

The Board of Directors of Shun Cheong Holdings Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30th September, 1999 as follows:

INTERIM RESULTS (UNAUDITED)

| | | Six months ended 30th September, | |
|--|-------|-------------------------------------|-------------------|
| | Notes | 1999 HK\$'000 | 1998 HK\$'000 |
| Turnover | 1 | <u>273,822</u> | <u>237,555</u> |
| Operating profit | | 16,079 | 11,557 |
| Share of loss of associated company | | <u>(4)</u> | <u>(4)</u> |
| Profit before taxation | | 16,075 | 11,553 |
| Taxation | 2 | <u>(2,493)</u> | <u>(1,347)</u> |
| Profit after taxation | | 13,582 | 10,206 |
| Minority interests | | <u>(41)</u> | <u>114</u> |
| Profit attributable to shareholders | | <u>13,541</u> | <u>10,320</u> |
| Earnings per share | 3 | | |
| Basic | | <u>4.14 cents</u> | <u>3.17 cents</u> |
| Diluted | | <u>4.11 cents</u> | <u>N/A</u> |

Notes:

(1) Turnover

Turnover comprises (i) the value of revenue certified under long-term installation contracts, (ii) the entire billings of maintenance work orders completed during the period, and (iii) the value of sales of goods in the normal course of business.

(2) Taxation

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 16% (1998: 16%) on the estimated assessable profits arising in or derived from Hong Kong. Deferred taxation is provided under the liability method, at the current tax rate, in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements, except where it is considered that no liability will arise in the foreseeable future. A deferred tax asset is not recognised unless the related benefits are expected to be crystallized in the foreseeable future.

Taxation charges comprise:

| | Six months ended 30th September, | |
|--|-------------------------------------|------------------|
| | 1999 HK\$'000 | 1998 HK\$'000 |
| Company and subsidiaries | | |
| Hong Kong profits tax | | |
| – Current period | 2,195 | 1,347 |
| Deferred taxation | 298 | — |
| Share of taxation of associated company | <u>—</u> | <u>—</u> |
| | <u>2,493</u> | <u>1,347</u> |

(3) Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

| | Six months ended 30th September, | |
|---|---|---------------------------|
| | 1999 | 1998 |
| | HK\$'000 | HK\$'000 |
| Earnings | | |
| Earnings for the purposes of basic and diluted earnings per share | <u>13,541</u> | <u>10,320</u> |
| Number of shares | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per shares | 326,798,267 | 325,041,600 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | <u>2,784,490</u> | <u>—</u> |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | <u>329,582,757</u> | <u>325,041,600</u> |

REVIEW OF OPERATION AND BUSINESS PROSPECT

The Group's turnover for the six months ended 30th September, 1999 amounted to HK\$273,822,000 representing an increase of 15% over the same period last year. The unaudited consolidated profit attributable to shareholders for this period was HK\$13,541,000, an increase of 31%. Basic earnings per share were HK4.14 cents, an increase of 31% over the corresponding period last year.

As at 30th September, 1999, the Group's contracts on hand of which the aggregate uncompleted contract value was approximately HK\$780 million while that of as at 31st March, 1999 was approximately HK\$870 million. The major contracts that have been entered by the Group since 1st April, 1999 are:

- Water Supply and Fire Services Term Maintenance Contract (Kwai Chung & Tsing Yi Region) 1999/2002 for Housing Authority's Estates, Areas and Buildings.
- Water Supply and Fire Services Term Maintenance Contract (Wong Tai Sin Regions) 1999/2002 for Housing Authority's Estates, Areas and Buildings.
- Fire Services and Water Pump Installation for PSPS Development at Tseung Kwan O, Town Lot No. 62, Area 65A, Sai Kung.
- Electrical Installation for the Construction of Tin Shui Wai Area 110 Phase 4.
- Electrical Installation for the Construction of The Hong Kong Institute of Education Sport Centre at Pak Shek Kok, Tai Po.
- Provision of Airconditioning to Existing Provisional Urban Council Indoor Game Hall Phase 5 (Package A).
- Provision of Airconditioning to Existing Provisional Urban Council Indoor Game Hall Phase 5 (Package B).
- Chiller Replacement for stations at Quarry Bay (East), Admiralty, Diamond Hill and Yau Ma Tei for Mass Transit Railway Corporation.
- Security System Installation and Letter Boxes Improvement at Nam Shan and Tai Hang Tung Estate.
- Upgrading Security System for Tai Wo Hau, Kwai Fong and Cheung Fat Estate.
- Security Improvement Term Contract for Kwun Tong Region (Phase II).
- Electrical, Fire Services and HVAC Installation for Castle Peak Hospital Redevelopment Phase II State I.

Hong Kong has survived the worst of the Asian financial turmoil. Although recent published statistics showing the economy may be moving out of the cyclical trough, it is still far from reviving to an upswing trend. However, with the satisfactory results of the Government's resumed land sales, and the gradual restoration of the public's confidence in the property market, it is expected that ample opportunities will still be available in the electrical and mechanical industry during the coming year. However, competition within the industry will obviously be severe.

The Government's initiative for the development in hi-tech projects, the conclusion on constructing Hong Kong Disney Land, and China's entry into

the World Trade Organization are expected to provide a new direction for economic growth and lead Hong Kong's economy to a new milestone in the coming millennium. It is widely acknowledged that the 21st century will bring many opportunities for the high technology industry to flourish. While strengthening its core business, the Group is also exploring potential investment opportunities in other areas which could provide new source of the profit growth.

The Board remains confident that the Group will continue to perform profitably in the second half of 1999/2000.

INTERIM DIVIDEND

In order to retain fund for the Group's working capital, the directors do not recommend the payment of an interim dividend (1998: Nil).

DIRECTORS' AND SENIOR EXECUTIVES' INTERESTS IN SHARES AND SHARE OPTIONS

As at 30th September, 1999, the following directors and senior executive of the Company had or were deemed to have interests under the provisions of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") in the Company or any associated corporations thereof (within the meaning of the SDI Ordinance) as recorded in the register kept by the Company pursuant to Section 29 of the SDI Ordinance.

(i) Interests in shares of the Company

| Name | Capacity | Corporate | Personal | Total number of shares |
|----------------------------|--|----------------|------------|------------------------|
| Mr. Wong Sai Wing, James | Chairman | 82,840,000 (a) | — | 82,840,000 |
| Mr. Kwok Shun On | Director | 48,750,000 (b) | 5,554,000 | 54,304,000 |
| Mr. Chan Yuen Keung, Zuric | Director | — | 10,000,000 | 10,000,000 |
| Mr. Yu Wing Sang, Johnny | Director | — | 2,000,000 | 2,000,000 |
| Mr. Ou Ka Chi | Financial Controller and Company Secretary | — | 800,000 | 800,000 |

Notes:

- Chinney Investments, Limited (a company listed on The Stock Exchange of Hong Kong Limited ("SEHK")) of which Chinney Holdings Limited has beneficial interest, held 82,840,000 shares of the Company. Mr. Wong Sai Wing, James is a director of and has beneficial interest in Chinney Holdings Limited.
- New World Trading Limited, a company beneficially and wholly owned by Mr. Kwok Shun On, held 48,750,000 shares of the Company.

(ii) Interests in share options granted by the Company

The Company has a share option scheme under which the Company may grant options to executive directors and employees of the Group to subscribe for the shares in the Company. During the period, options to subscribe for 3,400,000 shares in the Company were granted to the directors and senior executive of the Company with the following details:

| Name | Date granted | Period during which options are exercisable | Price per share to be paid on exercise of options HK\$ | Number of shares to be issued upon exercise of options | Number of shares issued upon exercise of options during the six months ended 30th September, 1999 | Number of shares to be issued upon exercise of the remaining options | Date exercised | Market price per share on the date of options exercised HK\$ |
|---|--------------|---|---|--|---|--|----------------|---|
| Mr. Kwok Shun On (Director) | 27/4/1999 | 27/4/1999 - 26/4/2001 | 0.1785 | 2,000,000 | 2,000,000 | — | 18/5/1999 | 0.2900 |
| Mr. Au Shiu Wai, Frank (Director) | 27/4/1999 | 27/4/1999 - 26/4/2001 | 0.1785 | 800,000 | — | 800,000 | — | — |
| Mr. Ou Ka Chi (Financial Controller and Company Secretary) | 27/4/1999 | 27/4/1999 - 26/4/2001 | 0.1785 | 600,000 | — | 600,000 | — | — |

Save as disclosed above, none of the directors and senior executive, their spouses or children under the age of 18 had any right to subscribe for the shares of the Company, or had exercised any such right during the period.

Save as disclosed above, the Company has no notice of any interests to be recorded under Section 29 of the SDI Ordinance as at 30th September, 1999.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable any of the Company's directors and senior executive to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 1999, the following persons (other than directors or senior executive of the Company) had or were deemed to have interests in the Company under the provision of the SDI Ordinance as recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance.

| Name | Number of shares | Percentage of shareholdings |
|--|-------------------------|------------------------------------|
| Chinney Investments, Limited (<i>Note a</i>) | 82,840,000 | 25.21% |
| New World Trading Limited (<i>Note b</i>) | 48,750,000 | 14.83% |

Notes:

- Details of the shareholdings in Chinney Investments, Limited, a company listed on the SEHK, are set out in Note a of the Section "Directors' and senior executives' interests in shares and share options".
- New World Trading Limited is a company beneficially and wholly owned by Mr. Kwok Shun On.

Save as disclosed above, the Company has no notice of any interests to be recorded under Section 16(1) of the SDI Ordinance as at 30th September, 1999.

CODE OF BEST PRACTICE

None of the directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in the compliance with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited except that two independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at Annual General Meetings in accordance with the Company's Bye-law 99(A).

THE YEAR 2000 ISSUE

The Year 2000 problem is the result of computer programs being written using two digits rather than four to define the applicable year. Any computer programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a major system failure or miscalculations.

The Group has adopted the definition of Year 2000 compliance as promulgated by the British Standard Institute which, in simple term, means neither performance nor functionality is affected by dates prior to, during and after the year 2000.

System upgrade and modification works in relation to Year 2000 compliance were completed as scheduled in September 1999. It is anticipated that the Year 2000 issue will not cause any significant operational problems to the Group. Moreover, contingency plans have been formulated to deal with any unforeseen problems that may possibly arise during the millennium crossover.

The total costs of the plan for Year 2000 compliance is approximately HK\$750,000, mainly for the replacement of computer hardware and software with upgraded version. The costs would be recorded either as assets and amortized or as operating expenses according to the Group's underlying accounting policies. Further costs to be incurred for contingency planning is expected to be immaterial.

AUDIT COMMITTEE

In compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, the Company has established an Audit Committee comprising two independent non-executive directors and one executive director and has adopted the terms of reference governing the authority and duties of the Audit Committee. The present members of the Audit Committee are Messrs. James BLAKE and Bernard POULIOT, the independent non-executive directors, and Mr. YU Wing Sang Johnny, the executive director.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board
James Sai Wing Wong
Chairman

Hong Kong, 7th December, 1999

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