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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)

TERMINATION OF THE OPEN OFFER; SUBSCRIPTION OF 23,000,000 NEW SHARES PURSUANT TO THE GENERAL MANDATE AND RESUMPTION OF TRADING

TERMINATION OF THE OPEN OFFER

On 14 August 2007, the Board and Upsky (in the capacity of the Underwriter) have mutually agreed to terminate the Open Offer.

SUBSCRIPTION OF NEW SHARES

The Board announces that the Company has entered into:

- (i) a subscription agreement dated 14 August 2007 with the First Subscriber for the subscription of 11,500,000 new Shares at HK\$0.7920 per Subscription Share, representing approximately 9.92% of the existing issued share capital of the Company and 8.28% of the enlarged share capital of the Company upon the completion of the First Subscription Agreement and the Second Subscription Agreement; and
- (ii) a subscription agreement dated 14 August 2007 with the Second Subscriber for the subscription of 11,500,000 new Shares at HK\$0.7920 per Subscription Share, representing approximately 9.92% of the existing issued share capital of the Company and 8.28% of the enlarged share capital of the Company upon the completion of the First Subscription Agreement and the Second Subscription Agreement.

The Subscription Shares will rank *pari passu* with the existing ordinary shares of the Company in all respects.

The aggregate net proceeds from the First Subscription Agreement and the Second Subscription Agreement of approximately HK\$18.0 million will be used to strengthen the capital base of the Group in order to seize any investment opportunities to be identified by the Company and any remaining balance will be used as working capital of the Group to support its ongoing operations.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 15 August 2007 pending release of this announcement. Application has been made for the resumption of trading of the Shares on the Stock Exchange at 9:30 a.m. on 16 August 2007.

TERMINATION OF THE OPEN OFFER

Reference is made to the announcements (the “**Announcements**”) of the Company dated 5 June 2007, 25 June 2007 and 27 June 2007 respectively in relation to the Open Offer. Terms used in this announcement shall have the same meanings as those defined in the Announcements unless defined otherwise.

The Open Offer

On 5 June 2007, the Company proposed to raise approximately HK\$23 million, before expenses, by issuing 57,965,200 Offer Shares by way of Open Offer to the Qualifying Shareholders at the Subscription Price of HK\$0.40 per Offer Share on the basis of one Offer Share for every two existing Shares held on the Record Date. The net proceeds, after deduction of expenses, are estimated to be approximately HK\$22 million. The Company intends to apply such amount to strengthen the capital base of the Group in order to seize any investment opportunities to be identified by the Company and any remaining balance will be utilized as the Group’s general working capital. The Open Offer was fully underwritten by Upsky, the controlling shareholder of the Company.

The Board resolved on 26 June 2007 that the Open Offer will be postponed to a date after the publication of the announcement of the Company’s annual result for the year ended 31 March 2007.

Termination of the Open Offer

On 14 August 2007, the Board and Upsky (in the capacity of the Underwriter) have mutually agreed to terminate the Open Offer. The Board has duly considered the following factors before the Company has concluded the decision to terminate the Open Offer:

1. after publication of the announcement of the Company's annual result for the year ended 31 March 2007, the Company has identified suitable prospective investors who have strong business and commercial experience in the PRC. On 14 August 2007, the Company has entered into the First Subscription Agreement and Second Subscription Agreement with such prospective investors and details of the First Subscription Agreement and Second Subscription Agreement are set out below. The Board is of the view that the introduction of these two investors by way of the Subscriptions will enable the Group to enjoy the benefits of the Open Offer, i.e. (a) to raise funds to strengthen its capital base; and (b) to improve its financial position to provide flexibility for the Group's future development and expansion. In addition to this, the Group can also leverage on these two shareholders' PRC business and commercial experience to identify suitable investment and/or profitable opportunities for the Group in the future.
2. the Subscription Price, determined after arm's length negotiation, is about HK\$0.7920 per Subscription Share which is substantially higher than Subscription Price of HK\$0.40 per Offer Share. According to the annual report of the Company for the year ended 31 March 2007, the net asset value per Share was approximately HK\$0.46. Immediate upon completion of the Open Offer (if proceed), the net asset value per Share will reduce to HK\$0.43, representing a decrease of about 6.5%. If the Company terminates the Open Offer and proceeds with the First Subscription Agreement and the Second Subscription Agreement, the net asset value per Share will improve to HK\$0.50 (or an increase of about 8.75%) immediate upon completion of the First Subscription Agreement and the Second Subscription Agreement. As such, the Subscriptions of which Subscription Shares will be issued at a price higher than the existing net asset value per Share will enhance the net asset value per Share;
3. the Subscription Shares will be issued under the general mandate subject to the limit up to 20% of the issued share capital of the Company as at the date of passing the resolution (i.e. 23,186,080 Shares in number) and thus will cause less dilution effect to the Shareholders who do not intend to accept their full entitlement of the Offer Shares which was proposed to be issued on the basis of one Offer Share for every two existing Shares. As set out in the following tables, the Board would like to draw the attention that (a) the public Shareholders' interests will be diluted to about 26.31% of the enlarged issued share capital of the Company based on the assumption that Upsky have applied for Offer Shares in full and Upsky in the capacity of the Underwriter takes up in full the underwriting commitment pursuant to the Underwriting Agreement; and (b) the public Shareholders' interests will only be diluted to about 32.93% of the enlarged issued share capital if the Company terminates the Open Offer and proceeds with the First Subscription Agreement and the Second Subscription Agreement.

	As at the date of this announcement		Immediately following completion of the Open Offer assuming Upsky have applied for Offer Shares in full and Upsky in the capacity of the Underwriter takes up in full the underwriting commitment pursuant to the Underwriting Agreement	
	<i>Number of Shares</i>	<i>Shareholding (%)</i>	<i>Number of Shares</i>	<i>Shareholding (%)</i>
Upsky	70,178,249	60.53	128,143,449	73.69
Public Shareholders	<u>45,752,151</u>	<u>39.47</u>	<u>45,752,151</u>	<u>26.31</u>
Total	<u>115,930,400</u>	<u>100.00</u>	<u>173,895,600</u>	<u>100.00</u>

	As at the date of this announcement		Immediately following completion of the First Subscription Agreement and the Second Subscription Agreement	
	<i>Number of Shares</i>	<i>Shareholding (%)</i>	<i>Number of Shares</i>	<i>Shareholding (%)</i>
Upsky	70,178,249	60.53	70,178,249	50.51
The First and Second Subscribers	–	–	23,000,000	16.56
Public Shareholders	<u>45,752,151</u>	<u>39.47</u>	<u>45,752,151</u>	<u>32.93</u>
Total	<u>115,930,400</u>	<u>100.00</u>	<u>138,930,400</u>	<u>100.00</u>

4. by issuing significantly less number of Shares, the expected amount of gross proceeds from the Subscriptions is approximately HK\$18.5 million and is by only approximately HK\$4.5 million less than that expected from the Open Offer i.e. HK\$23 million.

The Directors considered that the termination of the Open Offer would have no adverse impact on the operation of the Company.

Details of the Subscriptions are set out in the section headed “Subscription of New Shares” in this announcement.

SUBSCRIPTION OF NEW SHARES

The Company has entered into the First Subscription Agreement and the Second Subscription Agreement dated 14 August 2007 with the First Subscriber and the Second Subscriber respectively on the terms summarised below.

THE FIRST SUBSCRIPTION AGREEMENT

Parties

- (1) The Company
- (2) The First Subscriber

The First Subscriber is IDG Technology Venture Investment III, LP. The First Subscriber is principally engaged in investment management. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement, the First Subscriber and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

IDG Technology Venture Investment III, LP (“IDG”), is a Delaware limited partnership with two partners. IDG’s limited partner is International Data Group, Inc., which in turn is majority owned by Mr. Patrick J. McGovern. IDG’s general partner is IDG Technology Venture Investments, LLC, which is controlled and managed by its two managing members, Mr. Quan Zhou and Mr. Patrick J. McGovern.

First Subscription Shares

The First Subscriber has agreed to subscribe 11,500,000 new Shares with aggregate nominal value of HK\$115,000.00, representing approximately 9.92% of the existing issued share capital of the Company, approximately 9.02% of the enlarged issued share capital of the Company upon the completion of the allotment under the First Subscription Agreement and approximately 8.28% of the enlarged issued share capital of the Company upon the completion of the First Subscription Agreement and the Second Subscription Agreement.

The First Subscription Shares to be issued, when fully paid, will rank, upon issue, *pari passu* in all respects with the existing issued Shares.

Subscription Price

The Subscription Price of HK\$0.7920 per First Subscription Share was agreed after arm's length negotiations between the Company and the First Subscriber and represents a discount of approximately 10.0% to the closing price of HK\$0.88 per Share as quoted on the Stock Exchange on 14 August 2007, being the last full trading day before the terms of the First Subscription Agreement were fixed, and a discount of approximately 9.6% to HK\$0.876, being the average closing price for the last five trading days immediately prior to and including 14 August 2007; and a discount of approximately 11.7% to HK\$0.897, being the average closing price for the last ten trading days prior to and including 14 August 2007.

The Subscription Price of HK\$0.7920 per First Subscription Share also represents a premium of approximately 72.17% to the net asset value of the Group of HK\$0.46 per Share as at 31 March 2007.

The Directors consider that the Subscription Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Conditions of the First Subscription

Completion of the First Subscription is conditional upon the following conditions having been fulfilled and remaining fulfilled or waived by either party to the First Subscription Agreement (as the case may be):

1. the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in all the First Subscription Shares;
2. all other Consents of the Stock Exchange, the SFC and any other applicable governmental or regulatory authorities or any other third party which are required or appropriate for the entering into and the implementation of the First Subscription Agreement having been given; and all applicable statutory and legal obligations, all applicable securities regulations and all requirements of the applicable authorities having been complied with;
3. the Shares remaining listed and traded on the Stock Exchange at all times from the date of the First Subscription Agreement up to the First Completion Date, save for any temporary suspension not exceeding 7 consecutive trading days (other than any temporary suspension relating to the clearance of any announcement in respect of the First Subscription Agreement), or such longer period as the First Subscriber may accept; and no indication being received on or before the First Completion Date from the Stock Exchange and/or the SFC to the effect that the listing of the Shares or the First Subscription Shares (as the case may be) on the Stock Exchange will or may be withdrawn or objected to (or conditions will or may be attached thereto) as a result of the First Completion or in connection with the terms of the First Subscription Agreement;

4. the Company's warranties and representations in the First Subscription Agreement being true and accurate in all material respects and there being no material breach in respect thereof as at the date hereof and immediately before the First Completion; and
5. the First Subscriber's warranties and representations being true and accurate in all material respects and there being no material breach in respect thereof as at the date hereof and immediately before the First Completion.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the First Subscription Shares to be issued.

The First Subscription Agreement and the Second Subscription Agreement are not inter-conditional. However, it is expected that the First Subscription Agreement and the Second Subscription Agreement will be completed simultaneously.

Termination events

The First Subscription is subject to termination on occurrence of certain events before 4:00 p.m. (Hong Kong time) on the First Completion Date including:

1. any material breach of any of the representations and warranties; or
2. occurrence of any events which would render any such representations and warranties untrue or incorrect in any material respect; or
3. a breach by any of the parties to the First Subscription Agreement of any other provision of the First Subscription Agreement.

First Completion

First Completion is expected to take place on or before the fifth Business Day after the conditions precedent of the First Subscription Agreement have been fulfilled.

The First Subscription Agreement will lapse if the conditions precedent thereof are not satisfied by 31 October 2007, or such other date as may be agreed between the parties to the First Subscription Agreement.

THE SECOND SUBSCRIPTION AGREEMENT

Parties

- (1) The Company
- (2) The Second Subscriber

The Second Subscriber is Digital Link Investment Limited. The Second Subscriber is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement, the Second Subscriber and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Second Subscription Shares

The Second Subscriber has agreed to subscribe 11,500,000 new Shares with aggregate nominal value of HK\$115,000.00, representing approximately 9.92% of the existing issued share capital of the Company, approximately 9.02% of the enlarged issued share capital of the Company upon the completion of the allotment under the Second Subscription Agreement and approximately 8.28% of the enlarged issued share capital of the Company upon the completion of the First Subscription Agreement and the Second Subscription Agreement.

The Second Subscription Shares to be issued, when fully paid, will rank, upon issue, *pari passu* in all respects with the existing issued Shares.

Subscription Price

The Subscription Price of HK\$0.7920 per Second Subscription Share was agreed after arm's length negotiations between the Company and the Second Subscriber and represents a discount of approximately 10.0% to the closing price of HK\$0.88 per Share as quoted on the Stock Exchange on 14 August 2007, being the last full trading day before the terms of the Second Subscription Agreement were fixed, and a discount of approximately 9.6% to HK\$0.876, being the average closing price for the last five trading days immediately prior to and including 14 August 2007; and a discount of approximately 11.7% to HK\$0.897, being the average closing price for the last ten trading days prior to and including 14 August 2007.

The Subscription Price of HK\$0.7920 per Second Subscription Share also represents a premium of approximately 72.17% to the net asset value of the Group of HK\$0.46 per Share as at 31 March 2007.

The Directors consider that the Subscription Price is fair and reasonable and in the interest of the Company and its shareholders as a whole.

Conditions of the Second Subscription

Completion of the Second Subscription is conditional upon the following conditions having been fulfilled and remaining fulfilled or waived by either party to the Second Subscription Agreement (as the case may be):

1. the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in all the Second Subscription Shares;
2. all other Consents of the Stock Exchange, the SFC and any other applicable governmental or regulatory authorities or any other third party which are required or appropriate for the entering into and the implementation of the Second Subscription Agreement having been given; and all applicable statutory and legal obligations, all applicable securities regulations and all requirements of the applicable authorities having been complied with;
3. the Shares remaining listed and traded on the Stock Exchange at all times from the date of the Second Subscription Agreement up to the Second Completion Date, save for any temporary suspension not exceeding 7 consecutive trading days (other than any temporary suspension relating to the clearance of any announcement in respect of the Second Subscription Agreement), or such longer period as the Second Subscriber may accept; and no indication being received on or before the Second Completion Date from the Stock Exchange and/or the SFC to the effect that the listing of the Shares or the Second Subscription Shares (as the case may be) on the Stock Exchange will or may be withdrawn or objected to (or conditions will or may be attached thereto) as a result of the Second Completion or in connection with the terms of the Second Subscription Agreement;
4. the Company's warranties and representations in the Second Subscription Agreement being true and accurate in all material respects and there being no material breach in respect thereof as at the date hereof and immediately before the Second Completion; and
5. the Second Subscriber's warranties and representations being true and accurate in all material respects and there being no material breach in respect thereof as at the date hereof and immediately before the Second Completion.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Second Subscription Shares to be issued.

The First Subscription Agreement and the Second Subscription Agreement are not inter-conditional. However it is expected that the First Subscription Agreement and the Second Subscription Agreement will be completed simultaneously.

Termination events

The Second Subscription is subject to termination on occurrence of certain events before 4:00 p.m. (Hong Kong time) on the Second Completion Date including:

1. any material breach of any of the representations and warranties; or
2. occurrence of any events which would render any such representations and warranties untrue or incorrect in any material respect; or
3. a breach by any of the parties to the Second Subscription Agreement of any other provision of the Second Subscription Agreement.

Second Completion

Second Completion is expected to take place on or before the fifth Business Day after the conditions precedent of the Second Subscription Agreement have been fulfilled.

The Second Subscription Agreement will lapse if the conditions precedent thereof are not satisfied by 31 October 2007, or such other date as may be agreed between the parties to the Second Subscription Agreement.

EFFECT ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company as at the date of this announcement and the shareholding structure of the Company upon issue of the Subscription Shares are set out below:

Name of shareholder	As at the date of this announcement		Immediately after completion of the First Subscription (but before completion of the Second Subscription)		Immediately after completion of the Second Subscription (but before completion of the First Subscription)		Immediately after completion of the Subscriptions	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Upsky	70,178,249	60.53	70,178,249	55.07	70,178,249	55.07	70,178,249	50.51
The First Subscriber	0	0.00	11,500,000	9.02	0	0.00	11,500,000	8.28
The Second Subscriber	0	0.00	0	0.00	11,500,000	9.02	11,500,000	8.28
Public	45,752,151	39.47	45,752,151	35.91	45,752,151	35.91	45,752,151	32.93
Total	<u>115,930,400</u>	<u>100.00</u>	<u>127,430,400</u>	<u>100.00</u>	<u>127,430,000</u>	<u>100.00</u>	<u>138,930,400</u>	<u>100.00</u>

Note:

1. Upsky, the First Subscriber and the Second Subscriber are not connected persons of each other.

REASONS FOR THE SUBSCRIPTIONS AND USE OF PROCEEDS

The Directors consider that the Subscriptions provide a good opportunity for the Group to raise funds to strengthen its capital base and improve its financial position to provide flexibility for the Group's future development and expansion. Taking into account the lower cost and shorter time required for the Subscriptions when compared with other means of equity fund raising exercises such as rights issue or open offer, the Directors believe that the Subscriptions are the preferred method.

The Directors believe that it will be desirable and justifiable for the Company to raise fund through the Subscriptions which will enable the Group (a) to raise funds to strengthen its capital base; (b) to improve its financial position to provide flexibility for the Group's future development and expansion; and (c) to leverage on these two Subscribers' PRC business and commercial experience to identify suitable investment and/or profitable opportunities for the Group in the future.

Based on the above, the Directors consider that the Subscriptions are in the interests of the Company and the Shareholders as a whole.

The aggregate net proceeds of the Subscriptions, after deduction of expenses, are estimated to be approximately HK\$18.0 million and the net subscription price is approximately HK\$0.783. The Company intends to apply such amount to strengthen the capital base of the Group in order to seize any investment opportunities to be identified by the Company and any remaining balance will be utilized as the Group's general working capital. As at the date of this announcement, the Directors are still considering the future strategy of the Group's business activities and no suitable investment opportunities have been identified by the Directors.

FUND RAISING ACTIVITIES OF THE COMPANY

Save as the Open Offer which is terminated on 14 August 2007, the Company does not have any fund raising exercises during the 12-month period prior to the date of this announcement.

GENERAL MANDATE

The Subscription Shares will be issued pursuant to the general mandate to allot, issue and deal with Shares granted to the Directors by an ordinary resolution passed by the Shareholders at the annual general meeting held on 15 September 2006 which authorised the Directors to allot and issue a maximum of 23,186,080 Shares.

The general mandate has not been utilised prior to entering into of the Subscription Agreements.

GENERAL

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

As the Subscription may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 p.m. on 15 August 2007 pending release of this announcement. Application has been made for the resumption of trading of the Shares on the Stock Exchange at 9:30 a.m. on 16 August 2007.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Business Day”	means any day (excluding a Saturday or Sunday and any day on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon and is not discontinued at or before 12:00 noon) on which banks generally are open for business in Hong Kong throughout its normal opening hours;
“Company”	Shun Cheong Holdings Limited, an exempted company incorporated in Bermuda with limited liability of which shares are listed on the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Consent(s)”	including any license, consent, approval, authorization, permission, waiver, order or exemption;
“Directors”	the directors of the Company;
“First Completion”	the performance by the Company and the First Subscriber of their respective obligations under the First Subscription Agreement;
“First Completion Date”	the actual date of completion of the First Subscription pursuant to the First Subscription Agreement;

“First Subscriber”	IDG Technology Venture Investment III, LP, a limited partnership organized and existing under the laws of the State of Delaware;
“First Subscription”	the conditional subscription by the First Subscriber of the First Subscription Shares pursuant to the First Subscription Agreement;
“First Subscription Agreement”	the subscription agreement dated 14 August 2007 entered into between the Company and the First Subscriber;
“First Subscription Shares”	11,500,000 new Shares to be subscribed by the First Subscriber under the First Subscription Agreement, representing approximately 9.92% of the existing issued share capital of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Listing Committee”	the listing committee of the Stock Exchange;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“Open Offer”	the proposed open offer announced by the Company on 5 June 2007;
“PRC”	the People’s Republic of China;
“Second Completion”	the performance by the Company and the Second Subscriber of their respective obligations under the Second Subscription Agreement;
“Second Completion Date”	the actual date of completion of the Second Subscription pursuant to the Second Subscription Agreement;
“Second Subscriber”	Digital Link Investment Limited, a company incorporated in British Virgin Islands and wholly owned by Dr. Li Shan;
“Second Subscription”	the conditional subscription by the Second Subscriber of the Second Subscription Shares pursuant to the Second Subscription Agreement;
“Second Subscription Agreement”	the subscription agreement dated 14 August 2007 entered into between the Company and the Second Subscriber;

“Second Subscription Shares”	11,500,000 new Shares to be subscribed by the Second Subscriber under the Second Subscription Agreement, representing approximately 9.92% of the existing issued share capital of the Company;
“SFC”	The Securities and Futures Commission of Hong Kong;
“Shareholder”	shareholders of the Company;
“Shares”	ordinary shares of HK\$0.01 each in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriptions”	the First Subscription and the Second Subscription;
“Subscription Agreements”	the First Subscription Agreement and the Second Subscription Agreement;
“Subscription Price”	HK\$0.792 per Subscription Share;
“Subscription Share(s)”	the First Subscription Shares and the Second Subscription Shares;
“Upsky”	Upsky Enterprises Limited, a company wholly-owned by Mr. Mo Tianquan (an executive director of the Company) and the underwriter of the Open Offer;
“%”	per cent

By Order of the Board
Shun Cheong Holdings Limited
Cao Jing
Executive Chairman

Hong Kong, 15 August 2007

As at the date hereof, the board of directors of the Company comprises of five directors, of which two are executive Directors, namely Ms. Cao Jing (Executive Chairman) and Mr. Mo Tianquan; and three are independent non-executive Directors, namely Mr. Yu Hon To, David, Professor Ye Jianping and Mr. Zhang Shaohua.

* *For identification purposes only*