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Shunten International (Holdings) Limited

順騰國際(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 932)

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF 70% ISSUED SHARE CAPITAL OF A SUBSIDIARY

THE AGREEMENT

On 19 November 2019 (after trading hours), the Vendors and the Purchaser entered into the Agreement, pursuant to which, the Vendors conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares, representing 70% of the issued share capital of the Target Company, at the Consideration of HK\$229,000,000.

Upon Completion, the Group will cease to have any interest in the Target Group and hence members of the Target Group will cease to be the subsidiaries of the Group. The accounts of the Target Group will no longer be consolidated in the financial statements of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratio(s) calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Disposal is/are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

INTRODUCTION

On 19 November 2019 (after trading hours), the Vendors and the Purchaser entered into the Agreement, pursuant to which, the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, representing 70% of the issued share capital of the Target Company, at the Consideration of HK\$229,000,000.

The principal terms of the Agreement are summarised below:

THE AGREEMENT

Date

19 November 2019

Parties

(1) Vendors:

- (i) Empire Access Limited, which holds 23,332 shares in the Target Company, representing approximately 69.997% of its issued share capital
- (ii) Empire Advance Limited, which holds 1 share in the Target Company, representing approximately 0.003% of its issued share capital

(2) Purchaser:

Grand Spread Limited

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Assets to be disposed of

Pursuant to the Agreement, the Vendors conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares, representing 70% of the issued share capital of the Target Company, at the Consideration of HK\$229,000,000.

The Sale Shares will be sold free from all encumbrances and together with all rights attaching or accruing to the Sale Shares on or after the Completion Date. As at the date of this announcement, the Target Company in turn holds the entire registered capital of Chuangyi Qianwei Technology (Shenzhen) Company Limited (創億千維科技(深圳)有限公司) and the entire issued share capital of Hoi On Technology Limited (海安技術有限公司).

Consideration

The Consideration of HK\$229,000,000 shall be settled by the Purchaser in the following manner:

- (a) a refundable deposit of HK\$4,800,000 (the “**Deposit**”) shall be paid by the Purchaser to the Vendors by way of cheque or cashier order within 14 days after the date of the Agreement;
- (b) the remaining of the Consideration shall be paid on the Completion Date as follows:
 - (i) HK\$101,893,798 shall be paid by the Purchaser to the Vendors by way of cheque or cashier order;
 - (ii) HK\$62,306,202 shall be settled by way of issuance of new promissory notes by the Purchaser to the Original Owners in the principal amount of HK\$62,306,202 in replacement of the promissory notes with the outstanding principal amount and interest of HK\$62,306,202 issued by the Company to the Original Owners on 5 October 2018 and 4 October 2019 in connection with the acquisition under the 2017 SPA, which will be cancelled; and
 - (iii) HK\$60,000,000 shall be settled by the Purchaser by way of assuming the Payment Obligations owing to the Original Owners by the Company in connection with the acquisition under the 2017 SPA. The Company shall accordingly be released from all obligations and liabilities in respect of the Payment Obligations.

The Consideration was determined after arm’s length negotiations among the Vendors and the Purchaser by making reference to the Valuation Report dated 18 November 2019 prepared by the independent valuer, Vincorn Consulting and Appraisal Limited. The rounded market value of 70% issued share capital of the Target Company as at 30 September 2019 using discounted cash flow approach was HK\$226,000,000.

Considering that the Consideration represents a premium over the appraised market value of 70% issued share capital of the Target Company as at 30 September 2019 and taking into account the reasons for and benefits of the Disposal as disclosed in the section headed “Reasons for and Benefits of the Disposal” below, the Directors consider that the Consideration is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Principal assumptions for the income approach adopted for the Valuation Report

Given that the Valuation Report has adopted discounted cash flow method under income approach in valuing the Target Company, such valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules. The Company has fully complied with the requirements of Rule 14.62 of the Listing Rules and the details of the principal assumptions (including commercial assumptions) upon which the Valuation Report is based are as follows:

- (a) there will be no material change in the existing political, taxation, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Company;
- (b) the conditions in which the business of the Target Company is being operated which are material to the revenue and costs of businesses of the Target Company will have no material change;
- (c) the management of the Target Company has taken all reasonable steps to ensure that the information and representations provided are true, accurate, complete and not misleading, and that no material information or facts has been omitted or withheld;
- (d) the key personnel and technical staff of the Target Company will be maintained to support the ongoing operation and development of the Target Company;
- (e) all licenses and permits that are essential to the operation of the Target Company can be obtained and are renewable upon expiry;
- (f) there are no hidden or unexpected conditions associated with the Target Company that might adversely affect the reported value of the Target Company; and
- (g) there are no significant changes in market conditions after 30 September 2019, being the valuation date of the Valuation Report.

Summarised below are the major assumptions adopted in the Valuation Report:

1. the projected inflation rate of Hong Kong is assumed to be 2.5% per annum; and
2. the projected corporate profit tax rate of the Target Company is assumed to be 16.50%.

Elite Partners CPA Limited, the auditor of the Company, has reported to the Directors in respect of the calculations of the discounted future cash flow used in the valuation of the 70% issued share capital of the Target Company as set out in the Valuation Report dated 18 November 2019 prepared by Vincorn Consulting and Appraisal Limited.

The Directors confirm that the valuation of the Target Company, which constitutes a profit forecast under Rule 14.61 of the Listing Rules, has been made after due and careful enquiries.

Letters from Elite Partners CPA Limited and the Board relating to the valuation are set out as Appendix I and Appendix II to this announcement, respectively.

Conditions Precedent

Completion shall be conditional upon, among others, the fulfilment (or waived by the Purchaser in writing, except for items (c) to (f)) of the following conditions:

- (a) the Purchaser and its advisers carrying out legal, business, financial and regulatory due diligence in respect of the Target Group, and the Purchaser being reasonably satisfied with the results thereof;
- (b) the warranties given by the Vendors to the Purchaser in the Agreement having remained true, accurate and not misleading in any material respects and that no events have occurred that would result in any material breach of such warranties or other provisions of the Agreement;
- (c) the Vendors and the Purchaser having obtained all necessary governmental, regulatory or third party consents and approvals in respect of the Disposal;
- (d) the Company having published all necessary announcement(s) and obtained all necessary approval(s) under the Listing Rules in respect of the Disposal, if any;
- (e) the consents of the Original Owners for the assignment of the Payment Obligations and all rights and obligations under the Promissory Notes from the Company to the Purchaser and the execution of a novation deed in this regard among the Company, the Purchaser and the Original Owners; and
- (f) the registration procedures relating to the disposal of 100% equity interest in Chuangyi Qianwei Technology (Shenzhen) Company Limited (創億千維科技(深圳)有限公司) by the Company at the competent administration for industry and commerce having been completed.

In the event that the above conditions precedent cannot be fulfilled or waived (if applicable) on or before the Long Stop Date, the Agreement shall be terminated automatically and be of no further effect save for certain clauses as specified under the Agreement. The Vendors shall return the Deposit to the Purchaser within 7 Business Days from the date of termination.

Completion

Completion shall take place after all the above-mentioned conditions precedent have been fulfilled or waived (if applicable), or such other date as the parties to the Agreement may agree in writing.

Upon Completion, the Company shall cease to hold any interest in the companies comprising the Target Group and their financial results will no longer be consolidated into the financial statements of the Group.

INFORMATION ABOUT THE COMPANY

The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 932). The Group is principally engaged in the formulating, marketing, sales and distribution of health and beauty supplements and products in Hong Kong and the PRC, provision of online advertising agency business, online payment business, e-commerce promotion business and game distribution business.

INFORMATION ABOUT THE PARTIES TO THE AGREEMENT

The Vendors are companies incorporated in the BVI with limited liability, which are wholly owned by the Company immediately prior to Completion. The Vendors are investment holding companies and are collectively the legal and beneficial owner of 70% of the issued share capital of the Target Company.

The Purchaser is an investment holding company and 100% held by Zhuang Xiaojie (庄小洁), a Hong Kong resident and entrepreneur who has extensive experience in computer network technology, communication technology, online game, information service, advertising and media industry.

INFORMATION ABOUT THE TARGET GROUP

The Target Company is a company incorporated in Hong Kong with limited liability and is an information security and internet-related business services provider. It is principally engaged in the business of provision of WeChat Pay cross-border solutions to Tenpay. The Company completed the acquisition of the entire issued share capital of Empire Access Limited (being the holder of 70% of the issued share capital of the Target Company at the material time) on 21 September 2017 pursuant to the 2017 SPA. For details, please refer to the announcements of the Company dated 30 June 2017, 15 September 2017, 19 September 2017 and 21 September 2017.

As at the date hereof, it is held as to approximately 69.997%, 0.003% and 30% by Empire Access Limited, Empire Advance Limited and High Spirits (Holdings) Limited, respectively. Empire Access Limited and Empire Advance Limited are both

wholly-owned subsidiaries of the Company while High Spirits (Holdings) Limited and its ultimate beneficial owner(s) are all independent of the Company and its connected persons (as defined in the Listing Rules).

Set out below is the summary of the unaudited financial information of the Target Group for each of the year ended 31 March 2019 and the period from 22 September 2017 to 31 March 2018:

	For the year ended 31 March 2019	For the period from 22 September 2017 to 31 March 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net loss before taxation	(1,703)	(3,896)
Net loss after taxation	(1,690)	(4,138)

As at 31 March 2019, the Target Group had unaudited consolidated net liabilities of approximately HK\$3,127,000.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, the Group will cease to have any interests in each member of the Target Group. As such, each of the Target Company and its subsidiary(ies) shall cease to be subsidiaries of the Company, their respective financial results will also be deconsolidated from the consolidated accounts of the Company.

Upon Completion, the Company expects to record a gain on the Disposal of approximately HK\$9 million resulting from the deconsolidation of the Target Group from the Group and such figure represents the difference between the Consideration and the sum of the net carrying value of the assets of Target Group as at 30 September 2019 and the expenses relating to the Disposal.

The abovementioned financial effects are shown for illustrative purpose only and the actual gain/loss eventually to be recognised in the consolidated financial statements of the Company, depends on, among other things, the consolidated net asset value of each member of the Target Group on the Completion Date and the review by the auditor of the Company upon finalisation of the consolidated financial statements of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Board has considered the financial performance of the Target Group since completion of the acquisition thereof in September 2017 (being loss-making for the two financial years ended 31 March 2019) and the prevailing challenging operating environment of the online payment industry affecting it due to the recent social unrest in Hong Kong which results in the sharp decrease in the number of visitors from the PRC in recent months, and believes that its growth prospects to be limited. The Board therefore

considers that the Disposal will allow the Company to focus on the health and beauty supplements and products business, and will streamline the Company's existing business segments and operations, and sharpen the Company's strategic focus on its core business. In addition, the Disposal allows the Company to realise its investment and retrieve its invested capital. Therefore, the Company entered into the Agreement and carry out the Disposal.

It is expected that the net proceeds from the cash portion of the Consideration will be used by the Group as general working capital and for expanding its principal businesses.

In light of the foregoing, the Board is of the view that the terms of the Agreement are fair and reasonable, on normal commercial terms and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Disposal is/are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

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

“2017 SPA”	the agreement dated 30 June 2017 relating to the acquisition by the Company of the entire issued share capital of Empire Access Limited entered into among the Company and the Original Owners (as supplemented and amended by the supplemental agreement thereto dated 15 September 2017)
“Agreement”	the agreement entered into among Empire Access Limited and Empire Advance Limited as vendors and Grand Spread Limited as purchaser on 19 November 2019 relating to the Disposal
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturdays, Sundays and public holidays or days on which a typhoon signal No.8 or above or black rainstorm signal is hoisted in Hong Kong at or after 10:00 a.m.) on which banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands

“Company”	Shunten International (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange (Stock Code: 932)
“Completion”	completion of the Disposal in accordance with the Agreement
“Completion Date”	the date on which the Completion takes place
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	HK\$229,000,000, being the consideration payable by the Purchaser to the Vendors for the Sale Shares under the Agreement
“Director(s)”	the directors of the Company
“Disposal”	the proposed disposal of the Sale Shares by the Vendors to the Purchaser pursuant to the terms of the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	19 February 2020 (or such other date as the parties agree in writing)
“Original Owners”	Cheung Shun Yee (張順宜), Cheung Shun Kut (張順吉), Ding Hai Yan (丁海燕) and Larm Cheung Hon Peter (藍章漢), being the previous beneficial owners of Empire Access Limited immediately before the assumption of its ownership by the Company
“Payment Obligations”	the obligations of the Company to pay to the Original Owners in the maximum amount of HK\$60,000,000 under the 2017 SPA, the details of which can be found in the announcements of the Company dated 30 June 2017, 15 September 2017, 19 September 2017 and 21 September 2017
“PRC”	the People’s Republic of China, which shall, for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Purchaser”	Grand Spread Limited, a company incorporated in Hong Kong with limited liability
“Sale Shares”	23,333 shares of the Target Company, representing its 70% issued share capital
“Share(s)”	ordinary share(s) of HK\$0.0025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	N Dimension Limited (千維科技有限公司), a company incorporated in Hong Kong with limited liability and is held as to 70% by the Vendors immediately prior to the Completion
“Target Group”	as at the date hereof, the Target Company, Chuangyi Qianwei Technology (Shenzhen) Company Limited (創億千維科技(深圳)有限公司) and Hoi On Technology Limited (海安技術有限公司)
“Valuation Report”	the valuation report on the rounded market value of 70% issued share capital of the Target Company dated 18 November 2019 prepared by the independent valuer, Vincorn Consulting and Appraisal Limited
“Vendors”	Empire Access Limited and Empire Advance Limited, each of which being a direct wholly-owned subsidiary of the Company
“%”	per cent.

By Order of the Board
Shunten International (Holdings) Limited
Wang Xihua
Executive Director

Hong Kong, 19 November 2019

As at the date of this announcement, the executive Directors are Mr. LEE Chi Hang, Sidney, Mr. WANG Xihua and Mr. LAI Wei Lam, William; and the independent non-executive Directors are Ms. SZETO Wai Ling, Virginia, Mr. LEUNG Winson Kwan Yau, Mr. TAM Kin Yip and Mr. LEUNG Man Loon.

Set out below is the text of the letter received by the Directors from the auditor of the Company, Elite Partners CPA Limited, prepared for the purpose of incorporation in this announcement in connection with the profit forecast.



10/F, 8 Observatory Road
Tsim Sha Tsui
Kowloon
Hong Kong

The Board of Directors
Shunten International (Holdings) Limited
19 November 2019

Dear Sirs,

Shunten International (Holdings) Limited (the “Company”)

Discloseable Transaction In Relation To the Disposal of 70% Issued Share Capital of N Dimension Limited (千維科技有限公司) (the “Target Company”)

We have been engaged to report on the arithmetical calculations of the discounted future cash flows used in the valuation dated 18 November 2019 prepared by Vincorn Consulting and Appraisal Limited in respect of the 100% equity interest of the Target Company as at 30 September 2019 (the “Valuation”).

The Valuation is based upon discounted future cash flows and are regarded by the directors of the Company (the “Directors”) as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Directors’ Responsibility for the Discounted Future Cash Flows

The Directors are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Responsibility

It is our responsibility to report, as required by Rule 14.62(2) of the Listing Rules, on the arithmetical calculations of the discounted future cash flows used in the Valuation.

We conducted our work with reference to Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information”. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future cash flows, so far as the arithmetical calculations are concerned, have been properly compiled in accordance with the bases and assumptions as set out in the Valuation. We have re-performed the arithmetical calculations and compared the compilation of the discounted future cash flows with the bases and assumptions.

We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Target Company or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows do not involve the adoption of accounting policies. The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, the discounted future cash flows, so far as the arithmetical calculations are concerned, have been properly compiled in all material respects in accordance with the bases and assumptions made by the Directors as set out in the Valuation.

Yours faithfully,
Elite Partners CPA Limited
Hong Kong

19 November 2019

Listing Division
Hong Kong Exchanges and Clearing Limited
12/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

Dear Sirs,

Disposal of 70% Issued Share Capital of N Dimension Limited (千維科技有限公司)

We refer to the Assets Valuation Report dated 18 November 2019 prepared by Vincorn Consulting and Appraisal Limited in relation to the valuation of N Dimension Limited (千維科技有限公司), the valuation of which constitute profit forecasts under Rule 14.61 of the Listing Rules. Terms defined in this announcement shall have the same meaning in this letter unless the context otherwise requires.

We have reviewed the bases and assumptions based upon which the Assets Valuation Report has been prepared and reviewed the valuation by Vincorn Consulting and Appraisal Limited for which Vincorn Consulting and Appraisal Limited is responsible. We have also considered the report from the auditor of the Company, Elite Partners CPA Limited, regarding whether the discounted future cash flows of N Dimension Limited (千維科技有限公司), so far as the arithmetical calculations are concerned, has been properly complied, in all material respects, in accordance with their respective bases and assumptions.

On the basis of the foregoing, we are of the opinion that the valuation prepared by Vincorn Consulting and Appraisal Limited has been made after due and careful enquiries.

By Order of the Board
Shunten International (Holdings) Limited
Wang Xihua
Executive Director