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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)**

### **LITIGATION ANNOUNCEMENT**

Shun Cheong Holdings Limited (hereinafter referred to as “the Company”) on 24th June 2013 announced the disclosure that a litigation was filed due to the disagreement between Beihai Yinhe Industry Investment Co., Ltd. (hereinafter referred to as “Beihai Yinhe”) and Open Land Holdings Limited (hereinafter referred to as “Open Land”, a wholly owned subsidiary of the Company) on the termination of the “Supplemental Agreement Regarding Guangxi Wharton International Hotel’s the 2nd Phase Land Issues” (hereinafter, referred to as the “Supplemental Agreement”). In accordance with the provisions of the “Listing Rules” Section 13.09, details of the lawsuit and its progress are both further elaborated as below.

#### **1. OUTLINE OF THE LITIGATION**

##### **Litigants**

Plaintiff: Beihai Yinhe Industry Investment Co., Ltd. (i.e. the original “Beihai Yinhe Hi-Tech Industrial Co. Ltd.”)

Defendant: Open Land Holdings Limited

Third person: Guangxi Wharton International Hotel Co., Ltd. (hereinafter referred to as Wharton Hotel)

##### **Outline of the litigation**

According to the announcements published by the Company on 5th December 2008, 27th October 2008, 23rd September 2008 and 2nd September 2008, for the acquisition of the Guangxi Wharton International Hotel, Open Land on 19th August 2008 entered into an Equity Transfer Agreement with Beihai Yinhe. Subsequently, Open Land and Beihai Yinhe signed a series of supplementary agreements and debt restructuring

\* *For identification purpose only*

agreements, including the “Supplemental Agreement Regarding Guangxi Wharton International Hotel’s the 2nd Phase Land Issues” 3rd December 2008 (hereinafter referred to as “Supplemental Agreement”).

The Supplementary Agreement spelled out the settlement of 2nd phase land issues and terms and conditions for the payments of considerations, and the settlement date was agreed to be 10th October 2009. If the development plan of the 2nd phase land was not approved by the date, it could be extended upon the agreement of both parties of Open Land and Beihai Yinhe, but not more than another one year (i.e. no later than 10th October 2010).

Pursuant to the Supplemental Agreement, if the 2nd phase land development plan was not approved by local government within the agreed extension time limit (i.e. by 10th October 2010) and both parties failed to reach agreement through negotiation, Beihai Yinhe should give up the right relevant to the project of the 2nd phase land, the 20,664.01 square meters land, i.e. Beihai Yinhe should give up the right of claiming the RMB110 millions payable by Open Land. Open Land has the right to settle the 2nd phase land issues by itself without any further payment made to Beihai Yinhe.

## **2. THE PLAINTIFF’S CLAIMS**

Beihai Yinhe considers, under the terms and conditions of contracts and agreements, that Open Land and Beihai Yinhe should mutually agree upon the land development and construction planning or the land replacement program, and there are RMB110 millions payable by Open Land. Beihai Yinhe considers that Open Land has failed to fulfill the obligations stipulated in the relevant agreements which constitute the breach of contract. Beihai Yinhe notified Open Land to terminate the Supplemental Agreement and brought the lawsuit to Nanning Intermediate Court with the following claims:

- (a) Requesting the Court to confirm the termination of the Supplemental Agreement;
- (b) Requesting the Court to order the defendant to pay the plaintiff RMB110 millions;
- (c) Requesting the Court to order the defendant to pay the plaintiff for the losses caused by the occupation of the payable funds, and the losses amounts to about RMB13.81 millions;
- (d) Requesting the Court to order the defendant borne the litigation fees relevant to the lawsuit.

## **3. POSITION OF THE COMPANY**

Open Land believes that there is no breach of any contract or agreement by Open Land. There is no strong evidence or litigation ground to support Beihai Yinhe’s litigation requests including the termination of the Supplemental Agreement. And Beihai Yinhe’s request of the payment of RMB110 millions was not in compliance with the terms and conditions set in the Supplemental Agreement. Open Land will strenuously defend its legitimate position.

#### **4. PROGRESS IN LITIGATION**

In March 2013, Open Land received the Notice of response to action by Nanning Intermediate Court (hereinafter referred to “the Court”) and the Civil Indictment by Beihai Yinhe. The Court scheduled the hearing on 23rd May 2013, the hearing was agreed to be postponed after the Open Land application for hearing extension and the date was not fixed yet.

#### **5. LITIGATION IMPACT ON THE COMPANY**

At present, there is no impact or loss on the Company due to the lawsuit, and the hearing date has not been determined. Given the Court does not have any judgment on the case yet, the Company cannot determine the possible impacts.

#### **6. DOCUMENTS FOR REFERENCE**

- (1) Notice of response to action ((2013) Nan Shi Min San Chu Zi No. 41) issued by the Nanning Intermediate Court
- (2) Originals of Other Related Documents

The Company will disclose the timely implementation of information disclosure obligations based on the progress of the litigation.

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

Hong Kong, 25 June 2013

*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. Deng Wei.*