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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)

ANNOUNCEMENT

CONNECTED TRANSACTION PROPOSED EXTENSION OF THE MATURITY DATE OF HK\$120,000,000 CONVERTIBLE BOND DUE 2015

EXTENSION OF TERM OF THE CONVERTIBLE BOND

On 3 June 2014, the Company and Tanisca Investments Limited entered into the 2nd Deed of Amendment to extend the maturity date of the Convertible Bond to 30 April 2018 and the conversion period will accordingly be extended to 30 April 2018 (the “2nd Extension”).

LISTING RULES IMPLICATIONS

As Tanisca (the Subscriber) is a company wholly-owned by Mr. Mo Tianquan (a non-executive Director and a substantial Shareholder), and he also wholly owns Upsky Enterprises Limited, which owns 60.39% of share capital of the Company, as at the date of this announcement. The Subscriber is therefore a connected person of the Company under the Listing Rules. The 2nd Extension to be effected by the 2nd Deed of Amendment between the Company and the Subscriber constitutes a connected transaction of the Company. Therefore, the 2nd Extension is subject to reporting and announcement requirements, as well as approval by the Independent Shareholders at the SGM, under the Listing Rules. The Company will establish an independent board committee and will appoint an independent financial adviser to advise the Independent Shareholders and the independent board committee regarding the 2nd Extension. The Subscriber and its associates will abstain from voting in respect of the resolution approving the 2nd Extension and the transaction contemplated there under at the SGM.

* *For identification purpose only*

A circular containing details of the Convertible Bonds, the 2nd Extension, and the respective letters of advice from the independent board committee and the independent financial adviser will be dispatched to the Shareholders as soon as practicable on or before 3 June 2014 in accordance with the requirement set out in the Listing Rules.

BACKGROUND INFORMATION

The Company refers to its announcement dated 31 October 2007 and its circular dated 21 November 2007. As described in the circular dated 21 November 2007, the Company would issue the Convertible Bonds to the Subscriber in an aggregate principal amount of HK\$120,000,000, subject to Independent Shareholders approval, which was obtained in a special general meeting of the Company on 7 December 2007. Accordingly, the Convertible Bonds were issued on 28 March 2008. The Convertible Bonds bear 1% interest per annum and are convertible into shares of the Company. As at the date of this announcement, the Convertible Bonds with an aggregate amount of HK\$120,000,000 held by the Subscriber are still outstanding. All outstanding Convertible Bonds will mature on 28 March 2013 pursuant to the original terms and conditions of the Convertible Bonds.

According to the announcement of the results of rights issue made on 12 June 2008, the conversion price of the Convertible Bonds was adjusted from HK\$0.6 per Share to HK\$0.3695 per Share and the number of Shares falling to be issued upon full conversion of the Convertible Bonds was adjusted from 200,000,000 Shares to 324,763,193 Shares as a result of the rights issue, in accordance with an automatic conversion price adjustment mechanism as stipulated in the Subscription Agreement.

The Company refers to its announcement dated 28 March 2013 and its circular dated 29 April 2013. As described in the circular dated 29 April 2013, the maturity date of the Convertible Bond is extended and the conversion period will accordingly be extended 24 month to 28 March 2015. Apart from the extension, all terms of the Convertible Bond remain unchanged from the original terms.

2ND DEED OF AMENDMENT

On 3 June 2014, the Company and the Subscriber entered into a 2nd Deed of Amendment to extend the maturity date of the Convertible Bonds to the 30 April 2018 and the conversion period will accordingly be extended to 30 April 2018. Subject to the conditions below, the Subscriber has approved the 2nd Extension.

The 2nd Deed of Amendment will only become effective upon all the following conditions having been fulfilled:

- (a) The Company having convened a special general meeting at which resolutions shall have been duly passed by the Independent Shareholders to approve and ratify the 2nd Deed of Amendment;
- (b) The Stock Exchange having granted the approval for the proposed 2nd Extension;

(c) All necessary consents and approvals required to be obtained on the part of the Company in respect of the 2nd Extension having been obtained.

Apart from the 2nd Extension, all terms of the Convertible Bonds remain unchanged from the original terms.

The principal terms of the Convertible Bonds after the 2nd Deed of Amendment becomes effective are as follows:

- Principal amount: HK\$120,000,000
- Maturity: Unless previously redeemed, purchased and cancelled or converted, all of outstanding Convertible Bonds will be converted into ordinary shares of the Company on the 2nd Extended Maturity Date. The Extended Maturity Date of 28 March 2015 is to be further extended upon its expiry to the 2nd Extended Maturity Date of 30 April 2018.
- Redemption: Upon the written confirmation has been obtained from the holder(s) of the Convertible Bonds, the Company has the option to redeem the Convertible Bonds. Otherwise, the Company is not entitled to redeem the Convertible Bonds.
- Interest: The Convertible Bonds will bear an interest at the rate of 1% per annum, payable semi-annually in arrear.
- Conversion rights: The holder(s) of the Convertible Bonds will have the right at any time commencing on the Business Day after the date of issuance of the Convertible Bonds but before the 2nd Extended Maturity Date, to convert the whole or part of the principal amount of the Convertible Bonds into the Shares, provided that the principal amount to be converted shall be at least HK\$1,000,000. And in integral multiples of HK\$1,000,000 on each such conversion, save that if at any time the outstanding principal amount of the Bond is less than HK\$1,000,000, the whole (but not part only) of such outstanding principal amount of the Convertible Bonds may be converted.
- Conversion Price: The conversion price is HK\$0.3695 per conversion share, subject to adjustment for, among other things, subdivision or consolidation of Shares, bonus issues, rights issues and other dilutive events.

Conversion Shares: Assuming full conversion of the Convertible Bonds, the Company will issue 324,763,193 conversion shares, representing (a) approximately 93.5% of the Company's total issued share capital as at the date of this announcement; and (b) approximately 48.3% of the Company's issued share capital as enlarged by the issuance of the conversion shares. The conversion shares will rank pari passu in all respects with the existing Shares in issue.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the conversion shares.

Transferability: The Convertible Bonds may be assigned or transferred to any party. The Company will undertake to the Stock Exchange that it will disclose to the Stock Exchange any dealings by any of the connected persons as defined in the Listing Rules from time to time in the Convertible Bonds immediately upon the Company becoming aware of such dealings.

Voting right: Holder(s) of the Convertible Bonds (or any part thereof) will not be entitled to attend or vote at any Shareholders' and/or warrant holders' meetings of the Company by reason only of it being a holder of the Convertible Bonds (or any part thereof).

Listing and trading: No application will be made for the listing of the Convertible Bonds and permission to deal in the Convertible Bonds on the Stock Exchange or any other stock exchange.

REASONS FOR THE 2ND EXTENSION:

The Convertible Bonds would mature on 28 March 2015 unless further extended. According to the Subscription Agreement, unless previously redeemed, purchased and cancelled or converted, all of the outstanding Convertible Bonds will be converted into Shares on the Extended Maturity Date.

Tanisca is wholly-owned by Mr. Mo Tianquan (a non-executive Director and a substantial Shareholder). As at the date of this announcement, according to disclosure of interest filed on the website of the Stock Exchange, Mr. Mo Tianquan is interested in 209,753,409 Shares, or 60.39% of the issued share capital of the Company. In the event that all the outstanding Convertible Bonds are converted into Shares of the Company, 324,763,193 new Shares will be issued to Tanisca, following which issuance, Mr. Mo Tianquan will be interested in 534,516,602 Shares, or 79.53% of the issued share capital of the Company. In such event, the Company would be in breach of the Listing Rules, which require there must be an open market in the Shares, which normally mean that at least 25% of the Company's share capital must at all times be held by the public.

The following table illustrates the Company's existing shareholding structure and the shareholding structure upon full conversion of the Convertible Bonds:

Name of Shareholder	As at the date of this announcement		Immediately upon full conversion of the Convertible Bonds at conversion price of HK\$0.3695	
	Number of Shares	%	Number of Shares	%
Upsky Enterprises Limited (Note)	209,753,409	60.39%	209,753,409	31.21%
Tanisca (Note)	—	0.00%	324,763,193	48.32%
Sub-total	209,753,409	60.39%	534,516,602	79.53%
Public	137,572,591	39.61%	137,572,591	20.47%
Total	<u>347,326,000</u>	<u>100.00%</u>	<u>672,089,193</u>	<u>100.00%</u>

Note: Both Upsky Enterprises Limited and Tanisca are companies wholly-owned by Mr. Mo Tianquan (a non-executive Director) and thus the Shares held by Upsky Enterprises Limited and Tanisca are beneficially owned by Mr. Mo Tianquan.

In view of the possible breach of the Listing Rules by discharging the Company's obligations under the Subscription Agreement, the Company and Tanisca entered into the 2nd Deed of Amendment to further extend the Extended Maturity Date of the Convertible Bonds.

The Board (excluding the independent non-executive directors who will form their views after considering the advice of the independent financial adviser) considers that the terms and conditions of the 2nd Deed of Amendment are fair and reasonable and the 2nd Extension is in the interests of the Company and the Shareholders as a whole. The Directors are of the view that the 2nd Extension will not pose any significant impact on the operations of the Group.

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Extension. The Subscriber and its associates will abstain from voting in respect of the resolution approving the 2nd Extension and the transaction contemplated there under at the SGM.

A circular containing details of the Convertible Bonds, the 2nd Extension, and the respective letters of advice from the independent board committee and the independent financial adviser will be dispatched to the Shareholders as soon as practicable on or before 3 June 2014 in accordance with the requirement set out in the Listing Rules.

GENERAL

The principal activities of the Group are operations of hotels and restaurants. The Subscriber is an investment holding company. Aside from holding the 60.39% shareholding in the Company by its controlling shareholder and the Convertible Bonds, the Subscriber does not have any other significant business activities.

DEFINITIONS

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

“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the Board of Directors
“Business Day”	means any day (other than a Saturday or Sunday) on which licensed banks are open for general banking business in Hong Kong
“Company”	Shun Cheong Holdings Limited, a company incorporated in Bermuda with limited liability of which shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Convertible Bonds”	the convertible bonds issued by the Company to the Subscriber in the aggregate amount of HK\$120,000,000
“Deed of Amendment”	the deed of amendment entered into by the Company and the Subscriber on 28 March 2013 to extend the Maturity Date of the Subscription Agreement
“2nd Deed of Amendment”	the deed of amendment entered into by the Company and the Subscriber on 3 June 2014 to extend the Maturity Date of the Subscription Agreement
“Directors”	director(s) of the Company
“Extended Maturity Date”	28 March 2015

“2nd Extended Maturity Date”	30 April 2018
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	Shareholders other than the Mr. Mo Tianquan and his associates
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	28 March 2013
“SGM”	a special general meeting of the Company to be held for considering, if thought fit, approving the ordinary resolutions in respect of the extension of the Maturity Date of the Convertible Bonds
“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
“Subscriber” or “Tanisca”	Tanisca Investments Limited, a company wholly-owned by Mr. Mo Tianquan (a non-executive director of the Company and a substantial Shareholder) and the subscriber of the Convertible Bonds
“Subscription”	the subscription of the Convertible Bonds by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 29 October 2007 entered into between the Company and the Subscriber in respect of the subscription of the Convertible Bonds
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

“HK\$” Hong Kong Dollars, the lawful currency of the Hong Kong
“%” per cent

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

Hong Kong, 3 June 2014

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. Wu Jiahong.