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If you have sold or transferred all your shares in Shun Cheong Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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 A JOINT VENTURE COMPANY AND NOTICE OF SGM

Financial Adviser to the Company



天行聯合證券有限公司
United Simsen Securities Limited

Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders



粵海證券有限公司
GUANGDONG SECURITIES LIMITED

Terms used in this cover page have the same meanings as defined in this circular.

A letter from the Board is set out on pages 4 to 26 of this circular. A letter from the Independent Board Committee is set out on page 27 of this circular. A letter from Guangdong Securities containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 40 of this circular.

A notice convening the SGM to be held at Suite 2302, Wing On Centre, 111 Connaught Road Central, Hong Kong on Wednesday, 4 January 2012 at 10:00 a.m. is set out on pages 65 to 66 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM of the Company. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM should you so wish.

15 December 2011

* For identification purposes only

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DEFINITIONS

In this circular, the following terms and expressions shall have the following meanings unless the context otherwise requires:

“Announcements”	the announcements of the Company dated 6 October 2011, 29 November 2011 and 14 December 2011 in relation to the establishment of the JV Company
“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(s)”	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(s)”	shall have the meaning as ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Enlarged Group”	the Group and the JV Company after the completion of the JV Agreement and the Supplemental Agreements
“First Supplemental Agreement”	the first supplemental agreement dated 29 November 2011 entered into between Guangxi Wharton and the JV Partner to vary certain terms of the JV Agreement
“Group”	the Company and its subsidiaries
“Guangdong Securities” or “Independent Financial Adviser”	Guangdong Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the independent financial adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the JV Agreement, the Supplemental Agreements and the transactions contemplated thereunder

DEFINITIONS

“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, the Supplemental Agreements and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Mr. Mo and his associates
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons
“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, as varied and supplemented by the Supplemental Agreements
“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 and the Supplemental Agreements
“JV Partner”	北京普凱世杰投資諮詢有限公司 (Beijing Pukai Shijie Investment Consultancy Company*), a company established in the PRC, which is ultimate beneficially owned as to 80% by Mr. Mo
“Latest Practicable Date”	14 December 2011, being the latest practicable date prior to the despatch of this circular for ascertaining certain information for inclusion in this circular
“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”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“Second Supplemental Agreement”	the second supplemental agreement dated 14 December 2011 entered into between Guangxi Wharton and the JV Partner to extend the long stop date of the JV Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the JV Agreement, the Supplemental Agreements and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into by Guangxi Wharton and the JV Partner upon the establishment of the JV Company to regulate their rights and obligations in the JV Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreements”	the First Supplemental Agreement and the Second Supplemental Agreement
“U.S.”	the United States of America
“Yintan Project”	北海銀灘一號項目 (Beihai Yintan Project No.1*), a project of one five-star hotel located in the major seashore tourism area of Beihai city, Guangxi Zhuang Autonomous Region, the PRC
“%”	per cent.

In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

For the purpose of this circular, HK\$1.22 = RMB1.00.

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LETTER FROM THE BOARD



SHUN CHEONG HOLDINGS LIMITED

順昌集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 650)

Executive Directors:

Cao Jing (*Executive chairman*)

Zhang Shaohua (*Managing Director*)

Non-executive Director:

Mo Tianquan

Independent non-executive Directors:

Ye Jianping

Palaschuk Derek Myles

Yao Xusheng

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

Head office and

principal place of business:

Suite 2302, Wing On Centre

111 Connaught Road Central

Hong Kong

15 December 2011

To Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION FORMATION OF A JOINT VENTURE COMPANY

INTRODUCTION

References are made to the Announcements.

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, of 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%.

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LETTER FROM THE BOARD

On 29 November 2011, the First Supplemental Agreement was entered into between Guangxi Wharton and the JV Partner to amend and vary certain terms of the JV Agreement. The parties to the JV Agreement agreed that (i) the scope of business of the JV Company shall become investment in and management of existing hotel projects of the JV Partner and/or any potential hotel projects in the PRC or any place with development potential; (ii) a shareholders' agreement will be entered into by Guangxi Wharton and the JV Partner upon establishment of the JV Company to regulate their rights and obligations in the JV Company; and (iii) the appointment and removal of any directors or management of the JV Company are subject to the unanimous approval of the board of directors of the JV Company.

Subsequently, on 14 December 2011, the Second Supplemental Agreement was entered into between Guangxi Wharton and the JV Partner to extend the long stop date from 31 December 2011 to 31 March 2012 or such later date as both parties may agree.

The purpose of this circular is to provide you with further details relating to (i) the JV Agreement, the Supplemental Agreements and the transactions contemplated thereunder; (ii) the advice from the Independent Board Committee; (iii) the recommendation from Guangdong Securities to the Independent Board Committee and Independent Shareholders; and (iv) the notice convening the SGM, for the purpose of considering and, if thought fit, approving the JV Agreement, the Supplemental Agreements and the transactions contemplated thereunder.

PRINCIPAL TERMS OF THE JV AGREEMENT AS SUPPLEMENTED BY THE SUPPLEMENTAL AGREEMENTS

Date

6 October 2011 (as supplemented by the Supplemental Agreements)

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 or any other places with development potential. The total amount of the capital investment in the JV Company will be RMB300 million, of which RMB100 million will be registered share capital and RMB200 million will be the additional paid in 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 the agreement between 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 has

LETTER FROM THE BOARD

not yet been established as at the Latest Practicable Date. 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, consents have to be obtained from both parties and any further capital contribution should be made in accordance with the respective proportion of the 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, of 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 by the parties were determined after arm's length negotiations between both parties with references to the available resources of the parties. It is expected that the capital investment by Guangxi Wharton would be funded by the available 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 and the Supplemental Agreements in relation to the formation of the JV Company.

The registered share capital of the JV Company will be RMB100 million and will be financed by Guangxi Wharton and the JV Partner out of their respective total capital investment of RMB80 million and RMB220 million respectively, based on their respective equity interests in the JV Company. The registered share capital of the JV Company will be contributed after establishment 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 between Guangxi Wharton and the JV Partner in accordance with their respective proportion of equity capital invested in the JV Company pursuant to the JV Agreement. Pursuant to the Shareholders' Agreement, the declaration of dividend by the JV Company is subject to the unanimous approval of the board of 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 upon obtaining unanimous approval of the board of the JV Company.

LETTER FROM THE BOARD

The Board will form a committee (the “**JV Investment Committee**”) comprising all Directors other than Mr. Mo and Ms. Cao Jing. The JV Investment Committee will appoint one director (the “**Representative**”) of the JV Company to represent the interest of Guangxi Wharton. The Representative will report to the JV Investment Committee on any major decision to be made in the board of the JV Company, including the exercise of the voting right of Guangxi Wharton under the Shareholders’ Agreement to be illustrated in the section headed “The Shareholders’ Agreement” in this letter. Accordingly, despite the Company cannot appoint the majority of the directors of the JV Company, the Company is of the view that it can exercise sufficient control over the JV Company.

Proposed management to be appointed in the JV Company:

Apart from the board of the JV Company, it is proposed that a management team is required to be appointed in the JV Company to govern the investment projects. As at the Latest Practicable Date, two personnels who are independent from the JV Partner and the Company are identified. Their biographies are as below:

Dr. Lei Hua (“**Dr. Lei**”) graduated from University of the West of England with a doctor’s degree in Finance in 2008. He is experienced in investment and project management in real estates, finance, mining and hotels in the PRC and the U.S.. Dr. Lei had participated in originations and in the management and investments of various hotels and real estate projects, such as, Beijing Cuigong Hotel (five-star), Beijing Zhongkang International Hotel (four-star), Changsha Liuyanghe Hotel and Shanghai Zhouji Hotel in the PRC, and Crown Plaza San Francisco International Airport in the U.S.. Dr. Lei is mainly responsible for originating the hotel projects, conducting site visits, evaluating the value of the hotel projects and negotiating the key terms of the relevant investments. Dr. Lei will be primarily responsible for the corporate strategic planning of the Yintan Project.

Ms. Luo Lei (“**Ms. Luo**”) graduated from Beijing Language and Culture University with a bachelor degree in Literature in 2001. She has over 10 years experience in project management and has participated in the Yintan Project. Ms. Luo managed administration of several companies in the PRC, participated in the management on the construction of the hotel in the Yintan Project and participated in the management and operations as the chief operating officer of Beijing Yuyang Hotel* (北京漁陽飯店) and Beijing Debao Hotel* (北京德寶飯店). Ms. Luo was also responsible for the management, such as reformation and operation of a high-end membership club in Beijing and an acquisition project of an office building in Shanghai, the PRC. Ms. Luo will be primarily responsible for the administration of the daily operation, in particular the dining, accommodation and resort management, of the Yintan Project.

The appointment and removal of any directors or management of the JV Company would be subject to the decisions of the board of the JV Company.

Preferred partnership right

Under the JV Agreement, in the event that the JV Company invests any hotel projects after its establishment, the JV Company will grant a preferred partnership right to Guangxi Wharton for providing management services to those hotel projects.

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The proposed terms of the potential management services on the potential hotel projects will be determined on an arm's length basis among the relevant parties (including the Company and/or Guangxi Wharton) with references to the prevailing market rates. Further announcement will be made by the Company as and when appropriate in accordance with the Listing Rules.

Conditions precedent

Completion of the JV Agreement, as supplemented by the Supplemental Agreements, 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 of the Independent Shareholders for the JV Agreement, as supplemented by the Supplemental Agreements, 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, as supplemented by the Supplemental Agreements, 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 require compliance by the Company in relation to the transactions contemplated under the JV Agreement, as supplemented by the Supplemental Agreements.

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, as supplemented by the Supplemental Agreements, and shall lapse and shall be of no further effect.

The parties to the JV Agreement, as supplemented by the Supplemental Agreements, undertake that they will enter into the Shareholders' Agreement simultaneously upon the completion of the JV Agreement, as supplemented by the Supplemental Agreements, otherwise completion will not be taken place.

Upon the completion of the JV Agreement and the Supplemental Agreements, Guangxi Wharton will own approximately 26.7% of the equity interest of the JV Company. Further to the entering into of the Shareholders' Agreement, the JV Company is intended to be treated as a jointly-controlled entity of the Group.

LETTER FROM THE BOARD

THE SHAREHOLDERS' AGREEMENT

In order to further regulate the rights and obligations of each shareholder of the JV Company, the JV Partner and Guangxi Wharton shall agree and enter into the Shareholders' Agreement simultaneously upon the establishment of the JV Company pursuant to the First Supplemental Agreement. Under the Shareholders' Agreement, the matters of the JV Company as set out below will require unanimous approval of both Guangxi Wharton and the JV Partner before its execution:

1. the incurring of any capital expenditure by any member of the JV Company in excess of HK\$10 million in respect of any one transaction (or a series of related transactions);
2. the creation by the JV Company of any borrowings or other indebtedness or obligation in the nature of borrowings (including, without limitation, obligations pursuant to any debenture, bond, note, loan stock or other security of any member of the JV Company and obligations pursuant to finance leases) in excess of HK\$1 million in respect of any one transaction except as by way of normal trade credit;
3. the provision by the JV Company of any guarantee, indemnity or security in respect of the obligations of any other third parties;
4. any actual or proposed sale or other disposition of the whole or a substantial part of the capital assets or rights of the JV Company;
5. any material change in the organisation of the JV Company or the manner in which it carries on its business;
6. the remuneration of directors of the JV Company;
7. the leasing of any premises to carry out the business of the JV Company;
8. any proposal or taking any procedures for the winding-up or liquidation of the JV Company;
9. the issue of any securities by the JV Company including, without limitation, debt securities, shares, warrants and convertible securities (by way of bonus, rights or otherwise) and/or the grant of any option or right to acquire or call for the issue of the same whether by conversion or subscription;
10. any amendment to the memorandum or articles of association of the JV Company;
11. the declaration of any dividends; and
12. the appointment of the general manager and financial controller of the JV Company.

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The terms of the Shareholders' Agreement were determined after arm's length negotiations between both parties. The Board considers that the Shareholders' Agreement can provide Guangxi Wharton with additional control over the operations of the JV Company. Upon the execution of the Shareholders' Agreement, the Group is able to influence the operations of the JV Company. Pursuant to the Shareholders' Agreement, it is the intention of the JV Partner and Guangxi Wharton that the JV Company will be accounted for as a jointly-controlled entity of both parties.

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 Guangxi Wharton International Hotel* (廣西沃頓國際大酒店) located in Nanning city, Guangxi Zhuang Autonomous Region, the PRC.

The JV Partner is a company established in the PRC with limited liability, and mainly engaged in hotel investments, investing management, consultancy, securities investments and business services. The JV Partner is experienced and professional in hotel investments. The projects participated by the JV Partner include Hebei Hengshui "Park Number One" High-end Residential Project* (河北衡水「公園一號」高檔住宅項目) ("Park Number One"), Asia Pacific Garden Hotel-Beijing* (北京亞太花園酒店) ("Garden Hotel") and Tianjin Yilan International Hotel* (天津依蘭國際酒店) ("Yilan Hotel") in the PRC, and 72 Wall Street Mansion in the U.S..

- **Park Number One**

Park Number One includes high-end properties, such as residential area, commercial area, offices and one star-rated hotel, with a total area of approximately 350,000 square meters. Approximately 130,000 square meters of the People's Park is also subsumed into the project. The one star-rated hotel in Park Number One is a three to eighteen-storeyed hotel with an additional skirt building and 133 parking spaces. The area of land use and the total constructing area of the hotel are approximately 6,666.4 square meters and approximately 34,665.6 square meters respectively.

The JV Partner has invested and provided the consultancy service to the hotel in Park Number One, including (i) searching and comparing high-quality projects, potential project analysis, contract negotiation, consulting and lobbying services on government relations, project management, project marketing and project positioning, etc.; and (ii) online technical services, especially the provision of data and information of the property industry. The existing beneficial owner of Park Number One is Zhongfang Group Hengshui Zhong Cheng Wan Yuan Real Estate Limited* (中房集團衡水中城萬源置業有限公司).

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- **Garden Hotel**

Garden Hotel is a four-star commercial hotel with approximately 270 deluxe guest rooms and facilities of conference, restaurant, sauna, and advanced club. Garden Hotel situated at Tongzhou District, Beijing, the PRC, and is equipped with an approximately 11,000 square meters western-styled garden and an approximately 1,000 square meters fountain square. Garden Hotel provides highly personalized 24-hour services, which combined with authentic and elegant surroundings.

The JV Partner had been engaged in the provision of consultancy services, including investment, operation and management in Garden Hotel and completed its engagement in 2009. The primary responsibility of the JV Partner was to establish the policies and procedures of the operation for Garden Hotel and made quality manual that complies. The JV Partner also sought and identified the hotel guest market in Beijing, and made strategic decisions for Garden Hotel.

- **Yilan Hotel**

Yilan Hotel is a modern commercial hotel with guest rooms, restaurants, entertainments and business conference, which are designed and established in accordance with the high level criteria. Yilan Hotel is located at the heart of the Tianjin Economic & Technological Development Area, Tianjin, the PRC and has a total construction area of approximately 30,000 square meters. Yilian Hotel offers approximately 261 guest rooms, restaurants, banquet halls, public bars, multi-function rooms and meeting facilities. Yilan Hotel also provides the hotel guests a variety of amenities, including KTV, sauna and massage, shopping mall, chess and poker room, and billiard room.

The JV Partner provided its existing platform of internet information technology to conduct site analysis on location, traffic and people flow, questionnaires and environmental analysis, feasibility study, hotel interior design for Yilan Hotel in 2009. The JV Partner provided advanced technological and managerial support to Yilan Hotel, which made Yilan Hotel unique and distinctive.

- **72 Wall Street Mansion**

72 Wall Street Mansion is a property of 18 floors with a total area of approximately 325,000 square feet and located in Wall Street of lower Manhattan, the U.S.. 72 Wall Street Mansion was previously a training center of an insurance company and is currently owned by a company listed in the U.S..

The JV Partner provided the consultancy service to the existing owner during the acquisition of 72 Wall Street Mansion, including the provision of the advanced online data platform in real estate, technological and managerial support for the data analysis, contract negotiation, consulting and lobbying services on government relations, project

LETTER FROM THE BOARD

management, etc.. The JV Partner also evaluated the possible options for subsequent redevelopment or conversion of 72 Wall Street Mansion, into training center or hotels, etc.. However, the concrete plan of the said conversion has not yet been finalized and is subject to further evaluation by its owner.

INFORMATION ON THE JV COMPANY

The principal activity of the JV Company will be investment in and management of existing hotel projects of the JV Partner and/ or any potential hotel projects in the PRC or any place with development potential. As at the Latest Practicable Date, the major investment target of the JV Company is the Yintan Project situated in Beihai city, Guangxi Zhuang Autonomous Region as referred by the JV Partner. Information on the Yintan Project is illustrated in the paragraph headed “Information on the Yintan Project” in latter part of this section.

Business model of the JV Company

The JV Company will prudently source and select suitable hotel projects for investments and management in the PRC and other potential regions. The JV Company will originate different kinds of hotel projects, including but not limited to (i) normal green field hotel projects; (ii) hotel projects already under construction with concrete development plans and feasibility studies; and (iii) hotels already in operation.

Further to the initial negotiations with owners of the potential hotel projects, the JV Company will conduct due diligence exercise and relevant analysis based on the development plans, feasibility studies and relevant information (if any) of the potential hotel projects.

Save for direct investments to the identified hotel projects, subject to the progress and status of the hotel projects, the JV Company will also participate in the management of the identified hotel projects. For the green field hotel projects, the JV Company will participate in managing (i) the preliminary construction, such as site selection through site analysis on location, traffic and people flow, questionnaires and environmental analysis, feasibility study, hotel interior design, and providing assistance in selecting contractors for building work, etc. (if applicable); (ii) the construction progress; and (iii) the daily operation, including preparing the operating procedures and quality manual, etc., and/or the outsourced professional management teams, etc. upon completion of the construction. For the hotel projects already under construction, the JV Company will participate in managing (i) the construction progress; and (ii) the daily operation and/or the outsourced professional management teams, etc. upon completion of the construction. For the hotels already in operation, the JV Company will participate in managing (i) the refurbishments and renovations; and (ii) the daily operation and/or the outsourced professional management teams, etc.. The JV Company is expected to strengthen its hotel portfolio through acquisitions of hotels already in operation, such as one of the potential hotel projects, City Hotel Beijing, and the details of which have been disclosed in the section headed “Other potential project of the JV Company” in this letter, as well as through the acquisition and subsequent redevelopment or conversion of existing industrial and commercial buildings.

LETTER FROM THE BOARD

The actual participation of the JV Company in the identified hotel projects will be subject to the progress and the status of the relevant hotel projects, the negotiation among the counter parties, and also with reference to the actual financial positions and capacities of the JV Company at that time. The JV Company would retain the right to manage the hotel via management agreements to be entered into between the owners of the identified hotel projects and Guangxi Whaton, details of which have been disclosed in the section headed “Preferred partnership right” in this letter. In the view of the JV Company may expand its future business plan, the JV Company may employ more professional staffs, including but not limited to the experienced personnel and experts in hotel investments, hotel management and other different fields of the hotel investments and management in different regions.

The counter parties of the investment of the Yintan Project are still in the progress of negotiation, including but not limited to the concrete terms of the formal investment agreement to be entered into among the counter parties and conducting further due diligence exercises on the Yintan Project, etc.. As at the Latest Practicable Date, no formal investment agreement has been entered into among any relevant parties in relation to any hotel investment projects. The Board is expected that the formal investment agreement among the relevant parties of any investments will be entered into upon the establishment of the JV Company.

Overview of the hotel industry in Beihai city

Beihai city is located in the southern Guangxi Zhuang Autonomous Region with an area of approximately 3,337 square kilometers and a total population of approximately 1.35 million, among which, approximately 0.43 million of the population is located at urban districts. Beihai city is close to Guangdong, Hainan, Hong Kong, Macau and Vietnam, and the geographic location accentuated Beihai city’s unique advantages among the other economic districts in Asia. With abundant marine resources and various aquatic activities, such as beaches, seafood, coral and marine sports, that help boosting the tourism, Beihai city has become a focal tourist city.

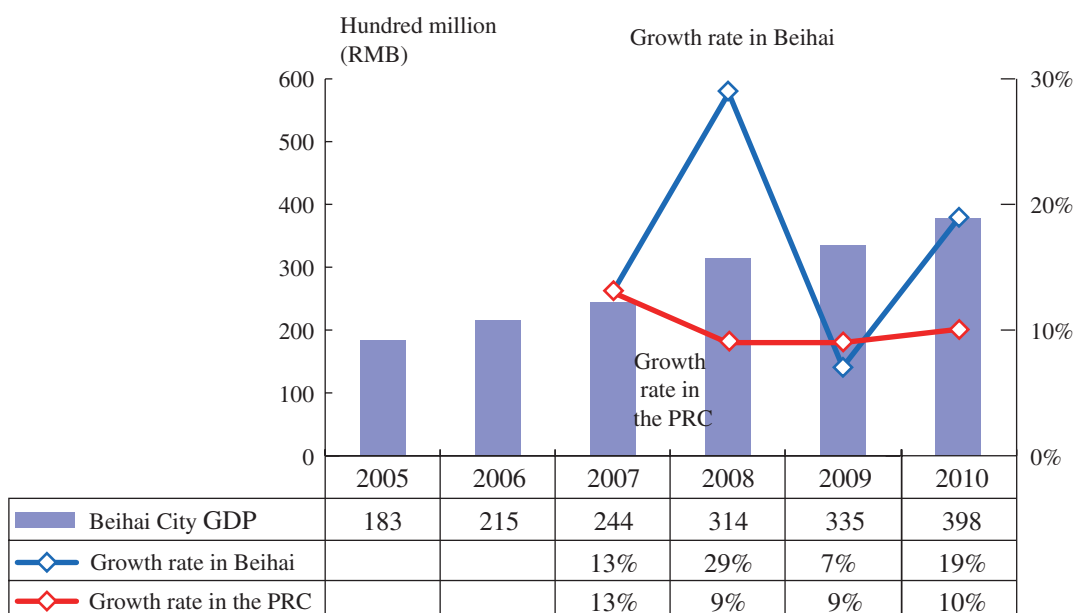
Beihai city currently has 11 three-star or above hotels, among which, there are one (1) five-star hotel, three (3) four-star hotels and seven (7) three-star hotels. Most three-star or above star-rated hotels are located at urban districts in Beihai city while there are only one (1) three-star and two (2) four-star hotels at Yintan Bay. The existing number of guest rooms in Beihai city is about 20,000. According to Guangxi Bureau of Statistics, the major customers of the hotels in Beihai city are domestic tourists, international tourists and domestic businessmen. In 2009, there are approximately 8,159,700 domestic tourists, approximately 59,700 international tourists and approximately 1,000,000 domestic businessmen being the customers of the hotels in Beihai city. In 2010, there are approximately 9,380,000 domestic tourists, approximately 73,000 international tourists and approximately 1,500,000 domestic businessmen being the customers of the hotels in Beihai city.

According to the “Development plan on economic districts in Northern Bay of Guangxi*” (廣西北部灣經濟區發展規劃), the population of the developed districts in Beihai city will be approximately 1 to 1.2 million in 2020, the land with developing potential in the developed districts will be controlled within 140 square kilometers. Currently, the population of the town center in Beihai city is approximately 0.4 million with the developed district area of 40 square kilometers and approximately 30 square meters of the per capita housing building area. Pursuant to the said development plan, the annual

LETTER FROM THE BOARD

population and the annual developing area of the constructive land will be increased to approximately 50,000 to 70,000 people and approximately 8.3 square kilometers respectively. The development plan is expected to bring advantages to the real estate and tourism industry in Beihai city.

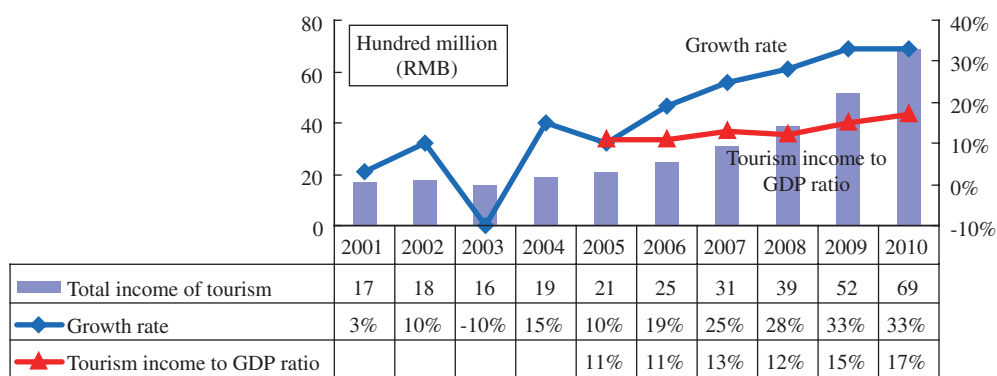
GDP and its growth rate of Beihai city



Source: Guangxi Bureau of Statistics (廣西統計局) and China Index Academy (中國指數研究院)

Beihai city of Guangxi Zhuang Autonomous Region has an increasing gross domestic production (the “GDP”) from 2005 to 2010. According to the above statistic, the GDP of Beihai city was approximately RMB33.5 billion in 2009, which is comparatively increased by 7%. The growth rate of the GDP in Beihai city was 9% higher than the growth rate of the GDP in the PRC in 2010. In 2010, the GDP and the growth rate of the GDP in Beihai city was approximately RMB39.8 billion and 19% respectively.

Total income of tourism and its growth rate in Beihai in 2001-2010

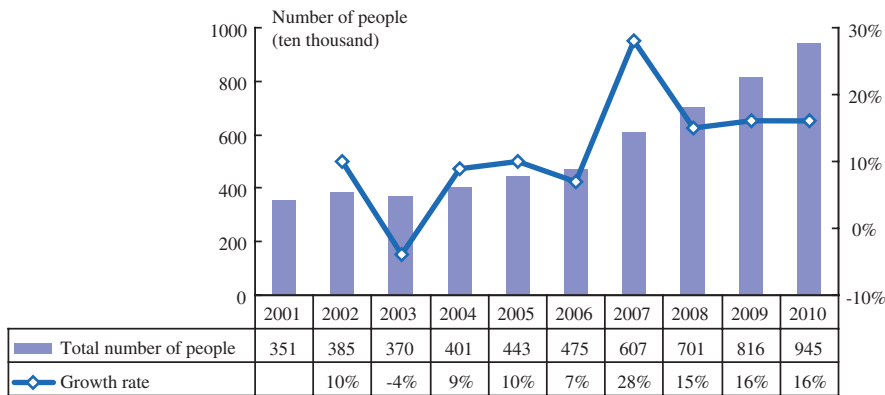


Source: Guangxi Bureau of Statistics (廣西統計局) and China Index Academy (中國指數研究院)

LETTER FROM THE BOARD

Being the famous tourist city, Beihai city's total income of tourism contributed more than 11% of the total GDP in Beihai city. The growth rates of the total income of tourism in Beihai city were around 10% to 33% from 2005 to 2010 with a rising trend.

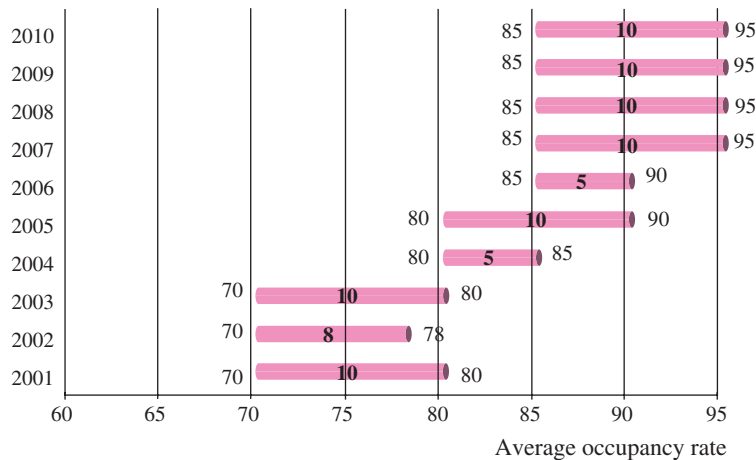
Number of tourists and its growth rate in Beihai city in 2001-2010



Source: Guangxi Bureau of Statistics (廣西統計局) and China Index Academy (中國指數研究院)

The number of tourists who visited Beihai city increased steadily from approximately 3.51 million in 2001 to approximately 9.45 million in 2010, the growth rate steadily increased approximately 16% in 2010.

Average occupancy rate of star-rated hotels in Beihai city

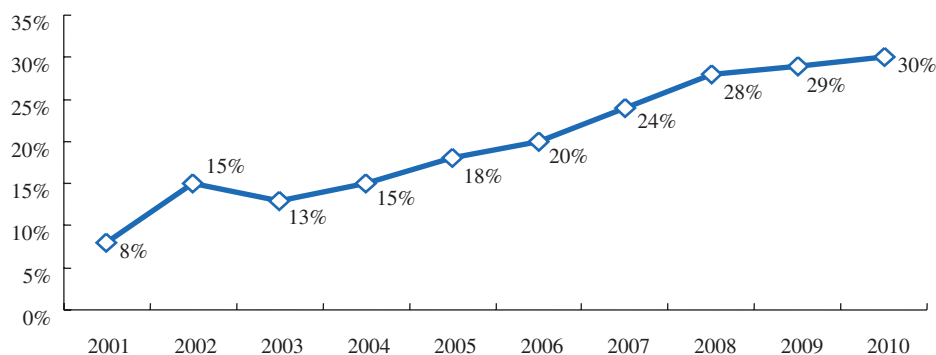


Source: Beihai Tourism Bureau (北海市旅遊局) and China Index Academy (中國指數研究院)

LETTER FROM THE BOARD

The average occupancy rate of star-rated hotels in Beihai was steadily increased from approximately 70% – 80% in 2001 to approximately 85% – 95% in 2010.

Average growth rate of hotel room price of star-rated hotels in Beihai city



Source: Beihai Tourism Bureau (北海市旅遊局) and China Index Academy (中國指數研究院)

During the tourist peak seasons, from April to November with the sunny and warm weather which is perfect for aquatic activities, in Guangxi Zhuang Autonomous Region, the hotel room prices of star-rated hotels in Beihai city are significantly increased. Normally, the room price of a five-star hotel is approximately RMB350 per room for each day in off seasons, from December to March with the low temperature in winter which is less suitable for aquatic activities, and the room price is increased to approximately RMB680 per room for each day in peak seasons; the room price of a four-star hotel is approximately RMB250 per room for each day in off seasons, and the hotel room price is increased to approximately RMB500 per room for each day in peak seasons.

Information on the Yintan Project

The Yintan Project is currently under the development by Beihai Haixing Real Estates Development Company Limited* (北海海興房地產開發有限公司) (“**Haixing**”), and its ultimate beneficial owner and the legal representative of Haixing is Mr. Mo. The JV Partner, as controlled by Mr. Mo, accordingly refers the Yintan Project as the investment target of the JV Company. The information and the investment plan of the Yintan Project as set out below are primarily based on the feasibility report prepared by Haixing (the “**Feasibility Report**”). The Company has conducted the due diligence review on the information contained in the Feasibility Report and considers that the results are satisfactory. After the assessment by the Directors based on the existing information in relation to the Feasibility Report, it is concluded that the investment in the Yintan Project is feasible.

LETTER FROM THE BOARD

The Yintan Project locates in the major seashore tourism area, which is five (5) kilometers away from the town center of Beihai city, Guangxi Zhuang Autonomous Region, the PRC. Beihai Yintan is a famous tourist spot which composes the west side, the east side and the beach. The total area of Yintan district is approximately 38 square kilometers with about 24 kilometers of length, 30-3,000 meters of width, and 12 square kilometers of the land area. Set out below is the map showing the location of the Yintan district:



The Yintan Project includes one five-star hotel with a total area of approximately 41,000 square meters, details of which have been disclosed in the Appendix III to this circular. The Yintan Project which focuses on vacations, tourism and business conferences, includes the following functions:

- Hotel : 200 designed guest rooms which include 180 regular guest rooms, 15 luxury suites and 5 penthouse and others
- Conferences : a large international conference center with a capacity of 2,500 persons and other conferences rooms with high technologies
- Restaurants : Chinese and western restaurants, cafe and other characteristic restaurants with different dishes
- Entertainment : Gym, facial services, beach volleyball, bowling etc.

LETTER FROM THE BOARD

The Yintan Project has a huge potential to seize the top ranking hotel in the hotel market of Yintan Bay in Beihai city. With reference to the average occupancy rates of the three-star to five-star hotels of approximately 85.5% and the five-star hotels of approximately 90% in Beihai city, the occupancy rates of the Yintan Project is expected to be approximately 80%. When determining the hotel room prices of the Yintan Project, references will be made to the similar star-rated hotels in Beihai city, such as the Shangri-La Hotel of which the average room price ranged from RMB700 to RMB1,000 per room for each day. Taking into account of the high quality and the attractive locations of the Yintan Project, the suggested hotel room prices of the Yintan Project are RMB400 per room for each day in off seasons and RMB800 per room for each day in peak seasons. The estimated average room price is RMB700 per room for each day for the whole year.

The major customers of the Yintan Project are expected to be domestic tourists, international tourists and domestic businessmen, corporate customers, etc. who plan to have both short and long vacations or business trips in Beihai city, the PRC.

The Yintan Project has already obtained certificates of land use right* (國有土地使用權證), license for planning on constructive land* (建設用地規劃許可證), license for constructive planning* (建設工程規劃許可證) and license for constructive building* (建築工程施工許可證). Details of the certificates have been disclosed in the Appendix III to this circular.

The Yintan Project has already started the construction since July 2010. The completion of the construction of the Yintan Project and the commencement of the business operation are expected to be on or before the first quarter of 2012. The total estimated investment of the Yintan Project is expected to be approximately RMB292 million, and the breakdown of which is as follows:

Items	<i>RMB (million) approximately</i>
Land leasing fee	33
Project design fee	10
Pre-operating expenses	10
Facilities construction fee	15
Construction sub-contracting	25
Construction and erection fee	102
Decoration fee	88
Other expenses and unforeseeable fee	9
Total	<u>292</u>

The Directors are of the view that the investment in the Yintan Project by the JV Company would be beneficial to the Group by strengthening the Group's hotel investment portfolio in the PRC.

LETTER FROM THE BOARD

Other potential project of the JV Company

Apart from the Yintan Project which is the primary investment target of the JV Company, the JV Company will also consider other potential projects available. Such other potential investment project is relatively small in scale as compared to the investment amount in the Yintan Project and the negotiation on the terms of investment is in a preliminary stage, therefore no concrete terms have been agreed with the counter parties yet. The counter parties in relation to this potential project are independent from the JV Partner.

Set out below are the details of the potential hotel project which may be invested by the JV Company:

- **City Hotel Beijing*** (北京市城市賓館) (“City Hotel”)

City Hotel started its operations in 1990 and refurbished in 2007. City Hotel is a three-star hotel situated in the central business area of Beijing, the PRC, surrounded by the Gongren Stadium in the Chaoyang District and the prosperous Sanlitun Bar Street* (三裡屯酒吧街) which is a concentration area of bars, restaurants and other entertainment service.

City Hotel adopts the European-styled decorations and is elegantly refurbished and maintained. The 23-floor building of City Hotel has approximately 200 guest rooms, including standard rooms, single rooms, suites and superior rooms. As an alternative for medium/long-term residents, it also offers service apartments, which are equipped with complete sets of furniture and kitchens and have nine options of floor plans to select.

Services and facilities provided by City Hotel including but not limited to:

- (i) restaurant and food services, including Shanghai-styled and western restaurants;
- (ii) entertainment services, such as karaoke, gym, sauna and massage center;
- (iii) business services, such as business center, conference rooms with various sizes, currency exchange center and business banquet; and
- (iv) general hotel services, such as supermarkets, ticket booking and car renting.

One of the advantages of City Hotel is its convenience of transportation. City Hotel lies in the proximity distant to the subway station and main roads of the Beijing city. As it is in the central area of the city’s transportation network, guests departing from the Beijing Capital International Airport and the Beijing Railway Station can arrive at City Hotel within half an hour.

LETTER FROM THE BOARD

The current owner of City Hotel is Beijing Foreign Enterprise Service Group Co., Ltd.* (北京外企服務集團有限責任公司) (“FESCO”) and its ultimate beneficial owner is Beijing Stated-owned Assets Supervision and Administration Commission* (北京國有資產監督管理委員會). To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, FESCO and its ultimate beneficial owner(s) and associate(s) of City Hotel are Independent Third Parties.

Investment schedule of the JV Company

The JV Company is expected to complete the first phase of the investment in the Yintan Project of not less than RMB100 million by the end of March 2012. As agreed with Haixing, the consideration of the investment in the Yintan Project will be equivalent to the total investment cost of the project. Accordingly, it is expected that the JV Company will be interested in not less than approximately 34% equity interest in the Yintan Project upon completion of the first phase of the investment.

The JV Company will further invest RMB100 million in the Yintan Project in 2012. The JV Company is then expected to invest RMB200 million in total and to be interested in not less than approximately 68% equity interest in the Yintan Project upon completion of the second phase of the investment.

The remaining RMB100 million capital of the JV Company is proposed to further invest either into the Yintan Project or other potential projects identified by the JV Company from time to time and is subject to the unanimous approval of the board of the JV Company. For other potential projects which are owned by Independent Third Parties, the terms of investments will be subject to the negotiation with references to the market values of the projects. The Company will provide updated information on the investments and the existing business operation on a regular basis in accordance with the Listing Rules, including but not limited to the publishing of the interim results and the annual results announcements.

The Board is of the view that, taking into account of the formation of the JV Investment Committee and the rights granted to Guangxi Wharton under the JV Agreement, the Supplemental Agreements and the Shareholders’ Agreement, in particular the board composition and the voting rights in major operation decisions in the JV Company which required unanimous approval, the Group’s investment in the JV Company can be protected.

INFORMATION ON THE CONTROLLING SHAREHOLDER OF THE JV PARTNER

The JV Partner is beneficially owned as to 80% by Mr. Mo. Set out below is the biography of Mr. Mo.

Mr. Mo has over 13 years of experience in the provision of on-line information and analysis of real estate properties in the PRC and the U.S.; and has experience in the investment in hotel, real estates and property sectors in the PRC and the U.S.. Mr. Mo obtained a master degree in the Tsinghua University School of Economics and Management. He is also the founder, a director and the executive

LETTER FROM THE BOARD

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. As at the Latest Practicable Date, the market capitalization of SouFun Holdings Limited is more than US\$900 million. Mr. Mo is currently the controlling Shareholder and is a non-executive Director responsible for reviewing corporate strategies of the Company. Accordingly Mr. Mo participated in the investment project of Guangxi Wharton and had interest in Guangxi Wharton through the Company. In addition, Mr. Mo also participated in hotel management including the review of overall performance of Guangxi Wharton, including but not limited to the financial performance and corporate strategies of Guangxi Wharton.

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 and the Supplemental Agreements under Rule 14.07 of the Listing Rules exceed 25% but are less than 100%. Accordingly, the entering into of the JV Agreement and the Supplemental Agreements 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 Latest Practicable Date, 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 SGM to be convened for the purposes of approving the JV Agreement, the Supplemental Agreements and the transactions contemplated thereunder.

REASONS FOR AND BENEFITS OF ENTERING INTO THE JV AGREEMENT AND THE SUPPLEMENTAL AGREEMENTS

The Group is principally engaged in the hotel and restaurant operations in the PRC. As disclosed in the 2011 interim report, the Group is exploring and evaluating any potential investment opportunities cautiously which could bring long-term benefits to the Group. As announced in the "12th Five-Year Plan for National Economic and Social Development*" (國民經濟和社會發展第十二個五年規劃綱要), the PRC government intends to further develop the Western Development Plan* (西部大開發) including the development of tourism industry in the western area of the PRC, such as Guangxi Zhuang Autonomous Region, Guizhou Province and Yunnan Province. Furthermore, according to "Decisions of the People's Government of Guangxi Zhuang Autonomous Region in relation to Accelerate the Development of a Top Tourism Area*" (廣西壯族自治區人民政府關於加快建設旅遊強區的決定) issued on 23 December 2010, the Guangxi's local government plans to improve the development of service facility in the coming five years including (i) three star-rated hotels to be covered in every county; (ii) five star-rated hotels to be covered in every prefectural-level city; and (iii) the set up of over 100 four-star or above star-rated hotels in the Guangxi Zhuang Autonomous Region. The Board believes that it is the appropriate 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 Board understands that, as a result of such PRC government policies, there may be a potential increasing competition of hotel business in the western part of the PRC. Therefore, the Board will

LETTER FROM THE BOARD

attempt to identify the most appropriate projects. Taking into account of the privileged location of the Yintan Project, and the hotel industry in Beihai City, Guangxi Zhuang Autonomous Region, the Board is of the view that the Yintan Project will become a leading high class hotel and resort which is highly competitive in Beihai City, Guangxi Zhuang Autonomous Region, in the PRC.

The establishment of the JV Company is considered as an opportunity to further diversify and enlarge the hotel investments of the Group in various hotel projects in the PRC with the support from Mr. Mo. Through this investment, it is expected that the Group will share the losses or profits of the JV Company and, if profitable, the investment would contribute positively to the overall performance of the Group. Apart from this, the Group is able to enjoy the preferred partnership right for providing management services to those hotel projects to be invested by the JV Company in the future.

As the JV Partner has invested in and provided consultancy services to various hotel investments and is experienced and professional in the hotel investments, the entering into of the JV agreement and the Supplemental Agreements 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.

It is expected that the capital investment by Guangxi Wharton would be funded by the available internal resources of the Group. As at the Latest Practicable Date, the Company does not have any intention to raise funds to support its existing operation after the establishment of the JV Company.

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 consider that the terms and conditions of the JV Agreement and the Supplemental Agreements were arrived at after arm's length negotiations between the parties, are on normal commercial terms and are fair and reasonable, and the entering into of the JV Agreement and the Supplemental Agreements 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 spouse 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.

In case of any amendments in the major investment plan on the Yintan Project of the JV Company as described herein, including the material change in design plan of the Yintan Project, the Company shall inform the respective independent Shareholders and seek their relevant approval in accordance with the Listing Rules.

RISKS RELATING TO THE GROUP'S INVESTMENT IN THE JV COMPANY

The Group's investment is heavily dependent on the economy of the PRC

The Group's investment in and future development of the JV Company depend heavily on the economy of the PRC. As the American and European economic crisis started in 2008 had serious negative impact on and slowed down the economic development over the world, the economic condition in the PRC may also be worsened. Under the depression of economy, tourists will tend to spend less on their trips, therefore, the financial condition of high-quality and luxury hotels will be adversely affected.

LETTER FROM THE BOARD

The Group does not have full control over the JV Company

The Group will own 26.7% of the equity interest of the JV Company and will appoint one of the three directors in the board of the JV Company. Since the Group does not have full control over the JV Company, despite the Group has the voting rights under the Shareholders' Agreement, the Group may not have the ability to influence all actions of the JV Company. As a result, the decision making may be inconsistent with the interests of the Group. Furthermore, there is no assurance that the best interests and business philosophy of the Group will always be shared by the JV Partner, which could lead to disputes with the JV Partner and distract management's attention from the management of the business, as well as, potentially, resulting in the termination of the joint venture.

No dividend policy in the JV Company

There is no dividend policy expected to be stated under the memorandum of association of the JV Company. The board of the JV Company may declare dividends after taking into account, among others, the results of operations, cash flows and financial condition, operating and capital requirements, and other factors that the directors consider relevant. As the declaration of dividend will be subject to unanimous approval of the board of the JV Company, there is no assurance that the board of the JV Company will declare dividends to the shareholders of the JV Company in the future.

No finalized terms of investment in the Yintan Project and other potential projects

The primary investment target of the JV Company will be the Yintan Project and not less than RMB200 million will be invested in it and the remaining RMB100 million either in other potential projects or the Yintan Project. It is agreed that the consideration of the investment in the Yintan Project will be equivalent to the total investment cost of the project. However, there are no finalized terms of investment on both the Yintan Project and other potential projects. The terms of investment will be subject to the negotiation with the counter parties and the approval of the board of the JV Company. The Shareholders will be informed about the progress of the investment.

Potential increasing competition of the hotel business in the western part of the PRC

As a result of the PRC governmental policies, such as the further development on the Western Development Plan* (西部大開發) announced in the "12th Five-Year Plan for National Economic and Social Development*" (國民經濟和社會發展第十二個五年規劃綱要) and the plans on improving the development of service facility in the coming five years according to "Decisions of the People's Government of Guangxi Zhuang Autonomous Region in relation to Accelerate the Development of a Top Tourism Area*" (廣西壯族自治區人民政府關於加快建設旅遊強區的決定) issued on 23 December 2010 in promoting the economies of the less developed regions and the rapid development of tourism industry in the second tier, there may be potential increasing competition of the hotel business in the western part of the PRC. The Group's investments in the hotel businesses in the western part of the PRC may be negatively affected by the potential competition when there are more hotels similar to the Yintan Project built in the Beihai city.

LETTER FROM THE BOARD

Basis for the investment proposal of the Yintan Project and other potential projects may not be comprehensive

The investment proposals of the Yintan Project and other potential projects were prepared based on the experience of the proposed management team, the general market trend and the feasibility reports available which may not include any accurate forecast in the future financial performance of the projects. The Shareholders may not consider the information as sufficient to provide a comprehensive basis for them to evaluate the projects. In addition, there is no assurance that the financial performance of the Yintan Project and other potential projects will be satisfactory as expected. The Shareholders shall exercise caution when considering the investment proposals of the JV Company.

The JV Company may not be able to successfully identify, secure or operate the Yintan Project and other potential projects

The JV Company plans to invest in different hotel projects in the PRC and other regions to strengthen its investment portfolio. However, the JV Company may not be successful in identifying hotel projects at desirable locations and on commercially reasonable terms. Competitions among investors may reduce the number of suitable investment opportunities available to the JV Company and consequently increase the bargaining power of hotel projects owners. If the JV Company fails to successfully identify other hotel projects, the JV Company's growth potential could be limited and its prospects may be materially and adversely affected.

FINANCIAL EFFECTS ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP OF ENTERING INTO THE JV AGREEMENT AND THE SUPPLEMENTAL AGREEMENTS

Upon the completion of the JV Agreement and the Supplemental Agreements, Guangxi Wharton will own approximately 26.7% of the equity interest of the JV Company. Further to the entering into of the Shareholders' Agreement, the JV Company is intended to be treated as a jointly-controlled entity of the Group. According to the "Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group" as contained in Appendix II to this circular, the Enlarged Group's total assets and liabilities will remain unchanged and the working capital of the Group will decrease by RMB80 million. In light of the future prospects of the JV Company, the Directors are of the view that the entering into the JV Agreement and the Supplemental Agreements will be likely to have a positive impact on the future earnings of the Enlarged Group.

SGM

A notice convening the SGM is set out on pages 65 to 66 of this circular for the purpose of considering and, if thought fit, passing the resolution set out therein.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M/F, Hopewell Centre, 183 Queen's Road

LETTER FROM THE BOARD

East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

In compliance with the Listing Rules, the resolution will be taken by way of poll at the SGM. To the best knowledge of the Directors, Mr. Mo has a material interest in the transactions contemplated under the JV Agreement and the Supplemental Agreements as at the Latest Practicable Date. Accordingly, Mr. Mo and his associates will be required to abstain from voting at the SGM in respect of the resolution relating to the JV Agreement, the Supplemental Agreements and the transactions contemplated thereunder.

RECOMMENDATION

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

An Independent Board Committee has been established for the purpose of advising and giving recommendation to the Independent Shareholders in relation to the JV Agreement, the Supplemental Agreements and the transactions contemplated thereunder.

Your attention is drawn to the “Letter from the Independent Board Committee” set out on page 27 of this circular. The Independent Board Committee, having taken into account the advice of Guangdong Securities, considers that the terms of the JV Agreement, the Supplemental Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Your attention is also drawn to the “Letter from Guangdong Securities” set out on pages 28 to 40 of this circular which contains its advice and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the JV Agreement, the Supplemental Agreements and the transactions contemplated thereunder.

The Board considers that the terms of the JV Agreement, the Supplemental Agreements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned. In addition, the Board considers that the entering into of the JV Agreement and the Supplemental Agreements is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM.

LETTER FROM THE BOARD

GENERAL

Your attention is also drawn to the other appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Shun Cheong Holdings Limited
Cao Jing
Executive chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



SHUN CHEONG HOLDINGS LIMITED

順昌集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 650)

15 December 2011

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
FORMATION OF A JOINT VENTURE COMPANY**

We refer to the circular issued by the Company to the Shareholders dated 15 December 2011 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you as to whether the terms of the JV Agreement, the Supplemental Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole.

Guangdong Securities has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the JV Agreement, the Supplemental Agreements and the transactions contemplated thereunder. We wish to draw your attention to the “Letter from the Board” and the “Letter from Guangdong Securities” set out on pages 4 to 26 and 28 to 40 of the Circular respectively.

Having considered the principal factors and reasons considered by, and the advice and recommendation of Guangdong Securities set out in its letter of advice, we consider that the terms of the JV Agreement, the Supplemental Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed to approve the JV Agreement, the Supplemental Agreements and the transactions contemplated thereunder at the SGM.

Yours faithfully,

Independent Board Committee

Ye Jianping

Palaschuk Derek Myles

Yao Xusheng

Independent non-executive Directors

* *For identification purposes only*

LETTER FROM GUANGDONG SECURITIES

Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the JV Agreement for the purpose of inclusion in this circular.



Units 2505-06, 25/F.
Low Block of Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

15 December 2011

*To: The independent board committee and the independent shareholders
of Shun Cheong Holdings Limited*

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION FORMATION OF THE JOINT VENTURE COMPANY

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the JV Agreement, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 15 December 2011 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

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 (the “**JV Formation**”) 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%.

On 29 November 2011, the First Supplemental Agreement to the JV Agreement was entered into between Guangxi Wharton and the JV Partner to amend and vary certain terms of the JV Agreement. The parties to the JV Agreement agreed that (i) the scope of business of the JV Company shall become investment in and management of existing hotel projects of the JV Partner and/or any potential hotel projects in the PRC or any place with development potential; (ii) a shareholders' agreement will be entered into by Guangxi Wharton and the JV Partner upon establishment of the JV Company to regulate their rights and obligations in the JV Company; and (iii) the appointment and removal of any directors or management of the JV Company are subject to the unanimous approval of the board of directors of the JV Company.

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On 14 December 2011, the Second Supplemental Agreement was entered into between Guangxi Wharton and the JV Partner to extend the long stop date from 31 December 2011 to 31 March 2012 or such later date as both parties may agree.

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 the JV Agreement under Rule 14.07 of the Listing Rules exceed 25% but are less than 100%. Accordingly, the entering into 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. To the best knowledge of the Directors, Mr. Mo has a material interest in the transactions contemplated under the JV Agreement as at the Latest Practicable Date. Accordingly, Mr. Mo and his associates will be required to abstain from voting at the SGM in respect of the resolution relating to the JV Agreement and the transaction contemplated thereunder.

The Independent Board Committee comprising Prof. Ye Jianping, Mr. Palaschuk Derek Myles and Mr. Yao Xusheng (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the JV Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the entering into the JV Agreement is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution to approve the JV Agreement and the transactions contemplated thereunder at the SGM. We, Guangdong Securities, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Group, the JV Partner or the JV Company and we have not been furnished with any such evaluation or appraisal, save as and except for the property valuation report of the Yintan Project (the "**Valuation**

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Report") as set out in Appendix III to the Circular. The Valuation Report was prepared by LCH (Asia-Pacific) Surveyors Limited ("LCH"). Since we are not experts in the valuation of land and/or properties, we have relied solely upon the Valuation Report for the market values of the property of the Yintan Project as at 30 September 2011 (the "**Valuation**").

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Guangxi Wharton, the JV Partner, the JV Company or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the entering into the JV Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. The Shareholders' Agreement has not been executed as at the Latest Practicable Date. Our opinion is based on that the Shareholders' Agreement will be executed upon formation of the JV Company. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Guangdong Securities is to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the JV Agreement, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for entering into the JV Agreement

Information on the Group

With reference to the Board Letter, 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.

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Set out below are the financial information of the Group for each of the two years ended 31 March 2011 and the six months ended 30 September 2011 as extracted from the Company's annual report for the year ended 31 March 2011 (the "Annual Report") and the Company's interim report for the six months ended 30 September 2011 (the "Interim Report"):

	For the six months ended 30 September 2011	For the year ended 31 March 2011	For the year ended 31 March 2010	Change from 2010 to 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Revenue	76,082	144,684	131,826	9.75
Gross Profit	37,033	51,814	49,461	4.76
Profit for the year/period from continuing operations	1,654	135	251	(46.22)
Profit for the year/period from a discontinued operation	Nil	749	250	199.60
Profit for the year/period	1,654	884	501	76.45
Total comprehensive income for the year/period	9,533	9,441	501	1,784.43
	As at	As at	As at	Change from
	30 September 2011	31 March 2011	31 March 2010	2010 to 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Net assets ("NAV")	216,783	207,250	198,311	4.51
Cash and cash equivalents	121,190	106,524	86,901	22.58

From the above table, we noted that the revenue of the Group for the year ended 31 March 2011 increased by approximately 9.75%. Nevertheless, the profit of the Group from continuing operations for the year ended 31 March 2011 decreased by approximately 46.22% due to significant increase in the income tax expense. With reference to the Annual Report and as advised by the Directors, the significant increase in total comprehensive income for the year ended 31 March 2011 as compared to the prior financial year was mainly attributable to the exchange differences on translation of foreign operations.

According to the Annual Report, in September 2010, the Group disposed its entire interest in Super Highway Services Limited and its subsidiaries which were engaged in the building services contracting and maintenance business. The Group is determined to further develop its existing core business in Guangxi Wharton. In addition, the management of the Group will also explore and evaluate other potential investment opportunities cautiously which could bring long-term benefits to the Group.

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Information on Guangxi Wharton

With reference to the Board Letter, 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 Guangxi Wharton International Hotel (廣西沃頓國際大酒店) located in Nanning city, Guangxi Zhuang Autonomous Region, the PRC.

Information on the JV Partner

With reference to the Board Letter, the JV Partner is a company established in the PRC with limited liability, and mainly engaged in the hotel investments, investing management, consultancy, securities investments and business services. The JV Partner is experienced and professional in the hotel investments. The projects participated by the JV Partner include Park Number One in Hebei, the PRC, Garden Hotel in Beijing, the PRC, Yilan Hotel in Tianjin, the PRC and 72 Wall Street in the US. Details of the aforementioned projects and the participation of the JV Partner are set out in the section headed “Information on the Company, Guangxi Wharton and the JV Partner” in the Board Letter. 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 and the US; and has experience in the investment in hotel, real estates and property sectors in the PRC and the US. He is also the founder, 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. Mr. Mo is currently the controlling Shareholder and is a non-executive Director responsible for reviewing corporate strategies of the Company. Accordingly, Mr. Mo participated in the investment project of Guangxi Wharton and had interest in Guangxi Wharton through the Company. In addition, Mr. Mo also participated in hotel management including the review of overall performance of Guangxi Wharton, including but not limited to the financial performance and corporate strategies of Guangxi Wharton.

Information on the JV Company

With reference to the Board Letter, the principal activity of the JV Company will be investment in and management of existing hotel projects of the JV Partner and/or any potential hotel projects in the PRC or any place with development potential. As at the Latest Practicable Date, the major investment target of the JV Company is the Yintan Project situated in Beihai city, Guangxi Zhuang Autonomous Region which is referred by the JV Partner. Haixing, being the current developer of the Yintan Project, has prepared the Feasibility Report on the Yintan Project. The Company has conducted the due diligence review on the information contained in the Feasibility Report and considers that the results are satisfactory. After the assessment by the Directors based on the existing information in relation to the Feasibility Report, it is concluded that the investment in the Yintan Project is feasible. Information on the Yintan Project is illustrated under the section headed “Information on the Yintan Project” in the Board Letter. In addition, LCH has prepared the Valuation Report based on which the market values of the property of the Yintan Project as at 30 September 2011 was approximately RMB355 million.

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Business model of the JV Company

According to the Board Letter, the JV Company will prudently source and select suitable hotel projects for investments and management in the PRC and other potential regions. The JV Company will originate different kinds of hotel projects, including but not limited to (i) normal green field hotel projects, (ii) hotel projects already under construction with concrete development plans and feasibility studies; and (iii) hotels already in operation.

Further to the initial negotiations with owners of the potential hotel projects, the JV Company will conduct due diligence exercise and relevant analysis based on the development plans, feasibility studies and relevant information (if any) of the potential hotel projects.

Save for direct investments to the identified hotel projects, subject to the progress and status of the hotel projects, the JV Company will also participate in the management of the identified hotel projects. Details of the business model of the JV Company are set out under the section headed “Business model of the JV Company” in the Board Letter.

Other potential project of the JV Company

Apart from the Yintan Project which is the primary investment target of the JV Company, the JV Company will also consider other potential projects available, such other potential investment project is relatively small in scale as compared to the investment amount in the Yintan Project and the negotiation on the terms of investment is in a preliminary stage, therefore no concrete terms have been agreed with the counter parties yet. The counter parties in relation to this potential project are independent from the JV Partner. Details of the potential hotel project which may be invested in by the JV Company are set out under the section headed “Other potential project of the JV Company” in the Board Letter.

Investment schedule of the JV Company (the “Investment Schedule”)

According to the Board Letter, the JV Company is expected to complete the first phase of investment in the Yintan Project of not less than RMB100 million by the end of March 2012. As agreed with Haixing, the consideration of the investment in 100% interest in the Yintan Project will be equivalent to the total investment cost of the project (which is expected to be approximately RMB292 million). Accordingly, it is expected that the JV Company will be interested in not less than approximately 34% equity interest in the Yintan Project upon completion of the first phase of the investment.

The JV Company will further invest RMB100 million in the Yintan Project in 2012. The JV Company is then expected to invest RMB200 million in total and to be interested in not less than approximately 68% equity interest in the Yintan Project upon completion of the second phase of the investment.

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The remaining RMB100 million capital of the JV Company is proposed to further invest either into the Yintan Project or other potential projects identified by the JV Company from time to time and is subject to the unanimous approval from the board of the JV Company. For other potential projects which are owned by Independent Third Parties, the terms of investments will be subject to the negotiation with references to the market values of the projects. The Company will provide updated information on the investments and the existing business operation (the “**Updated Information**”) on a regular basis in accordance with the Listing Rules, including but not limited to the publishing of the interim results and the annual results announcements.

In case of any amendments in the major investment plan on the Yintan Project of the JV Company, including the material change in design plan of the Yintan Project, the Company shall inform the respective independent Shareholders and seek their relevant approval in accordance with the Listing Rules.

For our due diligence purpose, we have obtained the Feasibility Report and discussed the Investment Schedule of the Company with the management of the Company. We have not identified any factors which caused us to doubt the fairness and reasonableness of the principal basis and assumptions (including but not limited to site area, plot ratio, occupancy rates, hotel room prices, customers base, etc.) adopted for the Feasibility Report which were supported by legal documents and/or market research. We have also noted that the Feasibility Report does not contain detailed investment analysis (e.g. expected revenue, rate of return, payback period, etc.). In addition, we have reviewed and enquired into LCH regarding the methodology of, and basis and assumptions adopted for, the Valuation. Upon our enquiry, we noted that LCH carried out a site visit in November 2011 to research for necessary information to determine the Valuation. LCH also explained that they have adopted the sales comparison approach for valuing the land elements of the property of the Yintan Project. The sales comparison approach considers the sales, listings or offering of similar or substitute properties and related market data and establishes a value of a property that a reasonable investor would have to pay for a similar property of comparable utility and with an absolute title. In considering the improvements erected on the land and classified as construction in progress, LCH has taken into account the total construction costs incurred as at the date of Valuation. During our discussion with LCH, we understand how the Valuation was being derived and we have not identified any factors which caused us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for the Valuation, which were supported by legal documents, legal opinion and/or market research.

LCH further confirmed that the valuation method it has adopted for the Valuation is commonly adopted for valuation of property, consistent with normal market practice, and complies with, amongst others, the HKIS Valuation Standards on Properties, First Edition, 2005 published by The Hong Kong Institute of Surveyors. Moreover, they have detailed the basis and assumptions of the Valuation in the Valuation Report. Shareholders should note that since the Valuation involves various basis and assumptions, it may or may not accurately reflect the true market values of the property of the Yintan Project.

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Furthermore, we have also interviewed LCH as to its qualifications, expertise and independence to the Group, the JV Partner and their respective connected persons and reviewed LCH's terms of engagement.

Despite that the Feasibility Report does not contain detailed investment analysis (e.g. expected revenue, rate of return, payback period, etc.), the Valuation of approximately RMB355 million exceeds the total investment cost of the Yintan Project (which is expected to be approximately RMB292 million). Accordingly, we are of the view that the proposed investment in the Yintan Project by the JV Company is justifiable.

Reasons for the entering into the JV Agreement

With reference to the Board Letter, the Board believes that it is the appropriate 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 Board understands that, as a result of the PRC government policies, there may be a potential increasing competition of hotel business in the western part of the PRC. Therefore the Board will attempt to identify the most appropriate projects. Taking into account of the privileged location of the Yintan Project, and the hotel industry in Beihai City, Guangxi Zhuang Autonomous Region, the Board is of the view that the Yintan Project will become a leading high class hotel and resort which is highly competitive in Beihai City, Guangxi Zhuang Autonomous Region.

The establishment of the JV Company is considered by the Board as an opportunity to further diversify and enlarge the hotel investments of the Group in various hotel projects in the PRC with the support from Mr. Mo. Through this investment, it is expected that the Group will share the losses or profits of the JV Company, and, if profitable, the investment would contribute positively to the overall performance of the Group. Apart from this, the Group is able to enjoy the preferred partnership right for providing management services to those hotel projects to be invested by the JV Company in the future.

As the JV Partner has invested in and provided consultancy services to various hotel investments and is experienced and professional in the hotel investments, the entering into 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. For our due diligence purpose, we have (i) requested and obtained the written confirmation of the JV Partner on its experience and professionalism as stated in the Board Letter; and (ii) discussed the experience and professionalism of the JV Partner and Mr. Mo as stated in the Board Letter with the management of the Company. Nevertheless, given that the JV Partner is a private company and information on the internet is limited, we cannot verify the experience and professionalism of the JV Partner and Mr. Mo from independent sources. Based on the above and the Directors' representation which was reasonably made after due enquiry and careful consideration, we concur with the Directors' view that the experience and professionalism of the JV Partner and Mr. Mo may benefit the Group upon establishment of the JV Company. 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.

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Given that (i) the JV Formation is in line with the Group's business strategy and principal business; and (ii) the Group's participation in the investment in the JV Company represents an investment opportunity for the Group to further expand its existing businesses; and (iii) the Group's investment in the JV Company can be protected by the formation of the JV Investment Committee and the rights granted to Guangxi Wharton under the JV Agreement (as supplemented by the Supplemental Agreements) and the Shareholders' Agreement, in particular the board composition and the voting rights in major operation decisions in the JV Company which required unanimous approval, we concur with the Directors that the entering into the JV Agreement is in the ordinary and usual course of business of the Company and in the interests of the Group and the Shareholders as a whole.

2. Terms of the JV Agreement as supplemented by the Supplemental Agreements

Set out below are the major terms of the JV Agreement:

Formation of the JV Company

Pursuant to the JV Agreement, 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 or any other places with development potential. 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 Latest Practicable Date.

Consideration

The total capital investment in the JV Company by both parties under the JV Agreement will be RMB300 million in aggregate, of 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 references to the available resources of the parties.

It is expected that the capital investment by Guangxi Wharton would be funded by the available 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.

With reference to the Board Letter, as at the Latest Practicable Date, no formal investment agreement has been entered into among any relevant parties of any hotel investment projects. Nevertheless, we are of the view that the Investment Schedule would substantiate the application of the total capital investment in the JV Company of RMB300 million in aggregate. In addition, the Board expected that the formal investment agreement among the relevant parties of any investments will be entered into upon the establishment of the JV Company. Shareholders may also appraise the position of the Enlarged Group from the Updated Information.

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Profit, assets and dividend sharing

The profit, assets and dividend declared (if any) of the JV Company shall be distributed or shared between Guangxi Wharton and the JV Partner (the “**Distribution**”) in accordance with their respective proportion of equity capital invested in the JV Company pursuant to the JV Agreement. Pursuant to the Shareholders’ Agreement, the declaration of dividend by the JV Company is subject to the unanimous approval of the board of 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 (the “**Restriction**”). The Restriction may avoid party(ies) not preferable to Guangxi Wharton or the JV Partner participating in the investment in the JV Company and thus protect the investment of Guangxi Wharton or the JV Partner in the JV Company.

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 upon obtaining unanimous approval of the board of the JV Company.

The Board will form the JV Investment Committee comprising all Directors other than Mr. Mo and Ms. Cao Jing. The JV Investment Committee will appoint the Representative of the JV Company to represent the interest of Guangxi Wharton. The Representative will report to the JV Investment Committee on any major decision to be made in the board of the JV Company, including the exercise of the voting right of Guangxi Wharton under the Shareholders’ Agreement. Accordingly, despite the Company cannot appoint the majority of the directors of the JV Company, the Company is of the view that it can exercise sufficient control over the JV Company and the JV Company is intended to be treated as a jointly controlled entity in the account of the Company.

Apart from the board of the JV Company, it is proposed that a management team is required to be appointed in the JV Company to govern the investment projects. As at the Latest Practicable Date, Dr. Lei and Ms. Luo, who are independent from the JV Partner and the Company are identified. The biographies of Dr. Lei and Ms. Luo are set out under the section headed “Composition of the board of directors and management” of the Board Letter.

The appointment and removal of any directors or management of the JV Company are subject to the decisions and unanimous approval of the board of directors of the JV Company.

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Preferred partnership right

Under the JV Agreement, in the event that the JV Company invests any hotel projects after its establishment, the JV Company will grant a preferred partnership right to Guangxi Wharton for providing management services to those hotel projects (the “**Rights**”).

The proposed terms of the potential management services on the potential hotel projects will be determined on an arm’s length basis among the relevant parties (including the Company and/or Guangxi Wharton) with references to the prevailing market rates.

Upon discussion with the Directors, we are of the view that (i) the equity interests in the JV Company (i.e. approximately 26.7% to Guangxi Wharton and approximately 73.3% to the JV Partner) and the Distribution are in accordance to the respective proportion of the capital investments by Guangxi Wharton and the JV Partner; (ii) the Restriction may protect the investment of Guangxi Wharton in the JV Company; and (iii) the Rights which allow Guangxi Wharton to provide management services to any hotel projects to be acquired by the JV Company after its establishment, may generate further income for Guangxi Wharton.

Other terms of the JV Agreement

We have also reviewed the other major terms of the JV Agreement and are not aware of any terms which are uncommon. Consequently, we consider that the terms of the JV Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

The Shareholders’ Agreement

In order to further regulate the rights and obligations of each shareholder of the JV Company, the JV Partner and Guangxi Wharton shall agree and enter into the Shareholders’ Agreement simultaneously upon the establishment of the JV Company. Details of the Shareholders’ Agreement are set out under the section headed “The Shareholders’ Agreement” in the Board Letter. We concur with the Directors’ view that the terms of the Shareholders’ Agreement can provide Guangxi Wharton with additional control over the operations of the JV Company. Upon the execution of the Shareholders’ Agreement, the Group is able to influence the operations of the JV Company. Pursuant to the Shareholders’ Agreement, it is the intention of the JV Partner and Guangxi Wharton that the JV Company will be accounted for as a jointly controlled entity of both parties.

The parties to the JV Agreement undertake that they will enter into the Shareholders’ Agreement simultaneously upon completion of the JV Agreement, otherwise completion will not be taken place.

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3. Possible financial effects of the entering into the JV Agreement

Upon completion of the JV Agreement, Guangxi Wharton will own approximately 26.7% of the equity interest of the JV Company. Further to the entering into of the Shareholders' Agreement, the JV Company is intended to be treated as a jointly controlled entity of the Group.

Effect on NAV

As extracted from the Interim Report, the unaudited consolidated NAV of the Group was approximately HK\$216.78 million as at 30 September 2011. According to the unaudited pro forma financial information of the Enlarged Group as contained in Appendix II to the Circular, upon completion of the JV Agreement, the consolidated NAV of the Enlarged Group would remain unchanged.

Effect on earnings

Taking into account the future prospect of the JV Company, the Directors expected that the entering into the JV Agreement would likely to have a positive impact on the future earnings of the Enlarged Group.

Effect on gearing

As extracted from the Interim Report, the Group's gearing ratio (calculated as the Group's total bank borrowings over total assets) was approximately 42% as at 30 September 2011. From the unaudited pro forma financial information of the Enlarged Group as contained in Appendix II to the Circular, total bank borrowings and total assets of the Enlarged Group would remain unchanged upon completion of the JV Agreement. The gearing ratio of the Enlarged Group would hence remain unchanged.

Effect on working capital

According to the Interim Report, the Group's working capital (as calculated by current assets minus current liabilities) was approximately HK\$97.30 million as at 30 September 2011. From the unaudited pro forma financial information of the Enlarged Group as contained in Appendix II to the Circular, current assets and current liabilities of the Enlarged Group would become approximately HK\$64.36 million and HK\$64.66 million respectively upon completion of the JV Agreement. The working capital of the Enlarged Group would hence be decreased to approximately HK\$(0.30) million.

It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the JV Agreement.

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4. Risk factors

Formation of the JV Company may increase the level of risk exposure of the Group. Independent Shareholders should be aware of the risk factors as set out under the section headed “Risks relating to the Group’s investment in the JV Company” in the Board Letter, which may not be exhaustive. In addition, Independent Shareholders should notice that the Shareholders’ Agreement had not been executed as at the Latest Practicable Date. We are of the view that Independent Shareholders should bear in mind all the risk factors when considering the JV Agreement since they may have different risk preference and are of varied risk tolerance level.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the JV Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into the JV Agreement is in the ordinary and usual course of the Company and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the JV Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Guangdong Securities Limited
Graham Lam
Managing Director

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group (i) for the six months ended 30 September 2011 has been disclosed on pages 11 to 28 of the interim report of the Company for the six months ended 30 September 2011; (ii) for the year ended 31 March 2011 has been disclosed on pages 21 to 78 of the annual report of the Company for the year ended 31 March 2011; (iii) for the year ended 31 March 2010 has been disclosed on pages 22 to 76 of the annual report of the Company for the year ended 31 March 2010; and (iv) for the year ended 31 March 2009 has been disclosed on pages 22 to 76 of the annual report of the Company for the year ended 31 March 2009. All the above interim report and annual reports of the Company have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.irasia.com/listco/hk/shuncheong/).

2. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As discussed in the 2011 interim report, for the period ended 30 September 2011, the revenue of the Group's continuing operations, being the operation of Guangxi Wharton International Hotel Limited (the "Nanning Hotel") located in Guangxi Zhuang Autonomous Region, the PRC, increased by 15.7% to HK\$76.1 million (2010: HK\$65.8 million). The increase was mainly attributable to the higher average room rate charged to customers and the improved performance in the restaurant operation of the Nanning Hotel.

Owing to the improved revenue of the hotel operation during the period, the Group is determined to further develop its existing core business in the Nanning Hotel. 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 Board believes that the operation of the Nanning Hotel will continue to grow and contribute positively to the Group's performance in the coming years. The Board noted that the Group's investment in and future development of the JV Company depend heavily on the economy of the PRC. As the recent market fluctuation condition may slow down the economic development over the world, the economic condition in the PRC may also be worsened. However the Board is optimistic with the development of tourism in the PRC. As a result, the Group will seek potential investment opportunities cautiously in order to bring long-term benefits to the Group and take this opportunity to identify any undervalued project. The Board believes that it is the appropriate 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. Please refer to the section headed "Risks relating to the Group's investment in the JV Company" in the "Letter from the Board" in this circular for the risk associated to the Group.

3. INDEBTEDNESS STATEMENT

As at the close of business on 31 October 2011, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group had outstanding secured bank borrowings of approximately HK\$273,280,000 secured by the Group's hotel properties and outstanding liability component of convertible bonds of approximately HK\$105,227,000. Such convertible bonds have a nominal value of HK\$120,000,000 and interest is payable half yearly in arrears at a nominal annual interest rate of 1%.

As at 31 October 2011, the Group's hotel properties held with an aggregate net carrying amount of approximately HK\$305,413,000 were mortgaged and pledged to a bank to secure banking facilities granted to the Group.

Save as aforesaid, and apart from intra-group liabilities and ordinary trade payables in the normal course of business, as at the close of business on 31 October 2011, the Group did not have any debt securities, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

The Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 31 October 2011.

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account of the financial resources of the Enlarged Group and its internally generated funds, the Enlarged Group has sufficient working capital to satisfy its requirements for at least 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying unaudited pro forma consolidated financial information of the Enlarged Group has been prepared to illustrate the effect of the proposed major and connected transaction on the formation of a joint venture company (the “Transaction”), pursuant to a conditional joint venture agreement dated 6 October 2011, a first supplemental agreement dated 29 November 2011 and a second supplemental agreement dated 14 December 2011.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 September 2011 (the “Unaudited Pro Forma Financial Information”) gives effect as if the Transaction had been completed on 30 September 2011.

The accompanying Unaudited Pro Forma Financial Information is based upon the historical condensed consolidated statement of financial position of the Group as extracted from the Group’s unaudited interim financial information for the six months ended 30 September 2011, as set out in Appendix I to the Circular. A narrative description of the pro forma adjustments of the Transaction that are (i) directly attributable to the Transaction; (ii) expected to have a continuing impact on the Group, if any; and (iii) factually supportable, are summarised in the accompanying notes.

The accompanying Unaudited Pro Forma Financial Information is based on a number of assumptions, estimates, uncertainties and currently available information. As a result of these assumptions, estimates and uncertainties, the accompanying Unaudited Pro Forma Financial Information does not purport to describe the financial position that would have been presented had the Transaction been completed. Further, the accompanying Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group’s future financial position.

The accompanying Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in Appendix I and other financial information elsewhere in the Circular.

Shun Cheong Holdings Limited

Unaudited pro forma consolidated statement of financial position as at 30 September 2011

	The Group as at 30 September 2011 <i>HK\$'000</i>	Unaudited pro forma adjustment upon completion of the Transaction <i>HK\$'000</i> <i>(Note 1)</i>	Unaudited pro forma consolidated statement of financial position of the Enlarged Group upon completion of the Transaction <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	493,512		493,512
Investment in a JV company	—	97,600	97,600
Total non-current assets	<u>493,512</u>		<u>591,112</u>
CURRENT ASSETS			
Inventories	3,155		3,155
Trade receivables	17,719		17,719
Prepayments, deposits and other receivables	19,900		19,900
Cash and cash equivalents	121,190	(97,600)	23,590
Total current assets	<u>161,964</u>		<u>64,364</u>
CURRENT LIABILITIES			
Trade payables	13,084		13,084
Other payables and accruals	40,203		40,203
Due to related companies	708		708
Tax payable	7,009		7,009
Interest-bearing bank borrowing – current portion	3,660		3,660
Total current liabilities	<u>64,664</u>		<u>64,664</u>

	The Group as at 30 September 2011 <i>HK\$'000</i>	Unaudited pro forma adjustment upon completion of the Transaction <i>HK\$'000</i> <i>(Note 1)</i>	Unaudited pro forma consolidated statement of financial position of the Enlarged Group upon completion of the Transaction <i>HK\$'000</i>
NET CURRENT ASSETS/(LIABILITIES)	97,300		(300)
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>590,812</u>		<u>590,812</u>
NON-CURRENT LIABILITIES			
Convertible bonds	104,409		104,409
Interest-bearing bank borrowing	<u>269,620</u>		<u>269,620</u>
Total non-current liabilities	<u>374,029</u>		<u>374,029</u>
Net assets	<u>216,783</u>		<u>216,783</u>
EQUITY			
Issued capital	3,473		3,473
Equity component of convertible bonds	43,272		43,272
Reserves	<u>170,038</u>		<u>170,038</u>
Total equity	<u>216,783</u>		<u>216,783</u>

Note 1

Pursuant to the JV Agreement, the First Supplemental Agreement and the Second Supplemental Agreement, a deposit of RMB8,000,000 (equivalent to approximately HK\$9,760,000) shall be paid upon signing of the JV Agreement. The remaining RMB72,000,000 (equivalent to approximately HK\$87,840,000) will be paid upon completion of the JV Agreement and the Supplemental Agreements, which is upon the satisfaction of all the conditions attached to the JV Agreement and the establishment of the proposed JV Company, which is expected on or before 31 March 2012.

Exchange rate used for RMB/HKD is 1 to 1.22

The total investment of the Group of RMB80,000,000 (equivalent to approximately HK\$97,600,000) for the Transaction would be financed by internal resources of the Group. The Company does not have any intention to raise funds to support its existing operation after the completion of the Transaction.

2. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is a text of a report prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in section (1) of Appendix II to this circular.



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The Board of Directors
Shun Cheong Holdings Limited

Dear Sirs,

We report on the unaudited pro forma consolidated financial information (the “Unaudited Pro Forma Financial Information”) of Shun Cheong Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) set out in section (1) of Appendix II to the Company’s circular dated 15 December 2011 (the “Circular”) issued by the Company in connection with the proposed major and connected transaction on the formation of a joint venture company (the “Transaction”), pursuant to a conditional joint venture agreement dated 6 October 2011, a first supplemental agreement dated 29 November 2011 and a second supplemental agreement dated 14 December 2011. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company (the “Directors”), solely for illustrative purposes, to provide information about how the Transaction as described in the accompanying introduction to the Unaudited Pro Forma Financial Information might have affected the historical financial information in respect of the Group presented in section (1) of Appendix II to the Circular. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in the accompanying introduction and the notes to the Unaudited Pro Forma Financial Information in section (1) of Appendix II to the Circular.

Respective Responsibilities of the Directors and Reporting Accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the unaudited evidence supporting the adjustments, and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 September 2011 had the Transaction actually been completed on that date or any future date.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong
15 December 2011

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from LCH (Asia-Pacific) Surveyors Limited, an independent professional surveyor, in connection with its valuations as at 30 September 2011 of designated property interest which is the primary investment target of the JV Company proposed to be established by the Group.



利駿行測量師有限公司
LCH (Asia-Pacific) Surveyors Limited
PROFESSIONAL SURVEYOR
PLANT AND MACHINERY VALUER
BUSINESS & FINANCIAL SERVICES VALUER

ESTATE AGENT'S LICENCE
(COMPANY) NO. C-009053

The readers are reminded that the report which follows has been prepared in accordance with the guidelines set by the International Valuation Standards, Eighth Edition, 2007 (the "IVS") published by the International Valuation Standards Committee as well as the HKIS Valuation Standards on Properties, First Edition, 2005 (the "HKIS Standards") published by the Hong Kong Institute of Surveyors (the "HKIS"). Both standards entitle the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. Translation of terms in English or in Chinese are for readers' identification purpose only and have no legal status or implication on the report. This report is prepared and signed off in English format, translation of this report in language other than English should not be regarded as a substitute for this report. Piecemeal reference to this report is considered to be inappropriate and no responsibility is assumed from our part for such piecemeal reference. It is emphasised that the findings or conclusion of values presented below are based on the documents and facts known to the valuer at the Latest Practicable Date of this circular. If additional documents and facts are made available, the valuer reserve the right to amend this report and its conclusions.

17th Floor
Champion Building
Nos. 287 – 291 Des Voeux Road
Central
Hong Kong

15 December 2011

The Directors
Shun Cheong Holdings Limited
Suite 2302
Wing On Centre
111 Connaught Road Central
Hong Kong

Dear Sirs,

In accordance with the instructions given by the management of Shun Cheong Holdings Limited (hereinafter referred to as the “Company”) to us to value a designated property which is the primary investment target of the JV Company (as defined in this circular) proposed to be established by the Company and its subsidiaries (collectively, hereinafter together with the Company referred to as the “Group”) in the People’s Republic of China (hereinafter referred to as the “PRC” or “China”), we confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary to support our conclusion of value of the property interest as at 30 September 2011 (hereinafter referred to as the “Date of Valuation”) for the Company’s internal management reference purpose.

We understand that the use of our work product (regardless of form of presentation) would form part of the Company’s business due diligence to the property and we have not been engaged to make specific sale or purchase recommendations or to give opinion for financing arrangement. We further understand that the use of our work product will not supplant other due diligence which a rational investor should conduct in reaching his business decision regarding the subject property interest. Our work is designed solely to provide information that will give a reference to the management of the Company as part of its due diligence process, and our work should not be the only factor to be referenced by the management of the Company. Our conclusion of value of the property is documented in a valuation report and submitted to the Company at today’s date.

At the request of the management of the Company, we prepared this summary report (including this letter and valuation certificate) to summarise our findings and conclusion of value as documented in the valuation report for the purpose of inclusion in this circular at today’s date for the Company’s shareholders’ reference. Terms herein used without definition shall have the same meanings as in the valuation report, and the assumptions and caveats adopted in the valuation report also applied to this summary report.

VALUATION

According to the IVS which the HKIS Standards also follows, there are two valuation bases, namely market value basis and valuation bases other than market value. In this engagement, we have provided our value of the property on market value basis.

The term “Market Value” is defined by the IVS and the HKIS standards 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”.

There are three generally accepted approaches in arriving at the market value of a property on an absolute title basis, namely the Sales Comparison Approach (also known as the Market Approach), the Cost Approach and the Income Approach.

In valuing the property, which is under development, we have assumed that it will be developed and completed in accordance with the latest construction schedule provided to us. We have valued the land element of the property by the Sales Comparison Approach. This approach considers the sales, listings or offering of similar or substitute properties and related market data and establishes a value of a property that a reasonable investor would have to pay for a similar property of comparable utility and with an absolute title. In considering the improvements erected on the land and classified as construction in progress, we have taken into account the total construction costs incurred as at the Date of Valuation.

Unless otherwise stated, in valuing the property, we have assumed that:

1. the legally interested party in the property has absolute title to its relevant property interest;
2. the legally interested party in the property sells its relevant property interest in the market in its existing state without the benefit of a deferred terms contract, leaseback, management agreement or any other similar arrangement which would serve to increase the value of the property;
3. the legally interested party in the property has free and uninterrupted rights to use or assign the property interest for the whole of the unexpired term as granted and any premium payable has already been fully paid;
4. the property has obtained relevant government's approvals for the sale of the property and is able to dispose of and transfer free of all encumbrances (including but not limited to the cost of transaction) in the market; and
5. the property can be freely disposed of and transferred free of all encumbrances at the Date of Valuation for its existing use in the market to both local and overseas purchasers without payment of any premium to the government.

Should any of the above not be the case, it will have adverse impact to the value as reported.

MATTERS THAT MIGHT AFFECT THE VALUE REPORTED

For the sake of valuation, we have adopted the areas as appeared in the copies of the documents as provided and no further verification work has been conducted. Should it be established subsequently that the adopted areas were not the latest approved, we reserve the rights to revise our report and the valuation accordingly.

No allowance has been made in our valuation for any charges, mortgages, outstanding premium or amounts owing on the property valued nor any expenses or taxation which may be incurred in effecting a sale for the property. Unless otherwise stated, it is assumed that the property is free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect its value.

In our valuation of the property, we have assumed that the property is able to be sold and purchased in the market without any legal impediment (especially from the regulators). Should this not be the case, it will affect the reported value significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

As at the Latest Practicable Date of this circular, we were unable to identify any adverse news against the property which may affect the reported value in our work product. Thus, we are not in the position to report and comment on its impact (if any) to the property. However, should it be established subsequently that such news did exist at the Date of Valuation, we reserve the right to adjust the value reported herein.

ESTABLISHMENT OF TITLES

Due to the purpose of this engagement and the market value basis of valuation, the management of the Company and its appointed personnel provided us the necessary documents to support that the legally interested party in the property has free and uninterrupted rights to assign, to mortgage or to let the property at its existing use (in this instance, an absolute title) for the whole of the unexpired terms as granted free of all encumbrances, and any premiums payable have already been paid in full or outstanding procedures have been completed (if any). However, we have not examined the amendments which may not appear on the copies handed to us. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal titles and the rights (if any) to the property valued. Any responsibility for our misinterpretation of the documents cannot be accepted.

The land registration system of China forbids us to search the original documents of the property from the relevant authorities, and to verify legal title or any material encumbrances which may not appear on the copies handed to us. We need to state that we are not legal professional and are not qualified to ascertain the title and to report any encumbrances that may be registered against the property. However, we have complied with the requirement as stated in Practice Note No. 12 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and relied solely on the copy of the PRC legal opinions provided by the management of the Company with regard to the legal title of the property. We are given to understand that the PRC legal opinions was prepared by a qualified PRC legal adviser, 廣西桂鴻凱律師事務所 (translated as Guangxi Gui Hong Kai Law Firm) dated 25 November 2011. No responsibility or liability from our part is assumed in relation to those documents and legal opinions.

Unless otherwise stated, we have assumed that the legally interested party in the property has the right to own and to use the property, and that there would be no legal impediment (especially from the regulators) to continue such rights to the property. Should this not be the case, it will affect our findings and conclusion of value reported in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

**INSPECTIONS AND INVESTIGATIONS OF THE PROPERTY IN ACCORDANCE WITH
VALUATION STANDARD 4 OF THE HKIS STANDARDS**

We have conducted inspections to the exterior, and where possible, the interior of the property in respect of which we have been provided with such information as we have requested for the purpose of this engagement. We have not inspected those parts of the property which were covered, unexposed or inaccessible and such parts have been assumed to be in a reasonable condition. We cannot express an opinion about or advice upon the condition of the property and our work product should not be taken as making any implied representation or statement about the condition of the property. No structural survey, investigation or examination has been made, but in the course of our inspections, we did not note any serious defects in the property inspected. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out to the utilities (if any) and we are unable to identify those utilities covered, unexposed or inaccessible.

We have not carried out on-site measurements to verify the correctness of the areas of the property, but have assumed that the areas shown on the documents and handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement and the agreed procedures to value the property did not include an independent land survey to verify the legal boundaries of the property. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries of such property that appeared on the documents handed to us. No responsibility from our part is assumed. The management of the Company or interested party in the property should conduct their own legal boundaries due diligence work.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the property, or has since been incorporated, and we are therefore unable to report that the property is free from risk in this respect, and therefore we have not considered such factor in our valuation.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out in the property. We have not carried out any investigation into past or present uses, either of the property or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the property from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the property or any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the value now reported or affect our findings.

SOURCES OF INFORMATION AND ITS VERIFICATION IN ACCORDANCE WITH VALUATION STANDARD 5 OF THE HKIS STANDARDS

In the course of our work, we have provided with copies of the documents regarding the property, and these copies have been referenced without further verifying with the relevant bodies and/or authorities. Our procedures to value did not require us to conduct any searches or inspect the original documents to verify the ownership or to verify any amendment which may not appear on the copies handed to us. We need to state that we are not legal professional, therefore, we are not in the position to advise and comment on the legality and effectiveness of the documents provided by the management of the Company.

We have relied solely on the information provided by the management of the Company or its appointed personnel without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, construction schedules, tenure, occupation, site and floor areas and all other relevant matters.

Our work has been made only based on the advice and information made available to us. While a limited scope of general inquiries had been made to the local property market practitioners, we are not in a position to verify and ascertain the correctness of the advice given by the relevant personnel. No responsibility or liability is assumed.

Information furnished by others, upon which all or portions of our work product are based, is believed to be reliable but has not been verified in all cases. Our procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinion, or estimates identified as being furnished by others which have been used in formulating our work product.

When we adopted the work products from other professions, external data providers and the management of the Company in our works, the assumptions and caveats that adopted by them in arriving at their figures also applied to this report. The procedures we have taken do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

We are unable to accept any responsibility for the information that has not been supplied to us by the management of the Company or its appointed personnel. Also, we have sought and received confirmation from the management of the Company or its appointed personnel that no materials factors have been omitted from the information supplied. Our analysis and valuation are based upon full disclosure between us and the Company of material and latent facts that may affect our works.

We have had no reason to doubt the truth and accuracy of the information provided to us by the management of the Company or its appointed personnel. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts are in Renminbi Yuan (“RMB”).

LIMITING CONDITIONS IN THIS SUMMARY REPORT

Our conclusion of value of the property in this summary report is valid only for the stated purpose and only for the Date of Valuation, and for the sole use of the named Company. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this summary report, and the valuer accept no responsibility whatsoever to any other person.

Our work has been made on the assumption that no unauthorised alteration, extension or addition has been made in the property, and that the inspection and the use of this report do not purport to be a building survey of the property. We have assumed that the property is free of rot and inherent danger or unsuitable materials and techniques.

No responsibility is taken for changes in market conditions and local government policy, and no obligation is assumed to revise this summary report to reflect events or conditions, which occur or make known to us subsequent to the date hereof.

Neither the whole nor any part of this summary report or any reference made hereto may be included in any published documents, circulars or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this report in this circular to the Company's shareholders' reference.

Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

The Company is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our work product except to the extent any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

STATEMENTS

Our report is prepared in line with the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing Securities on Main Board of The Stock Exchange of Hong Kong Limited as well as the guidelines contained in the IVS and the HKIS Standards. The valuation has been undertaken by valuers (see End Notes), acting as external valuers, qualified for the purpose of the valuation.

We retain a copy of this summary report and the detailed valuation report together with the data from which it was prepared, and these data and documents will, according to the Laws of Hong Kong, keep for a period of 6 years from the date of this report and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Company's authorisation and prior arrangement made with us. Moreover, we will add the Company's information into our client list for our future reference.

The analysis or valuation of the property depends solely on the assumptions made in this report and not all of which can be easily quantified or ascertained exactly. Should some or all of the assumptions prove to be inaccurate at a later date, it will affect the reported findings and conclusion of value significantly.

We hereby certify that the fee for this service is not contingent upon our findings and conclusion of value, and we have no significant interest in the property, the Group or the value reported.

The valuation certificate is attached.

Yours faithfully,

For and on behalf of

LCH (Asia-Pacific) Surveyors Limited

Joseph Ho Chin Choi
BSc PgD MSc RPS(GP)
Managing Director

Elsa Ng Hung Mui
B.Sc. M.Sc. RPS (GP)
Director

Contributing valuer:

Leslie Wong Tak Chiu *BSc BBA*

Notes:

1. Mr. Joseph Ho Chin Choi has been conducting asset valuations and advisory work in Hong Kong, Macau, Taiwan, mainland China, the Philippines, Vietnam, Malaysia, Singapore, Thailand, Bangladesh, Japan, Australia, Kazakhstan, Mongolia, Madagascar, Scotland, Finland, Germany, Poland, Brazil, Argentina, Guyana, Venezuela, Canada and the United States of America for various purposes since 1988. He has more than 20 years of experience in valuing real properties in mainland China. He is a Fellow of The HKIS and a valuer on the List of Property Valuers for Undertaking valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuation in Connection with Takeovers and Mergers published by The HKIS.
2. Ms. Elsa Ng Hung Mui is a Registered Professional Surveyor who has been conducting valuation of real properties since 1994. She has rich experience in valuing properties in Hong Kong and mainland China. She is a Member of The HKIS and a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuation in Connection with Takeovers and Mergers published by The HKIS.
3. Mr. Leslie Wong Tak Chiu is a graduate surveyor who has been involved in valuation of real estate properties both in Hong Kong and the PRC for more than 5 years. He obtained a Bachelor Degree in Estate Management and in Business Administration and involved in various assets valuations, mine valuation, toll road valuation and agriculture property assets valuation.

VALUATION CERTIFICATE

Property to be invested by the JV Company proposed to be established by the Group under development and with long-term title certificates in the PRC and valued on the market value basis

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2011 RMB
A parcel of developing land and a parcel of vacant land both known as Lot No. 8-6-194 and the improvements erecting thereon located at Seaview Road South Yintan West District Beihai City Guangxi Zhuang Autonomous Region The People's Republic of China 536000	The property comprises two parcels of land having a total site area of approximately 64,830.7 sq. m. and the improvements erecting thereon We were given to understand that the usage of the future development would be for hotel purpose and the total gross floor area of the proposed development upon completion on or before the first quarter of 2012 would be approximately 41,000 sq.m. The property is subject to a right to use the land till 22 December 2039 for accommodation and beverage purposes. (See Note 1 below).	At the time of inspection, the subject property is in the process of construction works for the proposed development. Due to the nature of construction in progress, only limited internal inspection could be conducted.	355,000,000 (100 per cent. interest)

Notes:

1. The right to possess the land is held by the State and the rights to use the land has been granted to 南寧海興房地產開發投資有限公司 (translated as Nanning Haixing Real Estate Development Investment Limited and hereinafter referred to "Nanning Haixing") via the following ways:
 - (i) pursuant to a State-owned Land Use Rights Certificate (國有土地使用權證) known as Bei Guo Yong (2010) Di B26521 Hao (北國用(2010)第B26521號) dated 2 December 2010 and issued by the People's Government of Beihai City, the subject property is a transferable land and has a land use term till 22 December 2039 for accommodation and beverage purposes. As recorded under the State-owned Land Use Rights Certificate, the site area of the subject property is approximately 63,905.1 sq.m. and the legally interested party in the land is Nanning Haixing.
 - (ii) pursuant to a State-owned Land Use Rights Certificate (國有土地使用權證) known as Bei Guo Yong (2010) Di B26519 Hao (北國用(2010)第B26519號) dated 2 December 2010 and issued by the People's Government of Beihai City, the subject property is a transferable land and has a land use term till 22 December 2039 for accommodation and beverage purposes. As recorded under the State-owned Land Use Rights Certificate, the site area of the subject property is approximately 925.6 sq.m. and the legally interested party in the land is Nanning Haixing.

2. Pursuant to a Planning Permit for Using Construction Usage Land Di Zi Di 450501201000217 Hao (建設用地規劃許可證: 地字第450501201000217號) dated 2 September 2010, Nanning Haixing is permitted to develop usage lands with a total site area of approximately 64,830.66 sq.m (including paved road of approximately 3,009.72 sq.m.).
3. The subject property is subject to the following development covenants under the Planning Permit for Using Construction Usage Land. They are:
- | | |
|-----------------------|------------------------|
| Major building usage: | Hotel |
| Plot ratio: | ≤2.0 |
| Site Coverage: | ≤20% |
| Greenery: | ≥30% |
| Building height: | below 100 metres |
| Carparking spaces: | 0.5 space / guest room |
4. Pursuant to a Construction Planning Permit known as Jian Zi Di 450501201000099 Hao (建設工程規劃許可證: 建字第450501201000099號) issued by the Town Planning Bureau of Beihai City and dated 8 September 2010, Nanning Haixing is permitted to build the proposed development (known as Yintan No. 1 Convention Centre) having an estimated total gross floor area of approximately 44,102.3 sq. m. upon completion.
5. Pursuant to a Permit to Commence Construction known as No. 450501201008260101 (建築工程施工許可證 編號: 450501201008260101) issued by the Housing and Township Construction Bureau of Beihai City and dated 31 May 2011, Nanning Haixing is permitted to commence construction works of the proposed development (known as Yintan No. 1 Convention Centre) having an estimated total gross floor area approximately 41,000 sq. m. upon completion.
6. Pursuant to a copy of the Enterprise Legal Person Business Licence (企業法人營業執照) dated 12 November 2009, Nanning Haixing is a limited liability company registered in the PRC for an operational period commencing from 29 April 2006 to 29 April 2016.
7. We were given to understand that Nanning Haixing was renamed as 北海海興房地產開發有限公司 (translated as Beihai Haixing Real Estate Development Limited and hereinafter referred to as “Haixing”). We were further given to understand that all the business, assets, claims, liabilities, rights, obligations of Nanning Haixing will be taken up and born by Haixing.
8. According to our on-site inspection and the information provided by the Company, we were given to understand that the buildings and structures being erected on the property are considered as construction in progress (“CIP”) items. According to the information provided by the Company, the cost incurred of the CIP was approximately RMB252,000,000 and the estimated remaining cost to complete the CIP would be approximately RMB40,000,000 as at the Date of Valuation.
9. According to the legal opinion prepared by the Company’s PRC legal adviser, the following opinions are noted:
- (i) Nanning Haixing renamed Haixing legally on 31 March 2011;
 - (ii) Haixing obtained the land use rights of the property legally;
 - (iii) there did not have any encumbrances registered against the property; and
 - (iv) Haixing should apply and replace Nanning Haixing as the legally interested party in the property in the relevant certificates within one year from 19 October 2011.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTEREST AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors, the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or the chief executive of the Company is taken or deemed to have under such provisions of the SFO); or which (b) were required to be entered into the register maintained by the Company, pursuant to Section 352 of the SFO; or which (c) were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transaction by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(a) Long positions in Shares:

Name of Directors	Nature of interest	Number of Shares beneficially owned	Percentage of Company's issued share capital (%)
Mo Tianquan (<i>Non-executive Director</i>)	Corporate	209,753,409 (<i>Note 1</i>)	60.39
Cao Jing (<i>Executive Director and executive chairman</i>)	Family	209,753,409 (<i>Note 2</i>)	60.39

Note 1: These Shares are held by Upsky Enterprises Limited, a company in which Mr. Mo is a director and a sole shareholder.

Note 2: Ms. Cao Jing is interested in the Shares held by Upsky Enterprises Limited by virtue of her marital relationship with Mr. Mo.

(b) Long positions in convertible bonds of the Company:

Name of Directors	Nature of interest	Number of underlying Shares beneficially owned
Mo Tianquan <i>(Non-executive Director)</i>	Corporate	324,763,193 <i>(Note 1)</i>
Cao Jing <i>(Executive Director and executive chairman)</i>	Family	324,763,193 <i>(Note 2)</i>

Note 1: The underlying Shares represented the new ordinary Shares to be issued upon full conversion of HK\$120,000,000 convertible bonds held by Tanisca Investments Limited, a company wholly-owned by Mr. Mo, at a conversion price of HK\$0.3695 per Share issued by the Company on 28 March 2008.

Note 2: Ms. Cao Jing is interested in the underlying Shares held by Tanisca Investments Limited by virtue of her marital relationship with Mr. Mo.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or pursuant to section 352 of the SFO, to be entered in the register referred to therein, or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies contained in the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the Latest Practicable Date, the interests or short positions of each person other than a Director or chief executive of the Company in Shares or underlying Shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

(a) Long position in Shares:

Name of Shareholder	Capacity and nature of interest	Number of Shares beneficially owned	Percentage of the Company's issued share capital (%)
Upsky Enterprises Limited	Directly beneficially owned	209,753,409	60.39

(b) Long position in convertible bonds of the Company:

Name	Capacity and nature of interest	Number of underlying Shares beneficially owned
Tanisca Investments Limited	Directly beneficially owned	324,763,193 (Note 1)

Note 1: The underlying Shares represented the new ordinary Shares to be issued upon full conversion of HK\$120,000,000 convertible bonds held by Tanisca Investments Limited at a conversion price of HK\$0.3695 per Share issued by the Company on 28 March 2008.

Apart from the above, the Directors are not aware of any other interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group as at the Latest Practicable Date.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the financial or trading position of the Company since 31 March 2011, being the date to which the latest published audited financial statements of the Company were made up.

5. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors has a service agreement with any member of the Group which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The Board noted that Mr. Mo is interested in the Yintan Project which, similar to the business of the Group in Guangxi Wharton, is a hotel project located in Guangxi Zhuang Autonomous Region, the PRC. However the Board further noted that Guangxi Wharton and the Yintan Project are located in different cities as well as in different styles. Guangxi Wharton is located in Nanning, the capital of Guangxi Zhuang Autonomous Region inland and is a five-star business hotel. The Yintan Project is located in Beihai City which is the seashore tourism area and is a five-star resort hotel. Taking into account of the strong territoriality in the nature of hotel business, the Board considers that the Yintan Project is not competitive to the Group's business in Guangxi Wharton.

Accordingly, the Directors are of the view that none of the Directors or their respective associates was interested in any business apart from the Group's businesses which competes directly or indirectly with the Group's businesses as at the Latest Practicable Date.

7. DIRECTORS' MATERIAL INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries.

On 29 October 2007, the Company (as issuer), Tanisca Investments Limited (as subscriber) entered into a subscription agreement pursuant to which the Company conditionally agreed to issue and Tanisca Investments Limited conditionally agreed to subscribe for the redeemable convertible bonds in an aggregate principal amount of HK\$120 million. The convertible bonds bear interest at 1% per annum, being payable semi-annually, and will mature on the fifth anniversary of the date of issue. The conversion price of the convertible bonds was initially set at HK\$0.60 per conversion share (subject to adjustments in certain events). Tanisca Investments Limited is wholly owned by Mr. Mo, who is a non-executive Director and also interested in approximately 60.39% of the total issued share capital of the Company as at the Latest Practicable Date. Mr. Mo is thus a connected person (as defined under the Listing Rules) of the Company and therefore the issue of the convertible bonds constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Company had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules and details of the transaction were disclosed in a circular dated 21 November 2007 to all Shareholders of the Company. The ordinary resolution approving the connected transaction and the subscription agreement was duly passed by the Independent Shareholders at the special general meeting by way of poll on 7 December 2007. The issue of the convertible bonds was completed on 28 March 2008. As at the Latest Practicable Date, the outstanding nominal value of the convertible bonds was HK\$120,000,000.

Save as disclosed above, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year as at the Latest Practicable Date.

8. LITIGATION

No member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

9. MATERIAL CONTRACTS

In the two years immediately preceding the date of this circular and up to the Latest Practicable Date, the following contracts, not being the contract entered into the ordinary course of business, were entered into by the Company or any of its subsidiaries which are or may be material:

1. the sale and purchase agreement dated 21 September 2010 entered into between the Company and Mr. Forrest Chu Ken Wang, pursuant to which Mr. Forrest Chu Ken Wang agreed to purchase 100% equity interests in Super Highway Services Limited at the consideration of HK\$6,230,000;
2. the JV Agreement; and
3. the Supplemental Agreements

10. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advices contained in this circular:

Name	Qualification
Ernst & Young	Certified public accountants
Guangdong Securities Limited	A licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Guangxi Gui Hong Kai Law Firm* (廣西桂鴻凱律師事務所)	PRC legal adviser
LCH (Asia-Pacific) Surveyors Limited	Professional surveyor

Ernst & Young, Guangdong Securities, Guangxi Gui Hong Kai Law Firm* (廣西桂鴻凱律師事務所) and LCH (Asia-Pacific) Surveyors Limited have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letters and references to their names in the form and context in which they appear.

As at the Latest Practicable date, each of Ernst & Young, Guangdong Securities, Guangxi Gui Hong Kai Law Firm* (廣西桂鴻凱律師事務所) and LCH (Asia-Pacific) Surveyors Limited:

- (a) did not have any shareholding in or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (b) was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group since 31 March 2011, being the date to which the latest published audited financial statements of the Group were made up.

11. MISCELLANEOUS

- (a) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business in Hong Kong is situated at Suite 2302, Wing On Centre, 111 Connaught Road Central, Hong Kong.
- (b) The Company's Hong Kong share registrar and transfer office is Computershare Hong Kong Investor Services Limited, at 17M/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The secretary of the Company is Mr. Ting Kin Wai, a member of the Hong Kong Institute of Certified Public Accountants.
- (d) The English text of this circular shall prevail over their respective Chinese text in the case of inconsistency.

* For identification purposes only

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's head office and principal place of business in Hong Kong at Suite 2302, Wing On Centre, 111 Connaught Road Central, Hong Kong, for 14 days from the date of this circular.

- (a) the memorandum of association and bye-laws of the Company;
- (b) the written consents given by the experts referred to in the paragraph headed "Experts and consents";
- (c) the letter from the Independent Board Committee;
- (d) the letter from Guangdong Securities;
- (e) the annual reports of the Company for each of the three financial years ended 31 March 2009, 2010 and 2011;
- (f) the interim report of the Company for the six months ended 30 September 2011;
- (g) the material contracts referred to in the section headed "Material contracts" in this Appendix;
- (h) a copy of each circular of the Company (if any) pursuant to the requirements set out in Chapter 14 and Chapter 14A of the Listing Rules which has been issued since 31 March 2011, being the date to which the latest published audited consolidated financial statements of the Group were made up; and
- (i) this circular.

NOTICE OF SGM



SHUN CHEONG HOLDINGS LIMITED

順昌集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 650)

NOTICE IS HEREBY GIVEN that the special general meeting (the “**SGM**”) of Shun Cheong Holdings Limited (the “**Company**”) will be held at Suite 2302, Wing On Centre, 111 Connaught Road Central, Hong Kong on Wednesday, 4 January 2012 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the joint venture agreement dated 6 October 2011 (the “**JV Agreement**”), and the first supplemental agreement dated 29 November 2011 and the second supplemental agreement dated 14 December 2011 (the “**Supplemental Agreements**”), both entered into between 廣西沃頓國際大酒店有限公司 (Guangxi Wharton International Hotel Limited*) and 北京普凱世杰投資諮詢有限公司 (Beijing Pukai Shijie Investment Consultancy Company*) in respect of the establishment of a joint venture company in the People’s Republic of China (copies of the JV Agreement and the Supplemental Agreements have been tabled at this meeting marked “A” and “B” respectively and signed by the chairman of the SGM for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) the directors of the Company, acting together, individually or by committee, be and are hereby authorised to take such actions, do all such acts and things and execute all such further documents or deeds as they may consider necessary, appropriate, desirable or expedient for implementation of or giving effect to the JV Agreement, the Supplemental Agreements and any of the transactions contemplated thereunder.”

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

Hong Kong, 15 December 2011

* *For identification purposes only*

NOTICE OF SGM

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

*Head office and
principal place of business:*
Suite 2302, Wing On Centre
111 Connaught Road Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the SGM is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the Bye-laws of the Company, vote in his stead. A proxy need not be a member of the Company.
2. A form of proxy for use for the aforesaid purpose will be delivered forthwith together with a copy of this original notice to the registered address of the members entitled to vote at the SGM. In order to be valid, the said form of proxy, together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the SGM or any adjourned SGM at which the person named in such instrument proposes to vote.
3. Whether or not you propose to attend the SGM in person, you are strongly urged to complete and return the said form of proxy in accordance with the instructions printed thereon. Completion and return of such form of proxy will not preclude you from attending the SGM and voting in person if you so wish (in which case any appointment of proxy for the purpose of the SGM will be automatically revoked).
4. For joint registered holders of any share attending the SGM on the same occasion, the vote of the holder whose name stands first on the register who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.
5. As at the date hereof, the directors of the Company 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.