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 2016

GROUP FINANCIAL HIGHLIGHT

for the year ended 31 December 2016

(Expressed in Hong Kong dollars)

	2016	2015
	$'000	*$'000*
Revenue	**478,354**	469,241
Gross profit	**173,556**	130,954
Profit before taxation	**47,984**	381,164
Profit attributable to:		
Equity shareholders of the Company	**36,132**	326,530
Earnings per share		
Basic (HKD)	**0.017**	0.164
Diluted (HKD)	**0.001**	0.151
Cash and cash equivalents	**171,003**	194,410
Net assets	**833,933**	917,350
Total assets	**2,134,825**	1,414,399

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Sheen Tai Holdings Group Company Limited (the "**Company**" or "**Sheentai**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2016 (the "**Year**"), with the comparative figures for the year ended 31 December 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016 (Expressed in Hong Kong dollars)

	Note	2016 $'000	2015 $'000
Revenue	5	**478,354**	469,241
Cost of sales		**(304,798)**	(338,287)
Gross profit		**173,556**	130,954
Other income	6	**26,272**	13,185
Distribution costs		**(37,236)**	(17,665)
Administrative expenses		**(95,341)**	(89,364)
Other operating expenses		**(10,706)**	(2,649)
Profit from operations		**56,545**	34,461
Net income from disposal of a subsidiary		**–**	362,125
Finance costs	7(a)	**(8,561)**	(15,422)
Profit before taxation	7	**47,984**	381,164
Income tax	8(a)	**(11,852)**	(54,634)
Profit for the year		**36,132**	326,530
Attributable to:			
Equity shareholders of the Company		**36,132**	326,530
Non-controlling interests		**–**	–
Profit for the year		**36,132**	326,530
Earnings per share			
Basic (HK$)	9	**0.017**	0.164
Diluted (HK$)	9	**0.001**	0.151

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016 (Expressed in Hong Kong dollars)

	2016	2015
	$'000	*$'000*
Profit for the year	**36,132**	326,530
Other comprehensive income for the year (after tax and reclassification adjustments)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries	**(48,634)**	(38,684)
Other comprehensive income for the year	**(48,634)**	(38,684)
Total comprehensive income for the year	**(12,502)**	287,846
Attributable to:		
Equity shareholders of the Company	**(12,502)**	287,846
Non-controlling interests	–	–
Total comprehensive income for the year	**(12,502)**	287,846

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016 (Expressed in Hong Kong dollars)

	Note	2016 $'000	2015 $'000
Non-current assets			
Property, plant and equipment		**468,135**	354,386
Interests in leasehold land held for own use under operating lease		**19,460**	21,287
Goodwill		**52,475**	–
Intangible assets		**185,145**	1,082
Other non-current assets		**2,166**	1,885
Deferred tax assets		**13,054**	8,278
		740,435	386,918
Current assets			
Financial assets at fair value through profit or loss		**224,648**	83,410
Inventories		**682,205**	416,677
Trade and other receivables	*11*	**311,669**	329,356
Tax recoverable		**4,864**	–
Restricted cash		**1**	3,628
Cash and cash equivalents		**171,003**	194,410
		1,394,390	1,027,481
Current liabilities			
Trade and other payables	*12*	**888,575**	315,854
Bank loans and overdrafts	*13*	**144,040**	95,789
Financial liabilities at fair value through profit or loss		–	1,403
Current taxation		**9,230**	4,268
		1,041,845	417,314
Net current assets		**352,545**	610,167
Total assets less current liabilities		**1,092,980**	997,085

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016 (Expressed in Hong Kong dollars)

	Note	2016 $'000	2015 $'000
Non-current liabilities			
Bank loans and overdrafts	*13*	**445**	665
Convertible bond		**202,176**	69,198
Deferred tax liabilities		**56,426**	9,872
		259,047	79,735
NET ASSETS		**833,933**	917,350
CAPITAL AND RESERVES			
Share capital		**5,460**	5,019
Reserves		**828,098**	912,331
Total equity attributable to equity shareholders of the Company		**833,558**	917,350
Non-controlling interests		**375**	–
TOTAL EQUITY		**833,933**	917,350

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 Company's shares were listed on the Stock Exchange of Hong Kong Limited on 13 July 2012.

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) and accounting principles generally accepted in Hong Kong. These financial statements comply with the applicable disclosure 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 a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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 2016

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2016 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 7, Statement of cash flows: *Disclosure initiative*	1 January 2017
Amendments to HKAS 12, Income taxes: *Recognition of deferred tax assets for unrealised losses*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to HKFRS 2, Share-based payment: *Classification and measurement of share-based payment transactions*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

– The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

– For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of HKFRS 9.

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group has not yet decided whether it will irrevocably designate these investments as FVTOCI or classify them as FVTPL. Either classification would give rise to a change in accounting policy as the current accounting policy for available-for-sale equity investments is to recognise fair value changes in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's policies. This change in policy will have no impact on the Group's net assets and total comprehensive income but will impact on reported performance amounts such as profit and earnings per share.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). This change in policy will have no impact on the Group's net liabilities and total comprehensive income but will impact on reported performance amounts such as profit and earnings per share.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

(a) Timing of revenue recognition

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good in the contract. HKFRS 15 identifies 3 situations in which control of the promised good is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the Group adopts HKFRS 15 the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

(b) *Significant financing component*

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers. Currently, the Group does not apply such a policy when payments are received in advance.

(c) *Sales with a right of return*

Currently when the customers are allowed to return the products, the Group estimates the level of returns and makes an adjustment against revenue and cost of sales.

The Group expects that the adoption of HKFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

HKFRS 16, Leases

Currently the Group only enters operating leases.

Once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in profit or loss over the period of the lease. As at 31 December 2016 the Group's future minimum lease payments under non-cancellable operating leases amount to HK$10,507,000 for properties, the majority of which is payable either within 1 year. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

The Group is considering whether to adopt HKFRS 16 before its effective date of 1 January 2019. However, early adoption of HKFRS 16 is only permitted if this is no earlier than the adoption of HKFRS 15. It is therefore unlikely that HKFRS 16 will be adopted before the effective date of HKFRS 15, being 1 January 2018.

5 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are manufacturing and sales of BOPP films, sales of sub-processing cigarette films, properties development and related services, generation of photovoltaic power and cloud-related business in the People's Republic of China (the "PRC").

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

	2016		2015	
	$'000	***%***	*$'000*	*%*
Manufacturing and sales of BOPP films				
– Cigarette films	**165,630**	**35%**	195,896	42%
– Non-cigarette-related films	**106,162**	**22%**	105,864	22%
Sub-total	**271,792**	**57%**	301,760	64%
Sales of sub-processing cigarette films	**138,776**	**29%**	167,328	36%
Properties development and related services	**1,374**	**–**	–	–
Sales of electricity	**31,907**	**7%**	153	–
Operation of cloud platforms	**34,505**	**7%**	–	–
Total	**478,354**	**100%**	469,241	100%

For the year ended 31 December 2016, there were 2 (2015: 2) customers with whom transactions have exceeded 10% of the Group's revenues. In 2016 revenues from sales 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), amounting to approximately $262,341,000 (2015: $285,586,000).

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

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner 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 identified five reportable segments. No operating segments have been aggregated to form the following reportable segments.

In 2016, the Group has reclassified its segment by the similarity of production processes and degrees of risk (for the year 2015 and before, the segment was classified on a product basis). Such classification provides sufficient segmental information to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance. The segment information is set out below.

- Manufacturing and sales of BOPP films: this segment engages in manufacturing and sales of cigarette packaging films and non-cigarette-related packing films (e.g. films for packing straws, food, cassettes and stationery tapes);

- Sales of sub-processing cigarettes films: this segment engages in trading of sub-processing cigarette films;

- Properties development and related services: this segment engages in development and sales of residential properties and providing property management services;

- Generation of photovoltaic power: this segment engages in generating and sales of electricity; and

- Cloud-related business: this segment engaged in provision of development of cloud computing related software, outsourcing cloud platforms and providing cloud computing solutions and related services.

(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 2016 and 2015 is set out below.

	Manufacturing and sales of BOPP films		Sales of sub-processing cigarette films		Properties development and related services		Generation of photovoltaic power		Cloud-related business		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**271,792**	301,760	**138,776**	167,328	**1,374**	–	**31,907**	153	**34,505**	–	**478,354**	469,241
Reportable segment revenue	**271,792**	301,760	**138,776**	167,328	**1,374**	–	**31,907**	153	**34,505**	–	**478,354**	469,241
Reportable segment gross profit	**77,151**	59,494	**55,333**	71,307	**714**	–	**19,801**	153	**20,557**	–	**173,556**	130,954
Reportable segment profit/ (loss) before taxation	**22,460**	20,003	**28,562**	32,026	**(22,552)**	(9,470)	**17,649**	(928)	**54,929**	–	**101,048**	41,631
Interest income from bank deposits	**173**	193	**1,008**	1,190	**197**	20	**15**	2	**–**	–	**1,393**	1,405
Interest expense	**3,585**	5,921	**2,511**	4,170	**1,153**	2,100	**–**	–	**–**	–	**7,249**	12,191
Depreciation and amortisation for the year	**14,658**	15,242	**1,346**	1,422	**527**	497	**10,216**	2	**12,335**	–	**39,082**	17,163
Reportable segment assets	**359,918**	406,994	**147,991**	383,015	**845,336**	344,014	**309,345**	156,324	**323,341**	–	**1,985,931**	1,290,347
Additions to non-current segment assets during the year	**2,372**	3,441	**2,067**	5,301	**263**	1,403	**127,317**	152,555	**238,031**	–	**370,050**	162,700
Reportable segment liabilities	**118,777**	124,102	**142,606**	119,313	**733,784**	150,728	**28,499**	97,604	**237,619**	–	**1,261,285**	491,747

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

	2016	2015
	$'000	*$'000*
Profit		
Reportable segment profit before taxation	**101,048**	41,631
Net income from disposal of a subsidiary	**–**	362,125
Net realised and unrealised (loss)/gain on equity securities	**(21,597)**	896
Dividend income from equity securities	**1,094**	516
Unallocated head office and corporate expenses	**(32,561)**	(24,004)
Consolidated profit before taxation	**47,984**	381,164
Assets		
Reportable segment assets	**1,985,931**	1,290,347
Equity securities	**55,839**	83,410
Unallocated head office and corporate assets	**93,055**	40,642
Consolidated total assets	**2,134,825**	1,414,399
Liabilities		
Reportable segment liabilities	**1,261,285**	491,747
Unallocated head office and corporate liabilities	**39,607**	5,302
Consolidated total liabilities	**1,300,892**	497,049

(iii) Geographic information

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

6 Other income

	2016	2015
	$'000	*$'000*
Interest income	**4,311**	6,103
Government grants *(Note)*	**141**	–
Dividend income from equity securities	**1,094**	516
Dividend income from a liquidated subsidiary	**–**	2,016
Sales of scrap materials	**6,100**	9,962
Net foreign exchange gain/(loss)	**523**	(7,378)
Net realised and unrealised (loss)/gain on equity securities	**(21,597)**	896
Gain on revaluation of convertible bond	**33,984**	488
Gain on a bargain purchase	**365**	–
Rental income	**233**	248
Others	**1,118**	334
	26,272	13,185

Note: During the year ended 31 December 2016, one subsidiary of the Group received government grant of HK$141,000 from PRC local government mainly for subsidising the subsidiary's demonstration for party spiritual civilization.

7 Profit before taxation

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

	2016	2015
	$'000	*$'000*
(a) Finance costs:		
Interest on bank borrowings wholly repayable within five years	**3,826**	3,121
Interest on convertible bond	**1,312**	3,189
Other interest expense	**5,297**	16,866
Less: Interest expense capitalised into properties under development*	**(1,874)**	(7,754)
	8,561	15,422

* The borrowing costs have been capitalised at a rate of 5.6% - 8.515% per annum.

	2016	2015
(b) Staff costs:		
Contributions to defined contributions retirement plan	**4,341**	3,531
Equity settled share-based payment expenses	**7,320**	9,685
Salaries, wages and other benefits	**53,537**	54,330
	65,198	67,546

	2016	2015
(c) Other items:		
Amortisation of intangible assets	**10,121**	35
Auditors' remuneration	**2,180**	1,860
Cost of inventories [#]	**278,083**	338,287
Depreciation of property, plant and equipment	**33,681**	19,029
Amortisation of leasehold land	**498**	531
Recognised impairment losses		
– Trade and other receivables	**1,483**	3,727
Net foreign exchange (gain)/loss	**(523)**	7,378
Operating lease charges	**9,940**	8,351
Net loss on sale of property, plant and equipment	**7**	79

[#] Cost of inventories includes HK$49,913,000 (2015: HK$35,541,000) 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 statement of profit or loss

(a) Taxation in the consolidated statement of profit or loss represents:

	2016	2015
	$'000	*$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**707**	–
Current tax – PRC income tax		
Provision for the year	**15,238**	57,632
Under-provision in respect of prior years	**368**	54
	15,606	57,686
Deferred tax		
Origination and reversal of temporary differences	**(4,461)**	(3,052)
	11,852	54,634

(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 2015 and 2016 is calculated at 16.5% of the estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2015-16 subject to a maximum reduction of $20,000 for each business (2015: a maximum reduction of $20,000 was granted for the year of assessment 2014-15 and was taken into account in calculating the provision for 2015). 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%.

Pursuant to the rules and regulations applicable to advanced technology enterprises established in the PRC, Jiangsu Sheen Colour Science Technology Co., Ltd. and Qingdao Ener Packaging Technology Co., Ltd. are subject to PRC corporate income tax at a preferential tax rate of 15% for the year ended 31 December 2016.

Entities engaged in qualified power projects, are eligible for a corporate income tax exemption for the first year to the third year, and a 50% reduction for the fourth year to the sixth year starting from the year in which the entities first generate operating income (the "3+3 tax holiday"). Xuzhou Sheentai New Energy Power Company Limited (an indirect wholly-owned subsidiary of the Group) obtained the "Notification of Corporate Income Tax ("CIT") 3+3 tax holiday" in 2016 and was entitled to the 3+3 tax holiday retrospectively from 2015 to 2020.

(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%.

(v) According to the New Tax Law and its implementation rules, where the research and development expenses incurred by an enterprise in its research and development activities do not form intangible assets and are included in the current period's profit or loss, 50% of such research and development expenses shall be deducted from the taxable income amount of the year; where intangible assets are formed, pre-tax amortisation shall be made based on 150% of the costs of the intangible assets.

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

	2016	2015
	$'000	*$'000*
Profit before taxation	**47,984**	381,164
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**12,712**	47,813
Tax effect of the preferential tax rates	**(8,944)**	–
Additional deductible allowance for research and development expenses	**(1,184)**	–
Tax effect of non-deductible expenses	**6,459**	2,099
PRC withholding tax	**3,244**	2,335
Tax effect of non-taxable income	**(5,915)**	(313)
Tax effect of tax losses not recognised	**5,112**	2,646
Under-provision in respect of prior years	**368**	54
Actual tax expense	**11,852**	54,634

9 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$36,132,000 (2015: HK$326,530,000) and the weighted average of 2,087,718,000 ordinary shares (2015: 1,989,341,000), calculated as follows:

Weighted average number of ordinary shares

	2016	2015
	$'000	*$'000*
Issued ordinary shares at 1 January	**2,007,690**	417,336
Effect of the Share Subdivision	–	1,501,009
Effect of placing of new shares	–	70,266
Effect of conversion of convertible bond	**76,804**	–
Effect of share options exercised	**3,224**	730
Weighted average number of ordinary shares at 31 December *(Note)*	**2,087,718**	1,989,341

Note: Weighted average number of ordinary shares in issue and basic EPS were stated after taking into account the effect of the Share Subdivision.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$2,148,000 (2015: HK$329,231,000) divided by the weighted average number of ordinary shares of 2,099,507,000 shares (2015: 2,187,293,000) after adjusting for the effects of deemed issue of shares under the Company's pre-IPO share option scheme, the effect of deemed conversion of convertible bond and the effect of Share Subdivision.

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2016	2015
	$'000	*$'000*
Profit attributable to ordinary equity shareholders of the Company	**36,132**	326,530
After tax effect of effective interest on the liability component of convertible bond	**–**	3,189
After tax effect of change in fair value of convertible bond	**(33,984)**	(488)
Profit attributable to ordinary equity shareholders of the Company (diluted)	**2,148**	329,231

(ii) Weighted average number of ordinary shares (diluted)

	2016	2015
	'000	*'000*
Weighted average number of ordinary shares *(Note)*	**2,087,718**	1,989,341
Effect of deemed issue of shares under the Company's share option scheme *(Note)*	**–**	29,074
Effect of deemed conversion of convertible bond *(Note)*	**11,789**	168,878
Weighted average number of ordinary shares (diluted) *(Note)*	**2,099,507**	2,187,293

Note: Weighted average number of ordinary shares in issue, adjustments for share options and convertible bond, weighted average number of ordinary shares for the calculation of diluted EPS and diluted EPS were stated after taking into account the effect of the Share Subdivision.

10 Dividends

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

	2016	2015
	$'000	*$'000*
Nil dividend proposed after the end of the reporting period (2015: HK$0.02 per share after the effect of the Share Subdivision) per ordinary share	**–**	40,154

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.

(ii) Dividends payable to equity shareholders 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 2015 of HK$0.02 per share after effect of the Share Subdivision amounting to a total dividend of HK$40,153,800 was approved and paid during the year ended 31 December 2016.

A dividend in respect of six months ended 30 June 2016 of HK$0.05 per share after effect of the Share Subdivision amounting to a total dividend of HK$109,198,408 was approved and paid during the year ended 31 December 2016.

11 Trade and other receivables

	2016	2015
	$'000	*$'000*
Trade debtors and bills receivable	**218,848**	309,104
Less: Allowance from doubtful debts *(Note 11(b))*	**(2,829)**	(4,648)
	216,019	304,456
Deposits, prepayments and other receivables		
– third parties	**95,650**	24,900
	311,669	329,356

All of the other trade and other receivables 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:

	2016		2015	
	Trade debtors	**Bills receivable**	Trade debtors	Bills receivable
	$'000	***$'000***	*$'000*	*$'000*
Less than 30 days	**126,112**	**1,599**	41,332	90,410
31 - 90 days	**56,397**	**8,145**	62,875	15,154
91 - 180 days	**11,235**	**1,686**	28,721	62,379
181 - 365 days	**9,671**	**45**	2,229	193
Over 365 days	**1,129**	**–**	1,008	155
	204,544	**11,475**	136,165	168,291

Trade debtors 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 directly.

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

	2016	2015
	$'000	*$'000*
At 1 January	**4,648**	1,830
Impairment loss (reversed)/recognised	**(1,819)**	2,818
At 31 December	**2,829**	4,648

As of 31 December 2016, an impairment loss of HK$2,828,700 (2015: HK$4,648,000) was recognised and provided for as a result from the assessment of the Group's trade receivables due from third parties of HK$2,828,700 (2015: HK$4,648,000) 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 ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	2016	2015
	$'000	*$'000*
Current	**172,093**	251,601
Less than 1 month past due	**19,767**	17,844
1 to 3 months past due	**17,310**	29,066
More than 3 months past due	**6,849**	5,945
Amount past due	**43,926**	52,855
	216,019	304,456

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) Impairment of other receivables and prepayments

At 31 December 2016, a provision of HK$52,000 was reversed for other receivables. (2015: a provision of HK$909,000 was provided). And a provision of HK$3,354,000 (2015: Nil) was provided for prepayments.

12 Trade and other payables

	2016	2015
	$'000	*$'000*
Trade and bills payable	**92,544**	130,790
Advances received	**686,376**	5,779
Other payables and accruals		
– related parties	**12,830**	71,125
– others	**95,260**	106,369
Amount due to the Controlling shareholder and director – Mr Guo Yumin	**1,565**	1,791
	888,575	315,854

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:

	2016		2015	
	Trade payable	**Bills payable**	Trade payable	Bills payable
	$'000	***$'000***	*$'000*	*$'000*
Due within 1 month or on demand	**74,511**	**1,060**	107,040	9,582
Due after 1 month but within 3 months	**13,785**	**–**	2,543	6,073
Due after 3 months but within 6 months	**1,512**	**–**	2,192	1,683
Due more than 6 months	**1,676**	**–**	1,677	–
	91,484	**1,060**	113,452	17,338

13 Bank loans and overdrafts

At 31 December 2015 and 2016, the bank loans and overdrafts were repayable as follows:

	2016	2015
	$'000	*$'000*
Within 1 year or on demand	**144,040**	95,789
After 1 year but within 2 years	**217**	228
After 2 years but within 5 years	**228**	437
	445	665
	144,485	96,454

	2016	2015
	$'000	*$'000*
Representing:		
Unsecured overdrafts from banks and other financial institution	**–**	950
Bank loans		
– Secured	**118,521**	72,281
– Unsecured	**25,964**	23,223
	144,485	96,454

At 31 December 2015 and 2016, the banking facilities of the Group totaling $382,579,000 and $408,718,000 respectively were utilised to the extent of $96,454,000 and $144,485,000 respectively. Certain bank loans were secured by assets of the Group as set out below:

	2016	2015
	$'000	*$'000*
Restricted cash	**1**	3,628
Property, plant and equipment and leasehold land	**145,439**	163,010
	145,440	166,638

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 2015 and 2016 none of the covenants relating to drawn down facilities had been breached.

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 2015 and 2016 was 11.5% and 27.7% 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 has reported an increase in revenue, while a decrease in profit attributable to equity holders of the Company for the Year when compared to the year ended 31 December 2015.

In 2016, we have successfully stepped into the cloud-related business after the completion of the acquisition of 15 data centers on 30 June 2016. Looking backward, we went on public as a packaging materials manufacturer and have continuously explored new opportunities in various industries. We divide our current business into five segments, namely, (i) manufacturing and sales of BOPP film (comprising self-manufactured cigarette film and self-manufactured non-cigarette-related films), (ii) sales of sub-processing cigarette films (comprising anti-counterfeiting cigarette films and slitting imported film), (iii) properties development and related services, (iv) generation of photovoltaic power, and (v) cloud-related business.

We have two factories located in (i) Huai'an City in Jiangsu Province, accommodating production facilities for the manufacturing of anti-counterfeiting cigarette films; and (ii) Qingdao City in Shandong Province, accommodating production facilities for the manufacturing of BOPP films. The site for property development is located in Xuzhou of Jiangsu Province, and is under pre-sales since early 2016, which is expected to impact on our profit or loss in 2017. The Group has two photovoltaic power stations located in Xuzhou of Jiangsu Province, which have been in operation since 28 December 2015 and 25 June 2016 respectively. The Group has 15 data centers located in Jiangsu, Anhui, Hubei, Chongqing, Jiangxi, Shanghai, Zhejiang and Shandong Provinces. The Group has engaged Guang He Hui Yun as an operator to manage and operate these 15 data centers since 1 July 2016 for ten years. In order to explore further opportunities of the cloud industry, the Group has enhanced the existing human resources by employment of personnel with reputation and relevant experience.

FINANCIAL REVIEW

Results of Operation

Revenue

The principal activities of the Group including manufacturing and sales of BOPP films, sales of sub-processing cigarette films, properties development and related services, generation of photovoltaic power and cloud-related business. Our revenue represents the sales value of goods sold and service provided less returns, discounts and value added taxes and other sales taxes. For the year period ended 31 December 2016, our revenue increased by approximately HK$9.2 million, or approximately 2.0%, from approximately HK$469.2 million for the year ended 31 December 2015 to approximately HK$ 478.4 million, primarily as a result of the following:

Manufacturing and sales of BOPP films

The decrease in revenue from manufacturing and sales of BOPP films by approximately 9.9%, from approximately HK$301.8 million for the year ended 31 December 2015 to approximately HK$271.8 million for the year ended 31 December 2016, primarily due to the decrease in demand of external customers for cigarette-related films.

Sales of sub-processing cigarette films

The decrease in revenue from sales of sub-processing cigarette films was mainly due to (i) the decrease of the sales of our anti-counterfeiting cigarette films by approximately 27.3%, from approximately HK$93.0 million for the year ended 31 December 2015 to approximately HK$67.6 million for the year ended 31 December 2016, and (ii) the decrease in the sales of our slitting imported cigarette films by approximately 4.2%, from approximately HK$74.3 million for the year ended 31 December 2015 to approximately HK$71.2 million for the year ended 31 December 2016, both primarily due to the decrease of demand from customers.

Properties development and related services

The pre-sales of the Xuzhou property project have been initiated since March 2016. The project's return is expected to be realised in 2017. As at 1 November 2016, we had acquired Hong Kong Sheen Dragon Investment Company Limited and its subsidiaries and entered into the property management business in the People's Republic of China ("PRC"). The two months operation of its subsidiary, Xuzhou Lvzhou Property Management Company Limited, had already contributed a service income amounted to approximately HK$1.2 million for the Group.

Generation of photovoltaic power

As at 31 December 2016, the Group has two photovoltaic power stations in operation, with a total grid-connected capacity of 30 megawatts ("MW"). Among them, one was put into operation since 28 December 2015 and the other commenced operation since 25 June 2016. The revenue generated, including the sales of electricity and the tariff adjustments, amounted to approximately HK$31.9 million for the year ended 31 December 2016.

Cloud-related business

The Group had acquired 15 cloud data centers on 30 June 2016. These data centers have been successfully managed to make proceeds amounted to approximately HK$34.5 million. The revenue was mainly generated from (i) the sales of cloud-related software to customers amounted to approximately HK$27.3 million, and (ii) the operation of the cloud platforms.

GROSS PROFIT

Our gross profit increased by approximately HK$42.6 million, or approximately 32.5%, from approximately HK$131.0 million for the year ended 31 December 2015 to approximately HK$173.6 million for the year ended 31 December 2016. Our gross profit margin increased from approximately 27.9% for the year ended 31 December 2015 to approximately 36.3% for the year ended 31 December 2016. The increase was mainly due to (i) the decrease in pricing of raw materials in 2016, and (ii) the commencement of our photovoltaic and cloud operations in 2016 with higher profit margin when compared to our other businesses.

DISTRIBUTION COST

Our selling and distribution expenses increased by approximately HK$19.5 million, or approximately 110.2%, from approximately HK$17.7 million for the year ended 31 December 2015 to approximately HK$ 37.2 million for the year ended 31 December 2016. The increase was mainly incurred from the advertising and selling expenses, amounted to approximately HK$12.9 million, regarding of the pre-sales of our properties located in Xuzhou since March 2016.

ADMINISTRATIVE EXPENSES

Our administrative expenses increased by approximately HK$5.9 million, or approximately 6.6%, from approximately HK$89.4 million for the year ended 31 December 2015 to approximately HK$95.3 million for the year ended 31 December 2016. The increase was mainly represented by the additional depreciation expenses generated from the addition of fixed asset.

FINANCE COST

The finance cost decreased by approximately 44.2% from approximately HK$15.4 million for the year ended 31 December 2015 to approximately HK$8.6 million for the year ended 31 December 2016, primarily due to the drop of the general borrowing interest rate of PRC in 2016 and the effect of the exercise of the conversion right of 2014 convertible bond on 19 July 2016.

INCOME TAX

Our income tax decreased by approximately HK$42.7 million from approximately HK$54.6 million for the year ended 31 December 2015 to approximately HK$11.9 million for the year ended 31 December 2016. It was due to (i) a disposal of a subsidiary resulted of a one-off tax payment of approximately HK$36.7 million in 2015, and (ii) our subsidiaries, Jiangsu Sheen Colour Science Technology Company Limited and Qingdao Ener Packaging Technology Company Limited, have entitled as Advanced Technology Enterprises which have been subject to a preferential tax rate of 15% since the year 2016; the positive effect of such application of 15% tax rate amounted to approximately HK$4.5 million.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

As a result of the foregoing factors, profit attributable to equity holders of the Company for the period decreased by approximately HK$290.4 million to approximately HK$36.1 million. The decrease was mainly due to the absence of one-off extraordinary gain, amounted to approximately HK$325.4 million (after tax effect), on the disposal of a subsidiary in 2015.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the cash and cash equivalent of the Group amounted to approximately HK$171.0 million (which were denominated in HKD, RMB and USD) compared with approximately HK$194.4 million as at 31 December 2015, representing a decrease of approximately HK$23.4 million. Such decrease was mainly due to the Group's net cash inflow of operating activities, net cash outflow of investment activities and net cash outflow of financing activities amounted to approximately HK$366.0 million, HK$178.2 million and HK$204.6 million respectively.

BORROWING AND GEARING RATIO

Total interest-bearing borrowings of the Group as at 31 December 2016 was approximately HK$187.0 million (31 December 2015: approximately HK$303.3 million) which were denominated in HKD, RMB and USD, of which approximately HK$186.5 million were current interest-bearing borrowings (31 December 2015: approximately HK$233.4 million) and approximately HK$0.5 million were non-current interest-bearing borrowings (31 December 2015: approximately HK$69.9 million). The Group's gearing ratio, measured by net debt divided by shareholders' equity as at the end of the periods and multiplied by 100%, increase from approximately 11.5% as at 31 December 2015 to approximately 27.7% as at 31 December 2016. The increase was primarily due to the issuance of addition convertible bonds during the Year.

EXPOSURE TO FLUCTUATION 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 currency 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 risk is insignificant.

CAPITAL EXPENDITURE

During the year ended 31 December 2016, the Group's total capital expenditure amounted to approximately HK$141.7 million which was mainly used in the construction of the second photovoltaic power stations amounting to approximately HK$127.3 million.

CHARGE ON ASSETS

As at 31 December 2016, the Group had pledged its lease prepayments, machinery and building held for own use with net book value of approximately HK$145.4 million (31 December 2015: approximately HK$163.0 million) for the purpose of securing loans with carrying value of approximately HK$118.5 million (31 December 2015: approximately HK$72.3 million).

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSALS

On 17 March 2016, the Company (as purchaser) entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with Bloom Shine Investments Limited ("**Bloom Shine**") (as vendor) (as supplemented by the supplemental agreement dated 23 June 2016 and the supplemental deed dated 25 July 2016), pursuant to which the Company conditionally agreed to purchase the entire issued share capital of Treasure Cloud Limited at a consideration of HK$236,160,000. The consideration shall be satisfied by the Company issuing to Bloom Shine (or its nominee(s)) convertible bonds (the "**Convertible Bonds**"), which may be converted into 328,000,000 ordinary shares of the Company at the initial conversation price of HK$0.72 (subject to adjustment).

On 30 June 2016, completion of the Sale and Purchase Agreement took place and the Convertible Bonds in the principal amount of HK$141,696,000 had been issued to Bloom Shine Investment Limited pursuant to the Sale and Purchase Agreement.

For details, please refer to the announcements of the Company dated 17 March, 18 March, 23 June, 30 June and 25 July 2016.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any significant contingent liabilities (31 December 2015: Nil).

HUMAN RESOURCES

As at 31 December 2016, the Group employed approximately 390 employees (as compared with 345 employees as at 31 December 2015) with total staff cost of approximately HK$65.2 million incurred for the year ended 31 December 2016 (as compared with approximately HK$67.5 million for the year ended 31 December 2015). 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 does not recommend payment of any final dividend for the year ended 31 December 2016.

SUBSEQUENT EVENTS

On 15 February 2017, the Company received notices from the holders of the Convertible Bonds (pursuant to the Sale and Purchase Agreement) for the full conversion of the outstanding Convertible Bonds in accordance with the respective terms and conditions of the Convertible Bonds. On 22 February 2017, the Convertible Bonds had been fully converted into 196,800,000 ordinary shares of the Company. For details, please refer to the next day disclosure return of the Company dated 22 February 2017.

On 31 March 2017, the Convertible Bonds in the principal amount of HK$47,232,000 had been issued to Bloom Shine pursuant to the Sale and Purchase Agreement. On the same day, the Company received notices from the holder of the Convertible Bonds for the full conversion of the outstanding Convertible Bonds in accordance with the respective terms and conditions of the Convertible Bonds. The Convertible Bonds has been fully converted into 65,600,000 ordinary shares of the Company and no redemption has been carried out. For details, please refer to the announcement of the Company dated 31 March 2017.

PROSPECTS

For 2016, China's GDP decreases approximately 0.2% to approximately 6.7% with a volume reaching approximately 74.4 trillion. Residential market has presented to rally in 2016. We had acquired a property management business in 2016 and will continue to seek for the opportunities in expanding our property development and management segment in the future. By reference of the PRC government's 13th 5-year-plan, we have noticed PRC government's confidence to reform the configuration of power supply and would grasp business opportunity to expand our energy segment. With the development of technology such as application of black silicon and mass production of poly-silicon, cost of raw material for product of electricity are expected to further decrease in the future. We have already acquired 15 data centres and entered the cloud-related business in 2016. More efforts have been continuously put on developing our cloud-related services. Our future cloud-related revenue depends on our ability to penetrate other businesses, including cloud computing business and the businesses we have acquired or invested in and new business initiatives we may explore in the future. For the six months ended 31 December 2016, our cloud-related products mainly include database, storage and content delivery network, large scale computing, security and management and application services. We will improve our products to provide more personalized solutions for customers' particular needs. With diversifications of our cloud-related business, we are capable to offer better and competitive cloud services. Overall, we will focus on our existing business and continuously explore opportunities in PRC market in the coming future.

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 Listing Rules.

The Board considered that the Company had complied with the code provisions of the Code during the Year except for the deviations from code provisions A.1.8, A.2.1 and A.6.7.

Under 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, timely and effective 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 relatively low. The Company will review and consider to make such arrangement as and when it thinks necessary.

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 Year, there have been no chief executive in the Company. Mr. Guo Yumin acted as the Chairman of the Board, and is responsible for the overall management and formulation of business strategy of the Group.

The Board does not have the intention to fill the position of the chief executive of the Company at present and believes that the absence of the chief executive will not have adverse effect to the Company, as decisions of the Company will be made collectively by the executive Directors. The Board will keep reviewing the current structure of the Board and the need of appointment of a suitable candidate to perform the role of chief executive. Appointment will be made to fill the post to comply with code provision A.2.1 of the Code if necessary.

Under code provision A.6.7 of the Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Mr. Fong Wo, Felix (an independent non-executive Director) did not attend the general meeting held during the year ended 31 December 2016 as he had another commitment on the date of the general meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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 and up to the date of this announcement.

CLOSURE OF THE REGISTER OF MEMBERS

For determining entitlement to attend the forthcoming annual general meeting ("**AGM**"), the register of members of the Company will be closed from 16 May 2017 (Tuesday) to 19 May 2017 (Friday), both days inclusive, during which period no transfer of shares will be registered. The record date will be 19 May 2017 (Friday). In order to qualify for attending the AGM, all transfers of shares of the Company 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 before 4:30 p.m. on 15 May 2017 (Monday).

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 (being the chairman of the Audit Committee), 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 2016 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 has complied 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.

PUBLICATION OF FINAL RESULTS

The financial figures as set forth in this announcement have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the Year and the amounts were found to be consistent. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG.

This announcement will be published on the websites of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Company at www.sheentai.com. The annual report for the Year containing all the information required by 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, 31 March 2017

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