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If you are in doubt as to any aspect of this circular, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Shun Cheong Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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SHUN CHEONG HOLDINGS LIMITED

順昌集團有限公司

(Incorporated in Bermuda with limited liability)

Stock code: 650

PROPOSED CAPITAL REORGANISATION INVOLVING AMONGST OTHERS SHARE CONSOLIDATION, CAPITAL REDUCTION, SHARE SUBDIVISION AND CANCELLATION OF SHARE PREMIUM ACCOUNT ONGOING CONNECTED TRANSACTION GENERAL MANDATE TO ISSUE SHARES

Financial adviser

WATTERSON ASIA LIMITED

Independent Financial Adviser



A notice convening a special general meeting of the shareholders of Shun Cheong Holdings Limited to be held at Fung Shui Room, 6th Floor, The Marco Polo Hong Kong Hotel, Harbour City, Kowloon, Hong Kong on Thursday, 16 September 2004 at 11:30 a.m. (or immediately following the conclusion of the annual general meeting convened to be held at 11:00 a.m. at the same location and on the same date) is set out on pages 28 to 31 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you wish.

24 August 2004

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EXPECTED TIMETABLE

2004

Latest time for lodging proxy forms for SGM	11:30 a.m. on Tuesday, 14 September
SGM	11:30 a.m. on Thursday, 16 September
Effective date of the Capital Reorganisation	4:00 p.m. on Thursday, 16 September
Dealings in the New Shares to commence	Friday, 17 September
First day for the designated broker to stand in the market to provide matching services	Friday, 17 September
Original counter for trading in Existing Shares (represented by Existing Share certificates) in board lots of 2,000 closes	9:30 a.m. on Friday, 17 September
Temporary counter for trading in the New Shares (represented by Existing Share certificates) in board lots of 500 opens	9:30 a.m. on Friday, 17 September
First day of free exchange of existing share certificates for the Existing Shares for new certificates for the New Shares	Friday, 17 September
Original counter for trading in the New Shares (represented by New Shares certificates) in board lots of 10,000 reopens	9:30 a.m. on Tuesday, 5 October
Parallel trading in New Shares (represented by both Existing Share and New Share certificates) begins	9:30 a.m. on Tuesday, 5 October
Temporary counter for trading in New Shares (represented by Existing Share certificates) in board lots of 500 closes	4:00 p.m. on Wednesday, 27 October
Parallel trading in New Shares (represented by both Existing Share and New Share certificates) ends	4:00 p.m. on Wednesday, 27 October
Last day for the designated broker to stand in the market to provide matching services	Wednesday, 27 October
Last day for free exchange of Existing Share certificates for New Share certificates	Monday, 1 November

DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context otherwise requires:

“Agreement”	the agreement dated 10 August 2004 between Ever Billion and Chinney Construction regarding the subcontracting of the maintenance contract awarded by the Architectural Services Department of the Government to Chinney Construction pursuant to the Contract dated 31 March 2004
“Board”	the board of Directors
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Capital Reduction”	the proposed reduction of the nominal value of the issued share capital of the Company from HK\$0.40 per Consolidated Share to HK\$0.01 per New Share, involving reductions of the authorised share capital and the issued share capital of the Company and being a part of the Capital Reorganisation
“Capital Reorganisation”	the proposed Share Consolidation, Capital Reduction, Share Subdivision, increase of authorised share capital, the cancellation of share premium account of the Company, the elimination of the Company’s accumulated losses and the transfer of the balance of the amount attributable to the share premium account to the contributed surplus account
“Chinney Construction”	Chinney Construction Company, Limited, an associate of connected persons of the Company as defined under the Listing Rules
“Company”	Shun Cheong Holdings Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Companies Act”	The Companies Act 1981 of Bermuda (as amended)
“Consolidated Share(s)”	share(s) of nominal value HK\$0.40 each in the share capital of the Company immediately after the Share Consolidation but before the Capital Reduction
“Contract”	the 3-year buildings and land maintenance contract dated 31 March 2004 awarded by the Architectural Services Department of the Government to Chinney Construction

DEFINITIONS

“Directors”	the directors of the Company
“Ever Billion”	Ever Billion Engineering Limited, a wholly-owned subsidiary of the Company
“Existing Share(s)”	share(s) of nominal value HK\$0.10 each in the capital of the Company prior to the Capital Reorganisation becoming effective
“Government”	the Government of the Hong Kong Special Administrative Region
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Independent Board Committee”	Dr. Chan Chok Ki, Mr. Ho Hin Kwan, Edmund and Mr. Yu Hon To, David, being the independent non-executive Directors appointed to advise the Independent Shareholders on the ongoing connected transaction
“Independent Financial Adviser”	Access Capital Limited, being the independent financial adviser to the Independent Board Committee in respect of the ongoing connected transaction
“Independent Shareholders”	Shareholder(s) other than Mr. Chan Yuen Keung, Zuric, directors of both the Company and Chinney Construction as well as a shareholder of the Company with 10 million Existing Shares, representing approximately 2.16% in the share capital of the Company, and having an indirect beneficial interest in 13.95% of the issued share capital of Chinnery Construction
“Issue Mandate”	the proposed general mandate to be granted to Directors to exercise the powers of the Company to allot, issue and deal in, during the period as set out in the Issue Resolution, shares of the Company up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing the Issue Resolution
“Issue Resolution”	the proposed ordinary resolution set out in the notice of the SGM as in resolution no. 3 thereof
“Latest Practicable Date”	20 August 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share(s)”	share(s) of nominal value HK\$0.01 each in the capital of the Company upon completion of the Capital Reorganisation
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened on Thursday, 16 September 2004 at 11:30 a.m. (or immediately following the conclusion of the annual general meeting convened to be held at 11:00 a.m. at the same location and on the same date) to consider and, if thought fit, approve the Capital Reorganisation, the Agreement and the Issue Mandate
“Share Consolidation”	the proposed consolidation of every four Existing Shares (authorised, issued and unissued) into one Consolidated Share, being a part of the Capital Reorganisation
“Share Subdivision”	the proposed subdivision of each authorised but unissued Consolidated Share into 40 New Shares of nominal value HK\$0.01 each, being a part of the Capital Reorganisation
“Shareholders”	holders of Existing Shares or New Shares (as the case may be)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

LETTER FROM THE BOARD



SHUN CHEONG HOLDINGS LIMITED

順昌集團有限公司

(Incorporated in Bermuda with limited liability)

Stock code: 650

Executive Directors:

Dr. Wong Sai Wing, James (*Chairman*)
Mr. Chan Yuen Keung, Zuric
Mr. Au Shiu Wai, Frank
Mr. Au Yu Fai, Patrick

Non-executive Directors:

Mr. Yu Sek Kee, Stephen
Mr. Hong Yiu

Independent Non-executive Directors:

Dr. Chan Chok Ki
Mr. Ho Hin Kwan, Edmund
Mr. Yu Hon To, David

*Head Office and Principal place
of business:*

Flat 201, 2nd Floor
Premier Centre
20 Cheung Shun Street
Lai Chi Kok
Kowloon
Hong Kong

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

24 August 2004

To the Shareholders

Dear Sir/Madam,

**PROPOSED CAPITAL REORGANISATION INVOLVING AMONGST OTHERS
SHARE CONSOLIDATION, CAPITAL REDUCTION, SHARE SUBDIVISION
AND CANCELLATION OF SHARE PREMIUM ACCOUNT**

ONGOING CONNECTED TRANSACTION

GENERAL MANDATE TO ISSUE SHARES

INTRODUCTION

On 10 August 2004, the Company announced the proposed Capital Reorganisation which involves amongst others, the Share Consolidation, Capital Reduction, Share Subdivision and cancellation of the Company's share premium account.

LETTER FROM THE BOARD

It was also announced on 10 August 2004 that Ever Billion has entered into the Agreement with Chinney Construction to act as the subcontractor of Chinney Construction for a 3-year buildings and land maintenance contract awarded by the Architectural Services Department of the Government to Chinney Construction on 31 March 2004. As Chinney Construction is regarded as an associate of Dr. Wong Sai Wing, James and Mr. Chan Yuen Keung, Zuric, both of whom are directors of the Company and that of Chinney Construction as well as having shareholding interests in Chinney Construction, the Agreement constitutes an ongoing connected transaction of the Company under the Listing Rules and is thus subject to the approval of Independent Shareholders.

The purpose of this circular is to provide you with additional information on both the Capital Reorganisation and the Agreement and to give you notice of the SGM for the purpose of considering and, if thought fit, approving the Capital Reorganisation, the Agreement and the Issue Mandate.

CAPITAL REORGANISATION

The Directors propose to put forward the following to Shareholders to effect the Capital Reorganisation pursuant to the Companies Act:

- (a) the consolidation of every four Existing Shares of HK\$0.10 each (issued and unissued) into one Consolidated Share;
- (b) the reduction of the nominal value of each Consolidated Share in issue from HK\$0.40 into HK\$0.01 by the cancellation of HK\$0.39 from the paid-up capital on each Consolidated Share;
- (c) the subdivision of each authorised but unissued Consolidated Share of HK\$0.40 into 40 New Shares of HK\$0.01 each;
- (d) the increase of the authorised share capital to HK\$80,000,000 by the creation of 4,521,285,600 New Shares of HK\$0.01 each ranking pari passu in all respects with each other;
- (e) the application of the total credit of HK\$45,212,856 arising from the Capital Reduction to set off part of the accumulated losses of the Company as at 31 March 2004 which totaled HK\$108,935,656 as at 31 March 2004 (the latest published audited balance sheet date); and
- (f) the cancellation of the share premium account of HK\$110,631,927 and the application of the credit arising as follows:
 - (i) to eliminate the balance of the accumulated losses of the Company as at 31 March 2004; and
 - (ii) to apply the remaining credit of HK\$46,909,127 arising therefrom to the Company's contributed surplus account.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$80,000,000 divided into 800,000,000 Existing Shares and the issued share capital of the Company was HK\$46,372,160 divided into 463,721,600 Existing Shares. The amount of paid up capital and the sums standing to the credit of the share premium account as set out in the Company's audited financial statements for the year ended 31 March 2004 were approximately HK\$46.37 million and HK\$110.63 million respectively. The Company currently has no outstanding options, warrants or other securities convertible into or giving rights to subscribe for Existing Shares.

Based on 463,721,600 Existing Shares in issue as at the Latest Practicable Date, the Capital Reduction will cause the paid up capital of the Company to be reduced by approximately HK\$45.21 million. Such amount will be applied to eliminate part of the accumulated losses of the Company, which amounted to approximately HK\$108.94 million as at 31 March 2004.

In addition, the share premium account of HK\$110,631,927 as at 31 March 2004 is to be cancelled and the credit arising applied as follows:

- (a) to eliminate the balance of the accumulated losses of the Company as at 31 March 2004 as shown in the audited financial statements of the Company for the year ended 31 March 2004; and
- (b) to apply the remaining credit of HK\$46,909,127 arising therefrom to the Company's contributed surplus account.

Upon the Capital Reorganisation becoming effective, the authorised share capital of the Company will be HK\$80,000,000 divided into 8,000,000,000 New Shares and the issued share capital of the Company will be HK\$1,159,304 divided into 115,930,400 New Shares.

BOARD LOTS

The Existing Shares are currently traded in board lots of 2,000 Existing Shares. Based on the closing price of HK\$0.069 per Existing Share as at the Latest Practicable Date, the market value per board lot of Existing Shares is HK\$138.

The New Shares will be traded in board lots of 10,000 New Shares and the estimated market value per board lot of the New Shares will be HK\$2,760 (calculated based on the closing price of HK\$0.069 per Existing Share as at the Latest Practicable Date and assuming the Capital Reorganisation has become effective). The New Shares, when issued, will rank *pari passu* in all respects with each other.

LETTER FROM THE BOARD

CONDITIONS OF THE CAPITAL REORGANISATION

The Capital Reorganisation is conditional upon, the following:

- (a) the passing of a special resolution by the Company's shareholders at the SGM to approve the Capital Reorganisation;
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares to be issued upon the Capital Reorganisation becoming effective; and
- (c) the compliance with the relevant procedural requirements under the Companies Act to effect the Capital Reorganisation. The above procedural requirements include the publication of a press notice in an appointed newspaper in Bermuda advertising the Capital Reduction and the filing of memoranda of reduction of share capital with the Registrar of Companies in Bermuda.

As at the Latest Practicable Date, none of the above conditions has been fulfilled and none has been waived. It is currently expected that the above conditions will be fulfilled following the passing of the special resolution to approve the Capital Reorganisation at the SGM on 16 September 2004. Assuming all the conditions are fulfilled, the Capital Reorganisation will become effective at 4:00 p.m. on 16 September 2004 upon the passing of the special resolution to be proposed at the SGM.

EFFECTS OF THE CAPITAL REORGANISATION

The following table sets out the effects of the Capital Reorganisation on the share capital of the Company:

	Prior to the Capital Reorganisation	After Share Consolidation	After Capital Reduction, Share Subdivision and increase in authorised share capital	Upon completion of Capital Reorganisation
Number of authorised shares	800,000,000	200,000,000	8,000,000,000	8,000,000,000
Authorised share capital	HK\$80,000,000	HK\$80,000,000	HK\$80,000,000	HK\$80,000,000
Nominal value per share	HK\$0.10	HK\$0.40	HK\$0.01	HK\$0.01
Number of shares issued and fully paid	463,721,600	115,930,400	115,930,400	115,930,400
Issued share capital	HK\$46,372,160	HK\$46,372,160	HK\$1,159,304	HK\$1,159,304

Implementation of the Capital Reorganisation will not alter the underlying assets, liabilities or financial position of the Group nor will the rights of the Shareholders, particularly with respect to their proportional interests in the Company and voting rights, be affected in any way.

LETTER FROM THE BOARD

REASONS FOR THE CAPITAL REDUCTION AND CANCELLATION OF THE SHARE PREMIUM ACCOUNT

As at 31 March 2004, the Company had accumulated losses of approximately HK\$108.94 million. With such accumulated losses, the Company would not be able to pay dividends to Shareholders until such accumulated losses are eliminated. The Capital Reduction and the reduction of the Company's share premium account will cancel all such accumulated losses.

Under the Capital Reorganisation, the remaining credit arising from the cancellation of the share premium account will be transferred to the Company's contributed surplus account. The cancellation of the Company's accumulated losses and the transfer of the remaining credit in the share premium account, which is capital in nature and non-distributable to Shareholders, to the contributed surplus account, which is distributable to Shareholders under the Companies Act, will allow greater flexibility for the Company to pay dividends or distributions in the future. However, the Board does not have an intention to declare any dividend or distribution at this stage. The Directors are of the view that the above cancellation and the transfer of amounts from share premium account to the contributed surplus account are both appropriate and in the best interests of the Company and the Shareholders as a whole.

REASONS FOR THE SHARE CONSOLIDATION

Based on the closing price of HK\$0.069 per Existing Shares as at the Latest Practicable Date, the market value of a board lot of 2,000 Existing Shares is HK\$138 and that of a board lot of 10,000 New Shares is expected to be HK\$2,760. With the Share Consolidation and new board lot size, the transaction cost per dollar value of each New Share will be lower. The Directors are of the view that such Share Consolidation is in the interests of the Company and the Shareholders as a whole.

APPLICATION FOR LISTING OF THE NEW SHARES

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the New Shares as soon as practicable.

Subject to the granting of the listing of, and the permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

LETTER FROM THE BOARD

TRADING ARRANGEMENTS

In order to facilitate the trading of odd lots of the New Shares, the Company has appointed Magnum International Securities Limited as an agent to arrange for the sale and purchase of odd lots on behalf of Shareholders and potential investors. During the period from Friday, 17 September 2004 to Wednesday, 27 October 2004 (both days inclusive), holders of the New Shares who wish to take advantage of this facility either to dispose of their odd lots or to top them up to a full board lot may contact Magnum International Securities Limited during the aforesaid period as follows:

Contact person	Address	Telephone	Fax
Mr. Tony To	1301A, 13th Floor Bank of America Tower 12 Harcourt Road Hong Kong	2918 8952	2815 9980

Holders of New Shares in odd lots should note that the matching of odd lots will be made on a best effort basis and is not guaranteed.

Upon the Capital Reorganisation becoming effective, the original counter for trading in the Existing Shares (represented by Existing Shares certificates) in board lots of 2,000 will be closed on 17 September 2004. A temporary counter for the trading in the New Shares (represented by Existing Shares certificates) in board lots of 500 will be established on that day. Certificates for Existing Shares may only be traded at this temporary counter.

The original counter for trading in the New Shares (represented by New Shares certificates) in board lots of 10,000 will re-open on 5 October 2004. During the period from 5 October 2004 to 27 October 2004 (both days inclusive), there will be parallel trading at the above two counters.

The temporary counter for the trading of New Shares in board lots of 500 will close after the close of trading on 27 October 2004. Thereafter, trading will be in board lots of 10,000 New Shares only and certificates for the Existing Shares will cease to be marketable and will not be accepted for dealing and settlement purposes. However, such certificates will remain effective as documents of title.

FREE EXCHANGE OF NEW SHARE CERTIFICATES

Subject to the Capital Reorganisation becoming effective, Shareholders may submit certificates for the Existing Shares to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, during the period from 17 September 2004 to 1 November 2004 (both days inclusive) for exchange, at the expense of the Company, for certificates for the New Shares. Thereafter, certificates for Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each new certificate issued for the New Shares.

LETTER FROM THE BOARD

To distinguish between the certificates for Existing Shares and those for New Shares, certificates for the New Shares will be blue in colour, which is different from the existing certificates in brown.

It is expected that the new certificates for the New Shares will be available for collection on or after the 10th business day from the date of submission of the existing certificates for the Existing Shares to the Company's share registrar in Hong Kong at the above address. Unless otherwise instructed, new certificates will be issued in board lots of 10,000 New Shares.

ONGOING CONNECTED TRANSACTION

On 10 August 2004, Ever Billion entered into the Agreement with Chinney Construction to act as a subcontractor to Chinney Construction in respect of the Contract awarded by the Architectural Services Department of the Government to Chinney Construction on 31 March 2004. The Contract, which is for a term of 3 years from 1 April 2004, involves the alterations, additions, maintenance and repair of all buildings and lands and other properties within the area of Wanchai (South) and Wanchai (North) for which the Architectural Services Department (Property Services Branch) of the Government is responsible.

Based on information provided by the Government, the annual contract amount payable by the Government under the Contract is estimated to be approximately HK\$100 million. However, based on past experience of the Directors, the above estimated amount is subject to an upward or downward adjustment of 20%, with the actual amount based on specific work order requirements in a particular year. The terms of the Contract provide that the Government shall pay the contractor up to 85% of the value of work order completed with the balance of 15% payable upon certification by the Government. Depending on the type of building maintenance work involved, such maintenance work normally last up to six months. And certification and payment of the balance amount by the Government in respect of work done usually takes another six months. Consequently, payment by the Government under this Contract is expected to extend beyond 31 March 2007, especially for orders issued towards the end of the Contract term, and will continue during the year ending 31 March 2008. As far as the Group is concerned, Ever Billion will only book its revenue arising from the Contract after the relevant work done under the Contract has been certified by the Government and upon payment is made by Chinney Construction under the Agreement.

Under the Agreement, Ever Billion will act as the subcontractor to Chinney Construction under the Contract and Chinney Construction, as the manager of the Contract, is entitled to deduct a management fee of 2% on amounts receivable from the Government and shall pay the balance to Ever Billion within one month from the receipt of monies from the Government. The terms of the Agreement between Chinney Construction, a main contractor, and Ever Billion, the sub-contractor, are on normal commercial terms and are in line with market practice.

LETTER FROM THE BOARD

Chinney Construction is owned as to 86.05% indirectly by Chinney Investments, Limited, a company in which Dr. Wong Sai Wing, James, Chairman and executive Director, has control, and as to 13.95% indirectly by Mr. Chan Yuen Keung, Zuric, an executive Director. As Chinney Construction is regarded as an associate of Dr. Wong Sai Wing, James and Mr. Chan Yuen Keung, Zuric, both of whom have indirect beneficial interests in and are directors of Chinney Construction, the Agreement constitutes an ongoing connected transaction of the Company under the Listing Rules.

Based on the annual contract amount as indicated by the Government and its payment practice as mentioned above, the Directors expect the annual cap amount under the Agreement, as required under the Listing Rules, for each of the three years to 31 March 2007 will amount to approximately HK\$120 million annually and that for the year ending 31 March 2008 will amount to not more than HK\$78 million. The basis of calculation of the cap amount for the year ending 31 March 2008 derives from the cap amount for the year ending 31 March 2007. However, the cap amount for the year ending 31 March 2008 is different from that of the previous years due to the fact that work is expected to continue to be carried out during the first half of the year ending 31 March 2008 for orders placed in the second half of the year ending 31 March 2007 and that payments will continue to be received throughout the year ending 31 March 2008. Consequently, for the year ending 31 March 2008, the cap amount is calculated based on (i) half of the expected maximum contract amount of HK\$120 million for the year ending 31 March 2007 in respect of work orders placed towards the end of the Contract period; (ii) 15% of balance payment in respect of the amount of work orders totaling HK\$60 million expected to be placed by the Government in the first half of 31 March 2007 and completed in the second half of 31 March 2007 with payment made in the first half of 31 March 2008; and (iii) 15% of balance payment in respect of the amount of work orders totaling HK\$60 million expected to be placed by the Government in the second half of 31 March 2007 and completed in the first half of 31 March 2008 with payment made in the second half of 31 March 2008.

The Board is of the view that the above payment schedule under the Agreement is in accordance with the terms of the Contract between the Government and Chinney Construction, and that they are in the ordinary and usual course of business, on normal commercial terms and in line with industry practice. Watterson Asia Limited, as financial adviser to the Company, is also of the opinion that the terms of the Agreement, particularly with regard to payment to subcontractors, are in line with industry practice and on normal commercial terms.

REASONS AND BENEFITS FOR ENTERING INTO THE ONGOING CONNECTED TRANSACTION

The Group is principally engaged in the provision of multi-disciplinary building services, comprising electrical system engineering, water pumping and fire services, air-conditioning, plumbing and drainage, environmental engineering and project management. Chinney Construction is principally engaged in building construction business in both the public and private sectors in Hong Kong.

LETTER FROM THE BOARD

Ever Billion was awarded this contract through a tender put up by Chinney Construction and the Agreement was entered into on normal commercial terms. The Agreement enables the Group, as a business strategy, to diversify its building related contracting services, which include the provision of electrical system engineering, water pumping, fire services and air conditioning services, into building maintenance services. The Directors believe that the Agreement will enable the Group to expand its business scope to include building maintenance services. As such, the Directors are of the view that the Agreement is in the interest of the Group and the Shareholders as a whole and that the terms of the Agreement are fair and reasonable so far as the Shareholders are concerned.

REQUIREMENTS OF THE LISTING RULES

The Agreement constitutes an ongoing connected transaction of the Group under Rule 14A.35 of the Listing Rules and will be subject to the approval of Independent Shareholders by way of a poll at the SGM.

Mr. Chan Yuen Keung, Zuric, an executive Director holding 10 million Existing Shares, representing approximately 2.16% in the issued share capital of the Company as at the Latest Practicable Date, is also an executive director of Chinney Construction and has an indirect beneficial interest in 13.95% of the issued share capital of Chinney Construction, will abstain from voting on the ordinary resolution relating to the Agreement to be proposed at the SGM.

Under the Listing Rules, Independent Shareholders' approval is to be sought in respect of the Agreement subject to the following conditions:

- (a) the Agreement will be:
 - entered into in the ordinary and usual course of business of the Company;
 - conducted on normal commercial terms or, if there is not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than the terms available to or from independent third parties as appropriate; and
 - entered into in accordance with the relevant terms and conditions governing them which are fair and reasonable so far as the Shareholders are concerned and in the interest of the Company as a whole;
- (b) the aggregate value of the transactions under the Agreement for each of the three years to 31 March 2007 shall not exceed HK\$120 million and that for the year ending 31 March 2008 shall not exceed HK\$78 million; and
- (c) compliance by the Company with all relevant requirements governing connected transactions under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

GENERAL MANDATE TO ISSUE SHARES BY THE COMPANY

At the annual general meeting of the Company held on 26 September 2003, an ordinary resolution was passed which granted a general mandate authorising the Directors to allot, issue and deal with the shares of the Company not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at that date of passing such resolution. This mandate will lapse at the conclusion of the forthcoming annual general meeting of the Company to be held on 16 September 2004.

At the SGM, an ordinary resolution will be proposed to grant the Directors a fresh general mandate to exercise the power of the Company to allot, issue and deal with the shares of the Company up to 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the Issue Resolution.

SGM

Set out on pages 28 to 31 of this circular is a notice of SGM to be held at 11:30 a.m. on 16 September 2004 (or immediately following the conclusion of the Company's annual general meeting convened to be held at 11:00 a.m. at the same location and on the same date) at Fung Shui Room, 6th Floor, The Marco Polo Hong Kong Hotel, Harbour City, Kowloon, Hong Kong at which a special resolution for the approval of the Capital Reorganisation and ordinary resolutions for the approval of the Agreement and the Issue Mandate will be proposed for consideration by the Independent Shareholders and the Shareholders, respectively.

A form of proxy for use at the SGM is enclosed. Whether or not you intend to be present in person at the SGM, you are requested to complete the form of proxy and return it to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time for the holding of the SGM. Completion and return of the form of proxy will not prevent you from attending and voting in person should you so wish.

Pursuant to the Listing Rules, votes taken for the ordinary resolution regarding the ongoing connected transaction will be by poll.

As regards the special resolution on the Capital Reorganisation and the ordinary resolution on the Issue Mandate, pursuant to Bye-law 70 of the Company, a resolution put to vote at a general meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

- (a) the chairman of such meeting; or
- (b) at least three Shareholders present in person or by a duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or

LETTER FROM THE BOARD

- (c) any Shareholder or Shareholders present in person or by a duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) any Shareholder or Shareholders present in person or by a duly authorised corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for a Shareholder or by a duly authorised corporate representative shall be deemed to be the same as a demand by a Shareholder.

RECOMMENDATION

The Directors believe that the Capital Reorganisation and the Issue Mandate is in the interests of the Company and the Shareholders as a whole and, accordingly, they recommend Shareholders to vote in favour of the special resolution and the ordinary resolution respectively to be proposed at the SGM.

The Independent Board Committee believes that the Agreement is in the interests of the Company and the Shareholders as a whole and concurs with the Independent Financial Adviser's view that the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Consequently, they recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Agreement to be proposed at the SGM.

GENERAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee contained in this circular and general information as set out in the appendix to this circular.

Yours faithfully,
For and on behalf of
Shun Cheong Holdings Limited
Wong Sai Wing, James
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



SHUN CHEONG HOLDINGS LIMITED

順昌集團有限公司

(Incorporated in Bermuda with limited liability)

24 August 2004

To the Independent Shareholders:

Dear Sir or Madam,

ONGOING CONNECTED TRANSACTION

We refer to the Company's announcement dated 10 August 2004 on the Agreement which is considered as an ongoing connected transaction under the Listing Rules so far as the Company is concerned. Details of and reasons for the Agreement have been set out in the "Letter from the Board" contained in the circular of the Company dated 24 August 2004 to Shareholders (the "Circular"), of which this letter forms part. Your attention is drawn to the Circular and capitalised terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed as the Independent Board Committee to consider the terms of the Agreement. Our role is to advise the Independent Shareholders as to whether the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned. We have considered the opinion expressed by the Independent Financial Adviser on the Agreement and your attention is drawn to the "Letter from the Independent Financial Adviser" contained in the Circular. We concur with the opinion of the Independent Financial Adviser and we are also of the view that the Agreement is in the interest of the Company and that the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Consequently, we recommend you to vote in favour of the ordinary resolution with respect to the Agreement at the SGM.

Yours faithfully,
Independent Board Committee of
Shun Cheong Holdings Limited

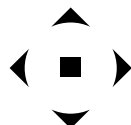
Chan Chok Ki

Ho Hin Kwan, Edmund

Yu Hon To, David

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice to the Independent Board Committee and the Shareholders from the Independent Financial Adviser prepared for incorporation in this circular.



ACCESS
CAPITAL

Suite 606
6th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

24 August 2004

*To: The Independent Board Committee
and the Shareholders*

Dear Sir or Madam,

ONGOING CONNECTED TRANSACTION

1. INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Shareholders with regard to the transaction contemplated under the Agreement (the “Transaction”). Details of the Agreement are contained in the “Letter from the Board” of the circular to the Shareholders dated 24 August 2004 (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meaning as those defined in the Circular, unless the context otherwise specifies.

Chinney Construction is owned as to 86.05% indirectly by Chinney Investments, Limited, a company in which Dr. Wong Sai Wing, James, Chairman and executive Director, has control, and as to 13.95% indirectly by Mr. Chan Yuen Keung, Zuric, an executive Director. As Chinney Construction is regarded as an associate of Dr. Wong Sai Wing, James and Mr. Chan Yuen Keung, Zuric, both of whom have indirect beneficial interests in Chinney Construction and are directors of the Company and Chinney Construction, the Agreement constitutes an ongoing connected transaction under Chapter 14A of the Listing Rules. Under Rule 14A.35 of the Listing Rules, the Transaction will be subject to the approval of the Independent Shareholders at a general meeting to be convened by the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Mr. Chan Yuen Keung, Zuric, is an executive Director and holds 10 million existing Shares, representing approximately 2.16% in the issued share capital of the Company as at the Latest Practicable Date, is also an executive director of Chinney Construction and has an indirect beneficial interest of 13.95% in Chinney Construction, will abstain from voting on the ordinary resolution relating to the Agreement to be proposed at the SGM.

The Independent Board Committee, comprising Dr. Chan Choi Ki, Mr. Ho Hin Kwan, Edmund and Mr. Yu Hon To, David (all of whom are independent non-executive Directors), has been established to consider the terms of the transaction contemplated under the Agreement and to advise the Independent Shareholders. We have been appointed by the Independent Board Committee to advise it as to whether the terms and conditions of the Agreement as well as the relevant caps in relation to the Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to give our opinion in relation to the Agreement for its consideration in issuing its opinion to the Independent Shareholders.

2. BASIS OF THE OPINION

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided and/or made to us by the Company and the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Company and the Directors and for which it is/they are solely responsible were true, accurate and valid at the time they were made and given and continue to be true, accurate and valid as at the date of the Circular. We have assumed that all the statements, information, opinions and representations made or provided by the Company and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company, the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out an independent verification of the information provided, nor have we conducted an independent investigation into the business and affairs of the Company or any of its subsidiaries.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. PRINCIPAL FACTORS AND REASONS CONSIDERED

In forming our opinion, we have taken into consideration the following principal factors and reasons:

3.1 Background to and reason for the transaction contemplated under the Agreement

The Group is principally engaged in the provision of multi-disciplinary building services, comprising electrical system engineering, water pumping and fire services, air-conditioning, plumbing and drainage, environmental engineering and project management.

Chinney Construction is principally engaged in the building construction business in both the public and private sectors in Hong Kong. It is an Approved Contractor for Public Works of Group C under the Building category and is eligible and qualified to tender and carry out Government building contracts (including this kind of maintenance contracts) of any contract value.

According to the Directors, the Agreement enables the Group, as a business strategy, to diversify its building related contracting services, which include the provision of electrical system engineering, water pumping, fire services and air conditioning services, into building maintenance services. We have discussed with the senior management of the Company and noted that such building maintenance service contract is granted by the Government through a tender process. In this regard, we are of the view that as long as the Group can manage its cost effectively, the Group will be able to achieve satisfactory results and contribute to the overall results of the Group.

Having considered the abovementioned background and reason, we believe that it is fair and reasonable for the Group to enter into the Agreement.

3.2 Terms and conditions of the Agreement and the commercial justification for determining the relevant caps in relation to the Transaction

3.2.1 Terms of the Transaction

a) *Awarded by way of a tendering process*

As stated in the “Letter from the Board”, Ever Billion was awarded this contract through a tender put up by Chinney Construction and the Agreement was entered into on normal commercial terms.

We have discussed with the senior management of the Company (i) the process of preparing the tender invited by Chinney Construction and (ii) the subsequent discussions and negotiations between the parties involved following the tender being granted to Ever Billion, we are of the view that the Transaction has been awarded through a tender process in the normal course of business of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have also discussed with the senior management of the Company about (i) the methodologies and (ii) the factors taken into consideration in the course of preparing (a) the subject tender invited by Chinney Construction and (b) those tenders between the Group and other independent third parties. Based on our discussion, we noted that (i) the methodologies and the factors taken into consideration in the course of preparing the subject tender and the tenders between the Group and other independent third parties are consistent in all material aspects; and (ii) the terms of the subject tender granted by Chinney Construction to the Group are arrived at after taking into account the normal commercial terms and relevant factors which the Group customarily applies in its preparation for such kind of tenders, and that they are no less favorable than terms of those tenders between the Group and other independent third parties to the Group.

b) *Management fee*

Under the Agreement, Ever Billion will act as the sub-contractor to Chinney Construction under the Contract and Chinney Construction, as the manager of the Contract.

Pursuant to the Agreement, Chinney Construction shall deduct 2% management fee from the amounts receivable from the Government, and pay the balance of 98% of the amounts receivable from the Government to Ever Billion within one month from the receipt of moneys from the Government. According to the Directors, the terms of the Agreement between Chinney Construction, a main contractor, and Ever Billion, the sub-contractor, are on normal commercial terms and are in line with market practice.

We have discussed with the senior management of the Company about the aforesaid terms of the Agreement and have sought to compare them with the other maintenance work tenders between the Group and other independent third parties. Whilst appreciating that every contract has different specifications of its own, we noted in our discussions with the senior management of the Company, it is normal for a sub-contractor (who will provide all the manpower and equipments under the contract) to accept the abovementioned payment arrangement (i.e. within one month from the receipt of moneys from the Government) and to pay a management fee to the main contractor (who holds the relevant license for the relevant work undertaken and who has the primary legal responsibility under the contract) in the range of 2% to 3% of the amounts receivable under a contract. We do not have access to any information as to whether the aforesaid payment arrangement and the fee arrangement are also offered to other sub-contractors of Chinney Construction. Given that these arrangements are normally accepted by the market, we have no reason to doubt whether the same arrangements are also offered to other sub-contractors of Chinney Construction. Accordingly, we concur with the view of the Directors that the management fee of 2% of the amounts receivable from the Government have been arrived at after arm's length negotiations, are on normal commercial terms and are in line with market practice.

In summary, after taking into account the abovementioned background and confirmation from the Directors, we are of the view that the terms of the Transaction are fair and reasonable and in the interests of the Shareholders and the Company as a whole and will continue to be conducted on terms not less favorable than terms of those tenders between the Group and other independent third parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.2.2 *The Caps*

According to the Company, the respective caps of the Transaction will be as follows:

- (i) for each of the three years to 31 March 2007, the cap amount will be HK\$120 million; and
- (ii) for the year ending 31 March 2008, the cap amount will be HK\$78 million.

Also according to the Company, the respective caps were determined with reference to the following factors:

a) *For each of the three years to 31 March 2007*

Based on information provided by the Government, the annual contract amount payable by the Government under the Contract is estimated to be approximately HK\$100 million. However, based on past experience of the Directors, the above estimated amount is subject to an upward or downward adjustment of 20%, with the actual amount based on specific work order requirements in a particular year. Hence, the Company determined to use the maximum amount of HK\$120 million as the cap for the aforesaid periods.

We have reviewed the Government information and discussed with the Directors about the past expenditure items of the Government in the locality of the subject contract, and concur with their view that the cap of HK\$120 million for each of the three years to 31 March 2007 is acceptable.

b) *For the year ending 31 March 2008*

In view of the payment procedures as described in the "Letter from the Board", in particular, according to the terms of the Contract entered into between the Government and Chinney Construction, the Government shall pay the contractor up to 85% of the value of work order completed with the balance of 15% payable upon certification by the Government. Depending on the type of building maintenance work involved, such maintenance work normally last up to six months. According to the Directors, certification and payment of the balance amount by the Government in respect of work done usually take another six months. Consequently, payment by the Government under this Contract is expected to extend beyond 31 March 2007, especially for orders issued towards the end of the Contract term, and will continue during the year ending 31 March 2008. Hence, the cap amount is calculated on the following basis:

- (i) half of the expected maximum contract amount of HK\$120 million for the year ending 31 March 2007 in respect of work orders placed towards the end of the Contract period;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) 15% of balance payment in respect of the amount of work orders totaling HK\$60 million expected to be placed by the Government in the first half of 31 March 2007 and completed in the second half of 31 March 2007 with payment made in the first half of 31 March 2008; and
- (iii) 15% of balance payment in respect of the amount of work orders totaling HK\$60 million expected to be placed by the Government in the second half of 31 March 2007 and completed in the first half of 31 March 2008 with payment made in the second half of 31 March 2008.

We have taken into account the payment procedures of the Government for the Contract as described in the “Letter from the Board” and above and are of the view that the cap of HK\$78 million for the year ending 31 March 2008 is acceptable.

Shareholders should note that the Contract granted by the Government is for a term of three years. Given the payment procedures as described in the “Letter from Board”, we believe that it is possible that payment in respect of the works to be placed by the Government in the second half of 31 March 2007 and subsequently completed in the first half of 31 March 2008 will be settled in the second half of 31 March 2008 (i.e. exceeding the 3-year term of the Contract). In view of the aforesaid circumstance give rise by the payment procedures, we are of the view that albeit the Contract is for a term of 3 years till 31 March 2007, it is essential for the Company to seek a 4-year cap for the Transaction.

In summary, having considered the abovementioned factors and based on our discussions with the Directors, we are of the view that the respective caps of the Transaction for each of the periods mentioned above are acceptable. Accordingly, we consider that the basis of determining the respective caps for the Transaction is fair and reasonable so far as the Shareholders are concerned and is in the interests of the Company and its Shareholders as a whole.

4. OPINION

Having considered the abovementioned principal factors, being (i) the background to, and reason for entering into, the transaction contemplated under the Agreement; and (ii) the terms and conditions the Agreement and the commercial justification for determining the respective caps of the Transaction (including the management fee is in line with the market practice as set out in paragraph 3.2.1 above as well as the need for a 4-year cap over a 3-year contract as set out in paragraph 3.2.2 above), we are of the view that the terms and conditions of the transaction contemplated under the Agreement, as well as the respective caps, are on normal commercial terms and in the ordinary and usual course of business of the Group and that they are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Furthermore, one of the conditions for ongoing connected transactions set out in the Listing Rules is that the Directors will request the auditors of the Company to review the Transaction and confirm that the terms of the Transaction have received the approval of the Board, that they have been entered into in accordance with the terms of the Agreement, and that the contract amount receivable from the Government per annum with respect to the Transaction has not exceeded the respective caps for each of the periods mentioned above. In addition, in order to comply with this condition, the Directors have confirmed to us that the auditors of the Company will have sufficient access to the books and records of the Company for the purpose of the auditors' review of the Transaction. On this basis, we believe that the aforesaid condition and right of access have been given in the interests of the Independent Shareholders and will provide adequate supervision over the Company.

Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Agreement, the Transaction contemplated thereunder, as well as the respective caps in relation to the Transaction.

Yours faithfully,
For and on behalf of
Access Capital Limited
Jeanny Leung
Managing Director

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquires, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

1. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the Directors and the chief executive of the Company and their respective associates had the following interests and short positions in the equity and debt securities of the Company and its associated corporations (within the meaning of Part XV of the SFO) which require notification to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors and chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

Long positions in Existing Shares of the Company:

Name of director	Nature of interests	Directly beneficially owned	Percentage of the Company's issued share capital
Mr. Chan Yuen Keung, Zuric	Personal	10,000,000	2.16
Mr. Au Shiu Wai, Frank	Personal	600,000	0.13
Mr. Au Yu Fai, Patrick	Personal	354,000	0.08
Mr. Hong Yiu	Personal	27,200,000	5.87

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

None of the Directors has or had any direct or indirect interests in any assets acquired or disposed of by or leased to or by or proposed to be acquired or disposed of by or leased to or by any member of the Group since 31 March 2004, being the date to which the latest published audited financial statements of the Company were made up.

Directors' service contracts

None of the Directors has any existing or proposed service contract (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)) with any member of the Group.

Competing interests

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates had an interest in a business which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

2. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register of interests in long positions and short positions kept by the Company pursuant to Divisions 2 and 3 of Part XV and section 336 of the SFO and so far as the Directors were aware, the following persons had a long position or share position in the Shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were interested, directly or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Long positions

Name	Capacity and nature of interest	Number of Existing Shares held	Percentage of the Company's share capital
Chinney Alliance Group Limited	Directly beneficially owned	138,790,000	29.93
Mr. Hong Yiu	Directly beneficially owned	27,200,000	5.87

Save as disclosed above, so far as is known to Directors and chief executive of the Company, no other person as at the Latest Practicable Date had a long position or short position in the Shares, underlying shares or debentures which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested, directly or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

4. MATERIAL CONTRACTS

Save for the Agreement, neither the Company nor any of its subsidiaries had entered into any material contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this circular and are or may be material.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2004, the date to which the latest audited financial statements of the Company were made up.

6. CONSENT

Access Capital Limited (“Access Capital”), being the Independent Financial Adviser, is a corporation deemed licensed to engage in Types 1, 4, 6 and 9 regulated activities under the SFO.

Access Capital is not interested in any shares in the capital of the Company nor does it have any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in the capital of the Company.

Access Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and the reference to its name in the form and context in which it appears.

7. GENERAL

- (a) The secretary and qualified accountant of the Company is Mr. Lo Yun Sang, BBA, AHKSA, FCCA.
- (b) The head office and principal place of business of the Company is situated at Flat 201, 2nd Floor, Premier Centre, 20 Cheung Shun Street, Lai Chi Kok, Kowloon, Hong Kong. The share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, situated at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text.

8. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Flat 201, 2nd Floor, Premier Centre, 20 Cheung Shun Street, Lai Chi Kok, Kowloon, Hong Kong during normal office hours up to and including 16 September 2004:

- (a) the Agreement;
- (b) the letter of advice from the Independent Financial Adviser to the Independent Board Committee, the text of which is set out in this circular; and
- (c) the written consent from the Independent Financial Adviser referred to in this appendix.

NOTICE OF SGM



SHUN CHEONG HOLDINGS LIMITED

順昌集團有限公司

(Incorporated in Bermuda with limited liability)

Stock code: 650

NOTICE IS HEREBY GIVEN that a special general meeting (“SGM”) of the shareholders of Shun Cheong Holdings Limited (the “Company”) will be held at Fung Shui Room, 6th Floor, The Marco Polo Hong Kong Hotel, Harbour City, Kowloon, Hong Kong on Thursday, 16 September 2004 at 11:30 a.m. (or immediately following the conclusion of the annual general meeting of the Company convened to be held at 11:00 a.m. at the same location and on the same date) for the purpose of considering and, if thought fit, passing the following resolutions of the Company as a Special Resolution No. 1 and as Ordinary Resolutions Nos. 2 and 3:

SPECIAL RESOLUTION

1. **“THAT**

- (a) every 4 shares of HK\$0.10 each in the share capital of the Company (whether issued or unissued) be consolidated (“Share Consolidation”) into a share of HK\$0.40 each (“Consolidated Share”);
- (b) immediately following the Share Consolidation, (i) the par value of each of the Consolidated Shares in issue be reduced from HK\$0.40 to HK\$0.01 (“Capital Reduction”) by way of cancelling the paid-up capital in the amount of HK\$0.39 from each Consolidated Share; (ii) each authorised but unissued Consolidated Share of HK\$0.40 each be subdivided into 40 shares of HK\$0.01 each; and (iii) the creation of 4,521,285,600 shares of HK\$0.01 each so that the authorised share capital of the Company shall be increased from HK\$34,787,144 to HK\$80,000,000 divided into 8,000,000,000 shares of HK\$0.01 each;
- (c) the credit amount of HK\$45,212,856 (the “Credit Amount”) arising as a result of the Capital Reduction (as defined in sub-paragraph (b) above) be applied towards the partial elimination of the accumulated losses of the Company as at 31 March 2004 in the amount of HK\$108,935,656 (the “Accumulated Losses”) as shown in the audited financial statements of the Company for the year ended 31 March 2004;
- (d) the cancellation of the share premium account of HK\$110,631,927 and the application of the credit arising therefrom to eliminate the balance of the accumulated losses of the Company as at 31 March 2004 and to apply the remaining credit of HK\$46,909,127 arising therefrom to the Company’s contributed surplus account; and

NOTICE OF SGM

- (e) the directors of the Company (“Directors”) be and are hereby authorised to do all acts and things which in their opinion are necessary to effect and implement any of the foregoing.”

ORDINARY RESOLUTIONS

2. “THAT

- (a) the entering into the agreement (“Agreement”) dated 10 August 2004 between Ever Billion Engineering Limited, a wholly-owned subsidiary of the Company, and Chinney Construction Company, Limited be approved and confirmed;
- (b) the annual cap of the Agreement for each of the three years to 31 March 2007 of HK\$120 million and that for the year ending 31 March 2008 of HK\$78 million be approved and confirmed; and
- (c) the Directors be and are hereby authorised to do all such acts and things which in their opinion are necessary to effect and implement any of the foregoing.”

3. “THAT

- (a) subject to sub-paragraph (b) of this resolution, the exercise of the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options, including warrants and securities convertible or exercisable into shares of the Company, which might require the exercise of such powers either during or after the Relevant Period, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in sub-paragraph (a) of this resolution, otherwise than pursuant to a Rights Issue (as hereinafter defined) or the exercise of subscription or conversion rights under the terms of any warrants of the Company or any securities which are convertible or exercisable into shares of the Company or any share option scheme or any scrip dividends or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-Laws of the Company or a specific authority granted by the shareholders of the Company in general meeting, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company on the date of this resolution and this approval shall be limited accordingly; and

NOTICE OF SGM

(c) for the purpose of this resolution:

“Relevant Period” means the period from the passing of the resolution until whichever is the earliest of:

- (i) the conclusion of the next general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution in general meeting.

“Rights Issue” means an offer of shares in the Company, or any offer of warrants, options or other securities giving rights to subscribe for shares in the Company, open for a period fixed by the directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company, after making enquiry, may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the law of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong).

By order of the Board
Wong Sai Wing, James
Chairman

Hong Kong, 24 August 2004

Head Office and Principal Place of Business:

Flat 201, 2nd Floor
Premier Centre
20 Cheung Shun Street
Lai Chi Kok
Kowloon
Hong Kong

NOTICE OF SGM

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the bye-laws of the Company, vote in his stead. A proxy need not be a member of the Company.
2. A member being a corporation, in addition to any letter of authorisation from a recognised clearing house (if applicable), may by resolution of its directors authorise such person, as it deems appropriate, to act as its representative (the “corporate representative”) to attend and vote on its behalf and for the number of shares it represents. Any member wishing to appoint such corporate representative for the purposes of the meeting are required to produce and lodge with the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong duly certified true copies of the resolution of the board of directors of the member authorising the appointment of the corporate representative not less than 48 hours before the time for holding the meeting or any adjourned meeting at which the corporate representative named in such resolution proposes to vote.
3. A form of proxy for use for the aforesaid purpose will be delivered forthwith together with a copy of this original notice to the registered address of the members entitled to vote at the meeting. In order to be valid, the said form of proxy, together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, must be lodged with the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time for holding the meeting or any adjourned meeting at which the person named in such instrument proposes to vote.
4. Whether or not you propose to attend the meeting in person, you are strongly urged to complete and return the said form of proxy in accordance with the instructions printed thereon. Completion and return of such form of proxy will not preclude you from attending the meeting and voting in person if you so wish (in which case any appointment of proxy for the purpose of the meeting will be automatically revoked).
5. For joint registered holders of any share attending the meeting on the same occasion, the vote of the holder whose name stands first on the register who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.
6. As at the date hereof, the board of directors of the Company comprises of nine directors, of whom four are executive directors, namely Dr. Wong Sai Wing, James, Mr. Chan Yuen Keung, Zuric, Mr. Au Shiu Wai, Frank and Mr. Au Yu Fai, Patrick; two non-executive directors, namely Mr. Yu Sek Kee, Stephen and Mr. Hong Yiu, and three independent non-executive directors, namely Dr. Chan Chok Ki, Mr. Ho Hin Kwan, Edmund and Mr. Yu Hon To, David.



SHUN CHEONG HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

FORM OF PROXY FOR USE AT THE SPECIAL GENERAL MEETING (“SGM”)

TO BE HELD ON 16 September 2004 at 11:30 a.m. (or immediately following the conclusion of the Annual General Meeting convened to be held at 11:00 a.m. at the same location and on the same date) at Fung Shui Room, 6th Floor, The Marco Polo Hong Kong Hotel, Harbour City, Kowloon, Hong Kong

I/We* (Note 1) _____
of _____,
being the registered holder(s) of share(s) (Note 2) of _____ HK\$0.10 each
in the share capital of Shun Cheong Holdings Limited (the “Company”), HEREBY APPOINT THE CHAIRMAN OF
THE SGM or _____ (Note 3)
of _____,
as my/our* proxy to vote and act for me/us* at the SGM and at any adjournment thereof to be held on 16 September
2004 at 11:30 a.m. (or immediately following the conclusion of the Annual General Meeting convened to be held
at 11:00 a.m. at the same location and on the same date) at Fung Shui Room, 6th Floor, The Marco Polo Hong
Kong Hotel, Harbour City, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing the resolutions
set out in the notice convening the SGM.

Please indicate with a (✓) in the spaces provided how you wish your vote(s) to be cast. Should this form be returned
duly signed but without a specific direction, the proxy will vote or abstain at his/her discretion.

SPECIAL RESOLUTION	FOR (Note 4)	AGAINST (Note 4)
1. To approve the Capital Reorganisation		
ORDINARY RESOLUTIONS	(Note 4)	(Note 4)
2. To approve the Agreement and the associated cap amounts		
3. To grant a general mandate to the Directors to issue shares under the Issue Mandate		

* Delete when appropriate

Dated this _____ day of _____ 2004 Signed _____

Notes:

- Full name(s) and address(es) to be inserted in BLOCK CAPITALS.
- Please insert the number of shares registered in your name(s) to which the proxy relates. If no number is inserted, this form of proxy will be deemed to relate to all the shares in the Company registered in your name(s).
- If any proxy other than the Chairman of the SGM is preferred, strike out “THE CHAIRMAN OF THE SGM” and insert the name and address of the proxy desired in the space provided. ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALLED BY THE PERSON WHO SIGNS IT.
- IMPORTANT: IF YOU WISH TO VOTE FOR A RESOLUTION, TICK THE BOX MARKED “FOR”. IF YOU WISH TO VOTE AGAINST A RESOLUTION, TICK THE BOX MARKED “AGAINST”. Failure to tick either box will entitle your proxy to cast your vote at his/her discretion. Your proxy will also be entitled to vote at his/her discretion on any resolution properly put to the SGM other than that those referred to above.
- This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be either under its common seal or under the hand of an officer or attorney duly authorised.
- In the case of joint registered holders of any shares, any one of them may vote at the SGM, either personally or by proxy, in respect of such shares as if he/she/it was solely entitled thereto; but if more than one of such joint registered holders be present at the SGM, either personally or by proxy, that one of them so present whose name stands first on the register of members of the Company in respect of such shares shall be accepted to the exclusion of the votes of the other joint registered holders.
- In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notary certified copy of such power or authority, must be lodged at the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting (as the case may be).
- The proxy need not be a member of the Company but must attend the SGM in person to represent you.
- Completion and delivery of the form of proxy will not preclude you from attending and voting at the SGM if you so wish. In the event of your attending the SGM, this form of proxy will be deemed to be revoked.