



SHUN CHEONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 650)

ANNOUNCEMENT OF AUDITED FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2005

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 2005 together with comparative figures for the last year are as follows:

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
TURNOVER	2	550,031	734,189
Cost of installation and cost of sales		(526,450)	(633,591)
Gross profit		23,581	100,598
Other revenue and gains		2,016	1,809
Administrative expenses		(57,245)	(77,943)
Unrealised holding losses on long term investments		(654)	(8,863)
Provision for amounts due from former subsidiaries		–	(2,179)
Gain on dissolution of discontinued operations		–	4,105
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	3	(32,302)	17,527
Finance costs	4	(1,524)	(1,877)
PROFIT/(LOSS) BEFORE TAX		(33,826)	15,650
Tax	5	(741)	(4,418)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(34,567)	11,232
Minority interests		838	(9,427)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(33,729)	1,805
EARNINGS/(LOSS) PER SHARE	6		(Restated)
Basic		(29.09) cents	1.56 cents

Notes:

1. Impact of recently issued Hong Kong Financial Reporting Standards

The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

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 and project management		Trading of electrical and mechanical engineering materials and equipment		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)						
Segment revenue:								
Sales to external customers	525,850	706,819	24,181	27,370	-	-	550,031	734,189
Inter-segment sales	-	-	1,963	9,951	(1,963)	(9,951)	-	-
Total revenue	<u>525,850</u>	<u>706,819</u>	<u>26,144</u>	<u>37,321</u>	<u>(1,963)</u>	<u>(9,951)</u>	<u>550,031</u>	<u>734,189</u>
Segment results	<u>(28,658)</u>	<u>25,362</u>	<u>(5,035)</u>	<u>(2,707)</u>	<u>-</u>	<u>-</u>	<u>(33,693)</u>	<u>22,655</u>
Interest income and unallocated gains							2,045	1,809
Unrealised holding losses on long term investments							(654)	(8,863)
Provision for amounts due from former subsidiaries							-	(2,179)
Gain on dissolution of discontinued operations							-	4,105
Finance costs							<u>(1,524)</u>	<u>(1,877)</u>
Profit/(loss) before tax							<u>(33,826)</u>	15,650
Tax							<u>(741)</u>	<u>(4,418)</u>
Profit/(loss) before minority interests							<u>(34,567)</u>	11,232
Minority interests							<u>838</u>	<u>(9,427)</u>
Net profit/(loss) from ordinary activities attributable to shareholders							<u><u>(33,729)</u></u>	<u><u>1,805</u></u>

b. *Geographical segments*

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

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

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Cost of inventories sold	17,332	24,583
Cost of installation	509,118	609,008
	526,450	633,591
Depreciation	1,749	2,539
Minimum lease payments under operating leases in respect of land and buildings	1,095	1,425
Auditors' remuneration	800	800
Staff costs (including directors' remuneration)	43,133	65,954
Provision for doubtful debts	1,531	109
(Gain)/loss on dissolution of subsidiaries	(313)	33
Gain on dissolution of an associate	(199)	–
Recovery of previously provided doubtful debts	(134)	(392)
(Gain)/loss on disposals of fixed assets	(29)	7
Bank interest income	(87)	(203)

4. **Finance costs**

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans wholly repayable within five years	1,041	1,110
Interest on finance leases	43	51
Bank charges	440	716
	1,524	1,877

5. **Tax**

The Company is exempted from tax in Bermuda until 2016.

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in or derived from Hong Kong during the year.

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	812	4,590
Under/(over) provision in prior years	50	(66)
Deferred taxation	(121)	(106)
Total tax charge for the year	741	4,418

6. Earnings/(loss) per share

The calculation of earnings/(loss) per share were based on the net loss attributable to shareholders of HK\$33,729,000 (2004: net profit of HK\$1,805,000) and 115,930,400 (2004 restated: 115,930,400) ordinary shares in issue during the year. The earnings per share for the year ended 31 March 2004 has been restated to reflect the reduction in number of ordinary shares in issue as a result of the Capital Reorganisation (as defined in the Company's circular to shareholders dated 24 August 2004) on 16 September 2004.

Diluted earnings/(loss) per share for the years ended 31 March 2005 and 2004 had not been presented as no diluting events existed during the two years.

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 share 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.

DIVIDEND

The Board does not propose any final dividend in respect of the year ended 31 March 2005 (2004: Nil).

BUSINESS REVIEW

The Group's turnover for this year was approximately HK\$550 million (2004: HK\$734 million) which represented a decrease of 25% over the prior year. Gross profit decreased to approximately HK\$23.6 million (2004: HK\$100.6 million) which was mainly due to the decrease in turnover of building maintenance works. The net loss of the year was approximately HK\$33.7 million (2004: net profit of HK\$1.8 million) which was mainly attributable to the lower gross profit and the unrealised holding losses on long term investments of approximately HK\$0.7 million (2004: HK\$8.9 million). While the number of staff increased as a result of more workers were hired to meet contract requirements, the Group managed to reduce the total staff costs by approximately HK\$12.4 million. Last year's net profit also included a gain on dissolution of discontinued operations of approximately HK\$4.1 million and a provision for amounts due from former subsidiaries of approximately HK\$2.2 million.

The significant slowdown in housing development in both public and private sectors continued during the year, which led to the limited availability of building services projects. As a result, the Group continued to face fierce competition amongst eligible contractors which led to the decrease in both turnover and gross profit. As at 31 March 2005, the Group had uncompleted contracts on hand of approximately HK\$718 million (2004: approximately HK\$698 million).

BUSINESS PROSPECTS

The local economy continues to show improvement while the GDP in the first quarter of 2005 showed a 6% growth. However, with limited construction works in both private sector and public sector in Hong Kong, the pricing of building services contracts is still under pressure. On the other hand, the development of entertainment business and tourism in Macau will provide business opportunities for Hong Kong construction companies for the next few years.

The Group will concentrate on its core building services business in Hong Kong and explore new business opportunities in Macau with its expertise as a building services contractor based in Hong Kong and competitive advantage in this specialist trade. The Group has recently been awarded a contract for the electrical installation for the Grand Lisboa Hotel and Casino at Macau amounted to approximately HK\$130 million. Despite the adverse market conditions in Hong Kong, the directors remain optimistic of the Group's business 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\$35.1 million as at 31 March 2005 (2004: HK\$36.9 million), which included pledged bank deposits of HK\$26.8 million (2004: HK\$26.8 million). The total bank borrowings were approximately HK\$46.9 million as at 31 March 2005 (2004: HK\$30.3 million), an increase of approximately HK\$16.6 million over last year. The increase in bank borrowings was mainly due to fund required for the Group's working capital. The total bank borrowings substantially comprised bank overdrafts and trust receipt loans at various interest rates. As at 31 March 2005, the gearing ratio, which represented total bank borrowings to shareholders' fund, was approximately 71% (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 POLICY

The assets and liabilities of the Group are mainly denominated either in Hong Kong dollars 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 2005, certain of the Group's leasehold land and properties with net book value of HK\$15.7 million (2004: 16.1 million) and bank deposits of HK\$26.8 million (2004: HK\$26.8 million) were pledged to secure general banking facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICY

The Group employed approximately 260 employees as at 31 March 2005 (2004: 230).

Remuneration is determined by reference to market terms and the qualifications and 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 subsidies to all eligible staff.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 March 2005 (2004: Nil).

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with the requirements of Rule 3.21 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls.

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

PURCHASE, SALES OR REDEMPTION OF LISTED SHARES OF THE COMPANY

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 (the "Code") as set out in Appendix 14 of the Listing Rules, which was in force prior to 1 January 2005, throughout the accounting period covered by the annual report, except that the independent non-executive directors are not appointed for specific terms as required by paragraph 7 of the Code, but they are subject to retirement by rotation in accordance with the Company's Bye-laws.

ACKNOWLEDGMENT

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

PUBLICATION OF DETAILED ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraphs 45(1) to 45(3) of Appendix 16 of 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.

By order of the Board
Chan Yuen Keung, Zuric
Chairman

Hong Kong, 14 July 2005

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

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

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