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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

GROUP FINANCIAL HIGHLIGHT
for the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	2012	2011
	$'000	*$'000*
Turnover	**699,555**	674,983
Gross profit	**254,522**	246,637
Profit before taxation	**170,381**	193,209
Profit attributable to:		
Equity shareholders of the Company	**70,076**	81,426
Earnings per share		
Basic and diluted (HKD)	**0.17**	0.20
Cash and cash equivalents	**79,180**	63,013
Net assets	**394,533**	390,803
Total assets	**790,131**	829,317

RESULTS

The board (the "Board") of directors (the "Directors") of Sheen Tai Holdings Group Company Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2012, with the comparative figures for the year ended 31 December 2011, as follows:

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Note	**2012**	2011
		$'000	*$'000*
Turnover	*5*	**699,555**	674,983
Cost of sales		**(445,033)**	(428,346)
Gross profit		**254,522**	246,637
Other revenue and net income	*6*	**16,188**	26,003
Distribution costs		**(11,941)**	(17,642)
Administrative expenses		**(66,459)**	(43,169)
Other operating expenses		**(844)**	(17)
Profit from operations		**191,466**	211,812
Finance costs	*7(a)*	**(21,085)**	(18,603)
Profit before taxation	*7*	**170,381**	193,209
Income tax	*8(a)*	**(46,453)**	(52,453)
Profit for the year		**123,928**	140,756
Attributable to:			
Equity shareholders of the Company		**70,076**	81,426
Non-controlling interests		**53,852**	59,330
Profit for the year		**123,928**	140,756
Earnings per share			
Basic and diluted (HKD)	*9*	**0.17**	0.20

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Note	**2012**	2011
		$'000	*$'000*
Profit for the year		**123,928**	140,756
Other comprehensive income for the year			
Exchange differences on translation of financial information of subsidiaries		**2,602**	15,557
Total comprehensive income for the year		**126,530**	156,313
Attributable to:			
Equity shareholders of the Company		**72,634**	83,895
Non-controlling interests		**53,896**	72,418
Total comprehensive income for the year		**126,530**	156,313

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2012
(Expressed in Hong Kong dollars)

	Note	2012 $'000	2011 $'000
Non-current assets			
Fixed assets			
– Property, plant and equipment		**335,287**	340,790
– Interests in leasehold land held for own use under operating lease		**44,442**	45,420
Intangible assets		**169**	222
Deferred tax assets		**2,317**	1,900
		382,215	388,332
Current assets			
Inventories		**105,579**	120,254
Trade and other receivables	*11*	**223,157**	257,718
Cash and cash equivalents		**79,180**	63,013
		407,916	440,985
Current liabilities			
Trade and other payables	*12*	**70,439**	113,103
Bank loans	*13*	**277,504**	154,188
Current taxation		**19,676**	18,938
		367,619	286,229
Net current assets		**40,297**	154,756
Total assets less current liabilities		**422,512**	543,088
Non-current liabilities			
Bank loans	*13*	**24,667**	146,787
Deferred tax liabilities		**2,272**	5,498
Deferred government grant		**1,040**	–
		27,979	152,285
NET ASSETS		**394,533**	390,803

	Note	2012	2011
		$’000	*$’000*
CAPITAL AND RESERVES			
Share capital/capital		**4,150**	69,318
Reserves		**329,355**	171,858
Total equity attributable to equity shareholders of the Company		**333,505**	241,176
Non-controlling interests		**61,028**	149,627
TOTAL EQUITY		**394,533**	390,803

1 GENERAL INFORMATION AND GROUP REORGANISATION

Sheen Tai Holdings Group Company Limited (the "Company") was incorporated in the Cayman Islands on 24 February 2012 and registered as an exempted company with limited liability under Companies law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries hereinafter are collectively referred to as the "Group".

Pursuant to a group reorganisation completed on 21 June 2012 (the "Reorganisation") to rationalise the group structure in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 29 June 2012 (the "Prospectus"). The Company's shares were first listed on the Stock Exchange on 13 July 2012.

The companies that took part in the Reorganisation now comprising the Group were controlled by an ultimate equity shareholder, Mr. Guo Yumin (the "Controlling Shareholder") before and after the Reorganisation. The control is not transitory and, consequently there was a continuation of the risks and benefits to the Controlling Shareholder and, therefore, the Reorganisation is considered as a business combination under common control. The consolidated financial statements have been prepared using the merger basis of accounting as if the Group had always been in existence. The net assets of the companies now comprising the Group are consolidated using the existing book values from the Controlling Shareholder's perspective.

The consolidated financial statements relating to the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group include the results of operations of the companies now comprising the Group for the years presented (or since the dates of their respective dates of incorporation/establishment where this is a shorter period) as if the current group structure had been in existence throughout the years presented. The consolidated statement of financial position of the Group as at 31 December 2011 as set out in financial report has been prepared to present the state of affairs of the companies now comprising the Group as at that date as if the current group structure had been in existence as at that date.

All material intra-group transactions and balances have been eliminated in preparing the consolidated financial statements.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. None of the developments are relevant to the Group's financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2012 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 11, *Joint arrangements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013
HKAS 27, *Separate financial statements (2011)*	1 January 2013
HKAS 28, *Investments in associates and joint ventures*	1 January 2013
Revised HKAS 19, *Employee benefits*	1 January 2013
Annual improvements to HKFRSs 2009-2011 Cycle	1 January 2013
Amendments to HKFRS 7, *Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities*	1 January 2013
Amendments to HKAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014
HKFRS 9, *Financial instruments*	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

5 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the Group are manufacturing and supply of cigarette packaging materials in the PRC.

Turnover represents the sales value of goods sold less returns, discounts and value added taxes and other sales taxes. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2012		2011	
	$'000	***%***	*$'000*	*%*
Manufacturing and sales of cigarette-related packaging materials				
– Cigarette paper boxes	**286,834**	**41.0**	267,953	39.7
– Anti-counterfeiting films	**74,783**	**10.7**	84,791	12.6
– Other cigarette films	**148,606**	**21.2**	111,785	16.6
Sub-total	**510,223**	**72.9**	464,529	68.9
Trading of imported films	**62,026**	**8.9**	55,017	8.1
Manufacturing and sales of non-cigarette-related packaging materials	**127,306**	**18.2**	155,437	23.0
Total	**699,555**	**100.0**	674,983	100.0

For the year ended 31 December 2012, there were 2 (2011: 2) customers with whom transactions have exceeded 10% of the Group's revenues. Revenues from sales of cigarette packages and films to these customers, including sales to entities which are known to the Group to be under common control with these customers (i.e. the sales to different customers are viewed as a single customer if the relevant sales were made to various customers under common control), amounted to approximately HK$479,914,000, and HK$507,816,000 for the years ended 31 December 2011 and 2012 respectively.

Further details regarding the Group's principal activities are disclosed as below:

(b) Segment reporting

The Group manages its businesses by divisions, which are consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments.

- Cigarette related products: this segment sales and manufactures cigarette packages and cigarette packaging films; and

- Other products: this segment sales and manufactures other marketing films (e.g. films for packing straws, food, cassettes and that for stationery tapes)

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets. Segment liabilities include trade creditors, accruals and bills payable attributable to the manufacturing and sales activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2012 and 2011 is set out below.

	Cigarette related packaging materials		**Non-cigarette related packaging materials**		**Total**	
	2012	2011	**2012**	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**572,249**	519,546	**127,306**	155,437	**699,555**	674,983
Reportable segment revenue	**572,249**	519,546	**127,306**	155,437	**699,555**	674,983
Reportable segment gross profit	**238,195**	226,199	**16,327**	20,438	**254,522**	246,637
Reportable segment profit before taxation	**167,406**	185,557	**2,975**	7,652	**170,381**	193,209
Interest income from bank deposits	**294**	396	**46**	37	**340**	433
Interest expense	**15,047**	12,209	**6,038**	6,394	**21,085**	18,603
Depreciation and amortisation for the year	**23,976**	19,192	**7,940**	9,635	**31,916**	28,827
Reportable segment assets	**590,531**	577,902	**196,887**	250,425	**787,418**	828,327
Additions to non- current segment assets during the year	**24,913**	38,055	**2,801**	874	**27,714**	38,929
Reportable segment liabilities	**263,070**	274,214	**132,330**	162,767	**395,400**	436,981

(ii) ***Reconciliations of reportable segment revenues, profit or loss, assets and liabilities***

	2012	2011
	$'000	*$'000*
Assets		
Reportable segment assets	**787,418**	828,327
Deferred tax assets	**441**	726
Other receivables	**2,272**	264
Consolidated total assets	**790,131**	829,317
Liabilities		
Reportable segment liabilities	**395,400**	436,981
Deferred tax liability	**198**	1,533
Consolidated total liabilities	**395,598**	438,514

(iii) ***Geographic information***

No geographic information is shown as the turnover and profit from operations of the Group are derived from its activities in the PRC.

6 OTHER REVENUE AND NET INCOME

(a) Other revenue

	2012	2011
	$'000	*$'000*
Interest income	**340**	433
Government grants	**381**	6,624
	721	7,057

(b) Other net income

	2012	2011
	$'000	*$'000*
Net foreign exchange gain	**553**	545
Sales of scrap materials	**11,859**	10,298
Sales of raw materials	**22**	2,261
Others	**3,033**	5,842
	15,467	18,946

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2012	2011
	$'000	*$'000*
(a) Finance costs:		
Interest on bank borrowings wholly repayable within five years	**21,085**	18,603

	2012	2011
	$'000	*$'000*
(b) Staff costs:		
Contributions to defined contributions retirement plan	**3,460**	2,989
Equity-settled share-based payment expenses	**398**	–
Salaries, wages and other benefits	**43,381**	33,625
	47,239	36,614
(c) Other items:		
Amortisation of intangible assets	**52**	63
Auditors' remuneration	**2,906**	1,423
Cost of inventories#	**445,033**	428,346
Depreciation and amortisation of fixed assets	**31,864**	28,764
Net foreign exchange gain	**(533)**	(545)
Operating lease charges	**1,254**	1,562
Net loss of sale of fixed assets	**844**	–

\# Cost of inventories includes $46,031,000 (2011: $43,005,000) relating to staff costs, depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above or in note 7(b) for each of these types of expenses.

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2012	2011
	$'000	*$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**6,275**	4,324
Current tax – PRC income tax		
Provision for the year	**43,822**	45,992
Deferred tax		
Origination and reversal of temporary differences	**(3,644)**	2,137
	46,453	52,453

(i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in these jurisdictions.

(ii) The provision for Hong Kong Profits Tax for the years ended 31 December 2011 and 2012 is calculated at 16.5%. The payments of dividends by the Group companies incorporated in Hong Kong are not subject to withholding tax.

(iii) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("New Tax Law") which became effective on 1 January 2008 and the PRC's statutory Corporate Income Tax rate is 25%.

The New Tax Law and its relevant regulations provide for a five-year transition period from 1 January 2008 for those companies which were entitled to preferential tax rates under the effective tax laws and regulations. The transitional tax rates are 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012 onwards, respectively.

(iv) According to the New Tax Law and its implementation rules, dividends receivable by non-PRC-resident corporate investors from PRC-resident enterprises are subject to withholding tax at 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. Under the tax arrangement between the Mainland of China and Hong Kong Special Administrative Region and the relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds a 25% equity interest or more of a PRC enterprise is entitled to a reduced withholding tax rate of 5%.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2012	2011
	$'000	*$'000*
Profit before taxation	**170,381**	193,209
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**40,340**	47,704
Tax effect of the preferential tax rates	**–**	(288)
Tax effect of non-deductible expenses	**1,144**	613
PRC dividends withholding tax	**4,969**	4,424
Actual tax expense	**46,453**	52,453

9 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of HK$70,076,000 (2011: HK$81,426,000) and the weighted average of 415,000,000 shares (2011: 415,000,000) in issue during the year.

The weighted average number of shares in issue during the years ended 31 December 2012 and 2011was based on the assumptions that the 415,000,000 shares before the listing of shares on the Stock Exchange were in issue, as if such shares had been outstanding throughout the years ended 31 December 2012 and 2011.

There were no diluted potential ordinary shares throughout the years and therefore, diluted earnings per share are the same as the basic earnings per share.

10 DIVIDENDS

No dividends have been declared or paid by the Company since its incorporation.

Dividends for the years ended 31 December 2012 and 2011 represented dividends declared by Sheen China Group Holdings, Inc., Qingdao Ener Packaging Technology Co., Ltd. and Jiangsu Shuntai Packaging & Printing Science Technology Co., Ltd..

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

11 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*
Trade and bills receivable	**189,267**	213,422	**–**	–
Deposits, prepayments and other receivables				
– related parties	**–**	2,467	**–**	–
– third parties	**33,890**	12,817	**267**	–
Amount due from subsidiaries	**–**	–	**121,690**	–
Amount due from the Controlling Shareholder				
– Mr Guo Yumin	**–**	29,012	**–**	–
	223,157	257,718	**121,957**	–

All of the other trade and other receivables (including amounts due from subsidiaries), are expected to be recovered or recognised as expense within one year

(a) Ageing analysis:

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	Group			
	2012	**2012**	2011	2011
	Trade receivable	***Bills receivable***	*Trade receivable*	*Bills receivable*
	$'000	***$'000***	*$'000*	*$'000*
Less than 30 days	**96,255**	**1,778**	129,931	4,179
31 – 90 days	**37,865**	**8,632**	62,099	4,073
91 – 180 days	**36,423**	**1,222**	4,902	3,486
181 – 365 days	**3,532**	**–**	3,044	295
Over 365 days	**3,560**	**–**	1,413	–
	177,635	**11,632**	201,389	12,033

Trade and bills receivable are due within 30 to 180 days from the invoice date.

(b) Trade and bills receivable that are not impaired:

	Group	
	2012	2011
	$'000	*$'000*
Current	**141,975**	193,356
Less than 1 month past due	**8,407**	7,136
1 to 3 months past due	**31,683**	4,864
More than 3 months past due	**7,202**	8,066
Amount past due	**47,292**	20,066
	189,267	213,422

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history default.

The trade and bills receivable as of each period end were not impaired. Receivables that were past due but not impaired relate to the trade balance with a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balance are still considered fully recoverable.

(c) Trade and other receivables pledged for banking facilities:

As at 31 December 2012, trade receivables with net book value of HK$57,673,000 (2011: nil) are pledged as security against bank loans of certain subsidiaries (see note 13).

12 TRADE AND OTHER PAYABLES

	Group		**Company**	
	2012	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*
Trade and bills payable	**40,288**	52,164	**–**	–
Other payables and accruals	**29,633**	48,353	**92**	–
Amount due to the Controlling Shareholder – Mr. Guo Yumin	**518**	12,586	**–**	–
	70,439	113,103	**92**	–

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	Group			
	2012		2011	
	Trade payable	***Bills payable***	*Trade payable*	*Bills payable*
	$'000	***$'000***	*$'000*	*$'000*
Due within 1 month or on demand	**22,170**	**4,933**	44,904	–
Due after 1 month but within 3 months	**7,026**	**4,933**	273	–
Due after 3 months but within 6 months	**670**	**–**	6,822	–
Due more than 6 months	**556**	**–**	165	–
	30,422	**9,866**	52,164	–

13 BANK LOANS

At 31 December 2011 and 2012, the bank loans were repayable as follows:

	2012	2011
	$'000	*$'000*
Within 1 year or on demand	**277,504**	154,188
After 1 year but within 2 years	**24,667**	–
After 2 years but within 5 years	**–**	146,787
	24,667	146,787
	302,171	300,975

	2012	2011
	$'000	*$'000*
Representing:		
Secured	**277,504**	276,304
Unsecured	**24,667**	24,671
	302,171	300,975

At 31 December 2011 and 2012, the banking facilities of the Group totalling $300,975,000 and $351,505,000 respectively were utilised to the extent of $300,975,000 and $302,171,000 respectively. Certain bank loans were secured by assets of the Group as set out below:

	2012	2011
	$'000	*$'000*
Fixed assets	**289,802**	275,182
Trade receivable	**57,673**	–
	347,475	275,182

Certain banking facilities of the Group were guaranteed by the related companies.

All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2012, none of the covenants relating to drawn down facilities had been breached (2011: nil).

14 CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital with reference to its debt position. The Group's strategy was to maintain the equity and debt in a balanced position and ensure that there was adequate working capital to service its debt obligations. The Group's gearing ratio, being the Group's net debt over its shareholder's equity as at 31 December 2011 and 2012 was 99% and 67% respectively.

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements in the current and prior years.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group is a packaging materials manufacturer and supplier with a leading position in Jiangsu Province, the People's Republic of China (the "PRC" or "China"), focusing on developing, promoting and sales of imported films, self-manufactured films and cigarette paper boxes. The Group's products can be broadly classified into three categories, namely, (i) cigarette-related packaging materials (comprising cigarette paper boxes, anti-counterfeiting films and other cigarette films manufactured by the Group); (ii) imported films; and (iii) non-cigarette-related packaging materials (being films for packaging non-cigarette-related products manufactured by the Group). The Group has made sales to (i) cigarette manufacturers; (ii) other customers of cigarette films; and (iii) customers of non-cigarette-related packaging materials. The Group has two factories, namely the Shuntai Factory, located in Huai'an City in Jiangsu Province, accommodating production facilities for (i) the printing and manufacturing of cigarette paper boxes; and (ii) the printing of anti-counterfeiting films, and the Ener Factory, located in Qingdao City in Shandong Province, accommodating production facilities for the manufacturing of films.

Despite the volatile financial markets and uncertain recovery trends in Europe, the growth in production cost and the rate of inflation appear to be slowing down in China in 2012. The economy in China has continued to grow steadily in 2012 and it has accelerated the urbanization process in China which increased the percentage of Chinese population with growing disposable income. During the year ended 31 December 2012, the PRC government has taken proactive measures to uphold its growth target and the impact of these government measures remains to be seen. The Group will continuously implement tight cost control measures, stringent quality management and competitive strategy to explore new markets in other provinces.

Results of Operation

Turnover

The Group's turnover represents the sales value of goods sold less returns, discounts and value added taxes and other sales taxes and which are principally derived from the manufacturing and trading of cigarette-related and non-cigarette related packaging materials. The Group reported turnover of approximately HK$699.6 million for the year ended 31 December 2012, an increase of approximately 3.6% compared to approximately HK$675.0 million for the year ended 31 December 2011. The increase in turnover is attributable not only to the continued strategic efforts made in developing the customer base in other provinces, but also the Group's renowned strength in producing delicate packaging product which further reflects that the business strategy adopted by the Group is appropriate.

Manufacturing and sale of cigarette-related packaging materials

The increase in turnover from cigarette-related packaging materials by approximately 10.1% to approximately HK$572.2 million (2011: approximately HK$519.5 million) was mainly contributed by (i) the growth in sales of the Group's cigarette paper boxes by approximately 7.0%, from approximately HK$268.0 million for the year ended 31 December 2011 to approximately HK$286.8 million for the year ended 31 December 2012, primarily as a result of the increase in demand from the Group's customer of cigarette paper boxes; (ii) the increase in sales of the Group's other cigarette films by approximately 32.9%, from approximately HK$111.8 million for the year ended 31 December 2011 to approximately HK$148.6 million for the year ended 31 December 2012, primarily due to one of the Group's key customers of other cigarette films has purchased more products from the Group and the Group is its sole supplier for other cigarette films after the termination of its BOPP film production line.

The increase was partially offset by the decrease in the sales of anti-counterfeiting films by approximately 11.8%, from HK$84.8 million for the year ended 31 December 2011 to approximately HK$74.8 million for the year ended 31 December 2012, primarily due to the delay of purchase orders from the Group's major customer of anti-counterfeiting films as a result of their internal machinery renewal during the first half year of 2012. The demand of anti-counterfeiting films of the Group's major customer has recovered in the second half of 2012.

Trading of imported films

Revenue from the Group's trading of imported films increased by approximately HK$7.0 million, or approximately 12.7%, from approximately HK$55.0 million for the year ended 31 December 2011 to approximately HK$62.0 million for the year ended 31 December 2012. The revenue has increased gradually after the Company's indirect wholly-owned subsidiary, Ling Xian Fei Yu Import & Export (Shenzhen) Co., Ltd. ("Ling Xian Fei Yu"), has taken over all trading activities of imported films from the Group's agents after obtaining the approved supplier status for supplying imported films to particular cigarette manufacturer.

Manufacturing and sale of non-cigarette-related packaging materials

Revenue from the Group's manufacturing and sale of non-cigarette-related packaging materials decreased by approximately HK$28.1 million, or approximately 18.1%, from approximately HK$155.4 million for the year ended 31 December 2011 to approximately HK$127.3 million for the year ended 31 December 2012. The decrease was consistent with the Group's production and sales plan to adjust the Group's sales mix by switching the manufacturing and sale of BOPP films from non-cigarette-related packaging BOPP films to other cigarette BOPP films with a higher gross profit margin.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK$7.9 million, or approximately 3.2%, from approximately HK$246.6 million for the year ended 31 December 2011 to approximately HK$254.5 million for the year ended 31 December 2012. The Group's gross profit margin remained stable at approximately 36.4% for the year ended 31 December 2012 when compared to approximately 36.5% for the year ended 31 December 2011.

Other revenue

The Group's other revenue recorded a decrease of approximately HK$6.4 million, or approximately 90.1%, when compared with 2011. The decrease was a result of the decrease of government grant in 2012.

Selling and distribution expenses

The Group's distribution costs decreased by approximately HK$5.7 million, or approximately 32.4%, from approximately HK$17.6 million for the year ended 31 December 2011 to approximately HK$11.9 million for the year ended 31 December 2012, primarily due to the decrease of commission paid to the Group's former related companies for handling of import and export matters of the Group (2012: Nil, 2011: approximately HK$6.6 million). The Group's subsidiary, Ling Xian Fei Yu, has been designated as the import and export arm of the Group thereafter. The decrease was partially offset by the increase of transportation expenses generated by the boost of sales of the other cigarette films to distant provinces in 2012 when compared to that in 2011.

Administrative expenses

The Group's administrative expenses increased by approximately HK$23.3 million, or approximately 53.9%, from approximately HK$43.2 million for the year ended 31 December 2011 to approximately HK$66.5 million for the year ended 31 December 2012, primarily attributable to the one-off listing expenses charged to profit or loss (2012: HK$10.1 million, 2011: HK$4.0 million) and the increase in salary levels for senior administrative staff recruited for the expansion of the Group's operation and compliance matters after the listing of the Group.

Finance costs

The Group's finance costs increased by approximately 13.4% from approximately HK$18.6 million for the year ended 31 December 2011 to approximately HK$21.1 million for the year ended 31 December 2012, primarily due to increase in average bank loan balances over the year of 2012 as a result of the continuous expansion of business operation and production volume.

Income tax

The Group's income tax decreased by approximately HK$6.0 million from approximately HK$52.5 million for the year ended 31 December 2011 to approximately HK$46.5 million for the year ended 31 December 2012, primarily due to the reversal of deferred liabilities on withholding tax in respect of dividend paid by the Group's PRC subsidiaries. This also led to the decrease in effective tax rate when compared with that of 2011 for the year ended 31 December 2012.

Profit attributable to equity holders of the Company

As a result of the foregoing factors, profit attributable to equity holders of the Company for the year ended 31 December 2011 decreased by approximately 13.9% from approximately HK$81.4 million to approximately HK$70.1 million for the year ended 31 December 2012.

Liquidity and Financial Resources

As at 31 December 2012, the cash and cash equivalent of the Group amounted to approximately HK$79.2 million denominated in HKD, RMB, USD compared with approximately HK$63.0 million as at 31 December 2011. Such increase was mainly due to the cash inflow of operating activities and proceeds raised by the listing of the Company offset by the cash outflow of investing and financing activities.

For the year ended 31 December 2012, the Group's net cash inflow of operating activities, net cash outflow of investing activities and net cash outflow of financing activities amounted to approximately HK$151.9 million, approximately HK$77.1 million and approximately HK$58.6 million respectively. The Group primarily uses cash inflow of operating activities and banking facilities to satisfy the requirement of working capital.

Borrowings and gearing ratio

Total interest-bearing borrowings of the Group as at 31 December 2012 was approximately HK$302.2 million denominated in RMB, among which, approximately HK$37 million are at fixed interest rate. Borrowing with fixed interest rate has accounted for 12% of total borrowings. The Group's gearing ratio, measured by net debt divided by shareholders' equity as at the end of the year and multiplied by 100%, decreased from 99% as at 31 December 2011 to 67% as at 31 December 2012. It was primarily due to the increase in shareholders' equity as a result of the completion of the initial public offering of the shares of the Company on 13 July 2012.

Exposure to fluctuations in exchange rate

The Group is exposed to currency risk primarily through sales and purchases made by the PRC subsidiaries which give rise to receivables, payables, cash balances and bank loans that are denominated in US dollars. Presently, the Group has no hedging policy with respect to the foreign exchange exposure.

As the functional currencies for all subsidiaries in the PRC are RMB, these subsidiaries do not expose to any currency risk due to the exchange rate movement of RMB. For subsidiaries established outside of the PRC, they have no material financial assets and liabilities denominated in RMB. Accordingly, the Group's exposure to RMB currency risk is insignificant.

Capital expenditure

During the year ended 31 December 2012, the Group's total capital expenditure amounted to approximately HK$27.7 million (2011: approximately HK$20.3 million), which was used in the acquisition of property, plant and equipment.

Charge on assets

As at 31 December 2012, the Group pledged its lease prepayments, machinery and building held for own use with net book value of approximately HK$289.8 million (31 December 2011: approximately HK$275.2 million) and trade receivable of approximately HK$57.7 million (31 December 2011: Nil) for the purpose of securing loans with carrying value of approximately HK$277.5 million (31 December 2011: approximately HK$276.3 million).

Significant investment and material acquisitions

On 13 March 2012, an equity transfer agreement was entered into by Sheen China (Hong Kong) Limited ("Sheen HK"), a member of the Group, with Qingdao Beizhou Group Co., Ltd. to acquire the remaining 30% equity interest in Qingdao Ener Packaging Technology Co., Ltd at a consideration of RMB39.6 million. The said transfer was approved by the Bureau of Economic Development of the Qingdao National High-tech Industrial Development Zone on 3 May 2012 and the consideration was paid on 24 September 2012.

Pursuant to the group reorganisation (the "Reorganisation") in preparation of the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group formed after completion of the Reorganisation. Details of the Reorganisation are set out in the paragraph headed "Corporate reorganisation" in Appendix V "Statutory and General Information" to the prospectus dated 29 June 2012 issued by the Company (the "Prospectus").

Jiangsu Shuntai Packaging & Printing Science Technology Co., Ltd. (an indirect 51% owned subsidiary of the Company) ("Jiangsu Shuntai") and Ling Xian Fei Yu entered into an equity transfer agreement dated 28 August 2012, pursuant to which Ling Xian Fei Yu agreed to acquire 65% equity interest of Jiangsu Sheen Colour Science Technology Co., Ltd. ("Jiangsu Sheen Colour") from Jiangsu Shuntai for cash consideration of RMB17,209,700 (equivalent to approximately HK$20,987,000). The remaining 35% equity interest of Jiangsu Sheen Colour is owned by Sheen HK (an indirect wholly-owned subsidiary of the Company). Accordingly, Jiangsu Sheen Colour became an indirect wholly-owned subsidiary of the Group after the completion of the aforesaid transaction on 13 September 2012. For further details, please refer to the announcement of the Company dated 28 August 2012.

Post Balance Sheet Event

On 11 January 2013, subsequent to the year ended 31 December 2012, Jiangsu Sheen Colour and Huaian Hetai Investment Co. Ltd., a third party, has set up a new subsidiary, with equity interests of 70% and 30% respectively. The subsidiary named Jiangsu Kingtai Packaging Technology Co., Ltd is principally engaged in manufacturing and trading of aluminium foil films for cigarette packaging.

Continuing Connected Transactions in 2013

On 28 February 2013, Qingdao Ener Packaging Technology Co., Ltd. ("Qingdao Ener") (an indirect wholly-owned subsidiary of the Company) entered into a written agreement (the "Agreement") with Qingdao Justo Packaging Co., Ltd. ("Qingdao Justo"), pursuant to which Qingdao Justo purchased approximately 141 tonnes of cigarette films from Qingdao Ener with a total consideration of RMB3,188,344.48.

Qingdao Ener had been selling cigarette films to Qingdao Ener since 2000. The entering into of the Agreement by the Group to sell cigarette films is to continue the business relationship between Qingdao Ener and Qingdao Justo. The Directors (including the independent non-executive Directors) consider that the Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and are on normal commercial terms after arm's length negotiation, and consider that the transaction contemplated thereunder are fair and reasonable and in the interests of the Company and the shareholders of the Company (the "Shareholders") as a whole.

To the best knowledge of the Directors and after making reasonable enquiry, the equity interests of Qingdao Justo are owned indirectly as to 30% by Shenzhen Jinjia Color Printing Group Co., Ltd. ("Shenzhen Jinjia"), while Shenzhen Jinjia also holds 49% equity interests in Jiangsu Shuntai (an indirect 51% owned subsidiary of the Company). Qingdao Justo is hence an associate of Shenzhen Jinjia and thus a connected person of the Company under the Listing Rules. The transaction amount contemplated under the Agreement, when aggregated with the past transaction amount for the sale of cigarette films by Qingdao Ener to Qingdao Justo from 1 January 2013, constituted a continuing connected transaction subject to reporting, announcement and annual review requirements, but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For further details, please refer to the announcement of the Company dated 28 February 2013.

Contingent liabilities

At 31 December 2012, the Group did not have any significant contingent liabilities (31 December 2011: Nil).

Use of net proceeds from the Company's initial public offering

On 13 July 2012 (the "Listing Date"), the ordinary shares of the Company with a nominal value of HK$0.01 each (the "Shares") were first listed on the Stock Exchange following the completion of its initial public offering. 100,000,000 Shares were issued at a price of HK$1.2 per share under the initial public offering. On 3 August 2012, the over-allotment option has been exercised by the sole bookrunner in full. Under the over-allotment option, an aggregate of 15,000,000 Shares, representing 15% of the Shares initially being offered under the initial public offering before any exercise of the over-allotment option, have been allotted and issued by the Company at HK$1.20 per Share. The aggregated net proceeds from the initial public offering was HK$110,557,000.

As at 31 December 2012, net proceeds of accumulated approximately HK$99.65 million has been applied on strategic acquisition, repayment of a bank loan, expansion of market share, strengthening product development, enhancing quality management and working capital, and the remaining of the net proceeds has been deposited into banks which are intended to be applied in accordance with the proposed application set out in the "Use of proceeds" section in the Prospectus.

Human Resources

As at 31 December 2012, the Group employed 395 employees (as compared with 411 employees as at 31 December 2011) with total staff cost of approximately HK$47.2 million incurred for the year ended 31 December 2012 (as compared with approximately HK$36.6 million for the year ended 31 December 2011). The Group's remuneration packages are generally structured with reference to market terms and individual merits. The Company has also adopted a pre-IPO share option scheme and a share option scheme to provide incentive and reward to high-calibre employees and attract human resources that are valuable to the Group, details of which are set out in Appendix V "Statutory and General Information" to the Prospectus.

Prospects

With over eight months since the listing of the Shares on the Stock Exchange in July 2012, the Company has completed most of the proposed future plans as discussed in the Prospectus. They included:

(i) the payment for an acquisition of the remaining 30% equity interest in the Group's subsidiary, Qingdao Ener,

(ii) the repayment of a bank loan,

(iii) market expansion, and

(iv) product development and enhancement of quality management.

In addition, the Group has acquired the remaining 31.85% effective interest in the Group's subsidiary, Jiangsu Sheen Colour in 2012.

Going forward, the Group will continue to capture the growth potential and promote the Group's products in Jiangsu province. Meanwhile, the Group will continue to explore new business opportunities for existing products in other provinces so as to promote a diversified quality customer base by implementing strategic initiatives and enhancing marketing efforts. In addition, to cope with the rising cost of raw materials, the Group will strive to further tighten control over its operating expenses and streamline the production processes. The Group will continue to grow market share with its major customers while broadening customer mix in the PRC market. Further capital will be invested in enhancing the Group's product development and capabilities. Besides, there will be attractive opportunities for cigarette-related packaging industry during the market consolidation driven by the government policies and the Group will seek opportunities to acquire other cigarette-related manufacturers, through selective acquisitions, joint ventures and/or other strategic investments.

CORPORATE GOVERNANCE

The Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Directors continuously observe the principles of good corporate governance in the interests of Shareholders and devote considerable effort to identifying and formalizing best practice.

The Group's corporate governance practices are based on the principles and the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Board considered that the Company had complied with the code provisions of the Code from the Listing Date up to the date of this announcement, except for the deviation from code provisions A.2.1 and A.1.8 of the Code as stated below.

Code Provision A.2.1

Under code provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the period from the Listing Date to 31 December 2012, the Company only had Mr. Guo Yumin as the Chairman of the Board but did not have a separate position of an officer who performed the role of chief executive of the Company. This deviated from code provision A.2.1 of the Code.

Mr. Guo Yumin, who acted as the chairman of the Board and the executive Director, was also responsible for overall management and formulation of business strategy of the Group. The Board would meet regularly to consider major matters affecting the operations of the Group. The Board considered that this structure would not impair the balance of power and authority between the Board and the management of the Group. The roles of the respective executive Directors and senior management who were in charge of different functions complemented the role of the chairman and chief executive. The Board believed that this structure was conducive to strong and consistent leadership enabling the Group to operate efficiently.

The Company understands the importance to comply with the code provision A.2.1 of the Code and had appointed Mr. Zeng Xiangyang to be the executive Director and the President of the Company with effect from 1 January 2013. As President of the Company, Mr. Zeng Xiangyang would perform the role of chief executive of the Company. With Mr. Guo Yumin as the chairman of the Company and Mr. Zeng Xiangyang as the President of the Company, the Company had complied with code provision A.2.1 of the Code starting from 1 January 2013. The division of responsibilities between chairman and the chief executive has been clearly established and set out in writing.

Code Provision A.1.8

Under the code provision A.1.8 of the Code, an issuer should arrange appropriate insurance cover in respect of legal action against its Directors. With regular and timely communications among the Directors and the management of the Group, the management of the Group believes that all potential claims and legal actions against the Directors can be handled effectively, and the possibility of actual litigation against the Directors is low. The Company will consider to make such an arrangement as and when it thinks necessary.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions from the Listing Date and up to the date of this announcement.

FINAL DIVIDEND

The Directors have recommended a final dividend of HK$10 cents per share (2011: nil) for the year ended 31 December 2012. Subject to the approval by Shareholders at the forthcoming Annual General Meeting (the "AGM"), such dividend will be payable on or about 10 June 2013 to Shareholders whose names appear on the register of members on 28 May 2013.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 15 May 2013 to 20 May 2013, both days inclusive, for the purpose of identifying Shareholders who are entitled to attend the AGM, during which period no transfer of Shares will be registered. In order to qualify for attending the AGM, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong before 4:30 p.m. on 14 May 2013.

For determining entitlement to the final dividend (if approved at the AGM), the register of members of the Company will be closed from 24 May 2013 to 28 May 2013, both days inclusive. The record date will be 28 May 2013. The latest time to lodge transfer documents for registration will be 4:30 p.m. on 23 May 2013.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company established the audit committee (the "Audit Committee") on 22 June 2012 with written terms of reference which are in compliance with the code provisions of the Code. The Audit Committee currently has three members comprising Mr. Lo Wa Kei, Roy (Chairman), Ms. Fan Qing and Mr. Fong Wo, Felix, all being independent non-executive Directors.

The Group's final results for the year ended 31 December 2012 had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee had also reviewed this announcement, and confirmed that this announcement complies with the Listing Rules.

PUBLICATION OF FINAL RESULTS

This announcement will be published on the websites of the Stock Exchange and the Company at www.sheentai.com. The annual report for the year ended 31 December 2012 will be dispatched to Shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 25 March 2013

As at the date of this announcement, the executive Directors are Mr. Guo Yumin, Ms. Xia Yu, Mr. Zeng Xiangyang, Mr. He Lijun, 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.