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 2013

GROUP FINANCIAL HIGHLIGHT

for the year ended 31 December 2013
(Expressed in Hong Kong dollars)

	2013	2012
	$'000	*$'000*
Turnover	**706,134**	699,555
Gross profit	**266,647**	254,522
Profit before taxation	**175,820**	170,381
Profit attributable to:		
Equity shareholders of the Company	**77,934**	70,076
Earnings per share		
Basic and diluted (HKD)	**0.19**	0.17
Cash and cash equivalents	**61,179**	79,180
Net assets	**472,230**	394,533
Total assets	**861,630**	790,131

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 2013, with the comparative figures for the year ended 31 December 2012, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2013
(Expressed in Hong Kong dollars)

	Note	**2013** **$'000**	2012 $'000
Turnover	*5*	**706,134**	699,555
Cost of sales		**(439,487)**	(445,033)
Gross profit		**266,647**	254,522
Other revenue and net income	*6*	**12,777**	16,188
Distribution costs		**(15,392)**	(11,941)
Administrative expenses		**(67,943)**	(66,459)
Other operating expenses		**(624)**	(844)
Profit from operations		**195,465**	191,466
Finance costs	*7(a)*	**(19,645)**	(21,085)
Profit before taxation	*7*	**175,820**	170,381
Income tax	*8(a)*	**(47,489)**	(46,453)
Profit for the year		**128,331**	123,928
Attributable to:			
Equity shareholders of the Company		**77,934**	70,076
Non-controlling interests		**50,397**	53,852
Profit for the year		**128,331**	123,928
Earnings per share			
Basic and diluted (HKD)	*9*	**0.19**	0.17

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2013
(Expressed in Hong Kong dollars)

	Note	**2013**	2012
		$'000	*$'000*
Profit for the year		**128,331**	123,928
Other comprehensive income for the year, net of tax			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of financial information of subsidiaries		**10,230**	2,602
Available-for-sale financial assets: net movement in the fair value reserve		**3,505**	–
Other comprehensive income for the year		**13,735**	2,602
Total comprehensive income for the year		**142,066**	126,530
Attributable to:			
Equity shareholders of the Company		**89,511**	72,634
Non-controlling interests		**52,555**	53,896
Total comprehensive income for the year		**142,066**	126,530

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2013
(Expressed in Hong Kong dollars)

	Note	2013 $'000	2012 $'000
Non-current assets			
Fixed assets			
– Property, plant and equipment		**318,069**	335,287
– Interests in leasehold land held for own use under operating lease		**44,830**	44,442
Intangible assets		**544**	169
Available-for-sale financial assets		**23,702**	–
Deferred tax assets		**4,242**	2,317
		391,387	382,215
Current assets			
Inventories		**102,578**	105,579
Trade and other receivables	*11*	**256,782**	223,157
Restricted cash		**49,704**	–
Cash and cash equivalents		**61,179**	79,180
		470,243	407,916
Current liabilities			
Trade and other payables	*12*	**88,089**	70,439
Bank loans	*13*	**271,091**	277,504
Current taxation		**24,195**	19,676
		383,375	367,619
Net current assets		**86,868**	40,297
Total assets less current liabilities		**478,255**	422,512

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2013
(Expressed in Hong Kong dollars)

	Note	2013 $'000	2012 $'000
Non-current liabilities			
Bank loans	*13*	**1,083**	24,667
Deferred tax liabilities		**4,303**	2,272
Deferred government grants		**639**	1,040
		6,025	27,979
NET ASSETS		**472,230**	394,533
CAPITAL AND RESERVES			
Share capital		**4,150**	4,150
Reserves		**378,339**	329,355
Total equity attributable to equity shareholders of the Company		**382,489**	333,505
Non-controlling interests		**89,741**	61,028
TOTAL EQUITY		**472,230**	394,533

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1 General information

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". The Group is principally engaged in manufacturing and supply of cigarette paper boxes, cigarette and other marketing films. The Company's shares were listed on the Stock Exchange of Hong Kong Limited on 13 July 2012.

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 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. Of these, the following developments are relevant to the Group and the Company's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements - Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- Amendments to HKFRS 7 — *Disclosures — Offsetting financial assets and financial liabilities*

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 2013

Up to the date of issue of this announcement, the HKICPA has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2013 and which have not been adopted in this announcement. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 32, *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 paper boxes, cigarette and other marketing films.

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:

	2013		2012	
	$'000	*%*	*$'000*	*%*
Manufacturing and sales of cigarette-related packaging materials				
– Cigarette paper boxes	**289,565**	**41.0**	286,834	41.0
– Anti-counterfeiting films	**72,281**	**10.2**	74,783	10.7
– Other cigarette films	**146,355**	**20.7**	148,606	21.2
Sub-total	**508,201**	**71.9**	510,223	72.9
Trading of imported films	**78,267**	**11.1**	62,026	8.9
Manufacturing and sales of non-cigarette-related packaging materials	**119,666**	**17.0**	127,306	18.2
Total	**706,134**	**100.0**	699,555	100.0

For the year ended 31 December 2013, there were 2 (2012: 2) customers with whom transactions have exceeded 10% of the Group's revenues. Revenues from sales of cigarette-related packaging materials 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 $507,816,000, and $531,301,000 for the years ended 31 December 2012 and 2013 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 packaging materials: this segment sales and manufactures cigarette packages and cigarette packaging films; and

- Non-cigarette-related packaging materials: this segment sales and manufactures non-cigarette-related packaging materials (e.g. films for packing straws, food, cassettes and 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 2013 and 2012 is set out below.

	Cigarette related packaging materials		**Non-cigarette related packaging materials**		**Total**	
	2013	2012	**2013**	2012	**2013**	2012
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**586,468**	572,249	**119,666**	127,306	**706,134**	699,555
Reportable segment revenue	**586,468**	572,249	**119,666**	127,306	**706,134**	699,555
Reportable segment gross profit	**254,080**	238,195	**12,567**	16,327	**266,647**	254,522
Reportable segment profit before taxation	**173,990**	167,406	**1,830**	2,975	**175,820**	170,381
Interest income from bank deposits	**1,084**	294	**39**	46	**1,123**	340
Interest expense	**15,595**	15,047	**4,050**	6,038	**19,645**	21,085
Depreciation and amortisation for the year	**25,745**	23,976	**7,393**	7,940	**33,138**	31,916
Reportable segment assets	**684,691**	590,531	**175,510**	196,887	**860,201**	787,418
Additions to non-current segment assets during the year	**5,067**	24,913	**279**	2,801	**5,346**	27,714
Reportable segment liabilities	**284,409**	263,070	**104,129**	132,330	**388,538**	395,400

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

	2013	2012
	$'000	*$'000*
Assets		
Reportable segment assets	**860,201**	787,418
Deferred tax assets	**1,429**	441
Other receivables	**–**	2,272
Consolidated total assets	**861,630**	790,131
Liabilities		
Reportable segment liabilities	**388,538**	395,400
Current taxation	**473**	–
Deferred tax liabilities	**389**	198
Consolidated total liabilities	**389,400**	395,598

(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

	2013	2012
	$'000	*$'000*
Interest income	**1,123**	340
Government grants	**766**	381
	1,889	721

(b) Other net income

	2013	2012
	$'000	*$'000*
Net foreign exchange gain	**420**	553
Sales of scrap materials	**10,239**	11,859
Sales of raw materials	**–**	22
Others	**229**	3,033
	10,888	15,467

7 Profit before taxation

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

	2013	2012
	$'000	*$'000*
(a) Finance costs:		
Interest on bank borrowings wholly repayable within five years	**19,645**	21,085
(b) Staff costs:		
Contributions to defined contributions retirement plan	**3,713**	3,460
Equity-settled share-based payment expenses	**973**	398
Salaries, wages and other benefits	**50,400**	43,381
	55,086	47,239
(c) Other items:		
Amortisation of intangible assets	**72**	52
Auditors' remuneration	**2,350**	2,906
Cost of inventories #	**439,487**	445,033
Depreciation and amortisation of fixed assets	**33,066**	31,864
Impairment losses – Trade and other receivables	**728**	–
Net foreign exchange gain	**(420)**	(553)
Operating lease charges	**4,141**	1,254
Net loss on sale of fixed assets	**378**	844

Cost of inventories includes $50,842,000 (2012: $46,031,000) relating to staff costs, operating lease charges, 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 statements

(a) Taxation in the consolidated income statements represents:

	2013	2012
	$'000	*$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**3,666**	6,275
Current tax – PRC income tax		
Provision for the year	**43,966**	43,822
Deferred tax		
Origination and reversal of temporary differences	**(143)**	(3,644)
	47,489	46,453

(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 2012 and 2013 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%.

(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%. The withholding tax rate applicable to the Group is 5%.

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

	2013	2012
	$'000	*$'000*
Profit before taxation	**175,820**	170,381
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**42,621**	40,340
Tax effect of non-deductible expenses	**2,865**	1,144
PRC dividends withholding tax	**2,003**	4,969
Actual tax expense	**47,489**	46,453

9 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 2013 is based on the consolidated profit attributable to equity shareholders of the Company of HK$77,934,000 (2012: HK$70,076,000) and weighted average number of 415,000,000 shares (2012: 415,000,000 shares) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company of HK$77,934,000 divided by the weighted average number of ordinary shares of 417,155,000 shares after adjusting for the effects of deemed issue of shares under the Company's Pre-IPO Share Option Scheme. There were no dilutive potential ordinary shares for the year ended 31 December 2012.

Weighted average number of ordinary shares (diluted)

	2013	2012
	$'000	*$'000*
Weighted average number of ordinary shares	**415,000**	415,000
Effect of deemed issue of shares under the Company's share option scheme	**2,155**	–
Weighted average number of ordinary shares (diluted)	**417,155**	415,000

10 Dividends

(a) Dividends payable and proposed to equity shareholders of the Company attributable to the year:

	2013	2012
	$'000	*$'000*
Final dividend proposed after the end of the reporting period of HK$0.08 (2012: HK$0.1) per ordinary share	**33,200**	41,500

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.

(b) Dividends payable to equity shareholder of the Company attributable to the previous financial year, approved and paid during the year.

A dividend in respect of the year ended 31 December 2012 of HK$0.1 per share amounting to a total dividend of HK$41,500,000 was approved and paid during the year ended 31 December 2013.

Dividends in respect of previous years approved and paid during the year ended 31 December 2012 represented dividends declared and paid by Sheen China Group Holdings Inc., Qingdao Ener Packaging Technology Co. Ltd. and Jiansu Shuntai Packaging & Printing Science Technology Co. Ltd.

11 Trade and other receivables

	Group		**Company**	
	2013	2012	**2013**	2012
	$'000	*$'000*	***$'000***	*$'000*
Trade and bills receivable	**241,024**	189,267	**–**	–
Less: allowance from doubtful debts	**(728)**	–	**–**	–
	240,296	189,267	**–**	–
Deposits, prepayments and other receivables – third parties	**16,486**	33,890	**289**	267
Amount due from subsidiaries	**–**	–	**143,506**	121,690
	256,782	223,157	**143,795**	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			
	2013		2012	
	Trade receivable	**Bills receivable**	Trade receivable	Bills receivable
	$'000	***$'000***	*$'000*	*$'000*
Less than 30 days	**123,485**	**3,419**	96,255	1,778
31 – 90 days	**82,953**	**16,128**	37,865	8,632
91 – 180 days	**5,536**	**–**	36,423	1,222
181 – 365 days	**6,976**	**–**	3,532	–
Over 365 days	**1,799**	**–**	3,560	–
	220,749	**19,547**	177,635	11,632

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

(b) ***Impairment of trade debtors and bills receivable***

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is directly written off against trade debtors and bills receivable.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	Group	
	2013	2012
	$'000	*$'000*
At 1 January	**–**	–
Impairment loss recognised	**728**	–
At 31 December	**728**	–

As of 31 December 2013, an impairment loss of HK$728,000 (2012: nil) was recognised and provided for as a result from the assessment of the Group's trade receivables due from third parties of HK$728,000 (2012: nil) that individually determined to be impaired. The individually impaired trade receivables mainly relate to customers who are in financial difficulties and the likelihood of recoverability is expected to be in doubt. The Group does not hold any collateral over these balances.

Trade receivables due from third parties that are past due but not impaired relate to creditworthy customers who have maintained a close working relationship with the Group and have consistent payment records.

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

The aging analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	Group	
	2013	2012
	$'000	*$'000*
Current	**211,908**	141,975
Less than 1 month past due	**10,245**	8,407
1 to 3 months past due	**7,627**	31,683
More than 3 months past due	**10,516**	7,202
Amount past due	**28,388**	47,292
	240,296	189,267

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

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.

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

As at 31 December 2013, trade receivables with net book value of $49,080,000 (2012: $57,673,000) are pledged as security against bank loans of certain subsidiaries (see note 13).

12 Trade and other payables

	Group		**Company**	
	2013	2012	**2013**	2012
	$'000	*$'000*	***$'000***	*$'000*
Trade and bills payable	**51,340**	40,288	**–**	–
Other payables and accruals	**36,213**	29,633	**709**	92
Amount due to the Controlling Shareholder – Mr. Guo Yumin	**536**	518	**–**	–
	88,089	70,439	**709**	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			
	2013		2012	
	Trade payable	**Bills payable**	Trade payable	Bills payable
	$'000	***$'000***	*$'000*	*$'000*
Due within 1 month or on demand	**20,458**	**20,967**	22,170	4,933
Due after 1 month but within 3 months	**7,301**	**–**	7,026	4,933
Due after 3 months but within 6 months	**681**	**–**	670	–
Due more than 6 months	**1,933**	**–**	556	–
	30,373	**20,967**	30,422	9,866

13 Bank loans

At 31 December 2012 and 2013, the bank loans were repayable as follows:

	Group		Company	
	2013	2012	**2013**	2012
	$'000	*$'000*	***$'000***	*$'000*
Within 1 year or on demand	**271,091**	277,504	**41,500**	–
After 1 year but within 2 years	**213**	24,667	**–**	–
After 2 years but within 5 years	**870**	–	**–**	–
	1,083	24,667	**–**	–
	272,174	302,171	**41,500**	–

	Group		Company	
	2013	2012	**2013**	2012
	$'000	*$'000*	***$'000***	*$'000*
Representing:				
Secured	**246,734**	277,504	**41,500**	–
Unsecured	**25,440**	24,667	**–**	–
	272,174	302,171	**41,500**	–

At 31 December 2012 and 2013, the banking facilities of the Group totalling $351,505,000 and $496,388,000 respectively were utilised to the extent of $302,171,000 and $272,174,000 respectively. Certain bank loans were secured by assets of the Group as set out below:

	2013	2012
	$'000	*$'000*
Restricted cash	**49,704**	–
Fixed assets	**280,551**	289,802
Trade receivable	**49,080**	57,673
	379,335	347,475

At 31 December 2013, the banking facility of the Company was guaranteed by Jiangsu Shuntai Packaging & Printing Science Technology Co. Ltd.

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 2013 none of the covenants relating to drawn down facilities had been breached (2012: $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 2012 and 2013 was 67% and 42% 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 China economy has continued to grow steadily in 2013 and the Group has reported an increase in turnover and profit attributable to equity holders of the Company for the year under review when compared to the year ended 31 December 2012.

Business and Financial Review

Sheen Tai Holdings Group Company Limited (the "Company") and together with its subsidiaries (the "Group") is a packaging materials manufacturer and supplier with a leading position in Jiangsu Province, the People's Republic of China (the "PRC"), 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 two categories, namely, (i) cigarette-related packaging materials (comprising cigarette paper boxes, anti-counterfeiting films, other cigarette films manufactured by us and imported films); and (ii) 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 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 Ener Factory, located in Qingdao City in Shandong Province, accommodating production facilities for the manufacturing of films.

The new Chinese administration has taken office since March 2013 and the Chinese government has maintained sustainable economic development by focusing on domestic consumption which eventually will raise the general household income. On the other hand, the consolidation process of the China tobacco industry has continuously eliminated various lower tier brand products. The Group's marketing strategy of switching its sales mix to higher tier products has benefited the Group's sales in 2013. As result, the profit attributable to the Group's equity shareholders recorded an increase of approximately 11.1% from approximately HK$70.1 million for the year ended 31 December 2012 to approximately HK$77.9 million for the year ended 31 December 2013.

Continuous efforts have been made to the research and development of new products. The Group have successfully innovated a new film product and it has already been under production and was profitable. The Group will continuously invest in research and development and expects such innovation would eventually boost its profitability in the future.

In general, it is glad to see that the Group was able to maintain the same scale of operations as that of the previous year with total revenue amounting to approximately HK$706.1 million in 2013. The Group's net profit stood at approximately HK$128.3 million.

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$706.1 million for the year ended 31 December 2013, an increase of approximately 0.9% compared to approximately HK$699.6 million for the year ended 31 December 2012.

Cigarette-related packaging materials

The increase in turnover from cigarette-related packaging materials by approximately 2.5% to approximately HK$586.5 million (2012: approximately HK$572.2 million) was mainly contributed by the growth in sales of the Group's trading imported films by approximately 26.3%, from approximately HK$62.0 million for the year ended 31 December 2012 to approximately HK$78.3 million for the year ended 31 December 2013, primarily as a result of the increase in the demand from one of the Group's trading customers.

Non-cigarette-related packaging materials

Revenue from the Group's manufacturing and sale of non-cigarette-related packaging materials decreased by approximately HK$7.6 million, or approximately 6.0%, from approximately HK$127.3 million for the year ended 31 December 2012 to approximately HK$119.7 million for the year ended 31 December 2013. Due to the limitation of the production capacity of the Ener Factory, the Group has continuously adjusted its production and sales plan by switching the manufacturing and sale of 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$12.1 million, or approximately 4.8%, from approximately HK$254.5 million for the year ended 31 December 2012 to approximately HK$266.6 million for the year ended 31 December 2013. The Group's gross profit margin increased by approximately 1.4% from approximately 36.4% for the year ended 31 December 2012 to approximately 37.8% for the year ended 31 December 2013.

Other revenue and net income

The Group's other revenue recorded a decrease of approximately HK$3.4 million, or approximately 21.0%, when compared with that for the year ended 31 December 2012. The decrease was a result of the decrease of compensation remedies from a supplier regarding the defected imported films.

Distribution costs

The Group's distribution costs increased by approximately HK$3.5 million, or approximately 29.4%, from approximately HK$11.9 million for the year ended 31 December 2012 to approximately HK$15.4 million for the year ended 31 December 2013, primarily due to the increase of marketing expenses for the maintenance and extension of the Group's existing client base. As a result, the Group has obtained new customers from southern China region for the Group's products in 2013. The increase was also partially contributed by the increase of transportation expenses of approximately HK$1.7 million to approximately HK$11.3 million (2012: approximately HK$9.6 million) generated from such distant sales when compared to that for the year ended 31 December 2012.

Administrative expenses

The Group's administrative expenses increased by approximately HK$1.4 million, or approximately 2.1%, from approximately HK$66.5 million for the year ended 31 December 2012 to approximately HK$67.9 million for the year ended 31 December 2013. The increase was due to the increase of staff cost by approximately HK$7.9 million attributable to the expansion of the Group's operation and compliance staff for listing and the professional services fee for listing by approximately HK$3.0 million, which was partially offset by the one-off listing expenses of approximately HK$10.1 million paid in 2012.

Finance costs

The Group's finance costs decreased by approximately 7.1% from HK$21.1 million for the year ended 31 December 2012 to approximately HK$19.6 million for the year ended 31 December 2013, primarily due to the net repayment of bank borrowings by approximately HK$30.0 million over the year ended 31 December 2013.

Income tax

The Group's income tax increased by approximately HK$1.0 million from approximately HK46.5 million for the year ended 31 December 2012 to approximately HK$47.5 million for the year ended 31 December 2013, primarily due to the reversal of deferred liabilities on withholding tax in respect of dividend paid by the Group's PRC subsidiaries in 2012 offsetting by the decrease of the provision of Hong Kong Profits Tax for 2013. This also led to the decrease in effective tax rate when compared with that for the year ended 31 December 2012 to the year ended 31 December 2013.

Profit attributable to equity holders of the Company

As a result of the foregoing factors, profit attributable to equity holders of the Company increased by approximately 11.1% from approximately HK$70.1 million for the year ended 31 December 2012 to approximately HK$77.9 million for the year ended 31 December 2013.

Liquidity and financial resources

As at 31 December 2013, the cash and cash equivalent of the Group amounted to approximately HK$61.2 million compared with approximately HK$79.2 million as at 31 December 2012. Such decrease was mainly due to the cash outflow of investing and financing activities offset by the cash inflow from operating activities.

For the year ended 31 December 2013, 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$181.0 million, HK$27.2 million and HK$172.4 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 2013 was HK$272.2 million denominated in RMB. 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 67% as at 31 December 2012 to 42% as at 31 December 2013. It was primarily due to the decrease of bank loans for working capital.

Exposure to fluctuation in exchange rate

The Group is exposed to currency risk primarily through 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 are not exposed 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 2013, the Group's total capital expenditure amounted to approximately HK$5.4 million (2012: HK$27.7 million), which was used in the acquisition of property, plant and equipment and intangible assets.

Charge on assets

As at 31 December 2013, the Group had pledged its fixed assets with net book value of HK$280.6 million (31 December 2012: HK$289.8 million) for the purpose of securing loans with carrying value of HK$246.7 million (31 December 2012: HK$277.5 million).

Significant investment and material acquisitions

On 11 January 2013, Jiangsu Sheen Colour and Huaian Hetai Investment Company Limited, a third party, have set up Jiangsu Kingtai Packaging Technology Company Limited in the PRC where equity interests is owned by them as to 70% and 30% respectively. Jiangsu Kingtai Packaging Technology Company Limited is principally engaged in trading of aluminium foil membrane for cigarette packaging.

On 26 November 2013, the Company announced that it had entered into a cornerstone investor placing agreement with, among others, Huaxi Holdings Company Limited ("Huaxi"), pursuant to which the Company has conditionally agreed to subscribe at the offer price (as defined in the prospectus of Huaxi dated 26 November 2013) for such number of shares of Huaxi which may be purchased with the amount of HK$20,000,000 (rounded down to the nearest whole board lot of 2,000 shares of Huaxi), which was arrived at after arm's length negotiation between the Company and Huaxi. The final number of shares of Huaxi subscribed by the Company was 14,814,000. Huaxi is a company incorporated in the Cayman Islands and is principally engaged in the manufacture and sale of cigarette-related packaging materials in the People's Republic of China. The shares of Huaxi are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 01689). For further details, please refer to the announcement of the Company dated 26 November 2013.

Contingent liabilities

At 31 December 2013, the Group did not have any significant contingent liabilities (31 December 2012: Nil).

Human resources

As at 31 December 2013, the Group employed 412 employees (as compared with 398 employees as at 31 December 2012) with total staff cost of approximately HK$55.1 million incurred for the year ended 31 December 2013 (as compared with HK$47.2 million for the year ended 31 December 2012). 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 or reward to high-calibre employees and attract human resources that are valuable to the Group.

Final Dividend

The Board recommended the payment of a final dividend of HK$0.08 per share for the year ended 31 December 2013 to the shareholders whose names appear on the register of members of the Company on 4 June 2014, the record date for determining entitlements of the shareholders to the proposed final dividend. The proposed final dividend is subject to approval by the shareholders at the forthcoming annual general meeting ("AGM") and a resolution will be proposed to the shareholders for voting at the AGM. If the resolution for the proposed final dividend is passed at the AGM, the proposed final dividend will be payable on or about 16 June 2014.

In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited (at level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong on or after 31 March 2014) not later than 4:30 p.m. on 30 May 2014.

Continuing Connected Transactions

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"), a connected person (as defined under the Listing Rules) of the Company, in relation to the purchase of cigarette films by Qingdao Justo from Qingdao Ener. The transaction amount contemplated under the Agreement, when aggregated with the past transaction amount from 1 January 2013, constituted a continuing connected transaction. For further details, please refer to the announcement of the Company dated 28 February 2013. The abovementioned sales were completed on 27 March 2013.

Subsequently, Qingdao Ener had continued to sell cigarette films to Qingdao Justo, which, in aggregate, constituted non-exempt continuing connected transactions. Due to the misunderstanding of the management of the Group regarding the shareholding structure of Qingdao Justo at the relevant time, the Company has omitted to comply with the relevant requirements under Chapter 14A of the Listing Rules for such sales.

On 19 March 2014, Qingdao Ener and Qingdao Justo entered into an agreement (the "2014 Agreement") in respect of the sale of cigarette films by Qingdao Ener to Qingdao Justo. The 2014 Agreement and the transactions contemplated thereunder, when aggregated with past transaction amount from 1 January 2014, constitute continuing connected transactions. For further details, please refer to the announcement of the Company dated 19 March 2014.

CORPORATE GOVERNANCE PRACTICE

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 for the year ended 31 December 2013, except for the deviation from code provision A.1.8 of the Code as stated below.

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 for the year ended 31 December 2013 and up to the date of this announcement.

CLOSURE OF THE REGISTER OF MEMBERS

For determining entitlement to attend the AGM, the register of members of the Company will be closed from 26 May 2014 (Monday) to 27 May 2014 (Tuesday), both days inclusive, during which period no transfer of Shares will be registered. The record date will be 27 May 2014 (Tuesday). In order to qualify for attending the forthcoming 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong on or after 31 March 2014) before 4:30 p.m. on 23 May 2014.

For determining entitlement to the proposed final dividend (if approved at the forthcoming annual general meeting), the register of members of the Company will be closed from 3 June 2014 (Tuesday) to 4 June 2014 (Wednesday), both days inclusive. The record date will be 4 June 2014 (Wednesday). In order to qualify for the entitlement of the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on 30 May 2014.

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 2013 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.

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

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 December 2013.

PUBLICATION OF FINAL RESULTS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2013 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this Announcement.

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 2013 containing all the information required by Appendix 16 to the Listing Rules 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, 26 March 2014

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.