

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the content of this announcement.*

*This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.*



## **SHUN CHEONG HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

(stock code: 650)

### **CONNECTED TRANSACTION: THE SUBSCRIPTION AGREEMENT AND RESUMPTION OF TRADING**

**Independent Financial Advisers to the Independent Board Committee  
and the Independent Shareholders**



**South China Capital Limited**

On 29 October 2007, after the trading hours of the Stock Exchange, the Company entered into the Subscription Agreement with the Subscriber. Pursuant to the Subscription Agreement, the Company agreed to issue and the Subscriber agreed to subscribe for the Bond in the aggregate principal amount of HK\$120,000,000 with a term of 5 years.

As Tanisca (the Subscriber) is a company wholly-owned by Mr. Mo Tianquan (an executive director of the Company and a substantial Shareholder), it is a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Subscription Agreement constitutes a connected transaction for the Company under the Listing Rules and is subject to the approval by the Independent Shareholders by poll at the SGM. **The Subscriber and its associates will abstain from voting in respect of the resolution approving the Subscription Agreement at the SGM.**

An independent board committee of the Company has been established to consider the Subscription Agreement and to advise the Independent Shareholders in this regard. South China Capital Limited has been appointed as the independent financial adviser to advise the independent board committee and the Independent Shareholders in this regard.

The Company will despatch to the Shareholders a circular containing, among other things, further details of the Subscription Agreement, the recommendation from the independent board committee to the Independent Shareholders, the recommendation of the independent financial adviser to the independent board committee and the Independent Shareholders and a notice convening the SGM in accordance with the requirements of the Listing Rules.

**Shareholders and potential investors should note that the Subscription Agreement which is subject to a number of conditions precedent, may or may not be completed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 30 October 2007 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading of the Shares with effect from 9:30 a.m. on 1 November 2007.

## **THE SUBSCRIPTION AGREEMENT**

**Date:** 29 October 2007 (after the trading hours of the Stock Exchange)

**Parties:** (a) The Company as issuer

(b) Tanisca as subscriber

The Group is principally engaged in the building services maintenance business and project management. The Subscriber is a substantial Shareholder and a company wholly-owned by Mr. Mo Tianquan (an executive director of the Company), and therefore, it is a connected person of the Company under the Listing Rules.

Subject to the fulfilment of the conditions as set out below, the Subscriber agreed to subscribe for the Bond in the aggregate principal amount of HK\$120,000,000 with a term of 5 years pursuant to the terms of the Subscription Agreement.

As at the date of this announcement, the Company has no outstanding convertible bonds, options or warrants which confer the right to subscribe for Shares.

The major terms of the Bond are as follows:

Principal amount: HK\$120,000,000

Maturity date: The Bond is due and will mature on the fifth anniversary of the date of issuance of the Bond. Unless previously redeemed, purchased and cancelled or converted, all of outstanding Bond will be converted into ordinary shares of the Company on the Maturity Date.

- Redemption:** Upon the written confirmation has been obtained from the holder(s) of the Bond, the Company has the rights to redeem the Bond. Otherwise, the Company is not entitled to redeem the Bond.
- Interest:** The Bond will bear an interest at the rate of 1% per annum, payable semi-annually in arrear.
- Conversion rights:** The holder(s) of the Bond will have the right at any time commencing on the Business Day after the date of issuance of the Bond but before the Maturity Date, to convert the whole or part of the principal amount of the Bond into the Shares, provided that the principal amount to be so converted shall be at least HK\$1,000,000 and in integral multiples of HK\$1,000,000 on each such conversion, save that if at any time the outstanding principal amount of the Bond is less than HK\$1,000,000, the whole (but not part only) of such outstanding principal amount of the Bond may be converted.
- Conversion price:** The conversion price is HK\$0.60 per Conversion Share, subject to adjustment for, among other things, subdivision or consolidation of Shares, bonus issues, rights issues and other dilutive events. The conversion price represents (i) a discount of approximately 68.9% to the closing price of HK\$1.93 per Share as quoted on the Stock Exchange on 29 October 2007, being the last trading day of the Shares on the Stock Exchange prior to the suspension of trading of the Shares on 30 October 2007; (ii) a discount of approximately 53.3% to the average closing price of HK\$1.284 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 29 October 2007; and (iii) a premium of approximately 30.4% over the net asset value of the Company of HK\$0.46 per Share as at 31 March 2007.
- Conversion shares:** Assuming full conversion of the Bond, the Company will issue 200,000,000 Conversion Shares, representing (a) approximately 143.96% of the Company's total issued share capital as at the date of this announcement; and (b) approximately 59.01% of the Company's issued share capital as enlarged by the issuance of the Conversion Shares. The Conversion Shares will rank *pari passu* in all respects with the existing Shares in issue.
- The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Transferability:	The Bond may be assigned or transferred to any party. The Company will undertake to the Stock Exchange that it will disclose to the Stock Exchange any dealings by any of the connected persons as defined in the Listing Rules from time to time in the Bond immediately upon the Company becoming aware of such dealings.
Voting right:	Holder(s) of the Bond (or any part thereof) will not be entitled to attend or vote at any Shareholders' and/or warrant holders' meetings of the Company by reason only of it being a holder of the Bond (or any part thereof).
Listing and trading:	No application will be made for the listing of the Bond and permission to deal in the Bond on the Stock Exchange or any other stock exchange.

### **Conditions Precedent**

Completion of the Subscription Agreement is conditional upon:

- (a) the passing by Independent Shareholders at the SGM of an ordinary resolution approving the entering into of the Subscription Agreement, the issuance of Bond and the transaction(s) contemplated therein; and
- (b) the Stock Exchange having granted the approval for listing of, and permission to deal in, the Conversion Shares which may fall to be allotted and issued upon conversion of the Bond.

The Company and the Subscriber undertake to each other that they will exercise (to the extent they are able to exercise) their respective best endeavours to procure that the said conditions are fulfilled as early as practicable and in any event not later than 31 March 2008 or such later date as the parties may agree in writing.

In the event that the said conditions are not fulfilled on or before 31 March 2008 or such later date as the parties may agree in writing, the Subscription Agreement shall lapse and become null and void, and the parties shall be released from all their respective obligations thereunder.

### **REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS**

The Directors (including the independent non-executive Directors) consider that the Subscription 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. Given that (i) the Bond will bear an interest at the rate of 1% per annum only; and (ii) the conversion price of the Bond represent a 30.4% premium to the net asset value of the Company, the Directors (including the independent non-executive Directors) believe that the Subscription will provide long term funding to the Group at a low cost of capital.

The aggregate net proceeds of the Subscription, after deduction of expenses, are estimated to be approximately HK\$120 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. 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.

The Directors (including the independent non-executive Directors) consider that the entering into of the Subscription Agreement is in the interests of the Company and the Shareholders as a whole.

## **FUND RAISING ACTIVITIES OF THE COMPANY**

Save as the fund raising exercise as set out below, the Company does not have any fund raising exercises during the 12-month period prior to the date of this announcement:—

<b>Description</b>	<b>Announcement Date</b>	<b>Net Proceeds</b>	<b>Date of mandate granted</b>	<b>Intended use of proceeds as announced</b>	<b>Actual use of proceeds</b>
Subscription of 23,000,000 new Shares	15 August 2007	About HK\$18 million	15 September 2006	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	The net proceeds have been used for general working capital of the Group

## CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the Company's existing shareholding structure and the shareholding structure upon full conversion of the Bond:

Name of Shareholder	As at the date of this announcement		Immediately upon full conversion of the Bond at the initial conversion price of HK\$0.60 per Conversion Share	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Upsky Enterprises Limited ( <i>Note</i> )	70,178,249	50.51	70,178,249	20.70
Tanisca ( <i>Note</i> )	<u>0</u>	<u>0</u>	<u>200,000,000</u>	<u>59.01</u>
	70,178,249	50.51	270,178,249	79.71
Public	<u>68,752,151</u>	<u>49.49</u>	<u>68,752,151</u>	<u>20.29</u>
<b>Total</b>	<b><u>138,930,400</u></b>	<b><u>100.00</u></b>	<b><u>338,930,400</u></b>	<b><u>100.00</u></b>

*Note:* Both Upsky Enterprises Limited and Tanisca are companies wholly-owned by Mr. Mo Tianquan (an executive director of the Company) and thus the Shares held by Upsky Enterprises Limited and Tanisca are beneficially owned by Mr. Mo Tianquan.

### Dilution effect on Shareholders

In view of the potential dilution effect on existing Shareholders on exercise of conversion rights attaching to the Bond, for so long as any of the Bond is outstanding, the Company will keep Shareholders informed of the level of dilution and details of conversion after issue of the Bond as follows:—

- (i) the Company will make a monthly announcement (the “Monthly Announcement”) on the websites of the Stock Exchange and the Company. Such announcement will be made on or before the fifth Business Day following the end of each calendar month and will include the following details in a table form:
  - (a) whether there is any conversion of the Bond during the relevant month. If yes, details of the conversion(s), including the conversion date, number of new Shares issued, conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect;
  - (b) the outstanding principal amount of the Bond after the conversion, if any;

- (c) the total number of Shares issued pursuant to other transactions, including Shares issued pursuant to exercise of options under any share option scheme(s) of the Company;
  - (d) the total issued share capital of the Company as at the commencement and the last day of the relevant month;
- (ii) in addition to the Monthly Announcement, if the cumulative amount of new Shares issued pursuant to the conversion of the Bond reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Bond (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will make an announcement on the websites of the Stock Exchange and the Company including details as stated in (i) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Bond (as the case may be), up to the date on which the total amount of Shares issued pursuant to the conversion amounts to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Bond (as the case may be); and
- (iii) if the Company forms the view that any issue of new Shares will trigger the disclosure requirements under Rule 13.09 of the Listing Rules, then the Company is obliged to make such disclosures regardless of the issue of any announcements in relation to the Bond as mentioned in (i) and (ii) above.

## **PUBLIC SHAREHOLDING OF THE COMPANY**

Pursuant to the Subscription Agreement, the Company and Tanisca have undertaken that they will endeavor to ensure that no less than 25% of the Shares will be held by the public at all times in compliance with the minimum public float requirement of the Listing Rules, in particular immediately following completion of the Subscription Agreement and the conversion of the Bond.

Pursuant to the Listing Rules, if less than 25% of the issued Shares are in public hands, or if the Stock Exchange believes that a false market exists or may exist in the trading of the Shares or there are insufficient Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend dealing in the Shares.

## **GENERAL**

As Tanisca (the Subscriber) is a company wholly-owned by Mr. Mo Tianquan (an executive director of the Company and substantial Shareholder), it is a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Subscription Agreement constitutes a connected transaction of the Company under the Listing Rules and is subject to the approval by the Independent Shareholders by poll at the SGM. **The Subscriber and his associates will abstain from voting in respect of the resolution approving the Subscription Agreement at the SGM.**

The Subscriber and Mr. Mo Tianquan confirm that they will fully comply with the Takeovers Code upon conversion of the Bond.

An independent board committee of the Company has been established to consider the Subscription Agreement and to advise the Independent Shareholders in this regard. South China Capital Limited has been appointed as the independent financial adviser to advise the independent board committee and the Independent Shareholders in this regard.

The Company will despatch to the Shareholders a circular containing, among other things, further details of the Subscription Agreement, the recommendation from the independent board committee to the Independent Shareholders, the recommendation of the independent financial adviser to the independent board committee and the Independent Shareholders and a notice convening the SGM in accordance with the requirements of the Listing Rules.

The Board has noted the increase in price of the Shares on 29 October 2007 and wishes to state that, the Board is not aware of any reasons for such increase. Save as disclosed in this announcement, there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under rule 13.23 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), neither is the Board aware of any matter discloseable under the general obligation imposed by rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

**Shareholders and potential investors should note that the Subscription Agreement which is subject to a number of conditions precedent, may or may not be completed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 30 October 2007 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading of the Shares with effect from 9:30 a.m. on 1 November 2007.

## **DEFINITIONS**

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bond”	a convertible bond to be issued by the Company to the Subscriber in the aggregate principal amount of HK\$120,000,000 with a term of 5 years
“Business Day”	means any day (other than a Saturday or Sunday) on which licensed banks are open for general banking business in Hong Kong

“Company”	Shun Cheong Holdings Limited, a 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
“Conversion Shares”	200,000,000 Shares which will fall to be allotted and issued upon conversion of the Bond at the conversion price of HK\$0.60 per Share
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Independent Shareholders”	Shareholders other than the Subscriber and its associates
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the fifth anniversary of the date of issuance of the Bond
“SGM”	a special general meeting of the Company to be held for considering, if thought fit, approving the ordinary resolutions in respect of the Subscription Agreement
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary shares of HK\$0.01 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber” or “Tanisca”	Tanisca Investments Limited, a company wholly-owned by Mr. Mo Tianquan (an executive director of the Company and a substantial Shareholder) and the subscriber of the Bond;
“Subscription Agreement”	a subscription agreement dated 29 October 2007 entered into between the Company and the Subscriber in respect of the subscription of the Bond
“Subscription”	the subscription of the Bond by the Subscriber pursuant to the Subscription Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“%” per cent

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

Hong Kong, 31 October 2007

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