

SHC CAPITAL LIMITED

Half Year Financial Statement And Dividend Announcement for the Period Ended 30 June 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

	Notes	Group	
		1st Half Year	1st Half Year
		2004	2003
		S\$'000	S\$'000
Gross Insurance premiums	1	4,617	-
Reinsurance premiums ceded		(276)	-
Net insurance premiums written		4,341	-
Net reserve for unexpired risks at beginning of period		-	-
Net reserve for unexpired risks at end of period		(3,685)	-
Movement in net reserve for unexpired risks		(3,685)	-
<b>Net earned premiums</b>		656	-
Gross claims paid		20,792	-
Reinsurerer's share of claims paid		328	-
Net claims paid		21,120	-
Net provision for outstanding claims at beginning of period		-	-
Net provision for outstanding claims at end of period		(21,703)	-
Movement in net provision for outstanding claims		(21,703)	-
<b>Net claims incurred</b>		(583)	-
Commission payable		(133)	-
Commission receivable		32	-
<b>Net Commission</b>		(101)	-
<b>Underwriting loss</b>	1	<b>(28)</b>	-
Sales of goods/services	1	2,075	8,087
Other income	2	787	559
		<b>2,834</b>	<b>8,646</b>
<b>Expenses</b>			
Materials consumed & Subcontractors' costs		(1,027)	(5,770)
Salary and employee benefits		(1,263)	(1,962)
Depreciation of fixed assets	2	(448)	(255)
Other operating expenses	2	(703)	(1,143)
<b>Total expenses</b>		<b>(3,441)</b>	<b>(9,130)</b>
<b>Operating loss before exceptional items</b>		<b>(607)</b>	<b>(484)</b>
Exceptional items	2	(704)	-
<b>Operating loss before taxation</b>		<b>(1,311)</b>	<b>(484)</b>
Finance costs	2	(83)	(227)
Share of profit of associated company		239	397
<b>Loss before taxation</b>		<b>(1,155)</b>	<b>(314)</b>
Taxation	3	(50)	(301)
<b>Loss before minority interest</b>		<b>(1,205)</b>	<b>(615)</b>
Minority interest, net of taxes		32	(81)
<b>Loss for the period</b>		<b>(1,173)</b>	<b>(696)</b>

## Notes to the Profit & Loss Accounts

### 1. Change of principal activities

The financial results of the group for the six months ended 30 June 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 30 June 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.

### 2. Revenues and expenses

Other income, salaries and employee benefits, other operating expenses, exceptional items and finance costs included the following for the half year ended 30 June:-

	Group	
	1st Half Year 2004	1st Half Year 2003
	S\$'000	S\$'000
<b>Other income:-</b>		
Interest income	182	2
Rental of premises	452	484
Foreign exchange gain	4	0
Gain on disposal of fixed assets	205	0
<b>Other operating expenses:-</b>		
Depreciation of fixed assets	(448)	(465)
Amortisation of goodwill	(18)	(73)
Amortisation of negative goodwill of associated company	-	283
Bad debts written off	(10)	-
Provision for doubtful debts written back	-	63
Write back of provision for stock obsolescence	21	-
Loss on disposal of fixed assets	-	(9)
<b>Exception items</b>		
Loss on disposal of investment in associated company	(1,125)	-
Gain on disposal of investment in subsidiary companies	421	-
<b>Finance costs:-</b>		
Interest expenses on bank loans	(83)	(227)

### 3. Taxation

Major components of income tax expense for the year ended 31 December were:-

	Group	
	1st Half Year 2004	1st Half Year 2003
	S\$'000	S\$'000
Current taxation	(50)	-
Deferred tax written back	-	-
Underprovision/(overprovision) of taxation in respect of prior year	-	-

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	
	As at 30.6.2004 S\$'000	As at 31.12.2003 S\$'000	As at 30.6.2004 S\$'000	As at 31.12.2003 S\$'000
<b>Share capital &amp; reserves</b>				
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)
Profit/(Loss) for period	(1,173)	(755)	15	(4,619)
<b>Total</b>	<b>28,395</b>	<b>10,236</b>	<b>28,392</b>	<b>9,045</b>
Represented by:				
<b>Non-current assets</b>				
Goodwill	4,482	(2,264)	4,482	-
Fixed assets	21,020	12,258	21,020	7,036
Investment in Associated companies	-	13,238	-	9,746
Investment in subsidiary companies	-	-	-	1,279
Other investments	13,106	401	13,106	58
Deferred expenditure	372	-	372	-
	38,980	23,633	38,980	18,119
<b>Current assets</b>				
Fixed deposits	12,326	-	12,326	-
Cash and bank balances	1,526	1,173	1,526	52
Amount due from insurers, agents, brokers & reinsurers	1,939	-	1,939	-
Trade debtors	-	3,312	-	2
Other debtors, deposits and prepayments	1,050	833	1,050	707
Amount due from ultimate holding company	-	60	-	50
Amount due from related companies	329	205	329	109
Amount due from subsidiary company	-	-	1	206
Amount due from holding company	-	-	-	-
Marketable securities	4	4	4	4
Stock	29	372	29	22
Project work-in-progress	-	614	-	-
	17,203	6,573	17,204	1,152
Less:				
<b>Current liabilities</b>				
Trade payables & accruals	-	(3,180)	-	(656)
Other payables	(1,102)	(324)	(1,109)	(286)
Amt due to insurers, agents, brokers and reinsurers	(831)	-	(831)	-
Advanced premiums	(37)	-	(37)	-
Reserve for unexpired risks	(3,685)	-	(3,685)	-
Provision for o/s claims	(21,703)	-	(21,703)	-
Progress billing in excess of cost	-	(242)	-	-
Amounts due to related companies	(3)	(548)	-	(386)
Amount due to ultimate holding company	-	(3,000)	-	(3,000)
Amount due to bankers	-	(9,175)	-	(5,392)
Provision for taxation	33	(408)	33	-
	(27,328)	(16,877)	(27,332)	(9,720)
<b>Net current liabilities</b>	<b>(10,125)</b>	<b>(10,304)</b>	<b>(10,128)</b>	<b>(8,568)</b>
<b>Non-current Liabilities</b>				
Amount due to bankers	-	(1,679)	-	-
Deferred taxation	(460)	(509)	(460)	(506)
Minority interests	-	(905)	-	-
<b>Total</b>	<b>28,395</b>	<b>10,236</b>	<b>28,392</b>	<b>9,045</b>

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

**Amount repayable in one year or less, or on demand**

As at 30.6.2004		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 30.6.2004		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**

None.

**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**

	<b>1st Half Year ended 30.6.2004 S\$'000</b>	<b>1st Half Year ended 30.6.2003 S\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(1,155)	(314)
Adjustments for:		
Depreciation of fixed assets	448	465
Gain on disposal of fixed assets	(205)	(9)
Amortisation of goodwill of subsidiary companies	18	73
Amortisation of negative goodwill of associated company	-	(283)
Interest expense	83	227
Interest income	(182)	(2)
Increase in net reserve for unexpired risks	35	-
Decrease in provision for outstanding claims	(189)	-
Share of profit of associated company	(239)	(397)
Gain on disposal of subsidiary companies	(421)	-
Loss on disposal of associated company	1,125	-
Operating cash flow before reinvestment in working capital	<u>(682)</u>	<u>(240)</u>
Decrease/(increase) in stocks	(63)	35
Decrease in project work-in-progress	160	216
Decrease in receivables	220	2,626
Decrease in payables	(795)	(565)
Increase in amounts due from related and associated companies	(374)	(760)
Increase/(decrease) in amount due to ultimate holding company	(2,951)	3,000
Increase/(decrease) in amount due to related companies and parties	(40)	156
Increase in progress billing in excess of cost	(242)	-
Increase in deferred expenditure	<u>(372)</u>	<u>-</u>

Cash (used in) / generated from operations	(5,139)	4,468
Interest paid	(83)	(227)
Interest received	182	2
Income tax paid	(242)	(67)
Net cash (used in) / provided by operating activities	<u>(5,282)</u>	<u>4,176</u>
Cash flow from investing activities:		
Purchase of fixed assets	(49)	(201)
Proceeds from disposal of fixed assets	213	9
Purchase of investments	(3,261)	-
Goodwill for acquisition of insurance business	(4,500)	-
Cash proceeds from acquisition of insurance business	1,305	-
Cash proceeds from disposal of certain subsidiary companies	475	-
Proceeds from disposal of shares in associated co.	10,038	-
Investment in associated companies	-	(10,038)
Net cash provided by / (used in) investing activities	<u>4,221</u>	<u>(10,230)</u>
Cash flow from financing activities:		
(Decrease) / Increase in bank loan	(5,592)	5,299
Proceeds from issuance of new shares	19,332	1,038
Net cash provided by financing activities	<u>13,740</u>	<u>6,337</u>
Net increase in cash and cash equivalents	12,679	283
Cash and cash equivalents at beginning of year	1,173	1,227
Cash and cash equivalents at the end of year	<u>13,852</u>	<u>1,510</u>
Analysis of cash and cash equivalents		
Cash and bank balances	1,526	1,510
Fixed deposits	12,326	-
	<u>13,852</u>	<u>1,510</u>

**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	
	30.6.2004 \$'000	30.6.2003 \$'000	30.6.2004 \$'000	30.6.2003 \$'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 30 June	<u>28,998</u>	<u>9,666</u>	<u>28,998</u>	<u>9,666</u>
Share premium				
Balance at 1 January	14,860	14,690	14,860	14,690
New shares issued	-	170	-	170
Balance at 30 June	<u>14,860</u>	<u>14,860</u>	<u>14,860</u>	<u>14,860</u>
Currency fluctuation reserves				
Balance at 1 January	-	-	-	-
Translation differences	-	1	-	-
Balance at 30 June	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>
Accumulated losses at 1 January	(14,290)	(13,535)	(15,481)	(10,860)
Loss for the period	(1,173)	(696)	15	(430)
Accumulated losses at 30 June	<u>(15,463)</u>	<u>(14,231)</u>	<u>(15,466)</u>	<u>(11,292)</u>
Total equity	<u>28,395</u>	<u>10,296</u>	<u>28,392</u>	<u>13,234</u>

**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.**

No.

**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	
	1st Half Year 2004	1st Half Year 2003
	(Cents)	(Cents)
Loss per ordinary share for the year based on net profit/(losses) attributable to shareholders after		
(i) Based on weighted average number of ordinary shares in issue	(0.40)	(0.72)
(ii) On a fully diluted basis	(0.40)	(0.72)

**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	
	30.6.2004	30.6.2003	30.6.2004	30.6.2003
	(Cents)	(Cents)	(Cents)	(Cents)
Net asset value per ordinary share based on issued share capital at the	9.79	10.65	9.79	13.69

**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 6-month period under review is 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 will be used for working capital purpose to facilitate future business growth.

- (b) On 3 June 2004, the Company successfully obtained a licence from the Monetary Authority of Singapore to operate 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 Ltd) 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 100% shareholding in SHC International Pte Ltd to TNICL for a total 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 30 June 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\$8.0 million secured for the corresponding period last year because quite a few of the projects undertaken by its subsidiaries companies have been completed during the last few months.

For the insurance business, the revenue reported was for its first month of operations from 5 June 2004 to 30 June 2004. The entire existing management team and the staff of TNICL were transferred to SHC Capital Limited to carry on the business from the same premises. The gross premiums achieved by TNICL for year 2003 was S\$16.4 million and the company plans to expand the business further under the listing company.

For the period under review, a loss of S\$1.2 million was recorded as compared to the loss of S\$0.7 million recorded for the corresponding period last year. The result was affected by the loss of S\$1.1 million incurred for the divestment of the 30% shareholding in TNICL partially offsetted by the gain of S\$0.4 million generated from the divestment of the engineering business.

**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.**

Competition in general insurance industry remains keen. The Monetary Authority of Singapore is expected to release the detailed guidelines for the implementation of risk based capital framework in the second half of this year. Hence, going forward, the insurance industry is expected to pay more emphasis to risk management to ensure that the capital is effectively employed. The performance of the Group in the second half year is expected to be better than the first half year.

**11. Dividend****(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on? None

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year? None

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

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

The Company does not propose to pay nor has it declared any dividends in respect of the half year ended 30 June 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.****Business segments**

Not applicable for half year results.

**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.**

Not applicable for half year results.

**15. A breakdown of sales.**

Not applicable for half year results.

	Group		
	S\$'000		%
	2004	2003	Change
Sales reported for 1st half year			
Operating loss after tax before minority interests reported for the 1st half year			
Sales reported for 2nd half year			
Operating loss after tax before minority interests reported for the 2nd half year			



**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)

Not applicable for half year results.

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

**PART III - OTHER INFORMATION**

**17. Interested person transaction**

	Group		Company	
	1st Half Year 2004	1st Half Year 2003	1st Half Year 2004	1st Half Year 2003
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)	
No transactions are more than S\$100,000 each.	-	-	-	-

**BY ORDER OF THE BOARD**

Lim Leong Kiat  
Company Secretary  
11 August 2004