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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)

### **(1) THE SUPPLEMENTAL AGREEMENTS TO THE VERY SUBSTANTIAL ACQUISITION; AND (2) RESUMPTION OF TRADING**

This announcement is made pursuant to Rule 14.36 of the Listing Rules. Reference is made to the announcements dated 2 September 2008, 23 September 2008, and 27 October 2008 made by the Company in relation to the Acquisition.

#### **THE SUPPLEMENTAL AGREEMENTS**

The Board announced that after trading hours on 3 December 2008, the Purchaser entered into the Supplemental Agreements to amend certain terms and conditions of the Agreements.

Despite the amendments to the terms and conditions of the Agreements made pursuant to the Supplemental Agreements, the Acquisition still constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules. A SGM will be held to consider and, if thought fit, approve the resolution(s) in respect of the Acquisition.

#### **GENERAL**

As set out in the Company's announcement dated 27 October 2008, as additional time is required to prepare and finalize the accountants' report of the Target Group, the pro-forma financial information of the Enlarged Group, the indebtedness statement and working capital sufficiency statement of the Enlarged Group, the Company has made an application to the Stock Exchange for a waiver from strict compliance with the requirements of Rule 14.38 of the Listing Rules and to postpone the despatch of the Circular to on or before 23 December 2008.

The Company will try its best effort to 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 Enlarged Group and a notice convening the SGM in accordance with the requirements of the Listing Rules.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 4 December 2008 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 8 December 2008.

This announcement is made pursuant to Rule 14.36 of the Listing Rules. Reference is made to the announcements dated 2 September 2008, 23 September 2008, and 27 October 2008 made by the Company in relation to the Acquisition. Unless otherwise defined, terms used in this announcement shall have the same meanings as those ascribed in the Announcements.

## **THE SUPPLEMENTAL AGREEMENTS**

The Board announced that after trading hours on 3 December 2008, the Purchaser entered into the Supplemental Agreements to amend certain terms and conditions of the Agreements. The principal amendments to the Agreements are summarized as the following:

### **1. Supplemental Sale and Purchase Agreement**

#### *Consideration*

Pursuant to the Supplemental Sale and Purchase Agreement, the consideration for the Sale Capital will be RMB148,230,000 as compared with RMB87,814,000 under the Sale and Purchase Agreement. The increase in consideration is equivalent to the amount of reduction of the payables of the Target Group to be assumed by the Purchaser as stipulated in the Supplemental Debt Restructuring Agreement.

According to the Supplemental Sale and Purchase Agreement, a deposit of RMB20,000,000 has been paid to Yinhe and the deposit will form part of the consideration upon completion of the Acquisition. Provided that the Acquisition cannot be completed before 20 January 2009 and the delay is not caused by the Purchaser, Yinhe shall refund the deposit. In addition, a deposit delay penalty of RMB200,000 which is equivalent to 1% of the amount of deposit will be charged to Yinhe for each day of delay in refund.

Within three business days after the satisfaction of the conditions to the Agreements, including (i) entering into of the agreement in relation to the Hotel Bank Loan by The Bank of China and the Target Company; (ii) having completed the change of business registration of the Target Company; and (iii) having obtained the approval of the State Administration of Foreign Exchange in relation to the amount payable by the Purchaser, the Purchaser will deposit or will procure another party to deposit RMB18,230,000 into an account which is jointly controlled by the Purchaser and Yinhe.

As the planning of use of approximately 30 mou of land which is included in the land use right owned by the Hotel has not been confirmed and/or approved by the parties concerned and the regulatory authorities, the Purchaser and Yinhe will decide the amount of remaining balance of the Consideration (at a maximum of RMB110,000,000) for that piece of land after the planning has been settled.

#### *Delay penalty*

Pursuant to the Sale and Purchase Agreement which is supplemented by the Supplemental Sale and Purchase Agreement, 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 RMB148,230 equivalent to 0.1% of the Consideration, for each day of delay.

#### *Others*

If the Acquisition does not completed before 20 January 2009 and Yinhe fails to repay the deposit of RMB20,000,000 and delay penalty within one month, Yinhe will procure the Hotel to provide the Purchaser a consumption facility for the use of facilities provided by the Hotel, including food and beverage and room charges, at a specified and agreed rate for 5 years which amount is equivalent to the aggregate amount repayable by Yinhe. It is further agreed that if the Hotel terminates or changes its principal business and as such services cannot be provided to the Purchaser for consumption, Yinhe should pay the Purchaser in cash for the outstanding amount of consumption facility.

## **2. Supplemental Debt Restructuring Agreement**

#### *Terms*

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

- (i) the total payables of the Target Company amounted to RMB411,770,000 as at 31 July 2008 will be payable by the Target Company (or the Purchaser) to Yinhe or relevant parties (Out of RMB411,770,000 payables, about RMB390 million was due to Yinhe and related parties);

- (ii) the receivables and payables stated in (i) above of the Target Company incurred before the Management Transfer Date will be settled by Yinhe (It is expected that all the receivables and above payables of the Target Company will be generated from the hotel operating activities). After the Management Transfer Date, (a) the amount of outstanding payables will be used to offset the amount payable by the Target Company (or the Purchaser) to Yinhe as stated in (i) above; (b) the amount of outstanding receivables will continued to be collected by Yinhe and all receipt will belong to Yinhe;
- (iii) an tax exemption of approximately RMB7,000,000 has been applied for by Yinhe but has not been approved. Yinhe shall provide the evidence of relevant tax exemption or settlement of the relevant tax before the Management Transfer Date. Before Yinhe providing such evidence, the relevant amount will be deducted from the amount payable by the Target Company to Yinhe as stated in (i) above. Within 10 business days upon Yinhe providing the evidence on the finalized tax exemption amount, the relevant tax will be paid directly to the taxation authorities and the outstanding balance will be paid by the Target Company to Yinhe.

#### *Long Stop Date*

The parties agreed that unless otherwise agreed by the parties, the Agreements and the Supplemental Agreements will be terminated if the Hotel Bank Loan has not been approved by the Bank of China within 20 business days after the signing of the Supplemental Debt Restructuring Agreement.

#### *Delay Penalty*

Pursuant to the Debt Restructuring Agreement which is supplemented by the Supplemental Debt Restructuring Agreement, 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 RMB411,770 equivalent to approximately 0.1% of the amount payable by the Target Company to Yinhe or relevant parties, for each day of delay.

Save for the amendment made by the Supplemental Agreements above, there is no material deviation for all other terms and conditions in the Agreements.

## **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.

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.

Upon conducting certain due diligence on the Target Group, the Company noted that the planning of use of approximately 30 mou of land which is included in the land use right owned by the Hotel has not been confirmed and/or approved by the parties concerned and regulatory authorities. Therefore the Supplemental Agreements were entered to amend certain terms and conditions of the Agreements, in particular the adjustment of the payment terms of the Consideration for that piece of land. No other irregularities have been identified by the Directors during the course of the due diligence.

The increase in the Consideration for the Sale Capital under the Supplemental Sale and Purchase Agreement is the result of the corresponding decrease in the payables of the Target Group to be assumed by the Purchaser pursuant to the Supplemental Debt Restructuring Agreement.

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

## **IMPLICATIONS OF THE LISTING RULES**

Despite the amendments to the terms and conditions of the Agreements made pursuant to the Supplemental Agreements, the Acquisition still constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules. A SGM will be held to consider and, if thought fit, approve the resolution(s) in respect of the Acquisition.

## **GENERAL**

As set out in the Company's announcement dated 27 October 2008, as additional time is required to prepare and finalize the accountants' report of the Target Group, the pro-forma financial information of the Enlarged Group, the indebtedness statement and working capital sufficiency statement of the Enlarged Group, the Company has made an application to the Stock Exchange for a waiver from strict compliance with the requirements of Rule 14.38 of the Listing Rules and to postpone the despatch of the Circular to on or before 23 December 2008.

The Company will try its best effort to despatch to the Shareholders a circular containing, inter alias, 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 Enlarged Group and a notice convening the SGM in accordance with the requirements of the Listing Rules.

## **RESUMPTION OF TRADING**

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## **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 and the Supplemental Agreements
“Announcements”	the announcements dated 2 September 2008, 23 September 2008, and 27 October 2008 made by the Company in relation to the Acquisition
“Consideration”	the maximum consideration of RMB148,230,000 payable by the Company to the Vendors for the Sale Capital
“Management Transfer Date”	the date of transfer of management right of the Target Company, which should be a day after the Purchaser deposits RMB18,230,000 into an account which is jointly controlled by the Purchaser and Yinhe
“Supplemental Agreements”	the Supplemental Sale and Purchase Agreement and the Supplemental Debt Restructuring Agreement
“Supplemental Debt Restructuring Agreement”	the supplemental debt restructuring agreement dated 3 December 2008 entered into between the Purchaser, Yinhe and the Target Company to amend certain terms and conditions of the Debt Restructuring Agreement

“Supplemental Sale and Purchase Agreement”

the supplemental sale and purchase agreement dated 3 December 2008 entered into between the Purchaser, Yinhe and Mr. Gao Jian to amend certain terms and conditions of the Sale and Purchase Agreement

“Enlarged Group”

the Group and the Target Group

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

Hong Kong, 5 December 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*