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**SHUN CHEONG HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 650)**

**PROPOSED DISPOSAL OF THE ENTIRE INTEREST  
IN SHUN CHEONG INVESTMENTS LIMITED**

**VERY SUBSTANTIAL DISPOSAL,  
CONNECTED TRANSACTION**

**AND**

**CONTINUING CONNECTED TRANSACTIONS**



**建聯集團有限公司  
Chinney Alliance Group Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 385)**

**PROPOSED ACQUISITION OF THE ENTIRE INTEREST  
IN SHUN CHEONG INVESTMENTS LIMITED**

**MAJOR TRANSACTION**

**Financial adviser to Shun Cheong Holdings Limited**

**Watterson Asia Limited**

## **THE SALE AND PURCHASE AGREEMENT**

On 26 January 2006, SCH (as Vendor) and CAT (BVI) (as Purchaser) entered into the Sale and Purchase Agreement pursuant to which SCH has conditionally agreed to dispose and CAT (BVI) has conditionally agreed to acquire the entire issued share capital of SCI, being the holding company for the building related contracting business under the Contracting Group upon completion of the Corporate Restructuring, for a cash consideration of HK\$35,000,000. The Consideration, which has been arrived at after arm's length negotiations between the parties, was determined by reference to the unaudited consolidated net tangible assets of approximately HK\$38 million of the Contracting Group as at 30 September 2005 (assuming Corporate Restructuring had taken place) and after taking into consideration the Contracting Group's further expected operating losses during the period between 1 October 2005 and the Completion Date, currently expected to be in March 2006. Upon completion of the Sale and Purchase Agreement, SCH will focus on building related maintenance business for both public and private sectors.

As SCH is owned as to approximately 29.93% by CAG (being a substantial shareholder), CAG and its wholly-owned subsidiary, CAT (BVI) are connected persons of SCH under the Listing Rules, and the Disposal constitutes a connected transaction for SCH under the Listing Rules. As the Disposal also constitutes a very substantial disposal for SCH under the Listing Rules, it is therefore subject to the approval by the SCH Independent Shareholders by poll at the SCH SGM. CAG and its associates will abstain from voting in respect of the Disposal at the SCH SGM.

The Acquisition constitutes a major transaction for CAG under the Listing Rules and is subject to the approval by the CAG Shareholders at the CAG SGM.

The Sale and Purchase Agreement is also conditional upon, among other things, the approval by the SCH Independent Shareholders of the Sub-contracting Agreements which constitute continuing connected transactions of SCH upon completion of the Sale and Purchase Agreement (as detailed below).

## **THE SUB-CONTRACTING AGREEMENTS**

On 31 December 2005, the Sub-contracting Agreements were entered into between members of the Contracting Group (as main contractors) and the Remaining SCH Group (as subcontractor) with regard to certain maintenance work contracts. Upon completion of the Sale and Purchase Agreement, those existing maintenance work contracts held under the Contracting Group, for which a member within the Remaining SCH Group currently act as sub-contractor, will continue until completion of such contracts.

As the Contracting Group will become subsidiaries of CAG following Completion, the transactions under the Sub-contracting Agreements will therefore constitute continuing connected transactions of SCH. As each of the percentage ratios (other than profit ratio) (as defined in Rule 14.07 of the Listing Rules) of the annual amounts of transactions contemplated under the Sub-contracting Agreements exceed 2.5%, the Sub-contracting Agreements and the Annual Caps for the two financial years to 31 March 2008 are subject to approval by SCH Independent Shareholders by poll at the SCH SGM under Listing Rule 14A.48. CAG and its associates will abstain from voting in respect of the Continuing Connected Transactions at the SCH SGM.

## **GENERAL**

An independent board committee of SCH will be established to consider the Disposal under the Sale and Purchase Agreement and the Continuing Connected Transactions and to advise the SCH Independent Shareholders in this regard. An independent financial adviser will be appointed to advise the independent board committee of SCH and the SCH Independent Shareholders in this regard.

SCH will dispatch to the SCH Shareholders a circular containing, among other things, further details of the Disposal, the Continuing Connected Transactions, the recommendation from the independent board committee to the SCH Independent Shareholders, the recommendation of the independent financial adviser to the independent board committee and the SCH Independent Shareholders, the financial information on the Remaining SCH Group and a notice convening the SCH SGM in accordance with the requirements of the Listing Rules.

CAG will dispatch to the CAG Shareholders a circular containing, among other things, further details of the Acquisition, the financial information relating to the Contracting Group, the financial information on the Enlarged CAG Group and a notice convening the CAG SGM in accordance with the requirements of the Listing Rules.

**SCH Shareholders and CAG Shareholders should note that the Sale and Purchase Agreement, which is subject to a number of conditions precedent, may or may not be completed. SCH Shareholders and CAG Shareholders are reminded to exercise caution when dealing in the securities of SCH and CAG respectively.**

Trading in the SCH Shares and CAG Shares were suspended from 9:30 a.m. on 27 January 2006 at the requests of SCH and CAG respectively pending the issue of this announcement and applications have been made to the Stock Exchange for the resumption of trading in the SCH Shares and CAG Shares from 9:30 a.m. on 3 February 2006.

## **THE SALE AND PURCHASE AGREEMENT**

**Date** : 26 January 2006

### **Parties**

**Vendor** : SCH

**Purchaser** : CAT (BVI), a wholly-owned subsidiary of CAG

CAG is a substantial shareholder of SCH, beneficially holding approximately 29.93% of the issued share capital of SCH and thus CAT (BVI) is a connected person of SCH under the Listing Rules.

**Purchaser's Guarantor** : CAG

### **Assets to be disposed by SCH (and acquired by CAT (BVI))**

SCH has conditionally agreed to sell to CAT (BVI) and CAT (BVI) has conditionally agreed to purchase from SCH the Contracting Group, being SCI and its certain subsidiaries together with their investments upon completion of the Corporate Restructuring.

Upon Completion, CAT (BVI) will have 100% interest in the Contracting Group and SCH will cease to have any interest in the Contracting Group.

### **Consideration**

The Consideration for the sale and purchase of the Contracting Group is HK\$35,000,000, subject to adjustment. The Consideration payable to SCH will be satisfied by CAT (BVI) in cash by way of internal resources upon Completion.

The Consideration payable under the Sale and Purchase Agreement was arrived at after arm's length negotiations between SCH and CAT (BVI) and was determined by reference to the value of the Contracting Group's unaudited consolidated net tangible assets of approximately HK\$38 million as at 30 September 2005 (assuming Corporate Restructuring had taken place) and after taking into consideration the Contracting Group's further expected operating losses during the period between 1 October 2005 and the Completion Date, currently expected to be in March 2006. The Contracting Group's unaudited consolidated net tangible assets of HK\$38 million is arrived at after waiving the inter-company balance of approximately HK\$18 million (due by the Contracting Group to the Remaining SCH Group) upon completion of Corporate Restructuring (the "Waiver"), i.e. being the sum of the Contracting Group's unaudited consolidated net tangible assets before the Waiver of approximately HK\$20 million and the Waiver of approximately HK\$18 million, assuming the Corporate Restructuring had taken place. The above inter-company balance arose from business activities between the Contracting Group and the Remaining SCH Group. The purpose of the Waiver is to clean up such inter-company balance as part of the Corporate Restructuring prior to Completion of the Sale and Purchase Agreement.

The Consideration is subject to adjustment with reference to the Accountants' Report in the following manner:

- (i) if the value of the Contracting Group's Audited Consolidated Net Tangible Assets is less than HK\$34,500,000, the Consideration will be reduced by the amount equivalent to the difference between such value and HK\$34,500,000; or

- (ii) if the value of the Contracting Group's Audited Consolidated Net Tangible Assets is more than HK\$39,500,000, the Consideration will be increased by the amount equivalent to the difference between such value and HK\$39,500,000.

### **Conditions precedent**

The Completion of the Sale and Purchase Agreement is subject to the fulfilment of the following conditions:

- (a) the passing of resolutions by the SCH Independent Shareholders by poll at the SCH SGM approving the Disposal and the Continuing Connected Transactions;
- (b) the passing of a resolution by the CAG Shareholders at the CAG SGM approving the Acquisition;
- (c) the Deed of Indemnity (as detailed below) being duly executed by the parties thereto on the Completion Date;
- (d) the completion of the Corporate Restructuring which include among others, the waiver of the aggregate sum of approximately HK\$18 million due by the Contracting Group to the Remaining SCH Group;
- (e) the value of the Audited Consolidated Net Tangible Assets being confirmed and determined by the auditors with an unqualified opinion; and
- (f) all of the warranties, representations, indemnities and undertakings of the Vendor, the Purchaser and CAG as set out in the Sale and Purchase Agreement remain true and accurate and not misleading at all times from the date of the Sale and Purchase Agreement up to and including the Completion Date.

If the conditions precedent have not been fulfilled or waived by the Vendor and/or the Purchaser (save for conditions (a) to (e) which cannot be waived) and the Completion cannot take place on or before the Long Stop Date (or any other date as agreed between the parties), the Sale and Purchase Agreement shall have no effect and no party shall have any claims against the other parties under the Sale and Purchase Agreement (without prejudice to the rights of any party to the Sale and Purchase Agreement in respect of antecedent breaches).

### **Completion**

Upon compliance with or fulfilment of the conditions precedent, Completion shall take place on the Completion Date.

### **DEED OF INDEMNITY**

Upon Completion, CAG shall, among other things, execute the Deed of Indemnity.

**Date** : Completion Date

**Parties** : CAG, as Purchaser's Guarantor  
SCH, as Vendor

**Scope** : CAG has agreed to guarantee the performance of the Purchaser and to indemnify the Vendor for all its obligations in relation to the guarantees provided by the Vendor to the banks and/or third parties for the business operation of certain members of the Contracting Group as set out in the Sale and Purchase Agreement, and procure the discharge or release or cancellation of such guarantees in its best endeavors within three months after Completion or such other date as agreed in writing between the Vendor and CAG.

### **Information on the Contracting Group**

SCI is the holding company of the Contracting Group which include Shun Cheong Engineering Limited and Shun Cheong International Limited, both of which are investment holding companies and wholly-owned subsidiaries of SCI.

Shun Cheong Engineering Limited's main operating subsidiaries include Shun Cheong Electrical and Shun Wing Construction & Engineering Company Limited. Shun Cheong Electrical, together with its wholly-owned subsidiary, Westco Airconditioning, are engaged in the design and installation of electrical and mechanical systems, heating ventilation and air-conditioning systems for both public and private sectors. Shun Wing Construction & Engineering Company Limited, a 50.10% owned subsidiary within the Contracting Group, was engaged in the design and installation of building and electrical systems for a Government contract, which was completed in March 2004 but pending payment of sub-contracting fee by the main contractor following certification by the Government.

Shun Cheong International Limited's main operating subsidiary is Shun Cheong Trade and Development Company Limited which is engaged in the trading and installation of generator sets.

As at 30 September 2005, assuming the Corporate Restructuring had taken place, the unaudited consolidated net tangible assets of the Contracting Group was approximately HK\$38 million.

The unaudited consolidated results of the Contracting Group for the two years ended 31 March 2005 and the six months ended 30 September 2005 (assuming Corporate Restructuring had taken place) are as follows:

	<b>For the year ended 31 March</b>		<b>For the six months</b>
	<b>2004</b>	<b>2005</b>	<b>ended 30 September</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2005</b>
			<i>HK\$'000</i>
Turnover	820,620	505,574	206,084
Net profit/(loss) before tax	10,915	(19,498)	11,842*
Net profit/(loss) after tax and minority interests	(2,731)	(20,467)	11,822*

\* Included the gain arising from the waiver of inter-company indebtedness of approximately HK\$18 million pursuant to the Corporate Restructuring.

The unaudited financials of the Contracting Group (assuming Corporate Restructuring had taken place) mentioned above are subject to audit for inclusion into the circulars of SCH and CAG.

## **Information on the SCH Group and CAG Group**

The SCH Group is principally engaged in building related contracting services, which include the provision of multi-disciplinary building services, comprising electrical engineering, water pumping and fire services, air-conditioning installation, plumbing and drainage, environmental engineering, extra low voltage systems engineering and project management, trading of electrical and mechanical engineering materials and equipment as well as building related maintenance services.

The CAG Group is principally engaged in the trading of plastics and chemicals, trading of industrial products and equipment, air-conditioning engineering works and has approximately 29.93% equity investment in SCH.

## **Reasons for and benefits of the Sale and Purchase Agreement**

The SCH Group is principally engaged in building related contracting services (businesses carried out under the Contracting Group) as well as building related maintenance services (businesses carried out under the Remaining SCH Group) as aforesaid. Building related contracting services carried out under the Contracting Group generally involve the design and installation of electrical equipment, water pump and fire services equipment, air-conditioning systems as well as plumbing and drainage systems in new buildings; whereas, building related maintenance services undertaken by the Remaining SCH Group primarily involve the maintenance of the above installations as well as general building maintenance.

For the year ended 31 March 2005, the SCH Group had a turnover of HK\$550 million but suffered an audited operating loss of HK\$33.7 million. For the six months to 30 September 2005, the SCH Group had a turnover of HK\$245.5 million and had an unaudited operating loss of HK\$7.9 million. The above loss making results were mainly due to limited construction works in both private and public sectors in Hong Kong, resulting in profit margin erosions caused by keen competition within the contracting sector. Witnessing such development, SCH had actively explored new contracting business opportunities in other territories, such as Macau, and was awarded a new contract for the electrical installation for the Grand Lisboa Hotel and Casino in Macau in 2005. However, funding and banking support are vital in order to grow new businesses under the Contracting Group. Currently, the SCH Group has banking facilities of approximately HK\$76.5 million. Of this amount, HK\$26.8 million cash was pledged by the SCH Group to banks as collateral for such facilities.

Given the SCH Group's unaudited net assets value of approximately HK\$58.8 million as at 30 September 2005, its past loss making track record and current available banking facilities, the SCH Board has found it difficult to secure further banking support for the development of the Contracting Group's existing business. On the other hand, the building related maintenance business is by nature less susceptible to property development cycles that had affected the Contracting Group and does not require significant capital outlay as that of the Contracting Group.

The SCH Board has considered other options to raise funds for the development of the Contracting Group's business. These options include share placing and a rights issue. However, given SCH's current market capitalisation of only approximately HK\$35 million and its loss making track record, the SCH Board is of the view that the above fund raising alternatives are not deemed to be feasible. In particular, it would be impracticable to find an underwriter to underwrite the rights issue at a rights issue price that would not pose a significant dilution to existing net assets on a per share basis.

Given the situation mentioned above, the SCH Board is of the view that, with SCH Group's current financial resources, SCH should dispose of the Contracting Group and focus on the remaining building related maintenance businesses.



As the Consideration is primarily determined by reference to the value of the consolidated net tangible assets of the Contracting Group as at 30 September 2005 and after taking into consideration its loss making track record, it is expected that the Disposal will not give rise to any material profit or loss to the SCH Group, nor will it have any significant adverse effect to the SCH Group's net assets.

The SCH Board considers that the Sale and Purchase Agreement was entered on normal commercial terms and is in the interests of SCH and the SCH Shareholders taken as a whole.

The CAG Board is of the view that the Acquisition will give CAG a direct investment opportunity in the Contracting Group, apart from its existing investment in SCH. It would also allow CAG, which had unaudited net assets of approximately HK\$152.7 million as at 30 June 2005, to leverage on its balance sheet to further expand the Contracting Group's business when opportunities arise. More importantly, CAG currently has total banking facilities of approximately HK\$450 million, which can support the Contracting Group's business. The CAG Board is of the view that, given the financial resources of CAG to support the Contracting Group's business which has good trading prospect in Macau, there is a good opportunity to gradually turn around the results of the Contracting Group.

The CAG Board also considers the Sale and Purchase Agreement was entered on normal commercial terms and is in the interests of CAG and the CAG Shareholders taken as a whole.

#### **Intended use of proceeds by SCH**

The SCH Board intends to use the net proceeds of HK\$33 million from the Disposal as to approximately HK\$13 million for working capital requirements of the remaining building related maintenance businesses and as to approximately HK\$20 million for other investment opportunities in Hong Kong and China. At present, SCH has not committed to engaging in any particular investment that requires the use of the above remaining proceeds.

#### **Requirements of the Listing Rules**

As SCH is owned as to 29.93% by CAG (being a substantial shareholder), CAG and its wholly-owned subsidiary, CAT (BVI) are connected persons of SCH under the Listing Rules, and the Disposal constitutes a connected transaction and very substantial disposal for SCH under the Listing Rules. As such, the Disposal is subject to the approval by the SCH Independent Shareholders by poll at the SCH SGM. CAG and its associates will abstain from voting in respect of the Disposal at the SCH SGM.

The Acquisition constitutes a major transaction for CAG under the Listing Rules and is therefore subject to the approval by the CAG Shareholders at the CAG SGM.

#### **SUB-CONTRACTING AGREEMENTS**

On 31 December 2005, Tinhawk entered into the Sub-contracting Agreements with each of Shun Cheong Electrical and Westco Airconditioning (main operating subsidiaries of the Contracting Group) for the provision of building related maintenance sub-contracting work. Upon Completion, the Sub-contracting Agreements will constitute continuing connected transactions of SCH and the principal terms of which are summarised as follows:

**Date** : 31 December 2005

**Parties** : Shun Cheong Electrical and Westco Airconditioning, as main contractors, being main operating subsidiaries of the Contracting Group under CAG upon Completion and connected persons of SCH

Tinhawk, as sub-contractor

- Duration** : From 1 January 2006 to 31 May 2008
- Terms** : Each of Shun Cheong Electrical and Westco Airconditioning (as main contractors) will pay Tinhawk (as sub-contractor) a sub-contracting fee, after deducting a management fee calculated based on 3% on contract amounts receivable from clients.

The aggregate contract amounts for the provision of building related maintenance sub-contracting work by Tinhawk to Shun Cheong Electrical and Westco Airconditioning for the financial years ended 31 March 2004 and 2005 and the eight months ended 30 November 2005 are as follows:

<b>Year ended 31 March 2004</b>	<b>Year ended 31 March 2005</b>	<b>Eight months ended 30 November 2005</b>
<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
46	55	55

### **Annual Caps**

It is proposed that the Annual Caps for the total sub-contracting fees receivable by Tinhawk under the Sub-contracting Agreements for the financial years ending 31 March 2007 and 2008 will be HK\$114 million and HK\$82 million respectively for the purpose of Chapter 14A of the Listing Rules.

The Annual Caps are determined with reference to current estimated unbilled contract value of existing maintenance contracts on hand, assuming that Completion will take place in March 2006.

### **Reasons for and benefits of the Sub-contracting Agreements**

On 31 December 2005, the above Sub-contracting Agreements were entered into between members of the Contracting Group (as main contractors) and the Remaining SCH Group (as sub-contractor) with regard to certain maintenance work contracts. Upon completion of the Sale and Purchase Agreement, those existing maintenance work contracts held under Shun Cheong Electrical and Westco Airconditioning (being main operating companies within the Contracting Group), for which Tinhawk, a member within the Remaining SCH Group currently act as a sub-contractor, will continue with a view to allow continuity to those contracts until completion of such contracts. It is currently expected that the above maintenance contracts will run until 2008.

Under the Sub-contracting Agreements, Tinhawk will continue to act as sub-contractor to Shun Cheong Electrical and Westco Airconditioning, under existing building related maintenance contracts for which they act as main contractors. As main contractors, each of Shun Cheong Electrical and Westco Airconditioning is entitled to deduct a management fee of a total 3% on amounts receivable from their clients and pay the balance to the sub-contractor following receipt of monies from clients. The SCH Directors confirm the above management fee is determined with reference to market rate not less favourable than that offered by independent contractors and the terms of such agreements are on normal commercial terms in line with market practice.

Both SCH Board and CAG Board are of the view that the above Sub-contracting Agreements will enable both SCH and CAG to continue servicing the existing building related maintenance contracts entered into by the Contracting Group following Completion with a view to ensuring smooth and continuous services to existing customers.



The terms of the Sub-contracting Agreements were arrived at after arm's length negotiations between the parties thereto. The SCH Board considers that the Sub-contracting Agreements were entered into in the ordinary and usual course of business of SCH and the terms therein are normal commercial terms that are in line with market practice and are fair and reasonable so far as the SCH Shareholders are concerned, and that the entering of the same is in the interest of SCH and the SCH Shareholders as a whole.

### **Requirements of the Listing Rules**

As Shun Cheong Electrical and Westco Airconditioning, being members of the Contracting Group, will become the subsidiaries of CAG following Completion, the transactions under the Sub-contracting Agreements will therefore constitute continuing connected transactions of SCH. As each of the percentage ratios (other than the profit ratio) (as defined in Rule 14.07 of the Listing Rules) of the annual amounts of transactions contemplated under the Sub-contracting Agreements exceed 2.5%, the Sub-contracting Agreements and the Annual Caps for the two financial years to 31 March 2008 are subject to Independent Shareholders' approval by poll at the SCH SGM under Listing Rule 14A.48. CAG and its associates will abstain from voting in respect of the Continuing Connected Transactions at the SCH SGM.

### **GENERAL**

At the SCH SGM, CAG and its associates are required to abstain from voting for the approval of the Disposal under the Sale and Purchase Agreement and the Continuing Connected Transactions. An independent board committee will be established to consider the Disposal under the Sale and Purchase Agreement and the Continuing Connected Transactions and to advise the SCH Independent Shareholders in this regard. An independent financial adviser will be appointed to advise the independent board committee of SCH and the SCH Independent Shareholders accordingly.

SCH will dispatch to the SCH Shareholders a circular containing, among other things, further details of the Disposal, the Continuing Connected Transactions, the recommendation from the independent board committee to the SCH Independent Shareholders, the advice of the independent financial adviser, the financial information on the Remaining SCH Group and a notice convening the SCH SGM in accordance with the requirements of the Listing Rules.

CAG will dispatch to the CAG Shareholders a circular containing, among other things, further details of the Acquisition, the financial information relating to the Contracting Group, the financial information on the Enlarged CAG Group and a notice convening the CAG SGM in accordance with the requirements of the Listing Rules.

**SCH Shareholders and CAG Shareholders should note that the Sale and Purchase Agreement, which is subject to a number of conditions precedent, may or may not be completed. SCH Shareholders and CAG Shareholders are reminded to exercise caution when dealing in the securities of SCH and CAG respectively.**

Trading in the SCH Shares and CAG Shares were suspended from 9:30 a.m. on 27 January 2006 at the requests of SCH and CAG respectively pending the issue of this announcement and applications have been made to the Stock Exchange for the resumption of trading in the SCH Shares and CAG Shares from 9:30 a.m. on 3 February 2006.

As at the date of this announcement, the SCH Directors and CAG Directors are:

**SCH:**

***Executive Directors:***

Mr. Chan Yuen Keung, Zuric (*Chairman*)  
Mr. Hong Yiu  
Mr. Yu Sek Kee, Stephen  
Mr. Au Yu Fai, Patrick

***Independent Non-executive Directors:***

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

**CAG:**

***Executive Directors:***

Dr. Wong Sai Wing, James (*Chairman*)  
Mr. Yu Sek Kee, Stephen  
Mr. Chu Kwok Kit, Frank  
Mr. Luk Chi Chung, Peter

***Non-executive Director:***

Mr. Fung Man Hei, Herman

***Independent Non-executive Directors:***

Mr. McAfee Gage, William  
Mr. Wu Chung Shing, David  
Mr. Mo Tian Quan, Vincent

**DEFINITIONS**

Unless the context otherwise requires, the following terms shall have the meanings set out below:

“Account Date”	30 September 2005
“Accountants’ Report”	the accountants’ report of the Contracting Group as at the Account Date
“Acquisition”	the acquisition by CAG of the entire issued share capital of SCI pursuant to the Sale and Purchase Agreement
“Annual Caps”	the maximum aggregate annual value of the transactions contemplated under the Continuing Connected Transactions
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audited Consolidated Net Tangible Assets”	the audited consolidated net tangible assets for the accounts of the Contracting Group as set out in the Accountants’ Report
“business day”	a day on which licensed banks in Hong Kong are generally open for business (excluding Saturday, Sunday and public holidays)
“CAG” or “Purchaser’s Guarantor”	Chinney Alliance Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 385)
“CAG Board”	the board of CAG Directors
“CAG Director(s)”	the director(s) of CAG
“CAG Group”	CAG and its subsidiaries

“CAG SGM”	the special general meeting of CAG to be convened and held for, amongst other things, seeking approvals from the CAG Shareholders for the Acquisition contemplated under the Sale and Purchase Agreement
“CAG Share(s)”	share(s) of HK\$0.25 each in the capital of CAG
“CAG Shareholder(s)”	holder(s) of CAG Shares
“CAT (BVI)” or the “Purchaser”	Chinney Alliance Trading (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of CAG, the purchaser under the Sale and Purchase Agreement
“Completion”	the completion of the Acquisition and Disposal contemplated under the Sale and Purchase Agreement
“Completion Date”	the 5th business day after fulfillment of all the conditions precedent and shall in any event be no later than the Long Stop Date
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration of HK\$35,000,000 (subject to adjustment) under the Sale and Purchase Agreement
“Continuing Connected Transactions”	the transactions contemplated under the Sub-contracting Agreements
“Contracting Group”	SCI and its certain subsidiaries engaging in building related contracting services for both public and private sectors, together with any investments held by SCI and/or such subsidiaries
“Corporate Restructuring”	the corporate restructuring of SCH and its subsidiaries and/or investments prior to Completion, which include the transfer of certain subsidiaries of SCI engaging in the building maintenance business to a wholly-owned subsidiary of SCH to form the Remaining SCH Group, and the waiver of an aggregate sum of approximately HK\$18 million due by the Contracting Group to the Remaining SCH Group
“Deed of Indemnity”	the deed of indemnity to be executed by CAG under which CAG will indemnify the Vendor against certain liabilities of the Vendor as well as the Purchaser
“Disposal”	the disposal by SCH of the entire issued share capital of SCI pursuant to the Sale and Purchase Agreement
“Enlarged CAG Group”	the CAG Group as enlarged by the Acquisition pursuant to the Sale and Purchase Agreement
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	28 April 2006, or such other date as the parties to the Sale and Purchase Agreement may agree in writing

“Remaining SCH Group”	the SCH Group as remained after the Disposal pursuant to the Sale and Purchase Agreement
“Sale and Purchase Agreement”	the sale and purchase agreement dated 26 January 2006 entered into between SCH, CAT (BVI) and CAG for the sale and purchase of the entire issued share capital in SCI
“SCH” or the “Vendor”	Shun Cheong Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 650), the vendor under the Sale and Purchase Agreement, which is owned as to approximately 29.93% by CAG
“SCH Board”	the board of SCH Directors
“SCH Director(s)”	the director(s) of SCH
“SCH Group”	SCH and its subsidiaries
“SCH Independent Shareholders”	SCH Shareholders, other than CAG and its associates
“SCH SGM”	the special general meeting of SCH to be convened and held for, amongst other things, seeking approvals from the SCH Independent Shareholders for the Disposal contemplated under the Sale and Purchase Agreement and the Continuing Connected Transactions under the Sub-contracting Agreements
“SCH Share(s)”	share(s) of HK\$0.01 each in the capital of SCH
“SCH Shareholder(s)”	holder(s) of SCH Shares
“SCI”	Shun Cheong Investments Limited, an investment holding company incorporated in the British Virgin Islands and a wholly-owned subsidiary of SCH
“Shun Cheong Electrical”	Shun Cheong Electrical Engineering Company Limited, a Hong Kong incorporated company and an indirect wholly-owned subsidiary of SCI
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-contracting Agreements”	the sub-contracting agreements entered into between each of Shun Cheong Electrical and Westco Airconditioning (as main contractors) and Tinhawk (as sub-contractor) on 31 December 2005
“Tinhawk”	Tinhawk Company Limited, a Hong Kong incorporated company and an indirect 90% owned subsidiary of SCH

“Westco Airconditioning” Westco Airconditioning Limited, a Hong Kong incorporated company and a wholly-owned subsidiary of Shun Cheong Electrical

“HK\$” Hong Kong dollars

By Order of the Board  
**Shun Cheong Holdings Limited**  
**Chan Yuen Keung, Zuric**  
*Chairman*

By Order of the Board  
**Chinney Alliance Group Limited**  
**Wong Sai Wing, James**  
*Chairman*

Hong Kong, 2 February 2006

“Please also refer to the published version of this announcement in The Standard”