



IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

CAUSE NO. FSD 169 OF 2020 (ASCJ)

IN THE MATTER OF COMPANIES LAW (2020 REVISION)

AND IN THE MATTER OF SUN CHEONG CREATIVE DEVELOPMENT HOLDINGS LIMITED

WINDING UP PETITION

To the Grand Court

The humble petition of Sun Cheong Creative Development Holdings Limited of Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands shows that:-

A. Introduction

1 The Petitioner presents this petition for:

- (a) the winding up of Sun Cheong Creative Development Holdings Limited (the "**Company**") pursuant to sections 92(d) and 93 of the Companies Law (2020 Revision) (the "**Companies Law**") on the grounds that the Company is insolvent and unable to pay its debts; and
- (b) the appointment of David Martin Griffin of FTI Consulting (Cayman) Limited of Suite 3212, 53 Market Street, Camana Bay, Grand Cayman KY1-1203, Cayman Islands and Fok Hei Yu of FTI Consulting (Hong Kong) Limited of Level 35, Oxford House, Taikoo Place, 979 King's Road, Quarry Bay, China, Hong Kong as joint official liquidators of the Company (the "**JOLs**").

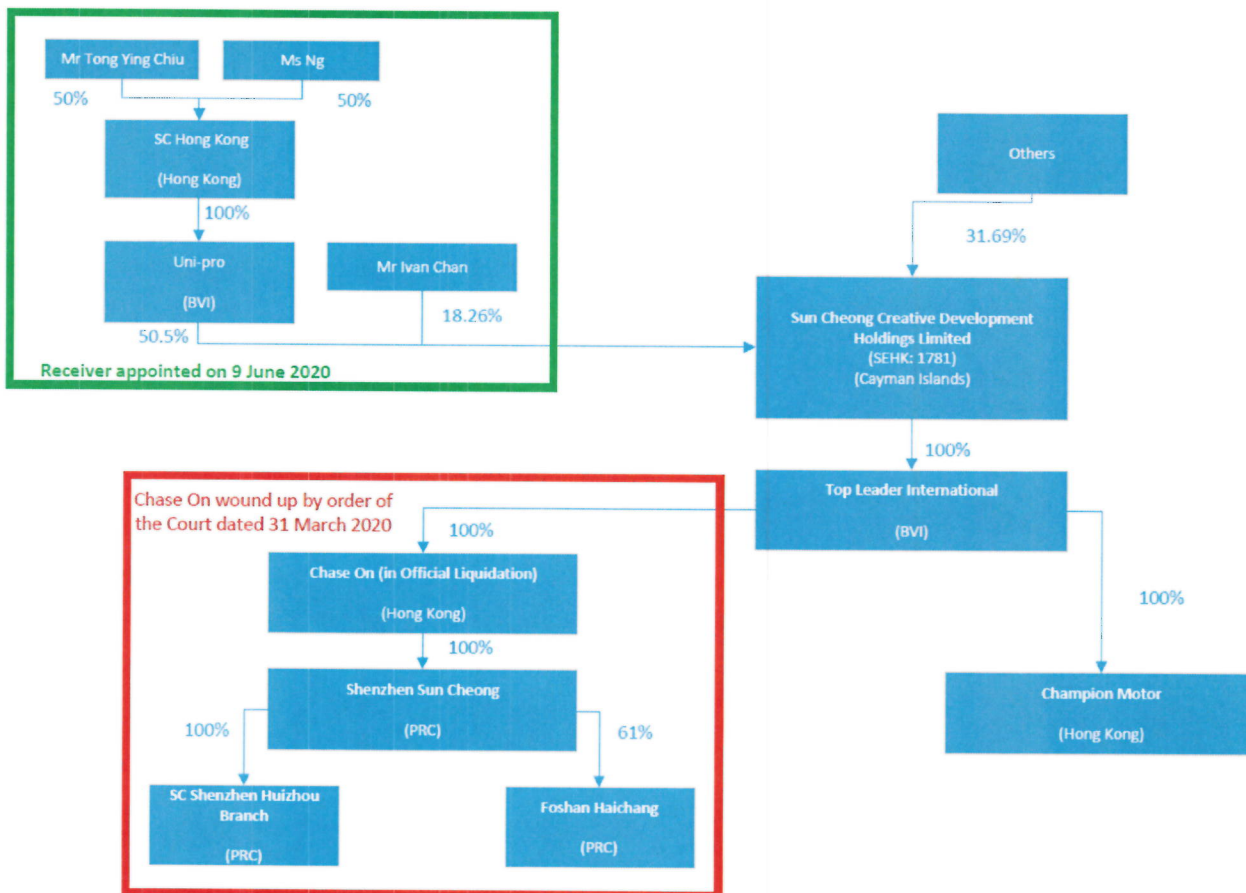
B. The Company

2 The Company was incorporated as an exempted company under the laws of the Cayman Islands on 22 March 2016 (Registration 309851).

This Petition was presented by Ogier, Attorneys at Law for the Petitioner, whose address for service is:
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- 3 The Company's registered office is at Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- 4 The Company's principal place of business is 28/F, YF Life Tower, 33 Lockhart Road, Wan Chai, Hong Kong.
- 5 The objects for which the Company was established are unrestricted and at all material times the Company has had full powers to carry out any object not prohibited by law as provided by section 7(4) of the Companies Law.
- 6 The authorised share capital of the Company is HK\$ 20,000,000 divided into 2,000,000,000 of HK\$ 0.01. The Company's shares are publicly listed on The Stock Exchange of Hong Kong (the "SEHK") under the stock code 1781 and the short stock name "SC CREATIVE DEV". Trading in the shares of the Company has been suspended since 2 July 2020 following a request from the SEHK that the Company cease trading pending clarification of certain aspects of the Company's Audited Annual Results for the Year Ended 31 December 2019, which were published on the SEHK on 13 July 2020. The Company is awaiting further guidance from the SEHK regarding the resumption of trading of its shares and is expecting to receive notice of any resumption conditions from the SEHK on or after 31 July 2020. The Company's market capitalisation is over HK\$ 98.82 million based on its share price as at 30 June 2020, shortly before trading in its shares was suspended.
- 7 The Company is an investment holding company of a corporate group (the "**Sun Cheong Group**") which designs, develops, manufactures, and sells plastic household products. The main products including storage boxes, laundry and bathroom wares, rubbish bins, outdoor goods, garden wares and furniture, kitchen wares and other accessories, such as office solutions, tool boxes, pet accessories, aircraft meal trays and seasonal goods. The Company's products are sold either under their own brand "clipfresh" or on an original design manufacture basis. An overview of the Sun Cheong Group structure is set out below:

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8 The Sun Cheong Group distributes its products to countries including Australia, the United Kingdom, the United States, New Zealand and Germany, and within Hong Kong. Its customers are mainly (i) chain supermarkets, department stores and household product retailers; and (ii) importers/exporters.

C. The Petitioner

9 The Company has presented this Petition pursuant to:

- (a) Clause 162(1) of the Company's Amended and Restated Memorandum of Association dated 16 August 2018 which provides that "*The Board shall have power in the name and on behalf of the Company to present a petition to the court for the Company to be wound up*"; and
- (b) A resolution of the board of directors of the Company dated 27 July 2020.

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D. Grounds for Winding Up

Cash Flow Insolvency

- 10 The Sun Cheong Group has operated successfully and profitably for almost 40 years. However, after generating net profit of HK \$33.8 million in the financial year ending 30 December 2018, the Company's financial health deteriorated rapidly in 2019, resulting in an 18.8% decrease in revenue and a net loss of HK \$297.4 million.
- 11 The obstacles faced by the Company during 2019 included:
- (a) Difficulties in relocating to new production facilities. This resulted in significant production delays and damage to the Sun Cheong Group's machines and equipment which, in turn, caused a reduction in cash flow concurrent with unforeseen significant capital expenditure requirements.
 - (b) Due to the broader economic circumstances throughout 2019 (including but not limited to the China-United States trade war), liquidity issues arose, financing became more difficult to obtain and the value of the Australian dollar as against the United States dollar (to which the Hong Kong dollar is pegged) dropped significantly thereby diminishing the value of the Company's sales in Australia and reducing the overall income of the Sun Cheong Group.
 - (c) Mr Tong Ying Chui Eddie ("**Mr Eddie Tong**"), the founder and ex-chairman of the Company and legal representative of the Sun Cheong Group's factories in the mainland People's Republic of China, resigned as a director of the Company for health reasons without any transition period. Mr Eddie Tong's departure made it difficult to defend the winding up proceedings commenced against Chase On Development Limited (an indirect, wholly owned subsidiary of the Company that was wound up) as he remained a director and the sole legal representative of Chase On following his resignation as a director of the Company. In any event, the Company was still in the process of securing funding and was therefore not in a position to settle creditor claims. Ultimately, on 31 March 2020, a winding up order was made and the entity and its subsidiaries deconsolidated (this deconsolidation contributed HK \$57.2 million to the Sun Cheong Group's net loss of HK \$297.4 million).
- 12 These problems have been further exacerbated by the impact of COVID-19 in 2020, as global lockdowns and movement restrictions have slowed production significantly and caused a significant reduction in sales. Production almost halted in the first five months of 2020. The net working capital of the Sun Cheong Group reduced from HK \$122.13 million in 2018 to HK \$14.67 million in 2019 to nil for the 2020 year to date.

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Litigation

- 13 The Company has been served with two winding-up petitions filed in the High Court of the Hong Kong Special Administrative Region (the "**Hong Kong High Court**"):
- (a) On 13 December 2019, CTBC Bank Co., Ltd. ("**CTBC**") filed a winding-up petition under action number HCCW 403 of 2019 for an order that the Company be wound up by the Hong Kong High Court on the ground that the Company is insolvent and is unable to pay its debt of approximately US \$5,728,000 (equivalent to approximately HK \$44,604,000) (the "**First Petition**"). The First Petition was presented against the Company as guarantor of a liability of Chase On to CTBC.
 - (b) On 17 January 2020, Orix Asia Limited filed a winding-up petition under action number HCCW 28 of 2020 for an order that the Company be wound up by the Hong Kong High Court on the ground that the Company is insolvent and is unable to pay its debt of approximately HK \$7,033,000 (the "**Second Petition**").
- 14 The hearings of the First Petition and Second Petition (together, the "**Petition Proceedings**") have been adjourned to 3 August 2020 and 2 September 2020, respectively.
- 15 In addition to the Petition Proceedings, the Company is also named as a defendant to a number of civil proceedings in Hong Kong, seeking monetary judgment against the Company as borrower or guarantor of Sun Cheong Group debts. These include (together, the "**Debt Claims**"):
- (a) Proceedings commenced on 3 December 2019 by Nanyang Commercial Bank (HCA 2241/2019) against Chase On as borrower and the Company, Mr Tong, Ms Ng and Mr Chan as guarantors for repayment of the sum of HK \$2,063,246.46, US \$2,230,520 (principal) and US \$15,749 (interest);
 - (b) Proceedings commenced on 6 December 2019 by Fubon Bank (Hong Kong) Limited (HCA 2259/2019) against Chase On as borrower and the Company, Mr Tong, Ms Ng and Mr Chan as guarantors for repayment of the sum of US \$871,291.11 (equivalent to approximately HK \$6,760,070.66) and HK \$366,637.74;
 - (c) Proceedings commenced on 24 December 2019 by O-Bank (HCA 2395/2019) against Chase On as borrower and the Company, Mr Tong, Ms Ng, Mr Chan and Mr Tong Bak Nam Billy as guarantors for repayment of the sum of HK \$6,181,673.39 and US \$3,646,710.48 (equivalent to approximately HK \$28,444,300);
 - (d) Proceedings commenced on 18 March 2020 by DBS (HCA 354/2020) against Chase On as borrower and the Company as guarantor for repayment of the sum of HK \$2,833.72 and US \$999,025.67.

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16 The Company is not able to satisfy the liabilities the subject of the Petition Proceedings or Debt Claims.

E. Relief Sought

17 In the premises, the Company is insolvent and should be wound up in accordance with sections 92(d) and 93 of the Companies Law.

Your Petitioner therefore humbly pray(s) that:-

- (1) The Company be wound up in accordance with section 92(d) of the Companies Law.
- (2) David Martin Griffin of FTI Consulting (Cayman) Limited of Suite 3212, 53 Market Street, Camana Bay, Grand Cayman KY1-1203, Cayman Islands and Fok Hei Yu of FTI Consulting (Hong Kong) Limited of Level 35, Oxford House, Taikoo Place, 979 King's Road, Quarry Bay, China, Hong Kong be appointed as official liquidators of the Company.
- (3) The registered office of the Company be moved to FTI Consulting (Cayman) Limited of Suite 3212, 53 Market Street, Camana Bay, Grand Cayman KY1-1203, Cayman Islands.
- (4) The JOLs be authorised to act jointly and severally in their capacity as liquidators of the Company.
- (5) The JOLs shall not be required to give security for their appointment.
- (6) The JOLs be authorised to exercise within and outside the Cayman Islands any of the powers conferred on them by the Court pursuant to Section 110(2) and Part II of the Third Schedule of the Companies Law without further sanction or intervention of the Court.
- (7) The JOLs be authorised to carry out any act or exercise any power considered by them to be necessary or desirable in connection with the liquidation of the Company and the winding-up of its affairs and to prevent the dissipation of the assets of the Company and its subsidiaries in any jurisdiction.
- (8) The JOLs be authorised to take any such action as may be necessary or desirable to obtain recognition of the Official Liquidators and/or their appointment in any other relevant jurisdiction and to make applications to the courts of such purpose.
- (9) The JOLs have the power to appoint agents in the Cayman Islands, Hong Kong and elsewhere to do any business contemplated by this order which they are unable to do themselves or which can more conveniently be done by an agent.

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- (10) The JOLs be authorised to take control of such of the direct and/or indirect subsidiaries of the Company (the "**Subsidiaries**") and/ joint ventures, investments, associated companies, businesses or other entities in which the Company holds an interest (or such shares of Company) (the "**Associated Companies**" and, together with the Company and the Subsidiaries, the "**Group**"), in each case wherever located, as the JOLs shall think fit; to call or cause to be called such meetings of such Subsidiaries and/or Associated Companies and/or to sign such resolutions (in accordance with the provisions of any relevant constitutional or related documentation of such companies) and take such other steps, including applications to appropriate courts and/or regulators, as the JOLs shall consider necessary to appoint or remove directors, legal representatives, officers and/or managers to or from such Subsidiaries and/or Associated Companies, and in each case take such steps as are necessary to cause the registered agents (or other equivalent corporate administrators) of such Subsidiaries or Associated Companies to give effect to the changes to the boards of directors, legal representatives, officers and/or managers of such companies or entities, including (without limitation) effecting changes to the company registers of such Subsidiaries or Associated Companies as may be deemed appropriate by the JOLs; and/or to take such other action in relation to all such Subsidiaries or Associated Companies as the JOLs shall think fit for the purpose of protecting the Assets and managing the affairs of the Company (which, for the avoidance of doubt, shall include the assets and affairs of the Subsidiaries and Associated Companies).
- (11) The JOLs be at liberty to appoint counsel, attorneys, and/or any other professional advisors, whether in the Cayman Islands or elsewhere as they may consider necessary to advise and assist them in the performance of their duties an don such terms as they may think fit and to remunerate them out of the assets of the Company.
- (12) The remuneration and expenses of the JOLs shall be paid out of the assets of the Company.
- (13) The JOLs be at liberty to apply generally to the Court to make such orders for regulating the future conduct of the affairs of the Company as the Court shall see fit.
- (14) Such further or other relief be granted as the Court deems appropriate.
- (15) The Petitioner's costs of and incidental to the Petition shall be paid out of the assets of the Company on an indemnity basis.

AND your Petitioner will ever pray etc.

Dated this 27th day of July 2020.



Ogier
Attorneys for the Petitioner

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NOTICE OF HEARING

TAKE NOTICE THAT the hearing of this petition will take place at the Law Courts, George Town, Grand Cayman, on _____ at 10:00am.

Any correspondence or communication with the Court relating to the hearing of his petition should be addressed to the Registrar of the Financial Services Division of the Grand Court at PO Box 495, Grand Cayman, KY1-1106, telephone 345 959 4296.

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