SHUN CHEONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 650)

ANNOUNCEMENT OF AUDITED FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2006

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 2006 together with comparative figures for the last year are as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**Year Ended 31 March 2006**	2005 (Restated)
		HK$'000	*HK$'000*
CONTINUING OPERATION			
TURNOVER	*2*	**195,871**	123,780
Cost of maintenance		**(174,355)**	(116,077)
Gross profit		**21,516**	7,703
Other revenue and gains		**3**	514
Administrative expenses		**(19,879)**	(21,461)
Other operating income and expenses, net		**(404)**	(89)
Finance costs	*3*	**(1,216)**	(995)
Loss on disposal of subsidiaries		**(2,818)**	–
LOSS BEFORE TAX	*4*	**(2,798)**	(14,328)
Tax	*5*	**(114)**	(53)
Loss for the year from a continuing operation		**(2,912)**	(14,381)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	*6*	**(8,411)**	(20,186)
LOSS FOR THE YEAR		**(11,323)**	(34,567)
Attributable to:			
Equity holders of the parent		**(11,102)**	(33,729)
Minority interests		**(221)**	(838)
		(11,323)	(34,567)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	*7*		
Basic			
– From continuing and discontinued operations		**(9.58) cents**	(29.09) cents
– From a continuing operation		**(2.64) cents**	(11.44) cents

CONSOLIDATED BALANCE SHEET

	As at 31 March	
	2006	2005
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**2,742**	19,093
Long term investments	**–**	3,014
Total non-current assets	**2,742**	22,107
CURRENT ASSETS		
Gross amount due from contract customers	**28,011**	90,500
Inventories	**–**	395
Trade and other receivables	**55,453**	175,244
Retention money receivables	**1,352**	22,505
Prepayments, deposits and other assets	**266**	604
Tax recoverable	**–**	4,693
Pledged time deposits	**–**	26,800
Cash and cash equivalents	**37,088**	8,261
Total current assets	**122,170**	329,002
CURRENT LIABILITIES		
Gross amount due to contract customers	**12,833**	91,745
Trade payables	**21,279**	33,576
Bills payables	**–**	3,263
Retention money payables	**1,552**	24,623
Other payables and accruals	**23,282**	59,102
Due to related companies	**9,294**	–
Tax payable	**134**	357
Interest-bearing bank loans and overdrafts	**–**	46,886
Total current liabilities	**68,374**	259,552
NET CURRENT ASSETS	**53,796**	69,450
TOTAL ASSETS LESS CURRENT LIABILITIES	**56,538**	91,557
NON-CURRENT LIABILITIES		
Loan from a minority shareholder of a subsidiary	**–**	6,900
Deferred tax liabilities	**–**	26
Total non-current liabilities	**–**	6,926
Net assets	**56,538**	84,631
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**1,159**	1,159
Reserves	**54,153**	65,255
	55,312	66,414
Minority interests	**1,226**	18,217
Total equity	**56,538**	84,631

NOTES:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of the HKASs 2, 7, 8, 10, 11, 12, 14, 16, 17, 18, 19, 21, 23, 27, 33, 36, 37, HKFRS 3 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in Group's and the Company's financial statements.

The impact of adopting the other HKFRSs to the current year's financial statements is summarised as follows:

(a) HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures.

(b) HKAS 24 has expanded the definition of related parties and affected the Group's related-party disclosures.

(c) The impact of the adoption of HKAS 32 and HKAS 39 is summarised as follows:

In prior years, the Group classified its investments in equity securities as long term investments. Those investments which were intended to be held on a long term basis and for non-trading purposes were stated at their fair values on an individual basis with gains and losses recognised in the income statement. Upon the adoption of HKAS 39, these non-trading securities held by the Group at 1 April 2005 in the amount of HK$2,500,000 are designated as available-for-sale investments under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised as a separate component of equity until subsequent derecognition or impairment. The remaining equity securities held by the Group at 1 April 2005 in the amount of HK$514,000 were designated as financial assets at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised in the income statement.

The adoption of HKAS 39 has not resulted in any change in the measurement of these equity securities.

(d) HKFRS 5 has been applied prospectively in accordance with the transitional provisions of HKFRS 5, which has resulted in a change in accounting policy on the recognition of a discontinued operation. Under the previous SSAP 33 "Discontinuing Operations", the Group would recognize a discontinued operation at the earlier of the date the Group enters into a binding sale agreement and the date the board of directors have approved and announced a formal disposal plan. HKFRS 5 requires a component of the Group to be classified as discontinued when the criteria to be classified as held for sale have been met or it has been disposed of. An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. The principal impact of this change in accounting policy is that a discontinued operation is recognised by the Group at a later point than it would be under SSAP 33 due to the stricter criteria in HKFRS 5.

2. SEGMENT INFORMATION

(a) *Business segments*

The Group is principally engaged in the building services contracting business and project management and the trading of electrical and mechanical engineering materials and equipment. An analysis of the Group's revenue and results by business segments is as follows:

	Continuing Operation		Discontinued Operations											
	Building related maintenance services		Building services contracting business and project management		Trading of electrical and mechanical engineering materials and equipment		Eliminations		Total		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***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	**195,871**	123,780	**372,529**	481,393	**44,764**	26,144	**(5,564)**	(1,963)	**411,729**	505,574	**(98,687)**	(79,323)	**508,913**	550,031
Segment results:	**538**	(13,829)	**(6,573)**	(15,219)	**(712)**	(5,085)	**–**	–	**(7,285)**	(20,304)	**–**	–	**(6,747)**	(34,133)
Interest income and unallocated gains	**3**	514							**1,489**	1,502	**–**	–	**1,492**	2,016
Impairment loss of available-for-sale financial assets	**–**	–	**(2,160)**	–	**–**	–	**–**	–	**(2,160)**	–	**–**	–	**(2,160)**	–
Fair value gain on equity investments at fair value through profit or loss	**–**	–	**50**	–	**–**	–	**–**	–	**50**	–	**–**	–	**50**	–
Unrealizsd holding losses on long term investments, net	**–**	–	**–**	(654)	**–**	–	**–**	–	**–**	(654)	**–**	–	**–**	(654)
Gain/(loss) on disposal of property, plant and equipment	**695**	(18)	**12**	47	**(14)**	–	**–**	–	**(2)**	47	**–**	–	**693**	29
Finance costs	**(1,216)**	(995)							**(450)**	(89)	**–**	–	**(1,666)**	(1,084)
Loss on disposal of subsidiaries	**(2,818)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(2,818)**	–
Loss before tax	**(2,798)**	(14,328)							**(8,358)**	(19,498)			**(11,156)**	(33,826)
Tax	**(114)**	(53)							**(53)**	(688)	**–**	–	**(167)**	(741)
Loss for the year	**(2,912)**	(14,381)							**(8,411)**	(20,186)	**–**	–	**(11,323)**	(34,567)

(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. FINANCE COSTS

	Continuing Operation		Discontinued Operations		Total	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**1,216**	995	**450**	46	**1,666**	1,041
Interest on finance leases	**–**	–	**–**	43	**–**	43
	1,216	995	**450**	89	**1,666**	1,084

No interest was capitalised by the Group in both periods.

4. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting) the following:

	Continuing Operation		Discontinued Operations		Eliminations		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cost of inventories sold	**–**	–	**395**	17,332	**–**	–	**395**	17,332
Cost of maintenance and installation	**174,355**	116,077	**387,935**	472,364	**(98,687)**	(79,323)	**463,603**	509,118
	174,355	116,077	**388,330**	489,696	**(98,687)**	(79,323)	**463,998**	526,450
Depreciation	**496**	911	**552**	838	**–**	–	**1,048**	1,749
Minimum lease payments under operating leases in respect of land and buildings	**478**	476	**559**	619	**–**	–	**1,037**	1,095
Auditors' remuneration	**326**	348	**495**	452	**–**	–	**821**	800
Employee benefits expenses (including directors' remuneration)	**15,343**	16,555	**20,908**	26,578	**–**	–	**36,251**	43,133
Provision for bad and doubtful debts	**1,099**	71	**2,026**	1,460	**–**	–	**3,125**	1,531
Recovery of doubtful debts	**–**	–	**–**	(134)	**–**	–	**–**	(134)
Loss/(gain) on disposals of property, plant and equipment	**(695)**	18	**2**	(47)	**–**	–	**(693)**	(29)
Fair value gain on equity investments at fair value through profit or loss	**–**	–	**(50)**	–	**–**	–	**(50)**	–
Impairment loss of available-for-sale investments	**–**	–	**2,160**	–	**–**	–	**2,160**	–
Unrealised holding loss on long term investments	**–**	–	**–**	654	**–**	–	**–**	654
Interest income	**(3)**	(327)	**(957)**	(990)	**–**	–	**(960)**	(1,317)

5. TAX

	Continuing operations		Discontinued operations		Total	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Current – Hong Kong						
Charge for the year	**114**	19	**53**	793	**167**	812
Under/(over) provision in prior years	**–**	53	**–**	(3)	**–**	50
Deferred	**–**	(19)	**–**	(102)	**–**	(121)
Total tax charge for the year	**114**	53	**53**	688	**167**	741

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 17.5% (2005:17.5%) on the estimated assessable profits arising in or derived from Hong Kong during the year.

6. DISCONTINUED OPERATIONS

In March 2006, the Group disposed of those subsidiaries engaging in the building services contracting business under a sale and purchase agreement (the "Disposal Agreement") entered into between the Company and Chinney Alliance Trading (BVI) Limited ("CAT"), a wholly-owned subsidiary of Chinney Alliance Group Limited ("CAG"), a then substantial shareholder of the Company, whereby the entire issued share capital of its then wholly-owned subsidiary, Shun Cheong Investments Limited ("SCI") (the "Disposal) was sold for a cash consideration of HK$35,000,000. The Disposal was completed on 31 March 2006 after the following conditions were satisfied:

(i) a corporate restructuring ("Corporate Restructuring") was undertaken such that SCI became the holding company of a group of companies engaged in the building services contracting business and project management and trading of electrical and mechanical engineering materials and equipment (the "Contracting Group");

(ii) an aggregate amount of approximately HK$18,053,000 due by the Contracting Group to the Group was waived (the "Waiver") and was taken into account in arriving the net assets of the Contracting Group on disposal;

(iii) the Disposal was approved by the Company's shareholders at a special general meeting which was held on 27 March 2006;

(iv) the Disposal was approved by the shareholders of CAG at a special general meeting which was held on 27 March 2006; and

(v) the execution of a deed of indemnity by CAG in favour of the Company (the "Deed of Indemnity") pursuant to which CAG guarantees and indemnifies unconditionally and irrevocably all liabilities and obligations of the Company under the corporate guarantees provided by the Company to banks for general banking facilities granted to certain subsidiaries of the Contracting Group, as well as the liabilities of CAT for warranties provided by CAT. The Deed of Indemnity was executed by CAG on 31 March 2006.

The results attributable to the discontinued operations for the year are presented below:

	2006	2005
	HK$'000	*HK$'000*
Turnover	**411,729**	505,574
Cost of installation and cost of sales #	**(388,330)**	(489,696)
Gross profit	**23,399**	15,878
Other revenue and gains	**1,489**	1,502
Administrative expenses	**(28,658)**	(34,856)
Other operating income and expenses, net	**(4,138)**	(1,933)
Finance costs	**(450)**	(89)
Loss before tax	**(8,358)**	(19,498)
Tax	**(53)**	(688)
Loss for the year from the discontinued operations	**(8,411)**	(20,186)
Minority interests	**366**	(281)
Loss for the year attributable to the equity holders of the parent	**(8,045)**	(20,467)

The Contracting Group's cost of installation and cost of sales included approximately HK$98,687,000 (2005: HK$79,323,000) for building related maintenance services rendered by certain subsidiaries within the continuing operation during the year. As set out in Note 2(a) above, such costs would be eliminated on consolidation.

The net cash flows attributable to the discontinued operations are as follows:

	2006	2005
	HK$'000	*HK$'000*
Net cash inflow/(outflow) from operating activities	**21,976**	(4,497)
Net cash inflow/(outflow) from investing activities	**(591)**	1,291
Net cash inflow from financing activities	**(12,512)**	(10,468)
Net cash inflow/(outflow)	**8,873**	(13,674)

7. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

	2006	2005
		(Restated)
	HK$'000	*HK$'000*
Loss		
Loss attributable to equity holders of the parent		
From a continuing operation	**(3,057)**	(13,262)
From discontinued operations	**(8,045)**	(20,467)
Loss attributable to equity holders of the parent	**(11,102)**	(33,729)

	Number of Shares	
	2006	2005
Shares		
Weighted average shares in issue during the year	**115,930,400**	115,930,400

Diluted loss per share amounts for the years ended 31 March 2006 and 2005 have not been presented as no diluting events existed during both years.

8. COMPARATIVE AMOUNTS

As explained in note 1, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the consolidated financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

FINAL DIVIDEND

The Board does not propose any dividend in respect of the year ended 31 March 2006 (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded turnover of HK$195.9 million for the year ended 31 March 2006 (2005: HK$123.8 million) and loss for the year of HK$11.3 million (2005: HK$34.6 million).

The Group disposed of the Contracting Group to CAG, which was a then 29.93% shareholder of the Company. For the purposes of disclosure in the financial statements, the businesses of the Contracting Group were regarded as discontinued operations. The disposal was approved by the independent shareholders of the Company on 27 March 2006 and was completed on 31 March 2006. After the disposal, the business operations of the Group were basically building related maintenance services (the "Maintenance Services"). Due to the adoption of new and revised accounting standards issued by the Hong Kong Institute of Certified Public Accountants, the net result of the discontinued operations is presented separately in the consolidated income statement for the current year and the consolidated income statement for the previous year is restated accordingly to conform with current year's presentation. Consolidated turnover of HK$195.9 million for the year ended 31 March 2006 was entirely attributable to the Maintenance Services, showing a 58.2% increase from HK$123.8 million for the previous year. Gross profit grew almost 2.8 times to HK$21.5 million from HK$7.7 million. The increase in business volume and gross profit was primarily attributable to the increase in work orders received from the Hong Kong Government and the Housing Authority under the 3-year term maintenance contracts previously awarded. The Maintenance Services, however showed a loss of HK$2.9 million for the year (2005: HK$14.4 million), which was due to the inclusion of a loss of HK$2.8 million arising from disposal of the Contracting Group. If this loss was excluded, the Maintenance Services would have shown a small loss of HK$0.1 million for the year, a considerable improvement from the previous year.

BUSINESS PROSPECTS

The Hong Kong economy sustained its strong upturn in the first quarter of 2006, with GDP leaping by 8.2% in real terms on a year-on-year basis, which was mainly attributable to external trade and consumer spending. The performance of the construction sector remained weak. After the disposal of the Contracting Group, the Group concentrates on building related maintenance business which is by nature less susceptible to property development cycles of Hong Kong and has lower capital outlay comparing the business carrying out by the Contracting Group. Your directors remain cautiously optimistic on the performance of the maintenance business in the coming year.

EVENTS AFTER BALANCE SHEET DATE

On 12 April 2006, the Board was informed by CAG, that it had disposed 32,000,000 shares of the Company (represented approximately 27.60% of the issued share capital of the Company) to Upsky Enterprises Limited ("Upsky"), a company wholly and beneficially owned by Mr. Mo Tian Quan and both Mr. Mo Tian Quan and Ms. Cao Jing are directors.

On 8 May 2006, the Board received a notification from Upsky (as the offeror) setting out the terms of a voluntary conditional cash offer to acquire all the issued shares of the Company (other than those owned by Upsky and parties acting in concert with it) at a price of HK$0.30 per share (the "Offer"). On 3 July 2006, the Offer was declared unconditional. On 17 July 2006, the Offer closed and Upsky received the valid acceptances in respect of 38,178,249 shares of the Company under the Offer. As a result, Upsky owns 70,178,249 shares of the Company, representing approximately 60.53% of the issued share capital of the Company as at the date hereof and becomes the ultimate holding company of the Company.

Subsequent to the balance sheet date, the corporate guarantees provided by the Company to banks amounted to HK$75 million for general banking facilities granted to certain subsidiaries of the Contracting Group were released and cancelled before 30 June 2006. Please also refer to sub-section headed "Contingent Liability" under "Financial Review" below.

FINANCIAL REVIEW

Liquidity and financial resources

The Group's cash and bank balances are mostly in Hong Kong dollar. As at 31 March 2006, the Group had unpledged cash and bank deposit balances of approximately HK$37.1 million (2005: HK$8.3 million). The increase in the unpledged cash and bank deposit was mainly due to the cash consideration of HK$35 million received upon the completion of the disposal of the Contracting Group on 31 March 2006. Last year, the Group had pledged deposits of HK$26.8 million. As at 31 March 2006, the Group had no outstanding bank borrowings (2005: HK$46.9 million). The decrease in bank borrowings and pledged bank deposits was mainly due to the disposal of the Contracting Group. The gearing ratio, which represented the total bank borrowings to the equity attributable to equity holders of the parent, was nil (2005: 71%). As the Group's transactions are mostly settled in Hong Kong dollar, the use of financial instruments for hedging purposes is not considered necessary.

Funding and treasury policy

The assets and liabilities of the Group are mainly denominated in Hong Kong dollar. 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.

Pledge of assets

The Group did not have any pledge of assets as at 31 March 2006. As at 31 March 2005, certain of the Group's leasehold land and properties with a net book value of HK15.7 million and bank deposits of HK$26.8 million were pledged to secure general banking facilities granted to the Group.

Contingent liability

As at 31 March 2006, the Group had contingent liabilities of approximately HK$39,442,000 in respect of corporate guarantees provided by the Company to banks for general banking facilities granted to certain subsidiaries of the Contracting Group to the extent of banking facilities utilised. Pursuant to the Deed of Indemnity, CAG guarantees and indemnifies unconditionally and irrevocably all liabilities and obligations of the Company under such corporate guarantees. Subsequent to the balance sheet date, all such corporate guarantees provided by the Company were released and cancelled.

In respect of the disposal of the Contracting Group, the Company has made certain representations, warranties and undertakings to CAT (as purchaser) under the Disposal Agreement ("Warranties"). CAT may claim the Company for breach of any of the Warranties up to a maximum amount of HK$10,000,000 until 31 March 2007, being 12 months from the date of completion of the Disposal Agreement. Up to the date of this announcement, the Company did not receive any claims from CAT in respect of the Warranties.

Employees and remuneration policies

The Group employed approximately 150 staff in Hong Kong as at 31 March 2006. 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 subsidiaries to all eligible staff.

CORPORATE GOVERNANCE

Model Code for Securities Transactions By Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). On specific enquiries made, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2006.

Compliance with the Code on Corporate Governance Practices

In the opinion of the directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code"), as set out in Appendix 14 of the Listing Rules during the year ended 31 March 2006, except that:

1. CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election.

   All the existing non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

2. CG Code provision A.4.2 stipulates that (a) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment; and (b) every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

   According to the provisions of the Company's Bye-laws, at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to one-third) shall retire from office by rotation provided that the Executive Chairman and/or the Managing Director of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

   The Board will ensure the retirement of each director, other than those hold office as Executive Chairman and/or the Managing Director, by rotation at least once every three years in order to comply with the CG Code. The Board presently considered that the continuity of office of the Executive Chairman and the Managing Director provides the Group a strong and consistent leadership and is of great importance to the smooth operations of the Group.

3. CG Code provision B.1.3 stipulates that the terms of reference of the Remuneration Committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company has adopted the terms of reference for the Company's Remuneration Committee on 21 December 2005, which was subsequently amended. Under the terms of reference for the Remuneration Committee, it is stipulated that the Remuneration Committee has the duty to "review" as opposed to "determine" the specific remuneration packages of executive directors and senior management.

   The remuneration of the executive directors and senior management of the Company is determined by the Board and the Chairman of the Board respectively, taking reference to market pay and individual performance. This policy has been in place prior to the establishment of the Remuneration Committee. There have been no changes to the remuneration packages of the executive directors and senior management of the Company during the year. Meetings of the Remuneration Committee have been held to review the remuneration of the executive directors and senior management of the Company individually.

The Company has only two independent non-executive directors after the resignation of Dr. Chan Chok Ki on 2 May 2006. Rule 3.10(1) of the Listing Rules requires that every board of directors of a listed issuer must include at least three independent non-executive directors. The Board is in the process of locating a replacement independent non-executive director. Pursuant to Rule 3.11 of the Listing Rules, the Board shall appoint a sufficient number of independent non-executive directors within three months from the effective date of the resignation of Dr. Chan of 2 May 2006 to meet the minimum number required under Rule 3.10(1) of the Listing Rules. The Board is in the process to locate a replacement independent non-executive director.

Full details on the subject of corporate governance are set out in the Company's 2006 Annual Report.

Audit Committee

Regular meetings have been held by the audit committee of the Company since establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The audit committee has reviewed with management and the external auditors the final results of the Group for the year ended 31 March 2006.

Dr. Chan Chok Ki ceased to be a member of the audit committee upon his resignation as a director of the Company on 2 May 2006 and the audit committee has two members only since then and up to the date of this announcement. Rule 3.21 of the Listing Rules requires that the audit committee must comprise a minimum of three members of non-executive directors. The Board is aware of the non-compliance of Rule 3.21 of the Listing Rules. Since the Board comprises of six executive directors and two independent non-executive directors, the vacancy of the audit committee could only be filled upon the appointment of the replacement independent non-executive director.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES
During the year, neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares.

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

Hong Kong, 18 July 2006

At the date of this announcement, the Board comprises eight directors, of which six are executive directors, namely Mr. Chan Yuen Keung, Zuric, Mr. Mo Tian Quan, Ms. Cao Jing, Mr. Hong Yiu, Mr. Yu Sek Kee Stephen and Mr. Au Yu Fai, Patrick; and two independent non-executive directors, namely Mr. Ho Hin Kwan, Edmund and Mr. Yu Hon To, David.

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