong Kong dollars, the use of financial instruments for hedging purposes is not considered necessary.

Treasury and Funding Policies

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 2004, certain of the Group's leasehold land and properties with a net book value of HK\$15.9 million (as at 31 March 2004: HK\$16.1 million) and bank time deposits of HK\$26.8 million (as at 31 March 2004: HK\$26.8 million) were pledged to secure general banking facilities granted to the Group.

Employees and Remuneration Policies

The Group employed approximately 250 employees as at 30 September 2004. There were no significant changes in the remuneration policies and benefits to the employees of the Group.

Investments and Others

As at 30 September 2004, the Group's long term investments comprising one listed securities and four unlisted securities were in carrying amount of approximately HK\$2.6 million (as at 31 March 2004: HK\$3.6 million) after a further provision for impairment in value of approximately HK\$1 million made during the period (2003: HK\$1.6 million).

As at 30 September 2004, the Group had no plan for any material investments or capital assets.

Contingent Liability

As at 30 September 2004, the Group did not have any significant contingent liability (as at 31 March 2004: Nil).

Business Prospect

The local economy continues to show improvement with a 7.2% growth in GDP in the 3rd quarter of 2004. However, the improved economy is felt only in limited sectors while the building services industry sees little benefit. There are no changes in the public housing policies and the actual construction of private residential units dropped dramatically to the lowest since 1997. Under these circumstances, the Group continues to face fierce competition in the building services industry with low profit margin in both the government and private sectors.

The Group will continue to concentrate its core building services business in Hong Kong and explore new business opportunities in the Greater China with its expertise as a building services contractor based in Hong Kong and competitive advantage in this specialist trade. Despite of the adverse market conditions, the 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 shares by the Company or any of its subsidiaries during the period.

AUDIT COMMITTEE

The members of the audit committee of the Company comprise Dr. Chan Chok Ki, Mr. Ho Hin Kwan, Edmund and Mr. Yu Hon To, David, the independent non-executive directors of the Company.

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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 Group's unaudited interim results for the six months ended 30 September 2004.

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 six months ended 30 September 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the independent non-executive directors are not appointed for a specific term but they are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's Bye-laws.

ACKNOWLEDGMENT

On behalf of the Board, I would like to thank Dr. Wong Sai Wing, James, who resigned as chairman and director of the Company during the period, for his valuable direction and contribution to the Group during his chairmanship of the Company since 1995.

PUBLICATION OF FINANCIAL INFORMATION

All the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules in force prior to 31 March 2004, which remain applicable to results announcement in respect of accounting periods commencing before 1 July 2004 under the transitional arrangements, will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

On behalf of the Board
Chan Yuen Keung, Zuric
Chairman

Hong Kong, 15 December 2004

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

As at the date of this announcement, the Board 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 are 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 published version of this announcement in The Standard dated 16 December 2004.