
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your Stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shun Cheong Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or the bank, stockbroker or other registered dealer or other agent whom the sale or transfer was affected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, 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 contents of this circular.



SHUN CHEONG HOLDINGS LIMITED

順昌集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 650)

CONNECTED TRANSACTION:

THE SUBSCRIPTION AGREEMENT

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



South China Capital Limited

A notice convening the special general meeting of Shun Cheong Holdings Limited to be held, at Plaza I-III, Lower Lobby, Novotel Century, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 7 December 2007 at 10:00 a.m. is set out on pages 30 to 31 of this circular. Whether or not you are able to attend the special general meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same 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 less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment of the meeting should you so wish.

21 November 2007

* For identification purposes only

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	3
Letter from the Independent Board Committee	11
Letter from South China Capital	12
Appendix I – General information	26
Notice of SGM	30

DEFINITIONS

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

“Announcement”	the announcement made by the Company on 31 October 2007 in relation to the Subscription
“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
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Board comprising all of the independent non-executive Directors established to consider the Subscription Agreement
“Independent Financial Adviser” or “South China Capital”	South China Capital Limited, a deemed licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement

DEFINITIONS

“Independent Shareholders”	Shareholders other than Mr. Mo Tianquan, Upsky Enterprises Limited and their associates
“Latest Practicable Date”	19 November 2007, being the latest practicable date prior to the issue of this circular for ascertaining certain information contained herein
“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
“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 and a substantial Shareholder)
“Subscription”	the subscription of the Bond by the Subscriber pursuant to the Subscription Agreement
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent



SHUN CHEONG HOLDINGS LIMITED

順昌集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 650)

Executive Directors:

Ms. Cao Jing (*Chairman*)

Mr. Mo Tianquan

Independent non-executive Directors:

Professor Ye Jianping

Mr. Zhang Shaohua

Registered Office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

Head office and principal

place of business:

Suite 2302, Wing On Centre

111 Connaught Road Central

Hong Kong

21 November 2007

To the Independent Shareholders,

Dear Sir or Madam,

CONNECTED TRANSACTION:

THE SUBSCRIPTION AGREEMENT

INTRODUCTION

It was announced on 31 October 2007 that the Company entered into the Subscription Agreement with the Subscriber, pursuant to which 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.

The purpose of this circular is to provide you with information in relation to the resolutions to be proposed at the SGM relating to the proposed Subscription and to give you notice of the SGM.

* *For identification purposes only*

LETTER FROM THE BOARD

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 company wholly-owned by Mr. Mo Tianquan (an executive Director), 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 Latest Practicable Date, 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 Shares 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.

LETTER FROM THE BOARD

- 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 publication of the Announcement; (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 new Shares, representing (a) approximately 143.96% of the Company's total issued share capital as at the Latest Practicable Date; 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 ordinary resolutions approving the entering into of the Subscription Agreement, the issuance of Bond and the transaction(s) contemplated therein; and

LETTER FROM THE BOARD

- (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 on 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.

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.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Directors (including the independent non-executive Directors) consider that the Subscription provides 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 Latest Practicable Date, 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 the Announcement.

LETTER FROM THE BOARD

Description	Announcement Date	Net Proceeds	Date of mandate granted	Intended use of proceeds as announced	Actual use of proceeds
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 Latest Practicable Date		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>Number of Shares</i>	%
Upsky Enterprises Limited (<i>Note</i>)	70,178,249	50.51	70,178,249	20.70
Tanisca (<i>Note</i>)	0	0	200,000,000	59.01
	70,178,249	50.51	270,178,249	79.71
Public	68,752,151	49.49	68,752,151	20.29
Total	138,930,400	100.00	338,930,400	100.00

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

LETTER FROM THE BOARD

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; and
- (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.

LETTER FROM THE BOARD

PUBLIC SHAREHOLDING OF THE COMPANY

The Company and Tanisca have undertaken to the Stock Exchange 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.

SPECIAL GENERAL MEETING

As Tanisca (the Subscriber) is a company wholly-owned by Mr. Mo Tianquan (an executive Director 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, Upsky Enterprises Limited and their associates will abstain from voting in respect of the resolution approving the Subscription Agreement at the SGM.**

The notice convening the SGM is set out on pages 30 to 31 of this circular. Resolutions in respect of the Subscription will be proposed at the SGM.

A form of proxy for the SGM is enclosed with this circular. Whether or not you are able to attend the special general meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same 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 less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment of the meeting should you so wish.

RIGHT TO DEMAND A POLL

Pursuant to Bye-Law 70, a resolution put to the vote of 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, in case of a Shareholder being a corporation, by its duly authorised representative, or by proxy for the time being entitled to vote at the meeting; or
- (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

LETTER FROM THE BOARD

- (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.

GENERAL

The Company has established the Independent Board Committee, consisting of the independent non-executive Directors, to advise the Independent Shareholders as to whether the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are on normal commercial terms; and whether the Subscription is in the ordinary course of business and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders how to vote at the SGM regarding such transaction. South China Capital has been appointed as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Subscription Agreement are fair and reasonable and are on normal commercial terms and whether the Subscription is in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole. The Independent Shareholders' attention is drawn to the letter from the Independent Board Committee and the letter from the South China Capital set out in this circular which contain their advices to the Independent Shareholders.

RECOMMENDATIONS

Based on the information disclosed in this letter, the Board is of the view that the Subscription is on normal commercial terms. Although the Subscription is not in the ordinary and usual course of business, it is fair and reasonable and is in the interests of the Company and the Shareholders as a whole and, accordingly, the Board recommends that the Independent Shareholders to vote in favour of the resolutions at the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the other information set out in the appendices to this circular, including the recommendation from the Independent Board Committee to the Independent Shareholders and the recommendation from South China Capital to the Independent Board Committee and the Independent Shareholders.

By order of the Board
Shun Cheong Holdings Limited
Cao Jing
Chairman



SHUN CHEONG HOLDINGS LIMITED

順昌集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 650)

21 November 2007

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION:
THE SUBSCRIPTION AGREEMENT**

We refer to the circular (the “Circular”) dated 21 November 2007 of Shun Cheong Holdings Limited, of which this letter forms a part. Capitalized terms used in the Circular shall have the same meanings in this letter unless the context otherwise requires.

As independent non-executive Directors who are independent of the parties to the Subscription Agreement and have no interest in the Subscription Agreement, we have been appointed by the Board to advise you as to whether, in our opinion, the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and whether the Subscription is in the ordinary and usual course of business and is in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board, as set out on pages 3 to 10 of the Circular, and the letter from South China Capital, as set out on pages 12 to 25 of the Circular, which provide details of the Subscription Agreement and the opinions of South China Capital in respect of the Subscription Agreement respectively.

Having considered the advice given by South China Capital and the principal factors and reasons taken into consideration by them in arriving at their advice, we are of the opinion that although the Subscription Agreement is not entered into in the ordinary and usual course of business of the Company, the Subscription is in the interests of the Company and the Shareholders as a whole, and the terms thereof are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. We therefore recommend the Independent Shareholders to vote in favour of the resolutions to approve the Subscription and the transactions contemplated thereunder at the SGM.

Yours faithfully,

Independent Board Committee

Professor Ye Jianping

Independent non-executive Director

Mr. Zhang Shaohua

Independent non-executive Director

* For identification purposes only

LETTER FROM SOUTH CHINA CAPITAL

Set out below is the text of a letter received from South China Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Subscription Agreement for the purpose of inclusion in this circular.



South China Capital Limited
28/F., Bank of China Tower
No. 1 Garden Road
Central
Hong Kong

21 November 2007

*To: The independent board committee and the independent shareholders
of Shun Cheong Holdings Limited*

Dear Sirs,

CONNECTED TRANSACTION: THE SUBSCRIPTION AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Subscription, details of which are set out in the letter from the Board (the “Board Letter”) contained in the circular dated 21 November 2007 issued by the Company to the Shareholders (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 29 October 2007, the Company and Tanisca entered into the Subscription Agreement pursuant to which the Company conditionally agreed to issue and Tanisca conditionally agreed to subscribe for the Bond in an aggregate principal amount of HK\$120 million. The Bond bears an interest of 1% per annum, being payable semi-annually, and will mature on the fifth anniversary of the date of its issue. The conversion price of the Bond was set at HK\$0.60 per Conversion Share (the “Conversion Price”).

Tanisca is wholly-owned by Mr. Mo Tianquan (“Mr. Mo”), who is a Director and was also interested in approximately 50.51% of the total issued share capital of the Company through its 100% equity interest in Upsky Enterprises Limited, the ultimate holding company of the Company, as at the Latest Practicable Date. Mr. Mo is thus a connected person (as defined under the Listing Rules) of the Company and therefore the issue of the Bond constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Subscription Agreement is subject to the approval of the Independent Shareholders at the SGM by way of poll whereby The Subscriber, Upsky Enterprises Limited and their respective associates shall be required to abstain from voting on the relevant resolutions in respect of the Subscription Agreement and the transactions contemplated therein.

LETTER FROM SOUTH CHINA CAPITAL

An independent board committee comprising Professor Ye Jianping and Mr. Zhang Shaohua (both being independent non-executive Directors) (the “Independent Board Committee”) has been established to advise the Independent Shareholders on (i) whether the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Subscription is in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the ordinary resolutions to approve the Subscription Agreement and the transactions contemplated therein at the SGM. We, South China Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true, complete and accurate in all material respects at the time when they were made and continue to be so as at the date of the despatch of the Circular. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful considerations. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Subscription. In addition, we have no obligation to update this opinion to take into account events occurring after the issue of this letter. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Subscription, we have taken into consideration the following principal factors and reasons:

1. The Subscription Agreement

On 29 October 2007, Tanisca, a company which is wholly-owned by Mr. Mo, and the Company entered into the Subscription Agreement pursuant to which the Company conditionally agreed to issue and Tanisca conditionally agreed to subscribe for the Bond in an aggregate principal amount of HK\$120 million. Major terms of the Bond are detailed under the section headed "Terms of the Bond" in this letter.

As referred to in the Board Letter, completion of the Subscription Agreement is conditional upon, inter alia, the following conditions having been fulfilled on or before 31 March 2008:

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

If the above conditions have not been fulfilled on or before 31 March 2008 (or such other date as the Company and Tanisca may agree in writing), the Subscription Agreement shall lapse and become null and void, and the parties to the Subscription Agreement shall be released from all their respective obligations thereunder.

2. Background of the Subscription

Business and financial information on the Group

The Company is an investment holding company and the principal activities of the Group are consisted of the provision of building related maintenance services in Hong Kong.

LETTER FROM SOUTH CHINA CAPITAL

Tabularised below is a summary of the audited consolidated financial results of the Group as extracted from the annual report of the Company for the year ended 31 March 2007 (the “2007 Annual Report”):

Consolidated Income Statement	For the year ended 31 March 2007 <i>HK\$'000</i>	For the year ended 31 March 2006 <i>HK\$'000</i>	Year on year change %
Turnover	210,512	195,871	7.47
Loss for the year from discontinued operations	Nil	(8,411)	N/A
Net loss attributable to the equity holders of the Company	(2,508)	(11,102)	77.41
Consolidated Balance Sheet	As at 31 March 2007 <i>HK\$'000</i>	As at 31 March 2006 <i>HK\$'000</i>	Year on year change %
Cash and cash equivalents	33,319	37,088	(10.16)
Total borrowings	Nil	Nil	N/A
Net asset value (“NAV”)	53,812	56,538	(4.82)
Gearing ratio (Total borrowings/equity attributable to the equity holders of the Company)	Nil	Nil	N/A

As depicted by the above table, the Group recorded an audited total turnover of approximately HK\$210.51 million for the year ended 31 March 2007, representing an increase of approximately 7.47% as compared to the prior year. The Directors confirmed that the said increase was primarily due to the increase in work orders received from the Hong Kong Government and the Hong Kong Housing Authority under the 3-year term maintenance contracts which were previously awarded to the Group.

Besides that, the Group had also been able to improve its loss making position by approximately 77.41% from the financial year 2006 to 2007. However, we noted from the 2007 Annual Report that such enhancement was mainly attributable to the disposal of Shun Cheong Investments Limited (a company which is principally engaged in building related contracting services for both public and private sectors in Hong Kong) and its subsidiaries by the Group in March 2006 (the “Disposal”). As shown by the above table, the loss from this discontinued operation was the main source of loss to the Group for the year ended 31 March 2006.

With regard to the business operation of the Group, the Directors further confirmed that (i) the tight labour market; (ii) the high volatility of metal prices; (iii) the weakness of the US dollars; and (iv) the appreciation of RMB are the major factors which will continue to exert pressure on the costs of business of the Group. Moreover, due to the fact that the tender prices of building services have failed to increase in pace with the rise in the Group's operating cost due to intensive market competition, the Directors expected that the Group's profit margin would be further eroded. The Group therefore intended to explore new business opportunities (especially in the PRC) to diversify its business for achieving a turnaround in its loss making position in the future.

Regarding the assets and liabilities position of the Group, we noted that the Group's total bank balance and cash in hand as at 31 March 2007 had dropped by approximately 10.16% as compared to the prior year. We have further enquired into the Directors and the Directors confirmed that the Group had total bank balance and cash of approximately HK\$48 million as at 31 August 2007. Furthermore, the Directors also confirmed that the Group had no outstanding bank borrowings as at the Latest Practicable Date.

Reasons for the Subscription

From the Board Letter, we noted that the Directors considered that the Subscription will provide a good fund raising opportunity to strengthen the capital base and to improve the financial position of the Group and provide the Group with more flexibility for future development and expansion. In this regard, we have enquired into and the Directors confirmed that the Group had not identified any suitable investment opportunities as at the Latest Practicable Date.

The aggregate net proceeds from the Subscription were estimated to be of approximately HK\$119.5 million. It is the intention of the Company to apply part of the net proceeds to strengthen the capital base of the Group for seizing of any investment opportunities in the future. The remaining balance of the net proceeds will be utilised as the Group's general working capital. Taking into consideration of the Group's stagnant business performance and the intensive competitions which the Group currently faces in the building industry in Hong Kong, we concur with the Directors that the Group would have to explore new business opportunities so as to achieve a turnaround in its business performance. Given that the Subscription is a fund raising opportunity to provide the Group with more flexibility in considering different methods of financing for the Group's possible future development and expansion, we consider that the Subscription even though is not in the ordinary and usual course of business of the Company, is in the interests of the Company and the Shareholders as a whole.

Other financing alternatives

As confirmed by the Directors, save and except for the issue of 23,000,000 new Shares by the Company to IDG Technology Venture Investment III, LP and Digital Link Investment Limited, both being independent third parties of the Company, in August 2007, the Company had not conducted any fund raising activities during the past 12 months. As also advised by the Directors, the Group will normally consider both debt financing and equity financing to satisfy its capital requirements. Nevertheless, as a result of (i) the unsatisfactory financial results and stagnant business performance of the Group in recent years; and (ii) the lack of valuable assets for the Group to pledge against its bank borrowings, the Directors expected that it would be difficult for the Group to obtain borrowings/debts from banks or other financial institutions with favorable terms.

With respect to equity financing, common means of equity financing include open offer and rights issue. Although both open offer and rights issue may allow the Shareholders to maintain their respective pro-rata shareholdings in the Company, the Directors considered that an underwriter will generally require a commission of not less than 2% of the funds underwritten and any arm's length underwriting is normally subject to standard force majeure clause in favour of the underwriter. Moreover, the Group may encounter difficulties in procuring commercial underwriting as a result of its recent stagnant business performance. Placing of new Shares is also considered to be inappropriate for the Group given the lack of trading liquidity of the Shares (the details of which are set forth under the paragraph headed "The Conversion Price" in this letter). Having all these being the case, we concur with the Directors that the issue of the Bond is the most feasible, cost and time effective fund raising alternative currently available to the Group.

3. Terms of the Bond

Pursuant to the Subscription Agreement, the Bond has an aggregate principal amount of HK\$120 million. In addition, the Bond bears an interest of 1% per annum, being payable semi-annually, and will mature on the fifth anniversary of the date of its issue. The Conversion Price was set at HK\$0.60 per Conversion Share.

LETTER FROM SOUTH CHINA CAPITAL

The Conversion Price

The Conversion Price of HK\$0.60 per Conversion Share represents:

	Share price <i>HK\$</i>	Premium/ (Discount) of the Conversion Price over/to the closing price of the Shares %
As at the Latest Practicable Date	1.30	(53.85)
As at the last trading day of the Shares on the Stock Exchange prior to the release of the Announcement (the “Last Trading Day”)	1.93	(68.91)
Ten-day average up to and including the Last Trading Day	1.28	(53.27)
Thirty-day average up to and including the Last Trading Day	1.20	(49.97)
The audited consolidated net asset value per Share as at 31 March 2007 (the “Latest NAV per Share”) (<i>Note</i>)	0.46	29.26

Note: Based on 115,930,000 Shares in issue as at 31 March 2007.

LETTER FROM SOUTH CHINA CAPITAL

The historical price of the Shares

The following table sets out the highest and lowest closing prices and the average daily closing price of the Shares as quoted on the Stock Exchange in each of the 12 months during the period commencing from 29 October 2006 up to and including the Last Trading Day (the “Review Period”):

Month	Highest closing price HK\$	Lowest closing price HK\$	Average daily closing price HK\$
2006			
October	0.42	0.42	0.42
November	0.42	0.40	0.41
December	0.56	0.40	0.45
2007			
January	0.77	0.59	0.65
February	0.75	0.59	0.64
March	0.98	0.55	0.73
April	1.00	0.75	0.87
May	0.90	0.79	0.84
June (<i>Note 1</i>)	1.80	0.82	1.10
July	0.97	0.79	0.88
August (<i>Note 2</i>)	1.24	0.86	0.96
September	1.22	0.98	1.09
October (up to and including the Last Trading Day)	1.93	1.10	1.24

Notes:

- (1) Trading in the Shares was suspended on 5 June 2006 and 27 June 2006.
- (2) Trading in the Shares was suspended on 15 August 2006.

Source: the Stock Exchange web-site (www.hkex.com.hk)

The above table illustrates that the average daily closing prices of the Shares during the Review Period ranged from HK\$0.41 to HK\$1.24 per Share. During the Review Period, the Conversion Price was at discount to the monthly average daily closing prices of the Shares with the exceptions of October 2006, November 2006 and December 2006 respectively. The closing prices of the Shares demonstrated a general increasing trend during the Review Period and had been rising relatively more significantly in recent months. We have enquired into the Directors and the Directors confirmed that they were not aware of any particular occurrences which may lead to such significant increase in the Share price and hence the Directors concluded that the increase was merely due to the recent active sentiment of the investors in the stock market.

LETTER FROM SOUTH CHINA CAPITAL

The historical trading volume of the Shares

Set out below are the average daily number of the Shares traded per month, and the respective percentages of the Shares' monthly trading volume as compared to (i) the total number of issued Shares held by the public as at the Last Trading Day; and (ii) the total number of issued Shares as at the Last Trading Day during the Review Period:

Month	Average daily trading volume (the "Average Volume") Shares	% of the Average Volume to total number of issued Shares held by the public as at the Last Trading Day <i>(Note 1)</i> %	% of the Average Volume to total number of issued Shares as at the Last Trading Day <i>(Note 2)</i> %
2006			
October	235,000	0.34	0.17
November	43,227	0.06	0.03
December	262,579	0.38	0.19
2007			
January	63,182	0.09	0.05
February	44,778	0.07	0.03
March	61,182	0.09	0.04
April	122,778	0.18	0.09
May	46,762	0.07	0.03
June <i>(Note 3)</i>	763,428	1.11	0.55
July	152,762	0.22	0.11
August <i>(Note 4)</i>	147,359	0.21	0.11
September	111,604	0.16	0.08
October (up to and including the Last Trading Day)	66,842	0.10	0.05

Notes:

1. Based on 138,930,400 Shares in public hands as at the Last Trading Day.
2. Based on 68,752,151 Shares in issue as at the Last Trading Day.
3. Trading in the Shares was suspended on 5 June 2006 and 27 June 2006.
4. Trading in the Shares was suspended on 15 August 2006.

Source: the Stock Exchange web-site (www.hkex.com.hk)

LETTER FROM SOUTH CHINA CAPITAL

We noted from the above table that trading in the Shares was relatively thin during the Review Period, with ranges of approximately 0.06% to 1.11% and approximately 0.03% to 0.55% of the total number of issued Shares held by the public as at the Last Trading Day and the total number of issued Shares as at the Last Trading Day respectively. Since trading in the Shares had been inactive historically, we consider that the historical price of the Shares may not serve as a good benchmark to determine the fairness and reasonableness of the Conversion Price.

Comparison with other issues of convertible bond/note

To further assess and compare the fairness and reasonableness of the terms of the Bond, we have searched for connected transactions that involved the issue of convertible bond/note by companies listed on the Stock Exchange from 1 July 2007 to the date of the Subscription Agreement. To the best of our knowledge and as far as we are aware of, we found 16 companies which met these criteria (the “CB Comparables”). It should be noted that the businesses, operations and prospects of the Company are not the same as the CB Comparables as set out in the table below. Accordingly, the CB Comparables are only used to provide a general reference for the common market practice of companies listed in Hong Kong on issue of convertible bond/note in connected transaction. The table below summarises our relevant findings:

Company	Stock Code	Date of announcement	Term year	Annual interest rate %	Premium/ (discount) of conversion price over/to the closing price of the shares as at the last trading day prior to the release of the announcement %
Trasy Gold Ex Limited	8063	5 July 2007	2	4	(3.23)
Interchina Holdings Company Limited	202	6 July 2007	5	3	(32.89)
Guangdong Tannery Limited	1058	11 July 2007	3	1	18.01
Golding Soft Limited	8190	12 July 2007	5	0	47.06
Jutal Offshore Oil Services Limited	3303	23 July 2007	1	0	1.02
G-Prop (Holdings) Limited	286	7 August 2007	3	0	(92.17)

LETTER FROM SOUTH CHINA CAPITAL

Company	Stock Code	Date of announcement	Term year	Annual interest rate %	Premium/ (discount) of conversion price over/to the closing price of the shares as at the last trading day prior to the release of the announcement %
Riche Multi-Media Holdings Limited	764	8 August 2007	10	0	29.87
Everbest Energy Holdings Limited	578	27 August 2007	3	0	(24.66)
Henry Group Holdings Limited	859	14 September 2007	5	1.68	0
China Motion Telecom International Limited	989	19 September 2007	5	1.5	(54.49)
China Medical And Bio Science Limited	8120	2 October 2007	3	0	60.98
China Golden Development Holdings Limited	162	5 October 2007	5	2.75	(31.10)
Termbay Industries International (Holdings) Limited	93	15 October 2007	3	0	(21.05)
Shenzhen International Holdings Limited	152	16 October 2007	3	0	1.69
China Power New Energy Development Company Limited	735	23 October 2007	5	0	0.00
Zhong Hua International Holdings Limited	1064	26 October 2007	2	0	(10.71)
Average				0.87	(6.98)
Maximum				4.00	60.98
Minimum				0.00	(92.17)
The Company	650	29 October 2007	5	1	(68.91)

Source: the Stock Exchange web-site (www.hkex.com.hk)

LETTER FROM SOUTH CHINA CAPITAL

The Conversion Price

The conversion prices of the CB Comparables ranged from a discount of approximately 92.17% to a premium of approximately 60.98% to/over the respective closing prices of their shares as at the last trading day prior to the release of the relevant issue of convertible bond/note announcements. Accordingly, the Conversion Price, which represents a discount of 68.91% to the closing price of the Shares as at the Last Trading Day, falls within the said market range.

In addition, since the Conversion Price represents a premium of approximately 29.26% over the Latest NAV per Share of approximately HK\$0.46 as at 31 March 2007, we concur with the Directors that the Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and Shareholders as a whole.

Annual interest rate

In accordance with the above table, the CB Comparables carried an annual interest rate of 0% to 4% with an average of 0.87%. The Bond, which bears an interest of 1% per annum, falls within the said market range and is below the average of the CB Comparables. Due to this reason, we are of the view that the interest rate of the Bond is fair and reasonable so far as the Independent Shareholders are concerned.

Conclusion

As presented under the paragraph headed “The Conversion Price” in this letter, the Conversion Price is normally at discount to the closing prices of the Shares during the Review Period. Nevertheless, in our opinion, the closing price per Share should not be a dominant factor in the evaluation of the fairness and reasonableness of the Conversion Price because (i) the Group incurred consecutive losses in recent years and is in need of new business opportunities to boost up its business and financial performance; (ii) the issue of the Bond is a cost effective and feasible way currently available to the Group to broaden its capital base; (iii) trading in the Shares had been relatively thin during the Review Period; and (iv) from the market analysis as set forth under the section headed “Comparison with other issues of convertible bond/note” in this letter, the Conversion Price falls within the market range of the CB Comparables and thus is in line with normal market practice.

In view of the above, we concur with the Directors that the terms of the Bond (including the Conversion Price) are fair and reasonable so far as the Independent Shareholders are concerned.

In addition, we have also reviewed the other terms of the Subscription Agreement and are not aware of any terms which are uncommon to normal market practice. Accordingly, we are of the view that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM SOUTH CHINA CAPITAL

4. Dilution of the shareholding interests of the public Shareholders

As at the Latest Practicable Date, 138,930,400 Shares were in issue. Upon the full conversion of the Bond, a total of 200,000,000 new Shares will be issued, representing (i) approximately 143.96% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 59.01% of the issued share capital of the Company as enlarged by the conversion of the Bond in full.

The table below shows the shareholding structure of the Company (i) as at Latest Practicable Date; and (ii) immediately after the conversion of the Bond in full:

Shareholder	As at the		Immediately	
	Latest Practicable Date		after the conversion of the Bond in full	
	<i>Number of Shares</i>	<i>% of issued Shares</i>	<i>Number of Shares</i>	<i>% of issued Shares</i>
Upsky Enterprises Limited (<i>Note</i>)	70,178,249	50.51	70,178,249	20.71
Tanisca (<i>Note</i>)	–	–	200,000,000	59.00
Public Shareholders	<u>68,752,151</u>	<u>49.49</u>	<u>68,752,151</u>	<u>20.29</u>
Total	<u>138,930,400</u>	<u>100.00</u>	<u>338,930,400</u>	<u>100.00</u>

Note:

Upsky Enterprises Limited and Tanisca are companies wholly-owned by Mr. Mo and thus the Shares held by Upsky Enterprises Limited and Tanisca are beneficially owned by Mr. Mo.

As demonstrated above, the shareholding interests of the public Shareholders would be reduced from approximately 49.49% to 20.29% immediately after the conversion of the Bond in full.

Although the shareholding interests of the public Shareholders will be diluted in the above listed extent as a result of the full conversion of the Bond, as balanced by (i) the Subscription is in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Subscription Agreement were fairly and reasonably set; and (iii) the shareholding interests of all public Shareholders will be diluted in proportion to their respective shareholdings in the Company, we consider the aforementioned dilution effect to be acceptable.

In addition, we noted that the shareholding interests of the public Shareholders may fall below 25% immediately after the conversion of the Bond in full. In this regard, Shareholders should note at the request of the Stock Exchange, the Company and Tanisca have undertaken to the Stock Exchange to take all necessary steps 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.

5. Possible financial effects to the Group

Effect on NAV

As extracted from the 2007 Annual Report, the Group had audited consolidated net assets of approximately HK\$53.81 million as at 31 March 2007. As confirmed by the Directors, the Bond would be divided into a liability component and an equity component in the consolidated balance sheet of the Group, and therefore the NAV of the Group would be increased by roughly the equity component of the Bond.

Effect on gearing and working capital

In accordance with the 2007 Annual Report, the Group's gearing position (as calculated by total borrowings divided by equity attributable to the equity holders of the Company) was nil as at 31 March 2007. As just mentioned, part of the Bond will be accounted for as a liability of the Group and thus would lead to an increase in the total borrowings of the Group. The Group's gearing position would thus be worsened due to the Subscription.

Moreover, the working capital of the Group will be increased by approximately HK\$119.5 million, being the principal amount of the Bond net of other expenses.

Conclusion

Based on the aforementioned financial effects of the Subscription to the Group, namely (i) the improving NAV of the Group; (ii) the availability of extra working capital to the Group; and (iii) the inevitable worsening of the gearing position of the Group immediately upon completion of the Subscription which would be mitigated should the Bond be converted into the Conversion Shares, we are of the view that the Subscription is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having taken into consideration the above factors and reasons, we are of the opinion that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Furthermore, although the Subscription is not in the ordinary and usual course of business of the Company, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Subscription Agreement and the transactions as contemplated therein and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
South China Capital Limited
Graham Lam
Director

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors jointly and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

DISCLOSURE OF INTERESTS BY DIRECTORS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company has any interests and short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules and none of the Directors is a director or employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in ordinary shares of the Company:

Name of Director	Nature of interests	Number of ordinary shares directly beneficially owned	Percentage of the Company's issued share capital
Mo Tianquan	Corporate	70,178,249 (<i>Note 1</i>)	50.51
Cao Jing	Family	70,178,249 (<i>Note 2</i>)	50.51

Note 1: These shares are held by Upsky Enterprises Limited, a company in which Mr. Mo Tianquan is a director and a sole shareholder.

Note 2: Ms. Cao Jing is interested in the shares held by Upsky Enterprises Limited by virtue of her marital relationship with Mr. Mo Tianquan.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 March 2007 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the Latest Practicable Date and so far as was known to the Directors and chief executive of the Company, there were no other persons who has an interest or short position in the Shares and underlying shares 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:

Name of shareholder	Capacity and nature of interests	Number of Shares owned	Percentage of the Company's issued share capital
Upsky Enterprises Limited	Directly beneficially owned	70,178,249 (Note 2)	50.51
Mo Tianquan	Attributable interest of controlled corporation	70,178,249 (Note 2)	50.51
Digital Link Investments Limited	Directly beneficially owned	11,500,000	8.28
IDG Technology Venture Investment III, L.P.	Directly beneficially owned	11,500,000	8.28

Notes:

- (1) All interests stated above represent long positions.
- (2) The entire issued share capital of Upsky Enterprises Limited is legally and beneficially owned by Mr. Mo Tianquan who is therefore deemed to have an interest in the Shares in which Upsky Enterprises Limited is interested. Accordingly, the interest held by each of Upsky Enterprises Limited and Mr. Mo Tianquan refers to the same parcel of shares.

Save as disclosed above, as at the Latest Practicable Date, no person, other than a director or chief executive of the Company, whose interests are set out in the section "Disclosure of interests by Directors" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO or who has, directly or indirectly, interests in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances in general meetings of any other member of the Group.

DIRECTOR'S SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service agreements with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2007, being the date to which the latest published audited accounts of the Group were made up.

QUALIFICATIONS AND CONSENT OF EXPERT

The following is the qualification of the expert who have given opinions or advice which are contained or referred to in this circular:

Name	Qualification
South China Capital	a deemed licensed corporation to carry on type 6 (advising on corporate finance) regulated activity as set out in Schedule 5 to the SFO

As at the Latest Practicable Date, South China Capital did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, South China Capital did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired, disposed of by or leased to any member of the Group, since 31 March 2007, the date to which the latest published audited consolidated financial statements of the Group were made up.

South China Capital has given and has not withdrawn their written consent to the issue of this circular with inclusion of their letter, if applicable, which have been prepared for inclusion in this circular, and references to their name in the form and context in which they are included.

GENERAL

- (a) There was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.
- (b) None of the Directors, has or has had, any direct or indirect interest in any assets which have been acquired, disposed of or leased to, or which are proposed to be acquired, disposed of or leased to, the Company or any of its subsidiaries, respectively, since 31 March 2007, the date to which the latest published audited consolidated financial statements of the Group were made up.
- (c) None of any part of the equity or debt securities of the Group is listed or dealt in any other recognized stock exchange or on which listing or permission to deal is being or is proposed to be sought.

- (d) None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group taken as a whole.
- (e) None of the Directors or their respective associates were considered to have interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or have or may have any other conflicts of interest with the Group pursuant to the Listing Rules.
- (f) The English text of this circular shall prevail over their respective Chinese texts.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the head office and principal place of business of the Company in Hong Kong at Suite 2302, Wing On Centre, 111 Connaught Road Central, Hong Kong during normal business hours on any weekday other than public holidays, from the date of this circular up to and including the date of SGM:

- (1) the letter from the Independent Board Committee, the text of which is set out on page 11 of this circular;
- (2) the letter from South China Capital, the text of which is set out on pages 12 to 25 of this circular;
- (3) the written consent from South China Capital referred to in paragraph headed “Qualifications and consent of expert” of this appendix; and
- (4) the Subscription Agreement

NOTICE OF SPECIAL GENERAL MEETING



SHUN CHEONG HOLDINGS LIMITED

順昌集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 650)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of the shareholders of Shun Cheong Holdings Limited (the “Company”) will be held at Plaza I-III, Lower Lobby, Novotel Century, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 7 December 2007 at 10:00 am for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions:

ORDINARY RESOLUTIONS

“**THAT**” subject to and conditional upon, among others, the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) of the listing of and permission to deal in the Conversion Shares (as defined below),

- (a) the issue by the Company of a convertible bond (the “Bond”) in the aggregate principal amount of HK\$120,000,000.00 with a term of 5 years and convertible into 200,000,000 Shares (the “Conversion Shares”) at the initial conversion price of HK\$0.60 per Share (subject to adjustments) upon the terms and conditions set out in the subscription agreement dated 29 October 2007 entered into between the Company and Tanisca Investments Limited (the “Agreement”) (a copy of the Agreement is tabled at the Meeting and marked “A” and initialled by the chairman of the Meeting for identification purpose) be and is hereby approved, confirmed and ratified;
- (b) the allotment and issue of up to 200,000,000 Conversion Shares in the share capital of the Company upon exercise of the conversion rights attaching to the Bond by the bondholder(s) be and is hereby approved and the directors of the Company be and are authorised to allot and issue of the Conversion Shares pursuant to and in accordance with the Bond; and
- (c) the directors of the Company be and are hereby authorised to do all such acts and things as they consider necessary, desirable or expedient in connection with the issue of the Bond and the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Bond.”

By order of the Board
SHUN CHEONG HOLDINGS LIMITED
Cao Jing
Chairman

Hong Kong, 21 November 2007

* For identification purposes only

NOTICE OF SPECIAL GENERAL MEETING

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Principal Place of Business:

Suite 2302, Wing On Centre
111 Connaught Road Central
Hong Kong

Notes:

1. Any member entitled to attend and vote at the Meeting is entitled to appoint one or more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. A form of proxy for use for the aforesaid purpose is enclosed. To be valid, the 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 deposited at 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 or poll (as the case may be) at which the person named in such instrument proposes to vote.
3. Where there are joint registered holders of any share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.
4. The Ordinary Resolutions set out above will be determined by way of a poll.
5. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
6. As at the date hereof, the Board 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.