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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)

MAJOR AND CONNECTED TRANSACTION FORMATION OF THE JOINT VENTURE COMPANY

FORMATION OF THE JV COMPANY

On 6 October 2011 (after trading hours), Guangxi Wharton, an indirect wholly-owned subsidiary of the Company, entered into the JV Agreement with the JV Partner in relation to the formation of the JV Company for the purposes of investment in and management of the existing hotel projects of the JV Partner and/or any potential hotel projects in the PRC. According to the JV Agreement, the total capital investment in the JV Company by both parties will be RMB300 million in aggregate, in which RMB80 million will be invested in cash by Guangxi Wharton and the remaining RMB220 million will be invested in cash by the JV Partner. The JV Company will be owned by Guangxi Wharton as to approximately 26.7% and by the JV Partner as to approximately 73.3%.

GENERAL

As Mr. Mo is the controlling shareholder of the JV Partner and is also a non-executive director and controlling shareholder of the Company, the JV Partner is regarded as a connected person of the Company. Besides, the applicable ratios of the entering into of the JV Agreement under Rule 14.07 of the Listing Rules exceed 25% but are less than 100%. Accordingly, the entering into of the JV Agreement constitutes a major and connected transaction for the Company under Chapter 14 and Chapter 14A of the Listing Rules respectively and is therefore subject to the reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders regarding the fairness and reasonableness of the terms of the JV Agreement and the transactions contemplated thereunder so far as the Independent Shareholders are concerned. The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the JV Agreement and the transactions contemplated thereunder.

A circular containing, among other things, further details of the JV Agreement and the transactions contemplated thereunder, the respective advice of the Independent Financial Adviser and the Independent Board Committee in relation to the JV Agreement and the transactions contemplated thereunder is expected to be despatched to the Shareholders on or before 27 October 2011.

As the completion of the JV Agreement is subject to the fulfillment of a number of conditions precedent which are detailed in this announcement, the JV Agreement may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.

PRINCIPAL TERMS OF THE JV AGREEMENT

Date

6 October 2011 (after trading hours)

Parties

- (1) Guangxi Wharton
- (2) JV Partner

Formation of the JV Company

Guangxi Wharton and the JV Partner will jointly establish the JV Company in the PRC with limited liability for the purposes of investment in and management of existing hotel projects of the JV Partner and/or any potential hotel projects in the PRC. The total amount of the capital investment in the JV Company will be RMB300 million, of which RMB100 million will be registered share capital. The operative term of the JV Company will be 20 years from the date of establishment of the JV Company and such term shall be extended upon agreement by Guangxi Wharton and the JV Partner and is subject to the approval by the relevant government authorities and applicable rules and regulations. Upon establishment, Guangxi Wharton and the JV Partner will be interested in the equity capital of the JV Company in accordance with the respective proportion of their capital investments, which will be approximately 26.7% and 73.3% respectively. The JV Company is yet to be established as at the date of this announcement. There is no requirement under the JV Agreement for any additional capital contributions committed by the parties. However, if additional capital contribution to the JV Company is subsequently required, consent has to be obtained from both parties and any further capital contribution should be made in accordance with the respective proportion of equity capital in the JV Company by each party. The Company will comply with the applicable requirements under Chapter 14 and Chapter 14A of the Listing Rules in respect of such capital contribution as and when required.

Consideration

The total capital investment in the JV Company by both parties under the JV Agreement will be RMB300 million in aggregate, in which RMB80 million will be invested in cash by Guangxi Wharton and the remaining RMB220 million will be invested in cash by the JV Partner. The total capital investment and the investments by the parties were determined after arm's length negotiations between both parties with reference to the expected funding needs of the JV Company and available resources of the parties. It is expected that the capital investment by Guangxi Wharton would be funded by the internal resources of the Group. Upon signing of the JV Agreement, both Guangxi Wharton and the JV Partner shall pay 10% of their intended capital investments as refundable deposits, which are RMB8 million and RMB22 million respectively. There is no guarantee or security given by any party or required under the JV Agreement in relation to the formation of the JV Company.

Profit, assets and dividend sharing

The profit, assets and dividend declared (if any) of the JV Company shall be distributed or shared among Guangxi Wharton and the JV Partner in accordance with their respective proportion of equity capital in the JV Company.

Restrictions on equity transfer

Any transfer of equity interest in the JV Company will require the consent of the other party and the other party will have the exclusive right to acquire such equity interest before the intended transfer.

Composition of the board of directors and management

The board of directors of the JV Company shall consist of three directors, of which two shall be appointed by the JV Partner and one shall be appointed by Guangxi Wharton. The JV Company shall have one general manager and one financial controller, which shall be appointed by the board of directors of the JV Company.

Preferred partnership right

Under the JV Agreement, in the event that the JV Company acquires any hotel projects after its establishment, the JV Company will grant an exclusive right to Guangxi Wharton for providing management services to those hotel projects.

Conditions precedent

Completion of the JV Agreement is conditional upon the satisfaction of all of the following conditions:

- (a) all necessary internal approvals of the parties have been obtained;
- (b) the approval by the Independent Shareholders for the JV Agreement and the transactions contemplated thereunder pursuant to the requirements of the Listing Rules;
- (c) the obtaining of all necessary waiver, consent, approval and licence from the relevant governmental or regulatory authorities or other third parties which are necessary in connection with the JV Agreement and the transactions contemplated thereby; and
- (d) the compliance with any other requirements under the Listing Rules or otherwise of the Stock Exchange or other regulatory authorities or any applicable laws and regulations which requires compliance by the Company in relation to the transactions contemplated under the JV Agreement.

If the above conditions precedent have not been satisfied on or before 31 December 2011 or such later date as both parties may agree, the refundable deposits paid by both parties shall be repaid forthwith without interest and the rights and obligations of the parties under the JV Agreement shall lapse and shall be of no further effect.

Upon completion of the JV Agreement, Guangxi Wharton will own approximately 26.7% of the equity interest of the JV Company, which will be effectively treated as an associated company of the Group.

INFORMATION ON THE COMPANY, GUANGXI WHARTON AND THE JV PARTNER

The principal activity of the Company is investment holding and the principal activities of its subsidiaries consist of hotel and restaurant operations in the PRC.

Guangxi Wharton is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. Guangxi Wharton is principally engaged in the hotel and restaurant operations of 廣西沃頓國際大酒店 (Guangxi Wharton International Hotel*) located in Nanning city, Guangxi Province, the PRC.

The JV Partner is a company established in the PRC with limited liability, and mainly engaged in the hotel investments in the PRC. The JV Partner is experienced and professional in the hotel investments in the PRC and is the major investor of the existing Yintan Project, being a project of three five-star hotels and six blocks of service apartments, with total area of 585,000 square meters, located in the major seashore tourism area of Beihai city, Guangxi Province, the PRC. Mr. Mo, the controlling

shareholder of the JV Partner, has over 13 years of experience in the provision of on-line information and analysis of real estate properties in the PRC. He is also the director and the executive chairman of SouFun Holdings Limited, a company conducting real estate internet business in the PRC, of which the shares are listed on the New York Stock Exchange.

REASONS FOR AND BENEFITS OF ENTERING INTO THE JV AGREEMENT

The Group is principally engaged in the hotel and restaurant operations in the PRC. As disclosed in the 2011 annual report of the Company, the Group is exploring and evaluating any potential investment opportunities cautiously which could bring long-term benefits to the Group. The Board believes that it is the golden time for the Group to expand its core business in the hotel and restaurant operations in the PRC with the continuous effort by the PRC government in promoting the economies of the less developed regions and the rapid development of tourism industry in the second tier cities.

The establishment of the JV Company is considered as an opportunity to further diversify and enlarge the hotel investments of the Group in various high-quality hotel projects in the PRC with the support from Mr. Mo, who has extensive experience in the hotel, real estates and property sectors in the PRC. Through this investment, the Group can share the profits of the JV Company as an associated company, which would contribute positively to the overall performance of the Group. Apart from this, the Group is able to enjoy the exclusive preferred partnership right for providing management services to the new hotel projects to be acquired by the JV Company in the future.

As the JV Partner owns various high-quality hotel investments and is experienced and professional in the hotel investments in the PRC, the entering into of the JV agreement can also create a potential for the Group to further expand its hotel investments in the future through the strategic alliance with the JV Partner.

The Board considers that the Group's participation in the investment in the JV Company represents an investment opportunity for the Group to further expand its existing businesses. Accordingly the Directors (excluding the independent non-executive Directors whose opinion will be subject to the advice of the Independent Financial Adviser) consider that the terms of the JV Agreement are on normal commercial terms and are fair and reasonable and the entering into of the JV Agreement is in the interests of the Company and the Shareholders as a whole. Mr. Mo and Ms. Cao Jing, an executive chairman and executive director of the Company and is the associate of Mr. Mo, had a material interest in the formation of the JV Company and they have abstained from voting on the resolution approving the transaction in the Board's meeting.

GENERAL

As Mr. Mo beneficially owns 80% of equity interests in the JV Partner and is the controlling shareholder of the JV Partner and Mr. Mo is also a non-executive director and controlling shareholder of the Company, the JV Partner is regarded as a connected person of the Company. Besides, the applicable ratios of the entering into of the JV Agreement under Rule 14.07 of the Listing Rules exceed 25% but are less than 100%. Accordingly, the entering into of the JV Agreement constitutes a major and connected

transaction for the Company under Chapter 14 and Chapter 14A of the Listing Rules respectively and is therefore subject to the reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules. As at the date of this announcement, Mr. Mo and his associates are beneficially interested in 209,753,409 Shares, representing approximately 60.39% of the issued share capital of the Company. Mr. Mo and his associates, who had a material interest in the formation of the JV Company, shall be required to abstain from voting on the relevant resolutions at the special general meeting of the Company to be convened for the purposes of approving the JV Agreement and the transactions contemplated thereunder.

The Independent Board Committee has been established to advise the Independent Shareholders regarding the fairness and reasonableness of the terms of the JV Agreement and the transactions contemplated thereunder so far as the Independent Shareholders are concerned. The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the JV Agreement and the transactions contemplated thereunder.

A circular containing, among other things, further details of the JV Agreement and the transactions contemplated thereunder, the respective advice of the Independent Financial Adviser and the Independent Board Committee in relation to the JV Agreement and the transactions contemplated thereunder is expected to be despatched to the Shareholders on or before 27 October 2011.

As the completion of the JV Agreement is subject to the fulfillment of a number of conditions precedent which are detailed in this announcement, the JV Agreement may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“associate(s)”	shall have the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Shun Cheong Holdings Limited, a company incorporated in Bermuda and the shares of which are listed on the main board of the Stock Exchange
“connected person”	shall have the meaning as ascribed to it under the Listing Rules
“connected transaction”	shall have the meaning as ascribed to it under the Listing Rules
“controlling shareholder”	shall have the meaning as ascribed to it under the Listing Rules

“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Guangxi Wharton”	廣西沃頓國際大酒店有限公司 (Guangxi Wharton International Hotel Limited*), a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	comprises all the three independent non-executive Directors, being Prof. Ye Jianping, Mr. Palaschuk Derek Myles and Mr. Yao Xusheng, to advise the Independent Shareholders in respect of the JV Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the JV Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Mr. Mo and his associates
“JV Agreement”	the joint venture agreement dated 6 October 2011 entered into between Guangxi Wharton and the JV Partner in relation to the formation of the JV Company
“JV Company”	a joint venture company to be established in the PRC with limited liability by Guangxi Wharton and the JV Partner pursuant to the JV Agreement
“JV Partner”	北京普凱世杰投資諮詢公司(Beijing Pukai Shijie Investment Consultancy Company*), a company established in the PRC, which is beneficially 80%-owned by Mr. Mo
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Mo”	Mr. Mo Tianquan, a non-executive director of the Company
“PRC”	People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yintan Project”	北海銀灘一號項目 (Beihai Yintan Project No.1*), a project of three five-star hotels and six blocks of service apartments, with total area of 585,000 square meters, located in the major seashore tourism area of Beihai city, Guangxi Province, the PRC
“%”	per cent.

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

Hong Kong, 6 October 2011

As at the date hereof, the Board comprises 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. Palaschuk Derek Myles and Mr. Yao Xusheng.

* *For identification purpose only*