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Sheen Tai Holdings Group Company Limited

順泰控股集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 01335)

VERY SUBSTANTIAL DISPOSAL IN RELATION TO PROPOSED DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF SHEEN CHINA AND RESUMPTION OF TRADING

THE DISPOSAL

The Board is pleased to announce that on 30 May 2020, the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Share Purchase Agreement (which is further supplemented by the First Supplemental Agreement and Second Supplemental Agreement), pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase the Sale Shares at a consideration of RMB67,000,000 or an equivalent amount in Hong Kong dollar, which will be satisfied in cash. Upon Completion, the Company will not hold any interest in the Target Company and the Target Company will cease to be a subsidiary of the Company.

THE LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal for the Company pursuant to Chapter 14 of the Listing Rules and is subject to the reporting, announcement and the Shareholders' approval requirements.

GENERAL

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Share Purchase Agreements and the transactions contemplated thereunder.

A circular containing, among others, (i) further details about the Disposal and the transactions contemplated thereunder; (ii) other information required to be disclosed under the Listing Rules; and (iii) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 4 September 2020.

As the Disposal is subject to the fulfillment of the Conditions Precedent as set out in the Share Purchase Agreements and the Disposal may or may not proceed, Shareholders and potential investors are reminded to exercise caution in dealing in the securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on 1 June 2020 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 30 July 2020.

INTRODUCTION

The Board is pleased to announce that on 30 May 2020, the Vendor, a wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement (which is further supplemented by the First Supplemental Agreement and Second Supplemental Agreement) with the Purchaser on the Disposal.

PRINCIPAL TERMS OF THE SHARE PURCHASE AGREEMENTS

The principal terms of the Share Purchase Agreements are set out as follows:

Dates

30 May 2020 (Share Purchase Agreement), 16 July 2020 (First Supplemental Agreement) & 22 July 2020 (Second Supplemental Agreement)

Parties

Vendor: Sheen China Group Holdings Inc. (順華集團控股有限公司), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company

Purchaser: WF Sinco Limited, a company incorporated in the BVI with limited liability

Save as disclosed in this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are the Independent Third Parties as at the date of this announcement.

Subject Matter of the Disposal

Pursuant to the Share Purchase Agreements, the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the Subject Matter of the Disposal, which mainly comprises the Sale Shares, being all issued shares of the Target Company and 70% equity interest in Qingdao Ener which is held by the Target Company. Qingdao Ener is principally engaged in manufacturing and sales of BOPP films. The Target Company is an indirect wholly-owned subsidiary of the Company as at the date of this announcement.

Pursuant to the Share Purchase Agreements, save as 70% equity interest of Qingdao Ener, other assets and liabilities (including 35% equity interest of Jiangsu Sheen Colour), which are held by the Target Company before entering into the Share Purchase Agreement, shall not be included in the Disposal and will be transferred to the Group by way of reorganisation by 30 September 2020, which was extended from 30 June 2020 as agreed in First Supplemental Agreement. In any event, the said reorganisation will be completed before the Completion of the Disposal.

Consideration and payment terms

The Consideration for the Disposal to be paid by the Purchaser to the Vendor shall be RMB67,000,000 or an equivalent amount in Hong Kong dollar. The Consideration shall be paid in cash by the Purchaser to the Vendor in the following manner:

- (i). an equivalent amount of RMB20,100,000 in Hong Kong dollar (being 30% of the Consideration) shall be paid by the Purchaser to the Vendor (the “**First Tranche Payment**”) within five Working Days after satisfaction of all the Conditions Precedent; and
- (ii). an equivalent amount of RMB46,900,000 in Hong Kong dollar (being 70% of the Consideration) shall be paid by the Purchaser to the Vendor (the “**Second Tranche Payment**”) on or before 15 December 2020.

Both the First Tranche Payment and the Second Tranche Payment shall be paid in Hong Kong dollar in Hong Kong. The exchange rate will be the central parity rate announced by the People’s Bank of China on the business day before the relevant payment dates.

Within fifteen days after the Second Tranche Payment, the Vendor shall actively assist the Purchaser to complete the registration of the transfer of the Sale Shares as well as the change of the directors of the Target Company in accordance with the relevant laws and regulations (if required).

Basis of determination of the Consideration

The Consideration was determined after arm’s length negotiations between the Purchaser and the Vendor with reference to 70% of the book value of the net asset of Qingdao Ener as at 31 March 2020.

Conditions Precedent

The Share Purchase Agreements are conditional upon fulfilment of, among other things, the following conditions:

- (i). the due execution of the Share Purchase Agreements by the authorized representative or agent of each of the Purchaser and the Vendor;
- (ii). the approval by the board of directors of the Target Company on the Share Purchase Agreements being obtained;
- (iii). the approval by the shareholder(s) and the board of directors of the Purchaser on the Share Purchase Agreements being obtained;
- (iv). the approval by the Board on the Share Purchase Agreements being obtained;
- (v). the approval by the Shareholders on the Share Purchase Agreements being obtained;

- (vi). the Company having obtained, in respect of the Share Purchase Agreements and the transactions contemplated thereunder, all necessary or appropriate approval(s) or consent(s) as required by the Stock Exchange or under the relevant laws, regulations or rules (including the Listing Rules), or all approval(s) or consent(s) of any other third parties (including banks); and
- (vii). the approval by the Foreign Investment Department* (外資部門) of the PRC government on the Share Purchase Agreements being obtained.

None of the conditions precedent under the Share Purchase Agreements can be waived by the parties.

Profit allocation and non-competition undertakings

As the Consideration was determined between the Purchaser and the Vendor with reference to 70% of the book value of the net asset of Qingdao Ener as at 31 March 2020 in the amount of approximately RMB94,250,000 including certain premium. Both the Vendor and the Purchaser agreed that the Purchaser shall be entitled to 70% of the profit of Qingdao Ener derived from 31 March 2020 onwards. As the Board believes that the sales of BOPPS film in the second half of 2020 will be significantly affected by the factors mentioned in the paragraph headed “Reasons for and Benefits of the Disposal” below, the Board is of the view that such arrangement is fair and reasonable and in the interests of the Company and the Shareholder as a whole.

Under the Share Purchase Agreements, within three years after the date of Completion, the Vendor shall not in any way directly engage in or indirectly control any business which is the same as the business of manufacturing of BOPP films of Qingdao Ener. However, the Group could still be able to engage in other business in relation to BOPP films such as sale, trading, sourcing of BOPP films and its sub-processing products.

Completion and effect of Completion

Subject to the fulfillment of the Conditions Precedent, Completion shall take place within fifteen days after the date on which the Second Tranche Payment is received by the Vendor.

Upon Completion, the Company will not hold any interest in the Target Company and the Target Company will cease to be a subsidiary of the Company.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in the BVI with limited liability. It is principally engaged in investment holding. The Purchaser is beneficially owned solely by Mr. Tan Kim Chwee, who is a Singapore resident and a merchant. Mr. Tan Kim Chwee was introduced to Mr. Guo Yumin, an executive Director and the chairman of the Board, by a friend of Mr. Guo in May 2020. The transaction was liaised through an authorised representative of the Purchaser with the Company in the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Tan Kim Chwee is an Independent Third Party as at the date of this announcement.

Either of the Purchaser and Mr. Tan Kim Chee has no relationship with the purchaser of the previous disposal of the Company in relation to the 30% equity interest in Qingdao Ener on 29 April 2020.

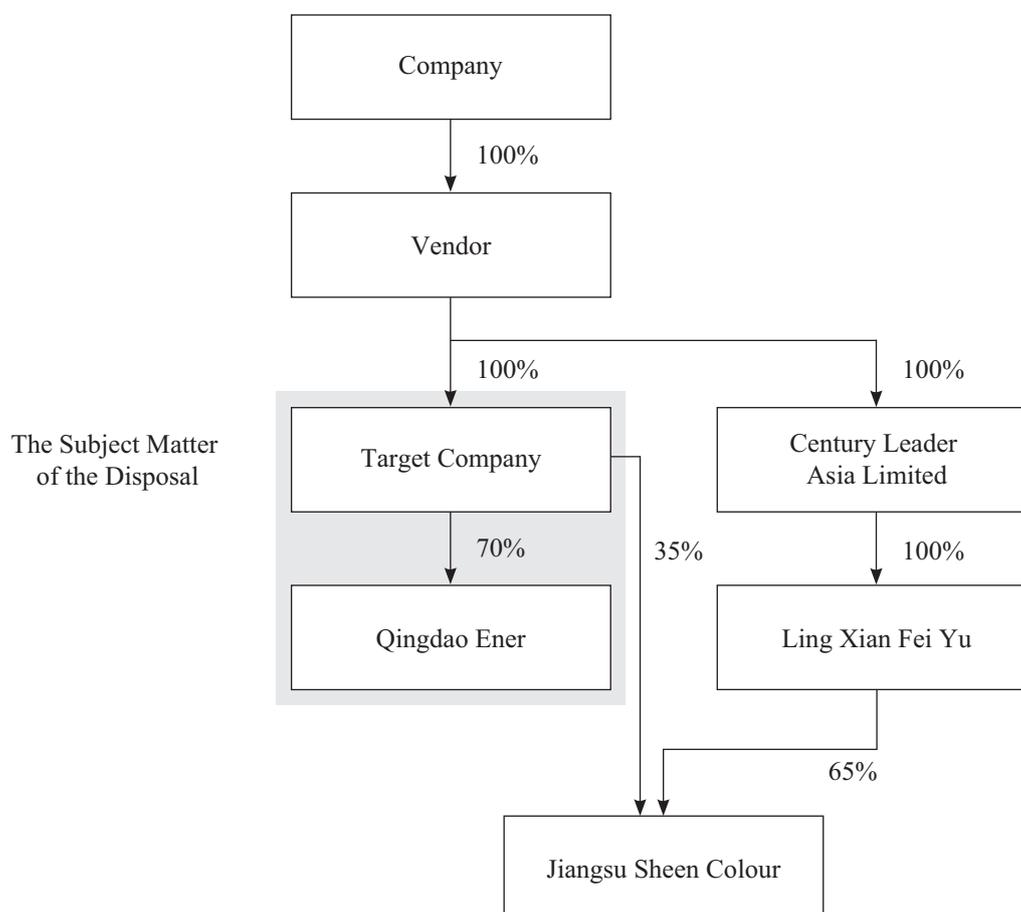
INFORMATION OF THE COMPANY AND THE VENDOR

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. The Group is principally engaged in the businesses of manufacturing and sales of BOPP films, sales of sub-processing cigarette films, properties development and related services, generation of photovoltaic power and cloud-related business.

The Vendor is a company incorporated in the BVI with limited liability and is a wholly-owned subsidiary of the Company as at the date of this announcement. The principal activity of the Vendor is investment holding. Immediately before the Disposal, the Vendor owns the entire equity interest in the Target Company.

INFORMATION OF THE SUBJECT MATTER OF THE DISPOSAL

The following diagram illustrates the shareholding structure of the Target Company as at the date of this announcement:



THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company. The principal activity of the Target Company is investment holding and trading. As at the date of this announcement, the Target Company holds 70% equity interest in Qingdao Ener and 35% equity interest of Jiangsu Sheen Colour.

Jiangsu Sheen Colour is principally engaged in the sales of sub-processing films. Jiangsu Sheen Colour was not included as a part of the Subject Matter of the Disposal as the Purchaser has no interest in the business of Jiangsu Sheen Colour. Therefore, 35% equity interest in Jiangsu Sheen Colour which is held by Target Company will be transferred to other subsidiary of the Group by 30 September 2020 as agreed by both parties.

QINGDAO ENER

Qingdao Ener was established as a sino-foreign equity joint venture enterprise with limited liability in the PRC on 27 June 2007 and is principally engaged in manufacturing and sale of BOPP films. It was indirectly wholly-owned by the Company from 5 May 2012 to 17 May 2020. As at the date of this announcement, the Company indirectly owned 70% equity interest in Qingdao Ener.

FINANCIAL INFORMATION OF THE SUBJECT MATTER OF THE DISPOSAL

The unaudited financial information of the Subject Matter of the Disposal for the two years ended 31 December 2018 and 2019 and the five months ended 31 May 2020 is as follows:

	For the year ended		For the five
	31 December	31 December	months ended
	2018	2019	31 May 2020
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Revenue	376,920	314,318	130,257
Net (loss)/profit before taxation	(6,650)	(18,301)	3,666
Net (loss)/profit after taxation	(7,252)	(18,999)	3,666

The profit was made by Qingdao Ener for the five months ended 31 May 2020 was due to 1) significant reduction in the price of raw materials which led to reduction of costs: In 2020, the price of polypropene, a by-product of oil and major raw material of BOPP films, dropped significantly from approximately RMB9800/MT in 2018 to approximately RMB7000/MT in 1st quarter of 2020 due to the decline in oil price and weak market demand; and 2) a main competitor of the Company in the market of high-end laser film and cigarette-related film in Hubei province, had suspended production due to the impact of COVID-19. Ener reaped the benefit of this by accepting all high-end orders of that competitor and produced at its full capacity.

The unaudited net asset value of the Subject Matter of the Disposal (excluding 1) the Target Company's assets and liabilities; and 2) the intra-group payable amount to approximately HK\$59 million as at 31 December 2019 and approximately HK\$45 million as at 31 May 2020, respectively) as at 31 December 2019 and 31 May 2020, was approximately HK\$89,111,000 and HK\$101,375,000, respectively. In contemplation of the Disposal, the Target Company has transferred and settled certain assets and liabilities which were not regarded as part of the Disposal before 30 June 2020. Other than the 70% equity interest of Qingdao Ener, not more than HK\$10,000 bank or cash balance will be retained by the Target Company after 30 June 2020 for the general working capital of the Target Company until the Completion.

There were on-going transactions between the remaining business of the Group and the Subject Matter of the Disposal during the year ended 31 December 2019 which are illustrated as follows:–



The Company will consider the market price, demand of the customers of Jiangsu Sheen Colour and market situation of BOPP films to determine whether it will purchase the raw material (i.e. BOPPs films) from Qingdao Ener after the Disposal.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Board noted that the financial performance of Qingdao Ener (being loss-making for the two financial years ended 31 December 2019) has deteriorated in the past two years. Although the net profit of Qingdao Ener was approximately HK\$10.2 million for the five months ended 31 May 2020 due to the reasons mentioned in the paragraph headed “Financial Information of the Subject Matter of the Disposal” above, the Board believes that the profit made by Qingdao Ener will not be sustainable. Following 1) the price of polypropene has risen back to RMB8,000/MT because of the rebound in oil price and increasing demand for pandemic-prevention materials using polypropene as raw material, the price hike of polypropene will seriously deteriorate the profitability of cigarette-related film in the second half of 2020 which accounting to 80% of the Company’s sales and 2) the resumption of production by the competitor of Qingdao Ener greatly reduces the high-end laser film orders received by the Company, adversely affecting the Company’s profits, the Board is of the view that the Disposal is an exit opportunity for the Group to realise its investment in the Target Company, and thereby will improve the Group’s asset turnover rate and generate additional cash inflow, which would enhance the Group’s ability to grasp other potential investment opportunities in the future.

As at the date of this announcement, the Company and its Directors have no intention, arrangement, agreement, understanding, negotiation (concluded or otherwise) on (i) any further disposal of, termination or scaling down of the Company’s existing business apart from the Disposal; (ii) injection of any new business to the Group; and (iii) any change in the Company’s shareholding structure or composition of the Board.

In view of the above, the Board is of the view that the transactions under the Share Purchase Agreements are on normal commercial terms, the terms and conditions of the Share Purchase Agreements are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

Following the Completion, the Company will cease to hold any interest in the Target Company, the Target Company will cease to be a subsidiary of the Company and the results of the Target Company will no longer be consolidated into the consolidated financial statements of the Group.

The Consideration of the Disposal is RMB67,000,000 (approximately HK\$73,700,000). The unaudited consolidated net asset value of the Subject Matter of the Disposal as at 31 December 2019 was approximately HK\$89,111,000 and the transfer of the Sale Shares represents net asset value of approximately HK\$62,378,000. Based on the unaudited consolidated financial information of the Target Company as at 31 December 2019, and assuming the Completion has taken place, the Group is expected to record a gain (before tax and expenses) from the Disposal of not more than approximately HK\$11,322,000, representing the difference between the Consideration of the Disposal received under the Share Purchase Agreements and the carrying value of the assets in the accounts of the Target Company. Shareholders should note that the actual gain from the Disposal to be recorded by the Company will depend on the carrying value of the assets of the Target Company as at the date of Completion, and therefore may be different from the amount mentioned above.

BUSINESS OF THE GROUP AFTER THE DISPOSAL

(i) *Generation of photovoltaic power*

Business model, current business performance, prospects and future development plan

Xuzhou Shuntai New Energy Power Generation Co., Ltd (“**Shuntai New Energy**”), an indirect wholly-owned subsidiary of the Company, has commenced the photovoltaic power generation business since 2015.

As at the date of this announcement, the Group has three photovoltaic power stations which are located in Suining county, Xuzhou City, Jiangsu Province, the PRC in operation, with a total grid-connected capacity of 40 megawatts. The total amount of power generation rose from 48.1 million kwh for the year ended 31 December 2018 to 54.7 million kwh for the year ended 31 December 2019 due to completion of a power station in June 2018. The revenue generated from this segment was approximately HK\$54.7 million for the year ended 31 December 2019. As at 31 May 2020, this segment had nine employees and a sole customer (the “**Sole Customer**”). The Sole Customer is a government authority in Xuzhou City, which has been the Group’s customer since the establishment of Shuntai New Energy in 2015 and is the sole electricity purchaser in Xuzhou City. The Sole Customer signed a non-exclusive electricity purchase contract (the “**Electricity Purchase Contract**”) with Shuntai New Energy for a term of five years until 2023.

The Directors, as advised by the Company's PRC Legal Advisors, pursuant to 《Several Opinions of the State Council on Promoting the Healthy Development of the Photovoltaic Industry》* 《國務院關於促進光伏產業健康發展的若干意見》, 《Administrative Measures for the Full Guaranteed Acquisition of Renewable Energy Power Generation》* 《可再生能源發電全額保障性收購管理辦法》, 《Regulations on the Supervision of the Full-scale Acquisition of Renewable Energy Power Generation by Grid Enterprises》* 《電網企業全額收購可再生能源電量監管辦法》 and 《Notice on standardizing the management of priority generation priority purchase plan》* 《規範優先發電優先購電計劃管理的通知》 are of the view that:—

Shuntai New Energy's photovoltaic power plants will continue to enjoy the guarantee of the local government's purchase of full on-grid electricity and subsidies for renewable energy by 2035. In addition, according to 《Notice of Matters Related to Photovoltaic Power Generation in 2018》Fa Gai Energy 2018 No. 823* 《2018年光伏發電有關事項的通知》發改能源2018823號, from the date of promulgation of the notice and provided that the notice will not be further amended, the Chinese government will no longer approved the construction of new photovoltaic power plants that require state subsidies.

Besides, the Directors considered the factors that 1) the profit of photovoltaic power plants mainly comes from government subsidies; 2) after 31 May 2018, no photovoltaic power plants that require state subsidies would be approved (that is, the number of market competitors will not increase); 3) electricity consumption in Xuzhou City should steadily increase; 4) the central government of the PRC continues to encourage renewable energy power generation in accordance with the above regulations (that is, the market's demand for renewable energy continues to increase); and 5) all the photovoltaic power stations of Shuntai New Energy states in 《Notice on standardizing the management of priority generation priority purchase plan》* 《規範優先發電優先購電計劃管理的通知》 and as a result, the government guaranteed to acquire all electricity generated from clean energy such as solar power which power station locates in area without restriction.

As advised by the Company's PRC Legal advisors, although the PRC and Jiangsu Province are currently reforming the power generation market, the reform only aims at the new projects which does not include Shuntai New Energy, so it is still uncertain whether the electricity generated from Shuntai New Energy can be sold to third parties in open market in the future. As advised by the Company's PRC Legal Advisors , if the Sole Customer did not perform the Electricity Purchase Contract to fully purchase the electricity produced by Shuntai New Energy, Shuntai New Energy may take a legal action against the Sole Customer to enforce the Electricity Purchase Contract and the probability to win the legal action is relatively high.

The Directors therefore believe that there is no reason for the Sole Customer to terminate and not to extend the Electricity Purchase Contract with Shuntai New Energy after 2023 as long as there is no change in the government policy.

(ii) Sales of sub-processing cigarette films business

The Group has engaged in sales of sub-processing cigarette films since 2009 through Jiangsu Sheen Colour. As at 31 May 2020, Jiangsu Sheen Colour had 24 employees, four customers and ten suppliers.

For the three years ended 31 December 2019, Jiangsu Sheen Colour generated approximately HK\$50.3 million, HK\$46.9 million and HK\$6.9 million revenue for the Company.

From the year ended 31 December 2018, the number of customers of Jiangsu Sheen Colour increased from one (i.e. Tobacco Jiangsu) to six customers. The total amount of the revenue generated from the other five customers increased seven times from approximately HK\$0.5 million (1% of the total income of Jiangsu Sheen Colour) for the year ended 31 December 2018 to approximately HK\$4 million (61% of the total income of Jiangsu Sheen Colour) for the year ended 31 December 2019.

Prospects and future development plan

The Board believes that the prospects of print packaging business is not promising for its low gross margins. Additional profits from this segment can only be attained through an increase in revenue from individual order or a market expansion.

In the last two financial years, the Company has further expanded non-cigarette-related packaging business, resulting in a drastic increase of revenue from this segment from approximately HK\$0.5 million for the year ended 31 December 2018 (1% of total revenue in Jiangsu Sheen Colour) to approximately HK\$4.3 million for the year ended 31 December 2019.

It is the Company's strategy to develop packaging products related to both cigarette films and non-cigarette films. The Company is currently exploring cooperation opportunities with a large scale packaging company located in Huaian City in Jiangsu Province, and will invest in equipment producing deoxidant by the end of 2020 in order to timely realise scale production of deoxidant packaging products and satisfy the demands of the customer. Details of the relevant matters are still under negotiation. In addition, the Company is liaising with numerous provincial-level cigarette manufacturer(s) in the hope of obtaining cigarette packaging orders to increase its revenue.

(iii) Properties development

Business model and current business performance

Xuzhou New Advantage Real Estate Development Co., Ltd* (徐州新優勢房地產開發有限公司) (“**Xuzhou New Advantage**”) is an indirect wholly owned subsidiary of the Company which commenced the property development business since 2015. Since the commencement of the property development business, there is one residential property development project, namely Sheen Tai Garden (順泰雅園) (the “**Project**”) located in Xuzhou, Jiangsu Province, the PRC.

The Project contributed approximately HK\$809.6 million, HK\$7.8 million and HK\$8.8 million revenue from sale of properties to the Group for the three years ended 31 December 2019.

As at 31 May 2020, there were 13 employees in this business segment. By 30 April 2020, there were 38 parking slots, storage rooms with approximately 4,600 square meters as well as commercial estate with 1,063 square meters still under sale. The estimated total value of the remaining inventory of the properties amounted to approximately HK\$14 million and 65% of the inventories are expected to be sold in this financial year.

On the other hand, the property management services were provided by Xuzhou Lvzhou Estate Management Company Limited, which was the Company’s subsidiary from December 2017 to June 2018 and was disposed of by the Group in June 2018, contributed revenue of approximately HK\$2.8 million, HK\$2.6 million and nil to the Group for the three years ended 31 December 2019. The Group does not intend to provide property management services after the disposal of Xuzhou Lvzhou Estate Management Company Limited.

For the year ended 31 December 2019, revenue generated from the sale of the remaining property of the Project being unable to cover the cost of this business segment resulted in a gross loss of more than HK\$1.1 million and impairment loss of account receivables of approximately HK\$3.5 million.

Prospects and future development

By using the property development business experience obtained from the Project, the Group has been actively looking for other land parcel/project company in reasonable price for project development. In addition, as disclosed in the announcement of the Company dated 10 December 2019, Xuzhou New Advantage is going to form a new joint venture company with Mr. Sun Yong (孫勇), who has experience in property sales, property lease and development, in order to enhance the Group's capabilities in property development. With the experience in property development the Group gained from the Project, the Group is confident that any engagement in property development projects will bring the Group substantial revenue and profits.

(iv) Cloud-related business

The Board has no plan to further develop the cloud-related business as net loss was incurred from this segment in the last two financial years and huge impairment loss was recorded. As at 31 May 2020, this segment had two employees and one customer.

The Board is of the view that with the stable revenue and profit generated by photovoltaic power segment, there is sufficient assets and operations of the remaining business after the Disposal.

USE OF PROCEEDS

The net proceeds from the Disposal (after deducting the expenses directly related to the Disposal) are estimated to be approximately HK\$72,700,000. The Group intends to apply all the net proceeds as part of the proceeds for acquiring suitable land parcels or acquiring or investing in project company in or around Xuzhou City, the PRC, for property development in the coming two years.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, the Company intends to apply the net proceeds to short-term demand deposits, short term loans to joint venture companies/related parties and/or money market instruments. The Company will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal for the Company pursuant to Chapter 14 of the Listing Rules and is subject to the reporting, announcement and the Shareholders' approval requirements.

GENERAL

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Share Purchase Agreements and the transactions contemplated thereunder.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the Disposal and no Shareholder is required to abstain from voting for the approval of the Disposal at the EGM.

A circular containing, among others, (i) further details about the Disposal and the transactions contemplated thereunder; (ii) other information required to be disclosed under the Listing Rules; and (iii) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 4 September 2020.

As the Disposal is subject to the fulfillment of the Conditions Precedent as set out in the Share Purchase Agreements and Completion may or may not proceed, Shareholders and potential investors are reminded to exercise caution in dealing in the securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on 1 June 2020 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 30 July 2020.

DEFINITIONS

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

“Board”	the board of Directors
“BVI”	British Virgin Islands
“Company”	Sheen Tai Holdings Group Company Limited (順泰控股集團有限公司) (Stock code: 1335), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange

“Completion”	the completion of the Disposal when the transfer of the Sale Shares from the Vendor to the Purchaser is completed
“Conditions Precedent”	the conditions precedent to the Completion as set out in the Share Purchase Agreements
“Consideration”	RMB67,000,000 or an equivalent amount in Hong Kong dollar, being the consideration for the Disposal
“Directors”	the directors of the Company
“Disposal”	the proposed disposal of the Subject Matter of the Disposal by the Vendor to the Purchaser in accordance with the terms of the Share Purchase Agreements
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Share Purchase Agreements and the transactions contemplated thereunder
“First Supplemental Agreement”	the supplemental agreement entered into between the Vendor and the Purchaser on 16 July 2020
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and is/are not connected persons (as defined under the Listing Rules) of the Company
“Jiangsu Sheen Colour”	Jiangsu Sheen Colour Science Technology Co. Ltd. (江蘇金格潤科技有限公司), a company incorporated in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

"Ling Xian Fei Yu"	Ling Xian Fei Yu Import and Export (Shenzhen) Co., Ltd. (領先飛宇進出口(深圳)有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"PRC"	the People's Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Purchaser"	WF Sinco Limited, a company incorporated in the BVI with limited liability and is owned solely by Mr. Tan Kim Chwee
"Qingdao Ener"	Qingdao Ener Packaging Technology Co. Ltd (青島英諾包裝科技有限公司), a company incorporated in the PRC with limited liability and 70% of its equity interest is owned by the Target Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	comprising 12,600,000 ordinary shares of HK\$1 each in the share capital of the Target Company and representing the entire issued share capital of the Target Company held by the Vendor as at the date of this announcement
"Second Supplemental Agreement"	the supplemental agreement entered into between the Vendor and the Purchaser on 22 July 2020
"Shareholder(s)"	holder(s) of the Shares
"Share Purchase Agreement"	the conditional share purchase agreement dated 30 May 2020 entered into between the Vendor and the Purchaser in relation to the Disposal
"Share Purchase Agreements"	collectively, the Share Purchase Agreement, First Supplemental Agreement and Second Supplemental Agreement
"Shares"	ordinary shares of HK\$0.01 each in the share capital of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Matter of the Disposal”	comprises all issued shares of the Target Company and 70% equity interest in Qingdao Ener which is held by the Target Company
“Target Company” or “Sheen China”	Sheen China (Hong Kong) Limited (順華(香港)有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company immediately before the Completion
“Tobacco Jiangsu”	China Tobacco Jiangsu Industrial Co., Ltd. (江蘇中煙工業有限責任公司), the provincial-level cigarette manufacturer(s) subordinated to The State Tobacco Monopoly Administration and an Independent Third Party
“Vendor”	Sheen China Group Holdings Inc. (順華集團控股有限公司), a company incorporated in the BVI with limited liability and is a wholly-owned subsidiary of the Company as at the date of this announcement
“Working Days”	Monday to Friday, excluding public holidays
“%”	per cent

By order of the Board
Sheen Tai Holdings Group Company Limited
Guo Yumin
Chairman

Hong Kong, 29 July 2020

As at the date of this announcement, the executive Directors are Mr. Guo Yumin, Ms. Xia Yu and Mr. Zeng Xiangyang and the independent non-executive Directors are Ms. Fan Qing, Mr. Dai Tin Yau and Mr. Chan Yin Lam.

** For identification purposes only*