
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 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.

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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)

**DISCLOSEABLE TRANSACTION
FORMATION OF A JOINT VENTURE COMPANY**

28 February 2008

* For identification purposes only

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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 18 February 2008 in relation to the JV Agreement
“Board”	the board of Directors
“Company”	Shun Cheong Holdings Limited, a company incorporated in Bermuda with limited liability of which shares are listed on the Stock Exchange
“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
“JV Agreement”	the joint venture agreement dated 15 February 2008 entered into between the Company and Yizhou in relation to the formation of the JV Company
“JV Company”	Upsky Resources Trading Limited, a limited liability joint venture company to be formed under the laws of PRC pursuant to the JV Agreement
“Latest Practicable Date”	26 February 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
“PRC”	the People’s Republic of China
“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

DEFINITIONS

“Yizhou”	中國廣西怡洲經濟貿易有限公司 (China Guangxi Yizhou Economic Trading Company Limited), a company incorporated in the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	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 (*Executive Chairman*)

Mr. Mo Tianquan

Independent non-executive Directors:

Professor Ye Jianping

Mr. Zhang Shaohua

Mr. Derek Palaschuk

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

28 February 2008

To the Shareholders,

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION
FORMATION OF A JOINT VENTURE COMPANY

INTRODUCTION

As disclosed in the Announcement, on 15 February 2008 (after the trading hours of the Stock Exchange) the Company entered into the JV Agreement with Yizhou in relation to the formation of a limited liability joint venture company in Guangxi Province, PRC to engage in import and export, processing and sales of mineral products and investment in mining (excluding mine exploration).

The purpose of this circular is to provide you with information in relation to the abovementioned transaction.

* For identification purposes only

LETTER FROM THE BOARD

THE JV AGREEMENT

- Date : 15 February 2008 (after the trading hours of the Stock Exchange)
- Parties : (a) The Company and
(b) Yizhou
- Registered capital : The registered capital of the JV Company will be US\$3 million which was determined on an arm's length basis between the Company and Yizhou
- Capital contribution : Pursuant to the JV Agreement, the registered capital of the JV Company will be contributed as to US\$1.8 million (equivalent to approximately HK\$14.04 million) by the Company by way of cash and as to US\$1.2 million (equivalent to approximately HK\$9.36 million) by Yizhou by way of cash. As a result the JV Company will be owned as to 60% by the Company and 40% by Yizhou.
- The Company intends to finance its portion of capital contribution to the JV Company from internal resources. Apart from the capital commitments as set out above, there is no further capital commitments required to be made by the Company pursuant to the JV Agreement. The registered capital will be paid in accordance with the requirement of relevant rules and regulations of establishing a corporation in PRC. If there is any further capital commitment made to the JV Company in the future, appropriate disclosure will be made by the Company in accordance with the Listing Rules.
- Scope of business : The scope of business of the JV Company shall be import and export, processing and sales of minerals and investment in mining (excluding mine exploration)
- Operative terms : Unlimited or the maximum terms approved by the relevant government authorities and applicable rules and regulations
- Profit distribution : 50% of the distributable annual net profit of the JV Company will be made to the equity holders of the JV Company in accordance with their respective equity interests therein
- Board composition and management: The board of directors of the JV Company will consist of three directors, of which two will be appointed by the Company and one will be appointed by Yizhou. The chairman and general manager of the JV Company will be appointed by the Company and Yizhou respectively.

LETTER FROM THE BOARD

Upon establishment of the JV Company, the Company will hold 60% equity interest in the JV Company. The financial results of the JV Company will be consolidated into the Group.

INFORMATION ON YIZHOU

Yizhou is a company incorporated in Nanning City, Guangxi Province, the PRC. It is principally engaged in import and export and processing of metals and minerals.

To the best knowledge of the Directors and having made all reasonable enquiries, Yizhou and its ultimate shareholders are third parties independent of the Company and its connected persons as defined under the Listing Rules.

REASONS FOR THE FORMATION OF JV COMPANY

The Group is principally engaged in the building services maintenance business and project management. It has always been the Company's strategy to seek suitable investment opportunities to broaden the Group's source of income.

The PRC is one of the leading mineral trading markets. According to the China Statistical Yearbook, total sales of metal materials in the PRC increased from approximately RMB451 billion in 2003 to approximately RMB1,211 billion in 2005, representing a compound annual growth rate of approximately 64%.

The Directors are of the view that the entering into of the JV Agreement provides an excellent opportunity for the Group to diversify into the promising mineral sector and will benefit the Company in the future. The Directors consider that the terms of the JV Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE FORMATION OF THE JV COMPANY

It is expected that the formation of the JV Company would not have any immediate effect on the earnings, assets and liabilities of the Group.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

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

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.

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	50.51 <i>(Note 1)</i>
Mo Tianquan	Attributable interest of controlled corporation	70,178,249	50.51 <i>(Note 1 and 2)</i>
Digital Link Investments Limited	Directly beneficially owned	11,500,000	8.28
IDG Technology Venture Investment III, L.P.	Directly beneficial 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).

LITIGATION

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

GENERAL

- (a) 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.
- (b) The secretary and qualified accountant of the Company is Mr. Poon Yan Wai who is a fellow member of the Hong Kong Institute of Certified Public Accountants.
- (c) The English text of this circular shall prevail over their respective Chinese texts.