

SHC CAPITAL LIMITED (Company Registration No. 199305211H)

Full Year Financial Statement And Dividend Announcement for the Period Ended 31 December 2004

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),
HALF-YEAR AND FULL YEAR RESULTS**

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Profit & Loss Accounts

	<u>Notes</u>	<u>Group</u>	
		<u>2004</u> <u>S\$'000</u>	<u>2003</u> <u>S\$'000</u>
Gross insurance premiums	1	9,319	-
Reinsurance premiums ceded		(2,112)	-
Net insurance premiums written		<u>7,207</u>	<u>-</u>
Net reserve for unexpired risks at beginning of period		-	-
Net reserve for unexpired risks at end of period		<u>2,991</u>	<u>-</u>
Movement in net reserve for unexpired risks		<u>(2,991)</u>	<u>-</u>
Net earned premiums		4,216	-
Gross claims paid		4,009	-
Reinsurers' share of claims paid		12,530	-
Net claims paid		<u>16,539</u>	<u>-</u>
Net provision for outstanding claims at beginning of period		-	-
Net provision for outstanding claims at end of period		<u>(20,003)</u>	<u>-</u>
Movement in net provision for outstanding claims		<u>(20,003)</u>	<u>-</u>
Net claims incurred		(3,464)	-
Commission payable		(793)	-
Commission receivable		<u>262</u>	<u>-</u>
Net commission		<u>(531)</u>	<u>-</u>
Underwriting loss	1	221	-
Sales of goods/services	1	2,035	13,635
Other income	2	1,723	1,021
		<u>3,979</u>	<u>14,656</u>

Expenses			
Materials consumed & subcontractors' costs		(967)	(9,296)
Salary and employee benefits		(2,793)	(3,480)
Depreciation of fixed assets	2	(769)	(936)
Other operating expenses	2	(1,604)	(2,213)
Total expenses		<u>(6,133)</u>	<u>(15,925)</u>
Operating loss before exceptional items		(2,154)	(1,269)
Exceptional items	2	(704)	-
Operating loss before taxation		(2,858)	(1,269)
Finance costs	2	(80)	(393)
Share of profit of associated company		239	285
Amortisation of negative goodwill of associated company		-	566
Loss before taxation		<u>(2,699)</u>	<u>(811)</u>
Taxation	3	431	77
Loss before minority interest		(2,268)	(734)
Minority interest, net of taxes		32	(21)
Loss for the period		<u>(2,236)</u>	<u>(755)</u>

Notes to the Profit & Loss Accounts

1. Change of principal activities

The financial results of the group for the full year ended 31 December 2004 include the financial results of its engineering business up to 4 June 2004 and the newly acquired general insurance business from 5 June 2004 to 31 December 2004.

Pursuant to the shareholders' approval obtained at the EGM held on 26 November 2003 and the subsequent approvals obtained from the relevant authorities, SHC Capital Limited acquired the insurance business of The Nanyang Insurance Company Limited ("TNICL") (now known as SHC Investments Ltd) and divested its 30% shareholding in TNICL and its 68.97% shareholding in SHC Engineering Pte Ltd and its 100% shareholding in SHC International Pte Ltd on 4 June 2004. As a result of the said acquisition and divestments, the Company has divested its engineering business totally and transformed itself into a general insurance company with effect from 4 June 2004.

2. Revenues and expenses

Other income, salaries and employee benefits, other operating expenses, exceptional items and finance costs included the following for the full year ended 31 December:-

	Group	
	2004 S\$'000	2003 S\$'000
Other income:-		
Interest income	301	5
Rental of premises	1,065	962
Dividend income	29	-
Gain on sale of investments	307	-
Provision for stock obsolescence written back	70	-
Other operating expenses:-		
Depreciation of fixed assets	(769)	(936)
Amortisation of goodwill	(131)	(212)
Provision for assets impairment	(204)	(18)
Provision for diminution in value of investment write back	13	-
Bad debts written off	(12)	(2)
Provision for doubtful debts written back	-	284
Provision for stock obsolescence	-	(105)
Gain on disposal of fixed assets	225	14
Exception items		
Loss on disposal of investment in associated company	(1,125)	-
Gain on disposal of investment in subsidiary companies	421	-
Finance costs:-		
Interest expenses on bank loans	(80)	(373)
Interest expenses on others	-	(20)
3. Taxation		
Major components of income tax expense for the year ended 31 December were:-		
Current taxation	-	-
Deferred tax written back	506	(321)
(Underprovision)/overprovision of taxation in respect of prior year	(25)	21
Share of taxation of associated company	(50)	377

There were no extraordinary items during the year.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Balance Sheets

	Group		Company	
	2004 S\$'000	2003 S\$'000	2004 S\$'000	2003 S\$'000
Share capital & reserves				
Share capital	28,998	9,666	28,998	9,666
Share premium	14,860	14,860	14,860	14,860
Accumulated losses	(14,290)	(13,535)	(15,481)	(10,862)
Loss for period	(2,236)	(755)	(1,048)	(4,619)
	<u>27,332</u>	<u>10,236</u>	<u>27,329</u>	<u>9,045</u>
Minority interests	-	905	-	-
Total	<u>27,332</u>	<u>11,141</u>	<u>27,329</u>	<u>9,045</u>

Represented by:

Non-current assets

Goodwill	4,352	(2,264)	4,352	-
Fixed assets	20,696	12,258	20,696	7,036
Investment in associated company	-	13,238	-	9,746
Investment in subsidiary companies	-	-	-	1,279
Other investments	566	401	566	58
	<u>25,614</u>	<u>23,633</u>	<u>25,614</u>	<u>18,119</u>

Current assets

Fixed deposits	9,381	-	9,381	-
Cash and bank balances	3,717	1,173	3,717	52
Amount due from insurers, agents, brokers & reinsurers	2,029	-	2,029	-
Trade debtors	-	3,312	-	2
Other debtors, deposits and prepayments	966	833	966	707
Amount due from ultimate holding company	50	60	50	50
Amount due from related companies	441	205	441	109
Amount due from subsidiary company	-	-	1	206
Marketable securities (Note 1)	9,678	4	9,678	4
Stock	17	372	17	22
Project work-in-progress	-	614	-	-
Reinsurers' share of reserve for unexpired risks	1,172	-	1,172	-
Reinsurers' share of provision for outstanding claims	8,073	-	8,073	-
	<u>35,524</u>	<u>6,573</u>	<u>35,525</u>	<u>1,152</u>

Less:

Current liabilities

Amt due to insurers, agents, brokers and reinsurers	(551)	-	(551)	-
Advanced premiums	(5)	-	(5)	-
Trade payables & accruals	-	(3,180)	-	(656)
Other payables	(964)	(324)	(971)	(286)
Reserve for unexpired risks (Note 2)	(4,163)	-	(4,163)	-
Provision for outstanding claims (Note 2)	(28,075)	-	(28,075)	-
Progress billing in excess of cost	-	(242)	-	-
Amounts due to related companies	(48)	(548)	(45)	(386)
Amount due to ultimate holding company	-	(3,000)	-	(3,000)
Amount due to bankers	-	(9,175)	-	(5,392)
Provision for taxation	-	(408)	-	-
	(33,806)	(16,877)	(33,810)	(9,720)
Net current liabilities	1,718	(10,304)	1,715	(8,568)
Non-current liabilities				
Amount due to bankers	-	(1,679)	-	-
Deferred taxation	-	(509)	-	(506)
Total	27,332	11,141	27,329	9,045

Note 1: This represents government securities and quoted stock.

Note 2: These liabilities are taken over from The Nanyang Insurance Company Limited.

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 31.12.2004		As at 31.12.2003	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
0	0	9,175	0

Amount repayable after one year

As at 31.12.2004		As at 31.12.2003	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
0	0	1,679	0

Details of any collateral

Nil.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated cash flow statement for the year ended

	<u>31.12.2004</u>	<u>31.12.2003</u>
	S\$'000	S\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(2,699)	(811)
Adjustments for:		
Depreciation of fixed assets	769	936
Gain on disposal of fixed assets	(225)	(14)
Gain on voluntary liquidation of subsidiary company	-	(18)
Amortisation of goodwill of subsidiary companies	-	212
Amortisation of goodwill arising from acquisition of insurance business	131	-
Amortisation of negative goodwill of associated company	-	(566)
Provision for impairment loss	204	18
Interest expense	80	393
Interest income	(301)	(5)
Increase in net reserve for unexpired risks	(659)	-
Decrease in provision for outstanding claims	(1,890)	-
Share of profit of associated company	(239)	(285)
Gain on disposal of subsidiary companies	(421)	-
Loss on disposal of associated company	1,125	-
Operating cash flow before reinvestment in working capital	<u>(4,125)</u>	<u>(140)</u>
(Increase)/decrease in stocks	(51)	69
Decrease in project work-in-progress	160	496
(Increase)/decrease in receivables	(119)	3,565
Decrease in payables	(1,245)	(2,404)
Increase in amount due from ultimate holding company	-	(10)
Increase in amounts due from related companies	(486)	(90)
(Decrease)/increase in amount due to intermediate holding company	(3,001)	3,000
Increase in amount due to related companies	5	85
Decrease in progress billing in excess of cost	(242)	(48)
Cash (used in) / generated from operations	<u>(9,104)</u>	<u>4,523</u>
Interest paid	(80)	(393)
Interest received	301	5
Income tax paid	(205)	(100)
Net cash (used in) / provided by operating activities	<u>(9,088)</u>	<u>4,035</u>

Cash flow from investing activities:

Purchase of fixed assets	(240)	(270)
Proceeds from disposal of fixed assets	213	14
Net increase in investments	(385)	-
Goodwill for acquisition of insurance business	-	-
Dividend received from associated company	-	292
Dividend paid to minority shareholders	-	(490)
Cash proceeds from acquisition of insurance business	(2,828)	-
Cash proceeds from disposal of certain subsidiary companies	475	-
Proceeds from disposal of shares in associated company	10,038	-
Investment in associated company	-	(10,038)
Voluntary liquidation of a subsidiary company	-	18
Net cash provided by / (used in) investing activities	7,273	(10,474)

Cash flow from financing activities:

(Decrease) / Increase in bank loan	(5,074)	5,212
Proceeds from issuance of new shares	19,332	1,038
Net cash provided by financing activities	14,258	6,250
Net increase in cash and cash equivalents	12,443	(189)
Cash and cash equivalents at beginning of year	655	844
Cash and cash equivalents at the end of year	13,098	655

Analysis of cash and cash equivalents

Unsecured bank overdraft	-	(518)
Cash and bank balances	3,717	1,173
Fixed deposits	9,381	-
	13,098	655

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Company	
	31.12.2004 S\$'000	31.12.2003 S\$'000	31.12.2004 S\$'000	31.12.2003 S\$'000
Issued capital				
Balance at 1 January	9,666	8,798	9,666	8,798
New shares issued	19,332	868	19,332	868
Balance at 31 December	28,998	9,666	28,998	9,666
Share premium				
Balance at 1 January	14,860	14,690	14,860	14,690
New shares issued	-	170	-	170
Balance at 31 December	14,860	14,860	14,860	14,860
Currency fluctuation reserves				
Balance at 1 January	-	-	-	-
Translation differences	-	-	-	-
Balance at 31 December	-	-	-	-
Accumulated losses at 1 January	(14,290)	(13,535)	(15,481)	(10,862)
Loss for the period	(2,236)	(755)	(1,048)	(4,619)
Accumulated losses at 31 December	(16,526)	(14,290)	(16,529)	(15,481)
Total equity	27,332	10,236	27,329	9,045

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

On 20 January 2004, the Company completed its Rights Issue of 193,321,722 new shares of S\$0.10 each in the capital of the Company at an issue price of S\$0.10 for each Rights share, on the basis of two Rights shares for every one existing share held on the book closure date on 22 December 2003.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2003.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Nil.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group	
	2004	2003
	(Cents)	(Cents)
Loss per ordinary share for the year based on net profit/(losses) attributable to shareholders after deducting any provision for preference dividends:-		
(i) Based on weighted average number of ordinary shares in issue	(0.77)	(0.78)
(ii) On a fully diluted basis	(0.77)	(0.78)

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-

- (a) current financial period reported on; and
- (b) immediately preceding financial year.

	Group		Company	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
	(Cents)	(Cents)	(Cents)	(Cents)
Net asset value per ordinary share based on issued share capital at the end of the year	9.42	11.53	9.42	9.36

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

The year under review was the transitional period for the Company. The completion of the following transactions had transformed the Company into a general insurance company in Singapore.

- (a) A Rights Issue was completed on 20 January 2004. 193,321,722 new shares of S\$0.10 each in the capital of the Company were issued at an issue price of S\$0.10 for each Rights share, on the basis of two Rights shares for every one existing share held on the book closure date on 22 December 2003.

The Company managed to raise approximately S\$19 million from the Rights Issue and increased its paid-up capital from S\$9.699 million to S\$28.998 million. Approximately S\$5.0 million of the net proceeds from the Rights issue was utilised to discharge the entire existing bank borrowings and the balance of the net proceeds are being used for working capital purpose.
- (b) On 3 June 2004, the Company successfully obtained a licence from the Monetary Authority of Singapore to operate the general insurance business in Singapore.
- (c) On 4 June 2004, the Company completed the acquisition of the general insurance business from The Nanyang Insurance Company Limited ("TNICL") (now known as SHC Investments Limited) for a cash consideration of S\$4.5 million.
- (d) On the same day, the company sold its 30% shareholding in TNICL to See Hoy Chan Holdings Pte Ltd for a cash consideration of S\$10,038,218.
- (e) The Company also divested its entire 68.97% shareholding in SHC Engineering Pte Ltd and its entire 100% shareholding in SHC International Pte Ltd to TNICL for a cash consideration of S\$1,282,000. As a result of these divestments, the Group is no longer operating its engineering business with effect from 5 June 2004.

In view of the above, the revenue for the period under review included the revenue from the engineering operations up to 4 June 2004 and the revenue from the newly acquired insurance operations from 5 June 2004 to 31 December 2004.

For the period under review, the revenue from sale of goods and services relating to the now divested engineering operations was S\$2.1 million. This was lower than the revenue of S\$13.6 million secured for 2003 mainly because 2004 revenue was for 6 months up to 4 June 2004 only and in addition, quite a few of the projects undertaken by the Group's subsidiary companies have been completed during the last few months.

For the insurance business, the revenue reported was for the seven months of operations from 5 June 2004 to 31 December 2004. All the management and staff of The Nanyang Insurance Company Limited (TNICL) were transferred to SHC Capital Limited to carry on the insurance business from the same premises.

The Company incurred a loss in the second half year. As a whole, the company performed slightly better in the second half year as compared to the first half year.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Nil.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The competition in general insurance industry remains intense. We are taking steps to implement the risk-based capital framework to be introduced by The Monetary Authority of Singapore in 2005.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Nil.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Nil.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect.

The Company does not propose to pay nor has it declared any dividends in respect of the year ended 31 December 2004.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

	Insurance		Engineering		Others		Consolidation	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>Business Segments</u>								
Segment revenue	7,207	-	2,035	13,623	-	12	9,242	13,635
Loss before exceptional items	(1,630)	-	(330)	(341)	(194)	(928)	(2,154)	(1,269)
Exceptional items	-	-	-	-	(704)	-	(704)	-
Segmental result	(1,630)	-	(330)	(341)	(898)	(928)	(2,858)	(1,269)
Finance costs	-	-	(80)	(161)	-	(232)	(80)	(393)
Share of profit of associated company	-	-	-	-	239	285	239	285
Amortisation of negative goodwill of associated company	-	-	-	-	-	566	-	566
Loss before taxation							(2,699)	(811)
Taxation							431	77
Loss before minority interest							(2,268)	(734)
Minority interest, net of taxes							32	(21)
Loss for the financial year							(2,236)	(755)
	Insurance		Engineering		Others		Consolidation	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>Other segmental information:-</u>								
Depreciation	195	-	249	587	325	349	769	936
Amortisation	-	-	-	212	131	-	131	212

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to paragraph 8.

15. A breakdown of sales.

	Group		
	S\$'000		%
	2004	2003	Change
Sales reported for 1st half year	6,416	8,087	-21%
Operating loss after tax before minority interests reported for the 1st half year	(1,205)	(615)	-96%
Sales reported for 2nd half year	2,826	5,548	-49%
Operating loss after tax before minority interests reported for the 2nd half year	(1,063)	7	N.M.

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Total Annual Dividend (Refer to Para 16 of Appendix 7.2 for the required details)

	Latest Full Year (\$'m)	Previous Full Year (\$'m)
Ordinary	Nil	Nil
Preference	Nil	Nil
Total:	Nil	Nil

PART III - OTHER INFORMATION

17. Interested person transaction

	Group		Company	
	2004	2003	2004	2003
	S\$	S\$	S\$	S\$
Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transaction less than \$100,000 and transactions conducted under shareholder's mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
SHC Technology Pte Ltd - System maintenance fee	149,000	-	140,000	-

BY ORDER OF THE BOARD

Lim Leong Kiat
 Company Secretary
 21 February 2005