

# TARGET

## Intelligence Report

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T U E S D A Y

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### **SUN CHEONG CREATIVE DEVELOPMENT HOLDINGS LTD: IS PRIDE THE NEVER -FAILING VICE OF FOOLS ?**

It took Sun Cheong Creative Development Holdings Ltd (新昌創展控股有限公司) (Code: 1781, Main Board, The Stock Exchange of Hongkong Ltd) about nine months from the date of the listing of its shares on the premier equity market of the **Hongkong Special Administrative Region (HKSAR)** of the **People's Republic of China (PRC)** before indications emerged, suggesting that things were not, exactly, hunky-dory at this Company.

Sun Cheong Creative Development Holdings Ltd obtained a listing of its shares on the Main Board of The Stock Exchange of Hongkong Ltd on Thursday, October 4, 2018, but on Tuesday, July 2, 2019, about nine months later, a Winding-Up Petition was lodged in the High Court of the HKSAR, naming Sun Cheong Creative Development Holdings Ltd as the Respondent in respect of the Petitioner, to wit: United Crown Future Company Ltd.

The following is a verbatim copy of that July 2, 2019 announcement, headlined '**INSIDE INFORMATION – WINDING UP PETITION**', omitting only the First Paragraph:

*'On 13 February 2019, Shenzhen Sun Cheong Plastic Products Co., Ltd.\* (深圳新昌塑膠用品有限公司) (the "Subsidiary"), a subsidiary of the Company, entered into a procurement agency contract (the "Contract") with United Crown Future (China) Co., Ltd. (the "Petitioner") (a wholly-owned subsidiary of United Crown Future Company Limited (聯冠未來有限公司) of which China Innovation Investment Limited (中國創新投資有限公司), a company listed on the Stock Exchange (stock code: 1217), pursuant to which the Subsidiary agreed to appoint the Petitioner as its agent to purchase products from a third party supplier in the total amount of RMB1,200,982.42 (the "Outstanding Amount") and pay for the products purchased on behalf of the Subsidiary.*

*'Further, on 24 January 2019, the Company, Mr. Tong Ying Chiu (湯應潮) ("Mr. Tong") (the chairman of the board of directors of the Company (the "Board"), the executive director and controlling shareholder of the Company) and Ms. Ng Siu Kuen Sylvia (吳笑娟) (the executive director and controlling shareholder of the Company) (collectively, the "Guarantors") entered into a deed of guarantee (the "Guarantee"), pursuant to which the Guarantors jointly and severally and*

*unconditionally agreed to guarantee the performance of the obligations of the Subsidiary under the Contract including the payment obligation of the Subsidiary to the Petitioner under the Contract.*

*‘As confirmed by the Company, owing to the quality issue of the products, the Subsidiary withheld payment of the Outstanding Amount. On 28 June 2019, the Company received a petition (the “Petition”) from the Petitioner issued under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), which was filed against the Company for failure to settle the Outstanding Amount payable by the Company to the Petitioner under the Guarantee. The Company then settled the Outstanding Amount in full on 2 July 2019 and thus, the Petition shall be discharged or withdrawn pending completion of the relevant formalities.*

*‘As the Outstanding Amount had been settled in full, the Directors take the view that the Petition should not have any material adverse impact to the business and operations of the Group and there is no other information concerning the Petition that needs to be brought to the attention of the shareholders of the Company.*

*‘Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares.’*

### **The Audited Annual Results Of The 2018 Financial Year**

Sun Cheong Creative Development Holdings Ltd produced its Audited Annual Results for the Financial Year, ended December 31, 2018, on March 26, 2019.

In that Report, it was stated that the Revenue of the Company had risen about 4.65 percent, Year-On-Year, from the 2017 figure of about \$HK325.81 million to the 2018 figure of about \$HK340.97 million.

In respect of the Net Profit Attributable to Shareholders, this Report stated that it had risen to about \$HK33.84 million, an increase, Year-On-Year, of about 23.44 percent, compared with the 2017 figure of \$HK27.41 million.

At Page Two of this Report, the then Chairman, Mr Tong Ying Chiu, went on record, stating, inter alia:

*‘We primarily design, develop, manufacture and sell plastic household products with our headquarters in Hong Kong for more than 30 years. We have launched a wide range of products which include storage boxes, laundry and bathroom wares, food storage, rubbish bins, outdoor, gardenware and furniture, kitchenwares, office solutions, tool boxes, pet accessories and seasonal goods ...*

*‘Product innovation is expected to remain one of key success factors over the coming years. Our innovative and diversified product portfolio gives us an important competitive advantage...’.*

At Page 25 of this Report, it was stated that the Company had recorded that the actual Net Proceeds, derived from the HKSAR Public Offering with regard to the sales of 135,000,000 Offer Shares, had been \$HK97.70 million.

(On October 3, 2018, Management had stated that it had estimated that the Company's coffers would be enriched by \$HK102.10 million by the sales of those 135 million Offer Shares.)

The Board of Directors, obviously clearly pleased with themselves, proposed the payment of a Final Dividend of four cents per share (2017: Nil) and a Special Dividend of 3.50 cents per share (2017: Nil) in respect of the Financial Year, ended December 31, 2018.

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