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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 AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 51% OF THE EQUITY INTEREST IN JIANGSU SHUNTAI AND RESUMPTION OF TRADING

THE DISPOSAL

Reference is made to the announcement of the Company dated 16 December 2014 in respect of the memorandum of understanding relating to the Disposal. On 15 January 2015 (after trading hours), the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase the 51% equity interest in the Target Company at a consideration of RMB325,000,000, 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.

IMPLICATIONS OF THE DISPOSAL UNDER THE LISTING RULES

The Purchaser is a wholly-owned subsidiary of Shenzhen Jinjia, which holds the remaining 49% equity interest in the Target Company before the Disposal and thus a substantial shareholder and a connected person of the Group before the Disposal. The Purchaser is an associate of Shenzhen Jinjia and hence a connected person at the subsidiary level (as defined under the Listing Rules) of the Company under the Listing Rules. The Disposal therefore constitutes a connected transaction of the Company pursuant to Chapter 14A of 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.

A circular containing, inter alia, further details about the Disposal and a notice convening the EGM is expected to be despatched to the Shareholders on or before 2 March 2015, which is more than 15 business days after the publication of this announcement, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

As the Disposal is subject to the fulfillment of the Conditions Precedent as set out in the Equity Transfer Agreement 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 16 January 2015 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 27 January 2015.

PRINCIPAL TERMS OF THE EQUITY TRANSFER AGREEMENT

Reference is made to the announcement of the Company dated 16 December 2014 in respect of the memorandum of understanding relating to the Disposal. On 15 January 2015 (after trading hours), the Vendor, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Purchaser on the Disposal.

The principal terms of the Equity Transfer Agreement are set out as follows:

Date

15 January 2015 (after trading hours)

Parties

Vendor:	Sheen China Group Holdings Limited (順華集團控股有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
Purchaser:	Chinese Hongkong International Tobacco Group Co., Limited (中華香港國際煙草集團有限公司), a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Shenzhen Jinjia

Assets to be disposed of

Pursuant to the Equity Transfer Agreement, the Vendor will conditionally sell its 51% equity interest in the Target Company to the Purchaser. The principal activities the Target Company are manufacturing and sale of cigarette paper boxes and the principal assets of the Target Company are land and building, plant and machinery. The Target Company is an indirect non wholly-owned subsidiary of the Company which was owned as to 51% and 49% by the Company (through the Vendor) and Shenzhen Jinjia as at the date of this announcement.

Effect of Completion

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.

Consideration and Completion

The consideration for the Sale Shares to be paid by the Purchaser to the Vendor is RMB325,000,000 or an equivalent amount in Hong Kong dollars (the "**Consideration**"). The Consideration shall be paid in cash by the Purchaser to the Vendor in the following manner:

(i). a sum of RMB162,500,000 or an equivalent amount in Hong Kong dollars (being 50% of the Consideration) to be paid by the Purchaser to the Vendor in cash (the "**Frist Tranche Payment**") within three days after the date on which the Conditions Precedents are being fulfilled and the Equity Transfer Agreement becoming effective (the "**Effective Date**"); and

(ii). a sum of RMB162,500,000 or an equivalent amount in Hong Kong dollars (being 50% of the Consideration) to be paid by the Purchaser to the Vendor in cash (the "**Second Tranche Payment**") at the end of the third month after the Effective Date.

Within fifteen days after the payment by the Purchaser of the First Tranche Payment, the Vendor (with the cooperation of the Purchaser) shall actively assist the Target Company with the registration of transfer of the Sale Shares with the relevant authorities in accordance with the relevant laws and regulation (the "**Registration**"). If there is delay in the completion of the Registration, the payment of the Second Tranche Payment will be delayed corresponding to the period of delay. However, the payment of the Second Tranche Payment will not be postponed if such delay is caused by the Purchaser.

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.

Basis of determination of the Consideration

The Consideration was determined by the parties with reference to the book value of the assets of the Target Company and the unaudited net profit of the Target Company for the year ended 31 December 2014.

Conditions precedents

The Equity Transfer Agreement is conditional upon fulfilment of the following conditions:

(i). the due execution of the Equity Transfer Agreement 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 Equity Transfer Agreement being obtained;

(iii). the written consent from the other shareholder of the Target Company waiving their pre-emptive right to purchase the Sale Shares being obtained;

(iv). the approval by the board of directors of Shenzhen Jinjia (being the shareholder of the Purchaser) on the Equity Transfer Agreement being obtained;

(v). the approval by the board of directors of the Company (being the shareholder of the Vendor) on the Equity Transfer Agreement being obtained;

(vi). the approval by the shareholders of the Company on the Equity Transfer Agreement being obtained;

(vii). the Company having obtained, in respect of the Equity Transfer Agreement 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

(viii). the approval by the Foreign Capital Administrative Department (外資管理部門) on the Equity Transfer Agreement being obtained.

None of the conditions precedents under the Equity Transfer Agreement can be waived by the parties.

Non-competition undertaking and profit allocation

Within five years after the date of Completion, the Vendor shall not in any way directly engages in or indirectly control any business in Jiangsu Province, the PRC which is the same as, similar to or compete with the business of cigarette paper box printing (煙標印刷) of Jiangsu Shuntai.

Under the Equity Transfer Agreement, 51% of the unallocated profit of Jiangsu Shuntai derived on or before 31 December 2014 will be entitled by the Vendor and 51% of the unallocated profit of Jiangsu Shuntai derived on or after 1 January 2015 will be entitled by the Purchaser. In the event that the Purchaser fails to pay the First Tranche Payment in accordance with the terms of the Equity Transfer Agreement, the parties will negotiate and agree on a revised profit allocation in respect of the unallocated profit of Jiangsu Shuntai derived on or after 1 January 2015.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Based on the financial statements of the Target Company prepared in accordance with the Hong Kong Financial Reporting Standards, as at 31 December 2013, the audited total assets, total liabilities, net assets and trade receivables of the Target Company were approximately HK$340 million, HK$166 million, HK$174 million and HK$100 million respectively; as at 31 December 2014, the unaudited total assets, total liabilities, net assets and trade receivables of the Target Company were approximately HK$331 million, HK$147 million, HK$184 million and HK$102 million respectively.

Based on the financial statements of the Target Company prepared in accordance with the Hong Kong Financial Reporting Standards, for the year ended 31 December 2013, the audited turnover, profit for the year (before tax), profit for the year (after tax) and net cash generated from operating activities of the Target Company were approximately HK$292 million, HK$136 million, HK$101 million and HK$47 million respectively; for the year ended 31 December 2014, the unaudited turnover, profit for the year (before tax), profit for the year (after tax) and net cash generated from operating activities of the Target Company were approximately HK$308 million, HK$139 million, HK$118 million and HK$158 million respectively.

INFORMATION OF THE GROUP, THE VENDOR, THE PURCHASER AND THE TARGET COMPANY

The Group is a packaging materials manufacturer and supplier in the PRC with a leading position in Jiangsu Province, PRC, focusing on the development, promotion and sales of the Group's imported films, self-manufactured films and cigarette paper boxes. Since 30 June 2014, the Group is also engaged in the property development business. The Group's products and activities can be broadly classified into three categories, namely, (i) cigarette-related packaging materials (comprising cigarette paper boxes, anti-counterfeiting films, other cigarette films manufactured by the Group and imported films); (ii) non-cigarette-related packaging materials (being films for packaging non-cigarette-related products manufactured by the Group); and (iii) development of properties.

The Vendor is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company as at the date of this announcement. Its principal business is trading and investment holding.

To the best knowledge of the Directors, the Purchaser is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Shenzhen JinJia as at the date of this announcement. Its principal business is trading and investment holding of PRC companies which are packaging and printing companies. The principal business of Shenzhen Jinjia is cigarette-related packaging of cigarette paper box.

The Target Company is a company established in the PRC with limited liability on 20 November 2008 and was indirectly owned as to 51% by the Company since its establishment and as to 51% and 49% by the Vendor and Shenzhen Jinjia respectively as at the date of this announcement. Its principal business is manufacturing and sale of cigarette paper box. The registered capital of the Target Company is US$5,500,000.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Since the listing of the shares of the Company on the Stock Exchange in 2012, the Group has been making significant effort in expanding the Group's cigarette paper box business. The Group had explored new market for the cigarette paper box business of the Target Company and attempted to increase its market share in cigarette paper box business. However, when compared with Shenzhen Jinjia, which is a leading manufacturer of cigarette paper box in the PRC, the Group has weakness in terms of economies of scale in the cost of production. The Group faced difficulty in expanding its cigarette paper box business in this competitive market.

On the other hand, in view of an expected unaudited gain on the Disposal before taxation of approximately HK$376 million, which is calculated with reference to the Consideration less (i) 51% of the net asset value (after the deduction of proposed 2014 dividend) of the Target Company of approximately HK$36 million (unaudited) as at 31 December 2014; and (ii) the estimated transaction costs and expenses attributable to the Disposal, the Directors consider that the Disposal is in the interests of the Company and the Shareholders as a whole.

In view of the above, the Directors (including all independent non-executive Directors) are of the view that the transaction under the Equity Transfer Agreement is on normal commercial terms, the terms and conditions of the Equity Transfer Agreement are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

BUSINESS OF THE GROUP AFTER THE DISPOSAL

The Remaining Group has the same three business segments as the Group immediately before the Disposal, namely (i) cigarette-related packaging materials; (ii) non-cigarette-related packaging materials (being films for packaging non-cigarette-related products manufactured by the Group) and (iii) development of properties. Among the cigarette-related packaging material segment of the Remaining Group, there are only two products remaining which are (i) anti-counterfeiting film, and (ii) other cigarette film.

Financial information of the Remaining Business

Set out below is the scale of each of the business of the Remaining Group (the "**Remaining Businesses**") for the two years ended 31 December:

	Cigarette-related packaging materials (excluding cigarette paper boxes)	
	2013	**2014**
	(audited)	**(unaudited)**
	(HK$'000)	***(HK$'000)***
Total Assets	410,074	338,703
Total Liabilities	184,218	109,795
Net Asset Value	225,856	228,908
Net Current Assets/(Liabilities)	93,042	112,209
Turnover	296,903	315,921
Gross Profit	92,693	104,292
Net Profit	38,420	52,375

	Non cigarette-related packaging materials	
	2013	**2014**
	(audited)	**(unaudited)**
	(HK$'000)	***(HK$'000)***
Total Assets	175,510	156,598
Total Liabilities	104,129	89,549
Net Asset Value	71,381	67,049
Net Current Assets/(Liabilities)	(33,054)	(10,880)
Turnover	119,666	121,874
Gross Profit	12,568	17,034
Net Profit	1,830	2,414

	Development of properties	
	2013	**2014**
	(audited)	**(unaudited)**
	(HK$'000)	***(HK$'000)***
Total Assets	–	244,163
Total Liabilities	–	180,179
Net Asset Value	–	63,984
Net Current Assets/(Liabilities)	–	126,943
Turnover	–	–
Gross Profit	–	–
Net Profit	–	–

Set out below is the breakdown and details of the total assets and total liabilities of each of the Remaining Businesses for the two years ended 31 December:

	2013	2014
	Remaining Group	Remaining Group
	(unaudited)	(unaudited)
	(HK$'000)	*(HK$'000)*
Assets		
Reportable Segment Assets	519,943	739,464
Deferred tax assets	1,429	2,843
Other receivables	–	–
Consolidated total assets	521,372	742,307
Liabilities		
Reportable segment liabilities	288,347	379,523
Current Taxation	473	3,033
Deferred tax liability	389	1,115
Consolidated total liabilities	289,209	383,671

Set out below is the expected maturity date of liability of each of the Remaining Businesses for the two years ended 31 December:

	Total liabilities *(HK$'000)*	**Bank loan** *(HK$'000)*	**Finance lease** *(HK$'000)*	**Convertible bonds** *(HK$'000)*	**Trade & bill payable** *(HK$'000)*	**Others** *(HK$'000)*
2013 (audited)	289,209	220,213	1,083	–	36,415	31,498
Expected maturity date		Within 1 year	2-5 years	–	Within 1 year	Repayable on demand
2014 (unaudited)	383,671	211,273	878	700,000	50,852	50,668
Expected maturity date		Within 1 year	2-5 years	Within 3 years	Within 1 year	Repayable on demand

Business and prospects of the Remaining Businesses

(i). Cigarette-related packaging materials (excluding cigarette paper box)

Products and activities

The cigarette-related packaging material segment consists of the following products and business activities:

(1) Other cigarette film (self-manufactured)

(2) Anti-counterfeiting film

(3) Trading of imported BOPP film (cigarette-related) and polypropylene (cigarette-related)

(4) Trading of metalized film for lamination of cigarette box paper

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

Other cigarette films refer to the films for wrapping the cigarette paper boxes. The high gloss and clarity can make the cigarette paper boxes bright and smooth. Certain types of such films allow printing or further processing of laser surface and such processed films can serve anti-counterfeiting purpose. Turnover for other cigarette films for 2013 and 2014 were approximately HK$146.4 million and approximately HK$223.1 million (unaudited) respectively. The profit margin of other cigarette films for 2013 and the expected profit margin for 2014 were approximately 23.2% and 29.6% respectively. The Remaining Group has recorded an increase in turnover for other cigarette films in 2014. Since December 2014, a second BOPP film production line, which has 4,000 mt annual production capacity, has commenced production. The Remaining Group's maximum production capacity will be increased from approximately 13,000 mt to 17,000 mt. The Directors expect that the increase in production capacity will effectively lower the fixed cost per unit and therefore increase the segmental profit of cigarette-related business. The Remaining Group has obtained the qualification as an approved supplier of China Tobacco Guangxi Industrial Company ("**Guangxi Tobacco**") and China Tobacco Jiangxi Industrial Co. Ltd ("**Jiangxi Tobacco**") since 2012.

Anti-counterfeiting films refer to the films with unique features and are printed with special printing technique so that such products can achieve anti-counterfeiting and brand strengthening purposes. All anti-counterfeiting films are sold to China Tobacco Jiangsu Industrial Company Limited ("**Jiangsu Tobacco**") and the Remaining Group is the only supplier in the tobacco industry in the PRC for anti-counterfeiting film. Anti-counterfeiting films are usually printed with the logos of cigarette companies, special marks, designs and/or with precise coordinates of the printing which can match the design on cigarette paper box packing, and thus cannot be counterfeited easily.

In 2014, the turnover of anti-counterfeiting films had increased from approximately HK$72.3 million to approximately HK$92.9 million (unaudited) when compared to 2013. The sales volume recorded an increase of approximately 28.5% and the profit margin for 2013 and the expected profit margin for 2014 were approximately 43.3% and approximately 30.9% respectively.

In the future, leveraging on the capability of manufacturing anti-counterfeiting films with unique features and the leading position in Jiangsu province, the PRC, the Remaining Group intends to expand the client base by submitting tenders to other cigarette film customers which are currently not using anti-counterfeiting film and strive to be admitted as an approved supplier of new tobacco customers in other provinces.

The Remaining Group is engaged in the trading of imported films (cigarette-related) which are sourced from an independent overseas films supplier. The customers include tobacco companies and agents of tobacco companies. In 2014, the turnover of trading had decreased from approximately HK$78.3 million to approximately HK$30.9 million (unaudited) when compared to 2013. The profit margin for 2013 and the expected profit margin for 2014 were approximately 35.0% and approximately 51.4% respectively. Since only a few PRC tobacco companies are still using the imported films, the growth of trading in imported film is limited.

(ii). Non-cigarette-related packaging materials

Products and activities

Other film (self-manufactured) is the sole product from the non-cigarette related packaging material segment.

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

The films from the non-cigarette related packaging material segment have a wide-range of application and therefore a wide range of customers. Certain types of such films allow printing or further processing of laser surface and such processed films can serve anti-counterfeiting purpose. In the past, the Remaining Group had invented new film product which resulted in the growth of market share and the Remaining Group will continue to improve the quality of its product to enhance its strength to compete with other BOPP suppliers.

In 2014, the turnover of other films had decreased from approximately HK$119.7 million to approximately HK$90.9 million (unaudited) when compared to 2013. The profit margin for 2013 and the expected profit margin for 2014 were approximately 10.5% and approximately 11.0% respectively. The market of other films is very competitive and the profit is thin. The Remaining Group will strive to maximize its production capacity in the manufacturing of other films in the future.

Secured sales contract for 2015

There is no secured sales contract for non-cigarette related packaging business for 2015 as at the date of this announcement.

(iii). Development of properties

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

The Remaining Group has obtained a land use right which is located in Xuzhou, Jiangsu, the PRC with a site area of approximately 49,329 m^2 for commercial services use and for residential township uses. Xuzhou New Advantage Real Estate Development Co., Ltd.* (徐州新優勢房地產開發有限公司) plans to construct on the land residential buildings with apartments of an area of approximately 60,783 m^2 and houses of 29,812 m^2. The estimated prices of the pre-sales of the apartment and houses are approximately RMB6,200 per m^2 and RMB8,200 per m^2 respectively.

The property sector of PRC is strongly influenced by developments within the regulatory regime and administrative measures. The regulatory environments in the PRC have begun to relax as the property industry in the PRC transits towards a market-oriented system during recent years. There has been growth in the overall investment in the property market in the PRC. As such, the Directors hold a positive view of the PRC property market and the Remaining Group will seek for other land for development in the future.

Set out below is the status of the property project in Xuzhou, the PRC (the "**Property Project**") as at the date of this announcement:

1. Progress in respect of approvals and procedures

The Property Project has obtained the approval and reply for construction land (建設用地批覆), the certificate of land (土地証), the planning permit (規劃許可証) and completed the environmental impact report (環境影響報告), the fire audit for general layout plan (總平面圖消防審核), sunlight analysis (日照分析), the design and review of construction documents and the review of civil air defence (人民防空審查).

2. Progress in respect of construction work

The fundamental earth works (基礎土方工程) for various buildings have commenced.

3. Progress in respect of sales

The decoration works for the property sale office in the urban area have been completed.

Set out below are the targets of the Property Project in 2015:

1. Targets in respect of approvals and procedures

It is expected that the apartments under the Property Project will obtain the planning permit for construction works (工程規劃許可証) by the end of January 2015 and the construction permit (施工許可証) by the end of February 2015.

2. **Targets in respect of construction**

The construction work for all the buildings under the Property Project will commence in March 2015. It is expected that major construction work for the villas will be completed by the end of 2015.

3. **Targets in respect of sales**

For 2015, it is expected that the saleable area of the Property Project will be 50,000 m^2 with an expected sale price of RMB6,200 per m^2. For 2016, the expected saleable area of the Property Project will be 40,595 m^2 with the expected sale price of RMB7,600 per m^2.

Details of the manufacturing facilities of the Remaining Group

The Remaining Group has two manufacturing plants. The first manufacturing plant is located in No 367 Kehai Road, Cheng Yang District, Qingdao City, Shangdong Province, the PRC (the "**Ener Manufacturing Plant**"). The land use right of the premises on which the First Manufacturing Plant is situated is owned by Qingdao Ener Packaging Technology Co., Ltd.* (青島英諾包裝科技有限公司) ("**Qingdao Ener**"), an indirect subsidiary of the Company. The premises on which the Ener Manufacturing Plant is situated has a net floor area of 45,025.38 m^2.

The Ener Manufacturing Plant is used by Qingdao Ener for the manufacturing of other cigarette films and non-cigarette-related films.

The production capacity of the Ener Manufacturing Plant for 2014 was 13,000 mt. With the commencement of production of the second production line in late December 2014, the production capacity of the Ener Manufacturing Plant in 2015 will increase by 4,000 mt to 17,000 mt.

The second manufacturing plant of the Remaining Group is located in Huaian, the PRC (the "**Sheen Colour Manufacturing Plant**"). The premises on which the Sheen Colour Manufacturing Plant is situated is rented by Jiangsu Sheen Colour Science Technology Co., Ltd.* (江蘇金格潤科技有限公司) ("**Sheen Colour**") (an indirect subsidiary of the Company) from the Target Company. The premises on which the Sheen Colour Manufacturing Plant is situated has a total areas of 5,820 m^2 (including 5,050 m^2 of manufacturing plant and warehouse and 770 m^2 of ancillary office building and facilities).

The Sheen Colour Manufacturing Plant is used by Sheen Colour for the manufacturing of anti-counterfeiting films.

The production capacity of the Sheen Colour Manufacturing Plant for 2014 was 1,900 mt. It is expected that the production capacity of the Sheen Colour Manufacturing Plant will remain stable in 2015.

Details of material business contracts entered /to be entered by the Remaining Group

(1) Sheen Colour is the approved supplier of Jiangsu Tobacco. On 5 January 2015, Sheen Colour has won the bidding of Jiangsu Tobacco for 2015 for anti-counterfeiting films and expects to enter into a formal contract with Jiangsu Tobacco on the above bidding;

(2) Qingdao Ener, an indirect subsidiary of the Company, is a films producer with cigarette films and non-cigarette-related packaging materials. In the end of 2012, Qingdao Ener and Qingdao Justo Packaging Co., Ltd (青島嘉澤包裝有限公司) ("**Qingdao Justo**") (a company 30% of its equity interests are held indirectly by Shenzhen Jinjia) entered into an agreement, pursuant to which Qingdao Ener agreed to lease from Qingdao Justo its BOPP line with production capacity of 4,000 mt of cigarette films and Qingdao Justo agrees that Qingdao Ener will be the sole supplier of cigarette films to Qingdao Justo. The annual purchase amount of cigarette films by Qingdao Justo is 4,500 mt. In January 2015, Qingdao Ener and Qingdao Justo entered into a sales and purchase agreement, pursuant to which Qingdao Justo agreed to purchase cigarette films from Qingdao Ener for a term of 1 year;

(3) In July 2013, Qingdao Ener entered into an agreement with Guangxi Tobacco for a term of three years, pursuant to which Guangxi Tobacco agreed to purchase cigarette films (the amount to be determined by Guangxi Tobacco each month) from Qingdao Ener each year;

(4) In January 2014, Qingdao Ener entered into a sales and purchase agreement with Xiamen Xing Zhongda Packaging Material Company Limited* (夏門興中達包裝材料有限公司) ("**Xiamen Xing Zhongda**") (an independent third party) for a term of two years, pursuant to which Xiamen Xing Zhongda agreed to purchase 800 mt of cigarette films from Qingdao Ener per year;

(5) In December 2014, Qingdao Ener entered into a sales and purchase agreement with Jiangxi Tobacco, pursuant to which Jiangxi Tobacco agreed to purchase an aggregate of 594 mt of cigarette films from Qingdao Ener from December 2014 to December 2015.

In view of the above, the Directors consider that there is sufficient assets and operations of the Remaining Group after the Disposal.

Independence of the Remaining Businesses

Save as disclosed below, each of the Remaining Businesses is distinct and separately operated with the Target Company and does not have any reliance on the business of the Target Company:

(1) Jiangsu Kingtai Packaging Technology Co., Ltd.* (江蘇金泰包裝科技有限公司) ("**Kingtai**"), an indirect subsidiary of the Company, is the sole supplier of the Target Company to supply aluminium foil membrane (鋁箔薄膜) (used for the lamination process of the cigarette paper box). The unaudited sales and profit before tax of Kingtai for the year ended 31 December 2014 were approximately RMB22 million and RMB2 million respectively. The sales from Kingtai to the Target Company for the year ended 31 December 2014 represent 100% of the turnover of Kingtai in 2014. The Group intends to terminate the supplier relationship between Kingtai and the Target Company after the completion of the Disposal;

(2) Sheen Colour, an indirect subsidiary of the Company, has been renting from the Target Company premises of a total areas of 5,820 m^2 (including 5,050 m^2 of manufacturing plant and warehouse and 770 m^2 of ancillary office building and facilities) for a term to be expired on 5 March 2023 at an annual rental of RMB800,000. It is expected that Sheen Colour will continue renting the said premises from the Target Company under the same terms after the completion of the Disposal.

The Directors consider that the terms of the above transactions are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

As at the date of this announcement, the Company does not have further intention to dispose of or scale down any of its Remaining Business. Further, the Company does not have any other plan and is not in any negotiation for any other acquisition or disposal as at the date of this announcement.

FINANCIAL EFFECT OF THE DISPOSAL

It is expected that the Company will realise an unaudited gain on the Disposal before taxation of approximately HK$376 million, which is calculated with reference to the Consideration less (i) 51% of the net asset value (after the deduction of proposed 2014 dividend) of the Target Company of approximately HK$36 million (unaudited) as at 31 December 2014; and (ii) the estimated transaction costs and expenses attributable to the Disposal. The Disposal represents a disposal of asset which will give rise to an unaudited gain to the Remaining Group. The carrying value of the Target Company sold and the actual and estimated costs attributable to the Disposal will be charged to the Remaining Group's statement of profit or loss in arriving at the unaudited gain arising from the Disposal.

USE OF PROCEEDS

The Group intends to use the proceeds from the Disposal for (i) the repayment of loan; (ii) capital injection into Qingdao Ener, an indirect subsidiary of the Company, for its second production line which has commenced production since December 2014; (iii) acquisition of land use right for development of properties; and (iv) capture of any future investment opportunities.

IMPLICATIONS UNDER THE LISTING RULES

The Purchaser is a wholly-owned subsidiary of Shenzhen Jinjia, which holds the remaining 49% equity interest in the Target Company before the Disposal and thus a substantial shareholder and a connected person of the Group before the Disposal. The Purchaser is an associate of Shenzhen Jinjia and hence a connected person at the subsidiary level (as defined under the Listing Rules) of the Company under the Listing Rules. The Disposal therefore constitutes a connected transaction of the Company pursuant to Chapter 14A of 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.

None of the Directors has material interest in the Equity Transfer Agreement or is required to abstain from voting on the Board resolutions in relation to the approval of the Equity Transfer Agreement.

A circular containing, inter alia, further details about the Disposal and a notice convening the EGM is expected to be despatched to the Shareholders on or before 2 March 2015, which is more than 15 business days after the publication of this announcement, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

As the Disposal is subject to the fulfillment of the Conditions Precedent as set out in the Equity Transfer Agreement 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 16 January 2015 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 27 January 2015.

DEFINITIONS

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

"Board"	the board of Directors
"Completion"	the completion of the Disposal when the registration of transfer of the Sale Shares from the Vendor to the Purchaser with the administrative bureau for industry and commerce of the PRC is completed
"Conditions Precedents"	the conditions precedents to the Completion as set out in the Equity Transfer Agreement
"Directors"	the directors of the Company

"Disposal"	the proposed disposal of the 51% equity interest in the Target Company by the Vendor to the Purchaser in accordance with the terms of the Equity Transfer Agreement
"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 Equity Transfer Agreement and the transactions contemplated thereunder
"Equity Transfer Agreement"	the conditional equity transfer agreement dated 15 January 2015 entered into between the Vendor and the Purchaser in relation to the Disposal
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China which, for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Purchaser"	Chinese Hongkong International Tobacco Group Co., Limited (中華香港國際煙草集團有限公司), a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Shenzhen JinJia
"Remaining Group"	the Company and its subsidiaries immediately after Completion, without taking into account any proposed acquisitions or investments by the Company
"Sale Shares"	the 51% equity interest in the Target Company held by the Vendor as at the date of this announcement
"Shareholders"	holders of the Shares
"Shares"	ordinary shares of HK$0.01 each in the share capital of the Company
"Shenzhen Jinjia"	Shenzhen Jinjia Color Printing Group Co., Ltd. (深圳勁嘉彩印集團股份有限公司), a company established in the PRC with limited liability and the shares of which are listed on the Shenzhen Stock Exchange (stock number 002191) and holds 49% of the equity interest of the Target Company as at the date of this announcement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company" or "Jiangsu Shuntai"	Jiangsu Shuntai Packaging & Printing Science Technology Co., Ltd.* (江蘇順泰包裝印刷科技有限公司) and was owned as to 51% and 49% by the Vendor and Shenzhen Jinjia respectively as at the date of this announcement

"Vendor"	Sheen China Group Holdings Limited (順華集團控股有限公司), a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company as at the date of this announcement
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the PRC
"%"	per cent

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

Hong Kong, 26 January 2015

As at the date of this announcement, the executive Directors are Mr. Guo Yumin, Ms. Xia Yu, Mr. Zeng Xiangyang, Mr. Huang Bo and Mr. Bau Siu Fung and the independent non-executive Directors are Ms. Fan Qing, Mr. Fong Wo, Felix, and Mr. Lo Wa Kei, Roy.

** For identification purpose only*