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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)

### **VERY SUBSTANTIAL ACQUISITION AND RESUMPTION OF TRADING**

#### **THE ACQUISITION**

Reference is made to the announcement of the Company dated 12 March 2008 relating to the Acquisition.

The Board is pleased to announce that on 19 August 2008 (after the trading hours) the Purchaser entered into the Agreements, pursuant to which the Purchaser has conditionally agreed to (i) purchase the Sale Capital, representing the entire issued share capital of the Target Company, for a consideration of RMB87,814,000 (equivalent to approximately HK\$100,986,100); and (ii) assume the Yinhe's Loan amounted to RMB472,186,000 (equivalent to approximately HK\$543,013,900).

#### **IMPLICATIONS OF THE LISTING RULES**

As the applicable percentage ratio as defined in the Listing Rules of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and is subject to the approval of Shareholders. A SGM will be held to consider and, if thought fit, approve the resolution(s) in respect of the Acquisition. As no Shareholder has any material interest in the Acquisition, no Shareholder is required to abstain from voting in the SGM.

#### **GENERAL**

The Company will despatch to the Shareholders a circular containing, inter alia, further details of the Acquisition, the accountant's report of the Target Company, the property valuation report and the pro forma financial statements of the Group as enlarged by the Acquisition and a notice convening the SGM in accordance with the requirements of the Listing Rules.

**Shareholders and potential investors should note that the Acquisition, 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.**

### **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 20 August 2008 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 3 September 2008.

Reference is made to the announcement of the Company dated 12 March 2008 relating to the Acquisition.

The Board is pleased to announce that on 19 August 2008 (after the trading hours) the Purchaser entered into the Agreements, pursuant to which the Purchaser has conditionally agreed to (i) purchase the Sale Capital, representing the entire issued share capital of the Target Company, for a consideration of RMB87,814,000 (equivalent to approximately HK\$100,986,100); and (ii) assume the Yinhe's Loan amounted to RMB472,186,000 (equivalent to approximately HK\$543,013,900). Details of the Agreements are set out below.

### **THE SALE AND PURCHASE AGREEMENT**

**Date:** 19 August 2008

**Parties:**

**Vendors:** Yinhe and Mr. Gao Jian

**Purchaser:** the Purchaser

The Purchaser is a wholly-owned subsidiary of the Company. To the best knowledge of the Directors having made reasonable enquiries, Yinhe and its substantial shareholder and Mr. Gao Jian are parties independent of and not connected with the Company and its connected persons.

As at the date of this announcement, the Target Company is owned as to 95% and 5% by Yinhe and Mr. Gao Jian respectively.

### **Assets to be acquired**

Under the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire from the Vendors the Sale Capital, representing the entire equity capital of Target Company.

Further details of the Target Company are set out in the section headed “Information on the Target Company” below.

### **Consideration**

The consideration for the Sale Capital is RMB87,814,000 (equivalent to approximately HK\$100,986,100) which is payable by cash.

Within three business days after the satisfaction of the conditions to the Sale and Purchase Agreement as set out in the paragraph “Conditions Precedent” below, the Purchaser shall deposit the Consideration into an account which is jointly controlled by the Purchaser and Yinhe. The Consideration shall then be transferred from the jointly controlled account to the bank account of Yinhe in The Bank of China on the next day following the transfer of the management rights in the Target Company. The Consideration will be financed by internal resources of the Group.

In addition to the Consideration, pursuant to the Debt Restructuring Agreement (detail of which is set out in the section “Debt Restructuring Agreement” below), the Purchaser is required to assume the Yinhe’s Loan amounted to RMB472,186,000 (subject to adjustments as disclosed in the paragraph “Debt Restructuring” under the section “Debt Restructuring Agreement” below).

### **Basis of Consideration**

The consideration was determined after arm’s length negotiations between the Purchaser and the Vendors, and taking into consideration of (i) the registered capital of the Target Company as at 31 July 2008 amounted to RMB87,814,000; (ii) the amount payable by the Target Company to Yinhe as at 31 July 2008 amounted to RMB472,186,000 (subject to adjustments); (iii) the unaudited net asset value of the Target Company as at 31 July 2008 amounted to approximately RMB69,349,300 and (iv) the preliminary estimated value of the Hotel by an independent valuation firm, BMI Appraisals Limited, which is approximately RMB600,000,000. The valuation has been prepared on the basis of market value which is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

### **Conditions Precedent**

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

- (1) having obtained the approval by the board of directors and the shareholder of the Purchaser of the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (2) having obtained the approval by the shareholders of Yinhe of the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (3) having obtained the approval by The Bank of China for the debt restructuring plan of the Target Company pursuant to the Debt Restructuring Agreement;

- (4) entering into of the agreement in relation to the Hotel Bank Loan by The Bank of China and the Target Company;
- (5) having completed the change of business registration of the Target Company;
- (6) having obtained the approval of the State Administration of Foreign Exchange in relation to the amount payable by the Purchaser; and
- (7) completion of the Debt Restructuring Agreement.

### **Long Stop Date**

The Sale and Purchase Agreement is conditional upon completion of the Debt Restructuring Agreement. If the Hotel Bank Loan has not been approved by The Bank of China within 45 business days after the signing of the Debt Restructuring Agreement, the Sale and Purchase Agreement will lapse.

### **Break-up fee**

The Purchaser and Vendors agreed that (i) if condition (1) to the Sale and Purchase Agreement cannot be fulfilled, the Purchaser shall pay to the Vendors a break-up fee of RMB10,000,000 (equivalent to approximately HK\$11,500,000); and (ii) if condition (2) to the Sale and Purchase Agreement cannot be fulfilled, the Vendors shall pay to the Purchaser a break-up fee of RMB10,000,000 (equivalent to approximately HK\$11,500,000), within five days upon the relevant general meeting of shareholders.

### **Delay penalty**

Upon satisfaction of all conditions to the Sale and Purchase Agreement, in the event that either party fails to fulfill its obligations under the Sale and Purchase Agreement without the consent of the non-breaching party, then from the date of such breach, the breaching party must pay to the other party an amount of RMB87,814, equivalent to 0.1% of the Consideration, for each day of delay.

## **THE DEBT RESTRUCTURING AGREEMENT**

**Date:** 19 August 2008

### **Parties:**

- (a) Yinhe;
- (b) the Purchaser; and
- (c) the Target Company

## **Debt Restructuring:**

Pursuant to the Debt Restructuring Agreement, the parties agreed the following:

- (i) the Yinhe's Loan which is the amount payable by the Target Company to Yinhe amounted to RMB472,186,000 as at 31 July 2008 will be assumed by the Purchaser;
- (ii) the trade payables of the Target Company, which was amounted to approximately RMB4,630,000 as at 31 July 2008 will be settled by Yinhe's Loan before the payment of the Consideration by the Purchaser. The amount of unpaid trade payable as at the day of payment of the Consideration by the Purchaser will offset the Yinhe's Loan as stated in (i) above;
- (iii) tax exemption of approximately RMB7,000,000 which has been applied for by Yinhe (but has not been approved) will offset the Yinhe's Loan as stated in (i) above unless Yinhe is able to provide the evidence of relevant tax exemption or settlement of the relevant tax before the day of transfer of management right of the Target Company.

The Target Company has applied for the Hotel Bank Loan from The Guangxi Branch of The Bank of China of which the amount will be reference to the amount of bank loan payable by Yinhe to The Bank of China ("Yinhe Bank Loan"). The Hotel Bank Loan, if approved by The Bank of China, is expected to be at a minimum of approximately RMB320,000,000 with a term of 10 years at an interest rate of approximately 7.8% per annum. The Hotel Bank Loan will be used to partially settle the Yinhe's Loan as stated in (i) above and the settlement of the remaining balance of the Yinhe's Loan, after deduction of the abovementioned adjustments, ("Purchaser's Payables") will be payable by the Purchaser.

## **Conditions Precedent**

Within three business days after the satisfaction of the following conditions, the Purchaser shall deposit the Purchaser's Payables into an account which is jointly controlled by the Purchaser and Yinhe:

- (1) having obtained the approval by the shareholder of the Purchaser of the Agreements and the transactions contemplated thereunder;
- (2) having obtained the approval by the shareholders of Yinhe of the Agreements and the transactions contemplated thereunder;
- (3) having obtained the approval by The Bank of China for the debt restructuring plan of the Target Company;
- (4) entering into of the agreement in relation to the Hotel Bank Loan by The Bank of China and the Target Company;

- (5) having completed the change of business registration of the Target Company; and
- (6) having obtained the approval of the State Administration of Foreign Exchange in relation to the Purchaser's Payables.

The Purchaser's Payables shall be transferred from the jointly controlled account to the bank account of Yinhe in The Bank of China on the next day following the transfer of the management rights in the Target Company.

### **Long Stop Date**

The parties agreed that unless otherwise agreed by the parties, the Sale and Purchase Agreement will be terminated if the Hotel Bank Loan has not been approved by The Bank of China within 45 business days after the signing of the Debt Restructuring Agreement.

### **Delay penalty**

Upon satisfaction of all conditions to the Debt Restructuring Agreement, in the event that either party fails to fulfill its obligations under the Debt Restructuring Agreement without the consent of the non-breaching party, then from the date of such breach, the breaching party must pay to the other party an amount of RMB472,000, equivalent to approximately 0.1% of the Yinhe's Loan, for each day of delay.

### **INFORMATION ON YINHE**

Yinhe is a company incorporated in the PRC which shares are listed on the Shenzhen Stock Exchange. It is principally engaged in (i) manufacturing and marketing of electric power system automation equipment and electronic components; and (ii) providing computer system integration services and development of computer software.

### **INFORMATION ON THE TARGET COMPANY**

The Target Company is a company incorporated in the PRC and is principally engaged in the owning and management of the Hotel. The Hotel is a five-star hotel located at No.88, East Minzu Avenue, Nanning, Guangxi Zhuang Autonomous Region, the PRC. There are 338 rooms in the Hotel with total gross floor area of approximately 46,000 square metres. According to the preliminary valuation results by BMI Appraisals Limited, the appraised value of the Hotel is approximately RMB600,000,000.

Set out below is the financial information of the Target Company which is prepared pursuant to the generally accepted accounting principal of the PRC:

	<b>As at 31 December 2006 (Audited) (RMB'000)</b>	<b>As at 31 December 2007 (Audited) (RMB'000)</b>
Net asset value	87,777.0	81,875.9
	<b>For the year ended 31 December 2006 (Audited) (RMB'000)</b>	<b>For the year ended 31 December 2007 (Audited) (RMB'000)</b>
Profits/(Losses) before taxation	18,716.1	(6,723.0)
Profits/(Losses) after taxation	18,715.8	(6,441.8)

## REASONS FOR THE ACQUISITION

The Group is principally engaged in the provision of building related maintenance services. The Directors have been seeking suitable investment opportunities from time to time to broaden the Group's source of income.

Pursuant to the National Bureau of Statistics of China, the nominal gross domestic products of Guangxi Zhuang Autonomous Region are as follows:

<b>Year</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Nominal gross domestic products ( <i>in RMB billion</i> )	273.3	332.0	406.3	480.2	586.5
Increase from previous year	22.5%	21.5%	22.4%	18.2%	22.1%

*Source: the website of the government of Guangxi Zhuang Autonomous Region*

Recognizing the efforts of the PRC government in promoting the economies of the less developed regions and the rapid development of local tourism industry in the second tier cities in the PRC, the Directors consider that increasing number investors as well as overseas and local travellers and tourists would be attracted to these cities in the PRC, thereby creating demand for hotel services and enhancing the value of Hotel. The Directors are confident that the Acquisition will enable the Group to capture the results of economic boom in Guangxi Zhuang Autonomous Region.

The Directors consider that the terms and conditions of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS OF THE LISTING RULES**

As the applicable percentage ratio as defined in the Listing Rules of the Acquisition exceeds 100%, the Agreements constitute a very substantial acquisition for the Company under the Listing Rules and are subject to the approval of Shareholders. A SGM will be held to consider and, if thought fit, approve the resolution in respect of the Acquisition. As no Shareholder has any material interest in the Acquisition, no Shareholder is required to abstain from voting in the SGM in respect of the resolution to approve the Acquisition.

## **GENERAL**

The Company will despatch to the Shareholders a circular containing, inter alia, further details of the Acquisition, the audited accountant report of the Target Company, the valuation report of the Hotel and a notice convening the SGM in accordance with the requirements of the Listing Rules.

**Shareholders and potential investors should note that the Acquisition, 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.**

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 20 August 2008 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 3 September 2008.

## **DEFINITIONS**

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

“Acquisition”	the proposed acquisition of the Sale Capital by the Purchaser pursuant to the terms and conditions of the Agreements
“Agreements”	the Sale and Purchase Agreement and the Debt Restructuring Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Shun Cheong Holdings Limited, a company incorporated in Bermuda with limited liability which shares are listed on the Main Board of the Stock Exchange

“Completion”	the completion of the Acquisition
“connected persons”	has the meaning as ascribed in the Listing Rules
“Consideration”	the consideration of RMB87,814,000 payable by the Company to the Vendors for the Sale Capital, the particulars of which are set out in the paragraphs headed “Consideration” under the section “Sale and Purchase Agreement” above
“Debt Restructuring Agreement”	the debt restructuring agreement dated 19 August 2008 entered into between the Purchaser, Yinhe and the Target Company in relation to the settlement of Yinhe’s Loan
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hotel”	廣西沃頓國際大酒店(Guangxi International Wharton Hotel), a five-star hotel located at Nanning, Guangxi Zhuang Autonomous Region, the PRC and the relevant land use right
“Hotel Bank Loan”	the bank loan applied by the Target Company from The Guangxi Branch of The Bank of China of which the amount will be reference to the amount of bank loan payable by Yinhe to The Bank of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	Open Land Holding Limited, a company incorporated in Hong Kong and is wholly-owned by the Company
“PRC”	the People’s Republic of China
“Sale and Purchase Agreement”	the sale and purchase agreement dated 19 August 2008 entered into between the Purchaser and the Vendors in relation to the sale and purchase of Sale Capital
“Sale Capital”	the entire equity capital of the Target Company
“SGM”	special general meeting of the Company to be convened to consider and, if thought fit, approve the resolution(s) in respect of the Acquisition

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	the holder(s) of the Share
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	廣西沃頓國際大酒店有限公司(Guangxi Wharton International Hotel Limited <sup>#</sup> ), a company incorporated in the PRC
“Target Group”	the Target Company and its subsidiaries
“Vendors”	Yinhe and Mr. Gao Jian
“Yinhe”	北海銀河高科技產業股份有限公司(Beihai Yinhe Hi-Tech Industrial Co., Ltd <sup>#</sup> ), a company incorporated in the PRC, of which shares are listed on the Shenzhen Stock Exchange
“Yinhe’s Loan”	the amount payable by the Target Company to Yinhe amounted to RMB472,186,000 (subject to adjustments) as at 31 July 2008
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of PRC
“%”	per cent.

(For the purpose of illustration only, the exchange rate of RMB1 to HK\$1.15 is adopted.)

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

Hong Kong, 2 September 2008

*As at the date hereof, the Board comprises of six Directors, of whom two are executive Directors, namely Ms. Cao Jing (executive chairman) and Mr. Zhang Shaohua (managing director), one is non-executive Director, namely Mr. Mo Tianquan, and three are independent non-executive Directors, namely Prof. Ye Jianping, Mr. Derek Palaschuk and Mr. Yao Xusheng.*

\* *for identification purposes only*

# *unofficial translation*