神冠
SHENGUAN

SHENGUAN HOLDINGS (GROUP) LIMITED
神冠控股(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00829)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL AND OPERATING HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER

(RMB million, except where otherwise stated)	**2017**	2016	change
Revenue	**1,008.0**	980.6	+2.8%
Profit attributable to Owners of the Company	**68.8**	154.2	-55.4%
Basic Earnings Per Share (RMB cents)	**2.1**	4.7	-55.3%
Dividend Per Share (HK cents)			
– Final	**2.0**	2.0	–
– Special (Final)	**1.6**	1.0	+60.0%
Cash Inflow from Operation	**421.6**	312.0	+35.1%
Total Assets	**3,294.0**	3,503.8	-6.0%
Inventory Turnover Day – Raw Materials (days)*	**24.9**	33.7	-8.8 days
Inventory Turnover Day – FG & WIP (days)*	**300.8**	422.0	-121.2 days
Trade Receivables Turnover Day (days)*	**92.2**	73.9	+18.3 days
Trade Payables Turnover Day (days)*	**153.7**	107.3	+46.4 days

* *Calculated based on the average value between the beginning of the year and the end of the year*

The board (the "Board") of directors (the "Directors") of Shenguan Holdings (Group) Limited (the "Company") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, "Shenguan" or the "Group") for the year ended 31 December 2017 (the "Year" or the "Period"), which have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The 2017 consolidated annual results of the Group have been reviewed by the audit committee of the Company and approved by the Board on 19 March 2018. The Board is pleased to propose a final dividend of HK2.0 cents per share and a special final dividend of HK1.6 cents per share.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	**2017**	2016
		RMB'000	*RMB'000*
REVENUE	4	**1,007,991**	980,617
Cost of sales		**(767,303)**	(687,542)
Gross profit		**240,688**	293,075
Other income and gains, net	4	**34,942**	88,473
Selling and distribution expenses		**(43,621)**	(32,506)
Administrative expenses		**(158,054)**	(177,898)
Finance costs, net	5	**(8,726)**	(15,927)
Share of profit and loss of an associate		**102**	–
PROFIT BEFORE TAX	6	**65,331**	155,217
Income tax expense	7	**(8,965)**	(21,565)
PROFIT FOR THE YEAR		**56,366**	133,652
OTHER COMPREHENSIVE INCOME			
Other comprehensive income may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**2,514**	(21,401)
NET OTHER COMPREHENSIVE INCOME MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**2,514**	(21,401)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**58,880**	112,251

	Note	2017 RMB'000	2016 RMB'000
Profit attributable to:			
Owners of the Company		**68,794**	154,163
Non-controlling interests		**(12,428)**	(20,511)
		56,366	133,652
Total comprehensive income attributable to:			
Owners of the Company		**71,308**	132,762
Non-controlling interests		**(12,428)**	(20,511)
		58,880	112,251
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY OWNERS OF THE COMPANY	9		
Basic (RMB cents per share)		**2.1**	4.7
Diluted (RMB cents per share)		**2.1**	4.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,273,487**	1,351,345
Investment properties		**7,594**	7,342
Prepaid land lease payments		**125,230**	118,863
Goodwill		**22,760**	22,760
Other intangible assets		**139,514**	191,219
Investments in an associate		**68,426**	–
Available-for-sale investment		**–**	37,100
Deferred tax assets		**28,717**	42,973
Long term prepayments		**6,909**	13,318
Total non-current assets		**1,672,637**	1,784,920
CURRENT ASSETS			
Financial asset at fair value through profit or loss		**–**	18,078
Inventories		**574,598**	794,845
Trade and bills receivables	10	**293,913**	215,220
Prepayments, deposits and other receivables		**81,606**	115,766
Pledged deposits		**214,300**	456,000
Cash and cash equivalents		**456,902**	119,016
Total current assets		**1,621,319**	1,718,925
CURRENT LIABILITIES			
Trade and bills payables	11	**83,908**	65,335
Other payables and accruals		**84,767**	104,108
Interest-bearing bank and other borrowings		**190,709**	343,563
Tax payable		**4,951**	3,928
Total current liabilities		**364,335**	516,934
NET CURRENT ASSETS		**1,256,984**	1,201,991
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,929,621**	2,986,911

	Note	2017 RMB'000	2016 RMB'000
NON-CURRENT LIABILITIES			
Deferred income		**32,605**	29,980
Deferred tax liabilities		**48,597**	61,655
Total non-current liabilities		**81,202**	91,635
Net assets		**2,848,419**	2,895,276
EQUITY			
Equity attributable to owners of the Company			
Issued capital	12	**28,060**	28,060
Reserves		**2,799,360**	2,795,637
		2,827,420	2,823,697
Non-controlling interests		**20,999**	71,579
Total equity		**2,848,419**	2,895,276

NOTES TO FINANCIAL STATEMENTS

31 December 2017

1. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all 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 disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and a financial asset at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014–2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group does not have any subsidiary classified as a disposal group held for sale as at 31 December 2017 is a wholly-owned subsidiary and so no additional information is required to be disclosed.

3. OPERATING SEGMENT INFORMATION

The Group is engaged in the principal business of the manufacture and sale of edible collagen sausage casing products. The Group also involves in the manufacture and sale of pharmaceutical products, food products, skin care and health care products and bioactive collagen products.

Since over 90% of the Group's revenue is generated by its edible collagen sausage casing products, no operating segments have been aggregated to form the above reportable operating segment.

Information about geographical areas

Geographical information is not presented since over 90% of the Group's revenue is derived from external customers based in the PRC and over 90% of the Group's non-current assets are located in the PRC. Accordingly, in the opinion of directors of the Company, the presentation of geographical information would provide no additional useful information to the users of these financial statements.

Information about major customers

Revenue from each major customers of the Group, excluding value added tax, which accounted for 10% or more of the Group's revenue for the year is set out below:

	2017	2016
	RMB'000	*RMB'000*
Customer 1	**268,371**	275,805
Customer 2	**121,087**	N/A*
Customer 3	**101,479**	N/A*

* The corresponding revenue of these customers is not disclosed as they individually did not contribute 10% or more of the Group's total revenue, excluding value added tax, for the relevant reporting period.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; and the value of service rendered during the year.

An analysis of revenue, other income and gains is as follows:

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**1,007,720**	980,326
Service income	**271**	291
	1,007,991	980,617
Other income		
Bank interest income	**17,866**	22,556
Sale of dried meat products	**530**	630
Government grants	**9,842**	5,429
Return received from contract in progress	**–**	25,643
Others	**1,292**	1,057
	29,530	55,315
Gains		
Foreign exchange gain, net	**–**	14,275
Gain on disposal of financial assets at fair value through profit or loss	**3,566**	856
Gain on disposal of a prepaid land lease	**–**	302
Change in fair value of a financial asset at fair value through profit or loss	**1,594**	17,725
Fair value gains on investment properties	**252**	–
	5,412	33,158
Total other income and gains	**34,942**	88,473

5. FINANCE COSTS, NET

	2017	2016
	RMB'000	*RMB'000*
Interest on bank loans	**11,170**	17,826
Less: Government grants	**(2,444)**	(1,899)
	8,726	15,927

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2017	2016
	RMB'000	*RMB'000*
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**179,125**	143,279
Retirement benefit contributions	**27,411**	30,739
	206,536	174,018
Auditor's remuneration	**2,200**	2,100
Cost of inventories sold	**754,704**	670,418
Depreciation	**97,157**	94,843
Amortisation of prepaid land lease payments	**3,139**	3,004
Impairment of goodwill	**–**	24,726
Amortisation of other intangible assets	**51,705**	51,705
Minimum lease payments under operating leases	**2,941**	1,348
Loss on disposal of items of property, plant and equipment, net	**265**	13
Impairment of trade and bills receivables	**4,060**	6,596
Write-off of inventories	**10,095**	13,026
Provision against obsolete and slow-moving inventories	**2,504**	4,098
Foreign exchange differences, net	**660**	(14,275)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**10**	7

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year.

Wuzhou Shenguan and Wuzhou Shensheng, being the Company's wholly-owned subsidiaries, are located in Wuzhou, Guangxi in the Western Region of China and are subject to the region's preferential corporate income tax ("CIT") rate of 15% as set out in the Notice of the Ministry of Finance and the General Administration of Custom and the State Administration of Taxation on Tax Policy Issues Concerning Further Implementing the Western China Development Strategy (Cai Shui 2011 No. 58).

Taxes on profits assessable in elsewhere have been calculated at the rate of tax prevailing in the jurisdictions in which the Group operates.

	2017	2016
	RMB'000	*RMB'000*
Current – PRC	**6,243**	24,781
Current – Hong Kong		
Charge for the year	**1,498**	1,319
Deferred tax	**1,224**	(4,535)
Total tax charge for the year	**8,965**	21,565

8. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Final dividend proposed subsequent to the reporting period – HK2.0 cents (2016: HK2.0 cents) per ordinary share	**52,625**	57,844
Final special dividend proposed subsequent to the reporting period – HK1.6 cent (2016: HK1.0 cent) per ordinary share	**42,100**	28,922
	94,725	86,766

The final dividend and special dividend for the year ended 31 December 2017 proposed subsequent to the reporting period have not been recognised as a liability at the end of the reporting period and are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the Company of RMB68,794,000 (2016: RMB154,163,000) and the weighted average number of 3,259,276,000 ordinary shares (2016: 3,259,276,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2017 and 2016.

10. TRADE AND BILLS RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**228,689**	197,328
Bills receivable	**91,217**	45,094
Due from a related company	**–**	2,730
	319,906	245,152
Impairment	**(25,993)**	(29,932)
	293,913	215,220

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month, extending up to three months for certain customers. An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**239,776**	160,296
3 to 4 months	**24,515**	40,054
Over 4 months	**29,622**	14,870
	293,913	215,220

11. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 month	**26,327**	29,575
1 to 2 months	**4,977**	4,886
2 to 3 months	**13,116**	9,642
Over 3 months	**39,488**	21,232
	83,908	65,335

The trade payables are non-interest-bearing and are normally settled on terms of range from 60 days to 180 days.

As at 31 December 2017, trade payables amounting to RMB5,379,000 (2016: RMB7,109,000) and bills payable amounting to RMB33,000,000 (2016: Nil) are for the purpose of purchasing cattle hides from Guangxi Zhiguan Industrial Development Co., Limited (廣西志冠實業開發有限公司), ("Guangxi Zhiguan"). Ms. Zhou Yaxian, the chairlady of the board, an executive director and one of the controlling shareholders of the Company together with her associates own more than 50% of the equity interest in Guangxi Zhiguan, whilst Mr. Ru Xiquan, Mr. Mo Yunxi and Mr. Shi Guicheng, each an executive director of the Company, owns 1% of the equity interest in Guangxi Zhiguan respectively. The trade and bills payables are settled on terms no longer than 180 days.

12. SHARE CAPITAL

	2017	2016
	HK$'000	*HK$'000*
Authorised:		
20,000,000,000 ordinary shares of HK$0.01 each	**200,000**	200,000
Issued and fully paid:		
3,259,276,000 (2016: 3,259,276,000) ordinary shares of HK$0.01 each	**32,593**	32,593
Equivalent to RMB'000	**28,060**	28,060

A summary of movements in the Company's issued share capital is as follows:

	Number of issued and fully paid ordinary shares	**Nominal value of ordinary shares**	**Share premium**	**Equivalent nominal value of ordinary shares**	**Equivalent share premium**	**Equivalent total**
		HK$'000	*HK$'000*	*RMB'000*	*RMB'000*	*RMB'000*
1 January 2016	3,268,276,000	32,683	466,976	28,135	488,999	517,134
Cancellation of share repurchased	(9,000,000)	(90)	(9,193)	(75)	(7,668)	(7,743)
Final 2015 dividend	–	–	(104,297)	–	(88,211)	(88,211)
At 31 December 2016 and 1 January 2017	**3,259,276,000**	**32,593**	**353,486**	**28,060**	**393,120**	**421,180**
Final 2016 dividend and special dividend	**–**	**–**	**(97,778)**	**–**	**(86,329)**	**(86,329)**
At 31 December 2017	**3,259,276,000**	**32,593**	**255,708**	**28,060**	**306,791**	**334,851**

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

Amid a further global recovery, year 2017 (the "Year") witnessed the PRC's economic rebound with overall price stability and expanded employment. Urban and rural resident income continued to grow rapidly with narrowed divergence. Consumption kept increasing and the living environment has significantly improved. Moreover, the overall economic environment has improved due to rising domestic and external demand alongside stable and improving import and export, underpinned by an enhanced and upgraded industrial structure.

According to the National Bureau of Statistics of the People's Republic of China (the "PRC"), the gross domestic product (GDP) of the PRC recorded a 6.9% increase during the Year. The retail sales of grain, oil and foodstuff grew 10.2% year-on-year, faster than the total retail sales of consumer goods. Total meat production also returned to a positive growth in the PRC. During the Year, the output of pork, beef, mutton and poultry meat was 84.31 million tons, representing an increase of 0.8% year-on-year, among which pork output was 53.4 million tons, up 0.8%. During the Year, sales of the Group's main collagen sausage casing products recorded double-digit growth by volume.

Competition remained intense in the collagen sausage casing market, despite steady growth in the overall domestic economy during the Year. Market competition was driven up by a slower growth in domestic meat consumption, currency movements supporting foreign peers to sell at a lower price in Chinese market and Chinese domestic small-scale sausage casing enterprises' participation in the competition. This, coupled with the de-stocking of aged products, again led to a slight decrease in the average selling price of collagen sausage casings of the Group as compared to that of year 2016 (the "Prior Year"). Nevertheless, driven by the sustained double-digit growth in sales volume and further lowered inventories, operating cash flows remained robust and helped the Group secure its leadership in the domestic collagen sausage casing market.

Business Review

Thanks to the joint efforts of its employees, the Group maintained a leading position in the domestic collagen sausage casing market with a double-digit growth in volume. However, sales growth of collagen sausage casings was below expectation due to intense market competition and price-off promotions of the Group's certain aged sausage casing products during the Year. Accordingly, net profit was affected by the lower average selling price and gross profit margin.

Addressing the complicated and ever-changing market, the Group adopted an approach focusing on "de-stocking, adjusting structure and maintaining steady growth". Firstly, through stock taking, classification and grading, the Group implemented a grade-specific sales strategy with differentiated pricing, leading to a de-stocking success, lower inventory risk and significantly higher operating cash inflow. Meanwhile, the Group took initiatives including product mix upgrade and enhancement of sausage casing production process, contributing to progresses across its product development, sales channel expansion and management philosophy. The lower production cost, as a result of effective cost control, partially offset the impact of the decline in average selling price to a certain extent.

Diversification and Technological Research & Development

The Group is committed to stepping up the development of its collagen technologies, with an aim to establish a base for the production of safe, reliable and standard materials required by the health industry. The move will also upgrade and transform the collagen industry and proactively promote the application of collagen in the health industry.

Wuzhou Shenguan Protein Casing Co., Ltd. ("Wuzhou Shenguan"), a wholly-owned subsidiary of the Company, maintained the titles as the national-grade "Post-doctoral Science Research Workstation (博士後科研工作站)" and "Cluster of Collagen Technology Talents in Guangxi (廣西膠原蛋白技術人才小高地)" and as research and development platforms such as "Guangxi Collagen Engineering Technology Research Center" (廣西膠原蛋白工程技術中心), "Guangxi Enterprise Technology Center (廣西企業技術中心)" and "Guangxi Enterprise Research and Development Center (廣西企業研發中心)", and received financial subsidies from the Department of Finance of Guangxi of the PRC. As at 31 December 2017, 9 professionals, including 5 doctorate degree holders and 4 graduates of master's degrees were recruited to enhance the Group's technological development and market expansion capabilities.

During the Year, the Group continued to make progress in product diversification. "Meday" instant edible solid collagen and "COLL-FULL" collagen membrane facial masks were marketed, albeit with an early-stage sales contribution during the Year. The Group also appointed Miss. Xu Lu, an attention-grabbing rising Chinese actress, as the ambassador for its "COLL-FULL" brand in May 2017. In the future, the Group will step up market planning and marketing accordingly so as to capture a larger market share. After verification with a national grade one sci-tech novelty search consultancy unit in China, it was proven that the collagen membranes used in facial masks, collagen membrane facial masks and instant edible solid collagen developed by the Group had never been reported previously in any domestic research literature accessible by the public.

Guangdong Victory Biotech Co., Ltd. ("Guangdong Victory") has been certified by Guangdong provincial authorities for the corporate standards on "Fibrous Type I Collagen (Q/SCSW 2-2017)", "Medical Soluble Type I Collagen (Q/SCSW 3-2017)" and "Collagen Wound Dressing (Q/SCSW 4-2017)". In addition, Guangdong Victory is also lodging a number of applications for patents, of which the patents for "Artificial Bone Structure" were granted by the State Intellectual Property Office and the Taiwan Intellectual Property Office and "Preparation Method of Low Endotoxin Collagen" was accepted by the State Intellectual Property Office, Taiwan Intellectual Property Office and United States Patent and Trademark Office, as at the date of this announcement.

Ferguson (Wuhan) Biotech Company Limited ("Ferguson Wuhan") is putting efforts in research and development of health food, general food and special food for medical purposes, including lutein soft capsules, glucosamine tablets, calcium and zinc oral liquid, nutrition packs, sports drinks, whey protein powder, balanced nutrition powder, etc. Ferguson (Wuhan) has made initial achievement in market channel building.

As at 31 December 2017, the Group had 61 valid patents granted by the State Intellectual Property Office of the PRC, and 17 patents applications accepted by the relevant authorities were pending for approval.

Collagen Sausage Casings

One of the Group's principal businesses is the manufacture and sale of edible collagen sausage casings, most of which are used for the production of western sausages. Product innovation and diversification by sausage manufacturers continued to create demand for sausage casings of different sizes and fillings.

In order to keep pace with the new trend of the domestic meat product industry, the Group launched new products that can be applied to more types of sausages fillings to cater for the market. These new products are gradually marketed and adopted. At the same time, the Group also made great efforts in enhancing internal management, streamlining production processes and improving efficiency.

With respect to the supply of raw materials, cattle's inner skin is a major raw material for collagen sausage casing production. The supply of cattle's inner skin remained stable over the past few years and such situation is expected to remain unchanged in the coming years. Guangxi Zhiguan Industrial Development Co., Limited* (廣西志冠實業開發有限公司), one of the Group's substantial cattle inner skin providers, applied for the Food Production Licence* (食品生產許可證) under the Measures for the Administration for Food Production Licensing* (食品生產許可管理辦法) and Food Safety Law* (食品安全法) of the PRC on a voluntary basis and was granted with such licence, effective until November 2022, by the Wuzhou Bureau for Administrative Examination and Approval* (梧州市行政審批局), the local issuing authority of the China Food and Drug Administration* (國家食品藥品監督管理總局) where Guangxi Zhiguan is located. During the Year, in response to the market situation, the Group used its bargaining power of bulk purchases to successfully reduce the purchase price of raw materials and effectively controlled the production cost, enhancing the competitiveness of the Group's products in the future.

Quality Control

The Group strictly controls each production step to ensure that its products are at the best quality and comply with all safety requirements. The Group's production and manufacture of collagen sausage casings has passed the assessment of ISO9001:2008 Quality Management System and the certification of ISO22000:2005 Food Safety Management System, and has obtained the QS Food Production Permit. It has also registered with the Food and Drug Administration in the United States for export of sausage casing products to the United States. In addition, the production of all of the Group's sausage casing products have strictly complied with the PRC's national standards (GB14967-94), sausage casing manufacturing industry standards (SB/T10373-2012) and the filed corporate standards (Q/WZSG0001S-2012). All these certifications are the recognition of the Group as a trustworthy product supplier to its customers.

Guangxi Wuzhou Zhongguan Testing Technology Services Co., Ltd. ("Wuzhou Zhongguan"), a subsidiary of the Group, is able to examine over 200 indicators, including physicochemical indicators such as heavy metals and microelements, pesticide residues, microorganisms and proteins. Currently, Wuzhou Zhongguan continues to independently undertake third-party inspection assignments which has delivered revenue, and can directly undertake various food and relevant product testing services and issue officially-recognized testing reports. Such qualification is going to lay a solid foundation for the Group to develop into a collagen materials base, thereby facilitating the development of high-end foods, healthcare products and medicines in the health industry.

Customer Relationship

The Group is committed to developing long-term cooperation relationships based on mutual trust with its business partners and has built a sophisticated customer network. The Group has established its closely-knit yet extensive network of leading manufacturers of processed meat products and sausages, not only for cooperation with enterprises in the PRC, but also with those in various overseas markets, such as South America, Southeast Asia and the United States. During the Year, the Group continued to supply high-quality sausage casing products to a number of renowned food suppliers in the PRC. The number of domestic customers remained stable.

Financial Analysis

Revenue

Revenue increased by approximately 2.8% to approximately RMB1,008.0 million for the Year from approximately RMB980.6 million for the Prior Year. Although the sales volume of collagen sausage casing increased by approximately 15%, the overall decrease in product price in the industry and the Group's commitment to reduce the inventory level led to the decline in the average selling price. The average selling price still dropped slightly in the first quarter of 2017 when comparing with the fourth quarter of 2016, but started to rebound from the second quarter of 2017 as inventory pressure eased. The average selling price for the second half of 2017 was approximate to that of the first half of 2017.

Cost of sales

Cost of sales increased by approximately 11.6% to approximately RMB767.3 million for the Year from approximately RMB687.5 million for the Prior Year, including the written-off and provision of inventory in aggregate of approximately RMB12.6 million (in aggregate of approximately RMB17.1 million for the Prior year). If the written-off and provision of inventory was excluded, the cost of sales increased by approximately 12.6%, which was slightly lower than the increase in sales volume. The Group has also taken various measures to control production costs per unit. The costs of raw materials increased by approximately 3.2% to approximately RMB267.6 million. In addition, the Group continued to control energy consumption, as the charges for energy increased by approximately 17.9% to approximately RMB180.9 million. The direct labor cost increased by 18.6% to approximately RMB156.8 million.

Gross profit

Gross profit decreased by approximately 17.9% to approximately RMB240.7 million for the Year from approximately RMB293.1 million for the Prior Year. The gross profit margin decreased from approximately 29.9% to approximately 23.9% for the Year. If the written-off and provision of inventory was excluded, the gross profit margin of the Year and the Prior Year were 25.1% and 31.6%, respectively. The decrease in gross profit margin is mainly due to the overall decrease in product price in the industry and the Group's effort in reducing inventory level by boosting sales of outdated inventories, which had led to a decline in the average selling price.

Other income and gains

Other income and gains decreased by approximately 60.5% to approximately RMB34.9 million for the Year from approximately RMB88.5 million for the Prior Year. In 2012, the Group entered into a land development investment contract (the "Development Contract") with an independent third party. The costs incurred by the Group in connection with the Development Contract comprised mainly the costs incurred in demolition and relocation and land acquisition compensation fees during the period of land development (the "Contract Costs"). Since the land's auction occurred later than expected, the Group had continuous negotiation with such independent third party on withdrawing from the Development Contract. On 2 March 2016, the Group entered into a settlement agreement with such independent third party, pursuant to which, such independent third party agreed to transfer the land development project from the Group back to such independent third party, and refund the Group's Contract Costs together with the accrued return of 10 per cent per annum. As a result, the Group recorded the return from contract in progress of approximately RMB25.6 million in the Prior Year whereas no similar return was recorded for the Year.

On the other hand, there was a gain of change in fair value of a financial asset at fair value through profit or loss of approximately RMB1.6 million recorded during the Year, as compared to RMB17.7 million for the Prior Year. Please refer to the section of "Financial asset at fair value through profit or loss".

Selling and distribution expenses

Selling and distribution expenses increased by approximately 34.2% from approximately RMB32.5 million for the Prior Year to approximately RMB43.6 million for the Year, mainly due to the increase in marketing costs for the promotion of various new products including the "Meday" instant edible solid collagen and the "COLL-FULL" collagen membrane facial masks, as well as the increase in wages due to the expansion in sales team. Selling and distribution expenses as a percentage of revenue increased to approximately 4.3% for the Year from approximately 3.3% for the Prior Year.

Administrative expenses

Administrative expenses decreased by approximately 11.2% from approximately RMB177.9 million for the Prior Year to approximately RMB158.1 million for the Year.

For the technologies acquired by the Group through the acquisition of Guangdong Victory, the intangible assets will be amortized over five years. The related amortization expense was approximately RMB50.8 million for the Year. After deducting the non-controlling interest and deferred taxation of Guangdong Victory, the effect of the related amortization expense on the net profit of the Group was approximately RMB26.8 million. The effect of such amortization expense on the net profit of the Group was approximately RMB19.4 million for the Prior Year.

During the Prior Year, the Group has incurred an impairment loss of approximately RMB24.7 million on the goodwill recognized as a result of the acquisition of the 51% interest in Guangdong Victory in the second half of 2015, while no impairment loss on goodwill was recorded for the Year. The impairment loss on goodwill recorded last year was mainly due to the slower-than-expected approval progress of various permits for new products of Guangdong Victory and its development of the sales network of, which resulted in a downward adjustment and delay in achieving the profit as set out in Guangdong Victory's financial forecast.

Both factors above which had a relatively material impact on the net profit for the Year and the Prior Year were non-cash items and the cash flow of the Group was not affected.

Finance costs

Finance costs decreased by approximately 45.2% to approximately RMB8.7 million for the Year from approximately RMB15.9 million for the Prior Year. For details in relation to the bank borrowing of the Group, please refer to the section of "Cash and bank borrowing".

Share of profit of an associate

The share of profit of an associate of the year amounted to approximately RMB102,000, which was mainly due to the share of profit of Ferguson Wuhan during the period from August to December 2017. Please refer to the section "Significant investments, material acquisitions and disposals of subsidiaries, associated companies and joint ventures" regarding the acquisition of equity interest of Ferguson Wuhan.

Income tax expenses

Income tax expenses were approximately RMB9.0 million for the Year, as compared to approximately RMB21.6 million for the Prior Year. The Company's major operating subsidiaries, Wuzhou Shenguan and Wuzhou Shensheng Collagen Products Co., Ltd. ("Shensheng Collagen") enjoyed a preferential tax treatment because of their location in the western part of the PRC as well as their engagement in industries encouraged by the government policies. The applicable tax rate for Wuzhou Shenguan and Shensheng Collagen was 15%.

The effective tax rates applied to the Group was approximately 13.9% and approximately 13.7% of profit before tax, respectively for the Prior Year and the Year.

Loss attributable to non-controlling interests

The loss attributable to non-controlling interests for the Year was approximately RMB12.4 million, mainly representing the amortization expense of the relevant technological intangible assets attributable to the non-controlling interests in Guangdong Victory.

Profit attributable to owners of the Company

Due to the aforesaid reasons and adding back the loss attributable to non-controlling interests of approximately RMB12.4 million, profit attributable to owners of the Company decreased by approximately 55.4% to approximately RMB68.8 million for the Year. If the return of approximately RMB25.6 million received by the Group from the contract in progress, the fair value gain of RMB17.7 million on the put option of Guangdong Victory Biological Company Limited (decreased to RMB1.6 million for the Year) and impairment of goodwill of approximately RMB24.7 million (no impairment of goodwill was recorded for the Year) recorded in the Prior Year were excluded, the profit attributable to owners of the Company decreased by approximately 50.4% as compared with the same period of the Prior Year. In addition, the selling and distribution expenses and administrative expenses for the exploration of new products, including facial masks and instant edible solid collagen, for the Year and the Prior Year totaled to RMB35.2 million and RMB13.7 million, respectively. During the Year, the earnings per share was approximately RMB2.1 cents. The Board recommended the distribution of a final dividend of HK2.0 cents per share and a special final dividend of HK1.6 cents per share. The total dividends per share for the Year was more than that of the Prior Year.

Liquidity and Capital Resources

Cash and bank borrowings

The Group generally finances its business operations and capital expenditure with internally generated cash flows as well as the bank borrowings provided by its principal banks.

As at 31 December 2017, the cash and cash equivalents together with the pledged deposits amounted to approximately RMB671.2 million, representing an increase of approximately RMB96.2 million from the end of 2016. Among these balances, approximately 95.3% was denominated in Renminbi, and the remaining 4.7% was denominated in Hong Kong dollars, Singapore dollars and U.S. dollars.

As at 31 December 2017, the total bank and other borrowings of the Group amounted to approximately RMB190.7 million, representing a decrease of approximately RMB152.9 million (as at 31 December 2016: approximately RMB343.6 million), and all the bank borrowings were wholly repayable within one year. Of which, the total bank borrowings denominated in Renminbi were approximately RMB150.0 million, while the total bank borrowings denominated in Hong Kong dollars were HK$48.7 million (equivalent to approximately RMB40.7 million).

The Group was in a net cash position (cash and cash equivalents together with pledged deposits less total bank borrowings) of approximately RMB480.5 million as at 31 December 2017, representing an increase of approximately RMB249.1 million as compared to that at the end of 2016. The debt-to-equity ratio was 6.7% as at 31 December 2017 (as at 31 December 2016: 11.9%). The debt-to-equity ratio was calculated by dividing the total bank borrowings by the total equity.

Cash flows

During the Year, the net cash inflow of approximately RMB421.6 million and RMB105.0 million was generated from operating activities and investing activities, respectively, while financing activities utilized approximately RMB267.3 million. The net cash generated from investment activities was mainly attributable to the cash inflow from decrease in pledged deposit, and the total cash outflow for purchase of property, plant and equipment and the investment in an associate. The net cash outflow from financing activities was mainly attributable to the combined effects of the repayment of bank borrowing and the new bank borrowings and the acquisition of the non-controlling interests of a subsidiary and the distribution of 2016 final dividend.

Financial assets at fair value through profit or loss

Pursuant to an equity transfer agreement in respect of the acquisition of 51% equity interests in Guangdong Victory entered into between the Group and Enneford Industrial Limited ("Enneford Industrial") on 20 July 2015 (the "2015 Equity Transfer Agreement"), the Group was granted with a put option (the "Put Option"), whereby the Group has the discretion to request Enneford to repurchase the 51% equity interest in Guangdong Victory held by the Group at a consideration of approximately RMB146,880,000 and increased capital contribution (if any) by the Group after the aforesaid acquisition, if the annual sales revenue of Guangdong Victory fails to reach RMB120,000,000 and the failure of obtaining the production permits of certain products by Guangdong Victory before 31 December 2020. Th e Put Option will be exercisable from the date immediately after 31 December 2020.

As the Group increased its equity interests in Guangdong Victory to 80% in May 2017 and cancelled the Put Option, the Group held no financial asset at fair value through profit or loss as at the end of the Year.

The Put Option was measured at fair value of approximately RMB19,672,000 as at 30 April 2017. The increase in fair value of the Put Option of RMB1,594,000 as compared to that of 31 December 2016 was recognized in other income and gains.

Exposure to exchange risks

The Group mainly operates in the PRC with most of its transactions settled in Renminbi. The assets and liabilities, and transactions arising from the operations are mainly denominated in Renminbi. Although the Group may be exposed to foreign currency exchange risks, the board of directors of the Company believes that the future currency fluctuations will not have any material impact on the Group's operations. The Group had not adopted formal hedging policies.

Capital expenditure

The capital expenditure (excluding the acquisition of equity interests in an associate and non-controlling interest in a subsidiary) of the Group during the Year amounted to approximately RMB31.8 million, which was mainly used for the acquisition of property, plant, and equipment, and the capital commitments as at 31 December 2017 amounted to approximately RMB106.5 million, which were mainly related to the improvement and upgrades of production facilities and plants.

The estimated capital expenditure of the Group for 2018 amounted to approximately RMB100 million, which will be used for the upgrade and intellectualization of production facilities for sausage casing business, as well as expansion of production facilities of the newly acquired corporations, and the renovation and addition of equipment for the research and development center in Singapore.

Pledge of assets

As at 31 December 2017, pledged bank deposits amounted to approximately RMB214.3 million in total.

Contingent liabilities

As at 31 December 2017 and up to the date of this announcement, the Group was not aware of any material contingent liabilities.

Significant investments, material acquisitions and disposals of subsidiaries, associated companies and joint ventures

Acquisition of equity interest in Ferguson Wuhan

On 13 March 2017, Wuzhou Shenguan entered into an equity transfer agreement with Guangxi Shenguan Investment Limited ("Guangxi Shenguan"), pursuant to which Guangxi Shenguan agreed to dispose of and Wuzhou Shenguan agreed to acquire 5% equity interest of Ferguson Wuhan at a consideration of RMB13,380,000 (the "Equity Transfer"). Upon completion of the Equity Transfer, Ferguson Wuhan will be owned as to 40%, 20%, 20% and 20% by Guangxi Shenguan, Gobitech Limited, Guangxi Guan Yu Zhiye Limited ("Guangxi Guan Yu") and Wuzhou Shenguan, respectively.

On 13 March 2017, Wuzhou Shenguan entered into a capital increase agreement with Guangxi Shenguan, Gobitech Limited and Guangxi Guan Yu, pursuant to which Wuzhou Shenguan agreed to make a capital contribution of RMB17,843,900 to Ferguson Wuhan by cash, of which RMB5,611,300 would be contributed to the registered capital of Ferguson Wuhan and RMB12,232,600 would be contributed to the capital reserve of Ferguson Wuhan (the "Capital Increase"). Upon completion of the Capital Increase, (i) the registered capital of Ferguson Wuhan would be increased by approximately 6.67% from RMB84,170,000 to RMB89,781,300; and (ii) Ferguson Wuhan would be held as to 37.5%, 18.75%, 18.75% and 25% by Guangxi Shenguan, Gobitech Limited, Guangxi Guan Yu and Wuzhou Shenguan, respectively.

Upon completion of the Capital Increase, the equity interest in Ferguson Wuhan held by Wuzhou Shenguan will be increased from 20% to 25%. As such, the Capital Increase will constitute an acquisition of 5% equity interest in Ferguson Wuhan.

As at 13 March 2017, (i) Guangxi Shenguan is owned as to 95% by Ms. Zhou Yaxian ("Ms. Zhou"); and (ii) Guangxi Guan Yu is owned as to 88%, 3%, 3% and 3% by Ms. Zhou, Mr. Ru Xiquan ("Mr. Ru"), Mr. Shi Guicheng ("Mr. Shi") and Mr. Mo Yunxi ("Mr. Mo"), respectively. Since Ms. Zhou is an executive Director and a controlling shareholder of the Company, whereas each of Mr. Ru, Mr. Shi and Mr. Mo is an executive Director, each of Guangxi Shenguan and Guangxi Guan Yu is thus a connected person of the Company. Accordingly, the Equity Transfer and the Capital Increase constitute connected transactions of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

For further details, please refer to the announcement of the Company dated 13 March 2017. During the Year, both the Equity Transfer and Capital Increase were completed.

Equity transfer agreement in relation to acquisition of 29% equity interest in Guangdong Victory and termination of Put Option

On 23 March 2017, Wuzhou Shenguan Investment Development Company Limited ("Wuzhou Shenguan Investment") and Enneford (the "Vendor") entered into an equity transfer agreement (the "2017 Equity Transfer Agreement"), pursuant to which, among others, (i) Wuzhou Shenguan Investment agreed to acquire and the Vendor agreed to sell 29% equity interests of Guangdong Victory at a total consideration of RMB23,850,000 (the "Acquisition"); and (ii) both Wuzhou Shenguan Investment and the Vendor agreed to terminate the Put Option. Upon completion of the Acquisition, Guangdong Victory will be held as to 80% by Wuzhou Shenguan Investment and remain as an indirect non-wholly-owned subsidiary of the Company.

As at 23 March 2017, the Vendor held 49% of the equity interest in Guangdong Victory. Hence, the Vendor is a substantial shareholder of Guangdong Victory and thus a connected person of the Company. The Acquisition and the termination of the Put Option therefore constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

For further details, please refer to the announcements of the Company dated 20 July 2015 and 23 March 2017.

The transactions contemplated under the 2017 Equity Transfer Agreement have been completed during the Year.

Saved as disclosed in this announcement, the Group had no other significant investments, material acquisitions or disposals of subsidiaries, associated companies or joint ventures during the Year.

Human Resources

As at 31 December 2017, the Group had a total of approximately 2,700 contract employees. During the Year, the total remuneration and employees' benefit expenses charged to profit or loss were approximately RMB206.5 million (2016: approximately RMB174.0 million). In order to attract and retain high quality talents to ensure smooth operation and to cope with the need of the Group's continuing expansion, the Group offers competitive remuneration packages with reference to the market conditions and individual qualifications and experience.

Major Awards

In 2017, Ms. Zhou Yaxian, Chairman of the Group, was nominated as a deputy of the 19th Chinese Communist Party (the "CPC") National Congress, and was included into the list of innovation and entrepreneurship talents of the Ministry of Science and Technology of China. The Group's awards and recognitions during the Year include the "Most Socially Responsible Chinese Listed Companies 2017" awarded by 21st Century Business Herald, the "Charitable Chinese Enterprise of 2017" awarded by 2017 China Annual Conference on Philanthropy and the title of "Model Green Producer in Guangxi" granted by the Commission of Industry and

Information Technology of Guangxi Zhuang Autonomous Region. Moreover, “Shenguan” collagen sausage casings were again laurelled as “Guangxi Famous-brand Products” by Quality and Technology Supervision Bureau of Guangxi Zhuang Autonomous Region.

Prospects and Strategies

Looking ahead to 2018, the global economy should usher in a full-fledged recovery since the financial crisis and the PRC will remain as a powerhouse to the global growth, according to the World Bank’s forecast. As noted in the work report of the 19th National Congress of the CPC, to achieve the goal of well-off society by 2020, the private sector should be encouraged and supported in addition to the stronger public sector. The recent Central Economic Work Conference also stressed that as socialism with Chinese characteristics has marched into a new era along with the national economy, the PRC’s economy is downshifting towards a quality-minded pattern. Recently, the Thirteenth Five-Year Plan promulgated by the Chinese government and relevant departments has added the collagen biotechnology industry into the list of strategic emerging industries with national support. In light of the Thirteenth Five-Year Plan, The Group will continue to develop collagen-based products underpinned by collagen technology, aiming to build itself into a world-class base for collagen research and development and application and the largest supplier of collagen raw materials.

Responding to external challenges such as the intensifying competition in collagen sausage casings and higher requirements on product applicability and quality, the Group will accord priority to “new product development, market expansion and quality-oriented growth” in its plan for 2018. In line with the product development paces of customers, the Group will press ahead with new product development to penetrate into new markets. In addition, by improving process, design and standards as well as standard operations, the Group will ensure consistent and up-to-standard product quality under a well-established model for quality control procedures to secure its leadership in collagen sausage casings.

For collagen skincare products, in order to speed up the development and production processes, the Group will improve the collagen product family by introducing a variety of facial masks and collagen extract series in an effort to diversify the product portfolio and sharpen the competitiveness. For collagen food products, the Group will continue to improve the technical and operational standards for instant edible solid collagen and rice noodles with ingredients including collagen to ensure product quality. Efforts will also be taken to bolster up promotional and marketing activities for achieving mass production and sales volume soon.

The Group has been active in growing its collagen medical material segment. Its “Type III Wound Dressing” and “Type III In Vivo Hemostatic Cotton”, which have passed clinical trials, are in the process of application for production permit. We are also accelerating the research and development of artificial bone and are applying for its clinical trial. In addition, the Wuzhou sterile production facility of the newly established Wuzhou Victory Biotech Co., Ltd. for collagen medical materials, with its fitting-out completed, is in the process of application for relevant certificates and permits to target commencing production in the second half of 2018.

The Group will continue to improve its management mechanism and structure. We will upgrade and incorporate strategy origination, investment decisions, financial control and central procurement into a group-wide framework for higher management efficiency and performance. Team-building and performance assessment will be deepened to improve effectiveness of workflows. In accordance with the upgraded post setting, performance assessment and salary system, we will shore up training and introduce a survival-of-the-fittest mechanism in a drive to improve the competency of managers at lower ranks.

We believe that the initiatives above will contribute to operational and financial soundness, sustainable business development and wider application of collagen technology, thereby securing our leadership in the industry and delivering attractive return to shareholders in the long run.

OTHER INFORMATION

Dividends

The Directors recommended the payment of a final dividend of HK2.0 cents per ordinary share and a special final dividend of HK1.6 cent per ordinary share for the Year to shareholders whose names appear on the register of members of the Company on 1 June 2018 (Friday) out of the share premium account of the Company. Subject to the approval of the shareholders at the forthcoming annual general meeting, it is expected that the final dividend and the special final dividend will be paid on or around 14 June 2018 (Thursday).

Closure of Register of Members

For the purposes of determining the shareholders' eligibility to attend and vote at the forthcoming annual general meeting to be held on 23 May 2018 (Wednesday), the register of members of the Company will be closed from 17 May 2018 (Thursday) to 23 May 2018 (Wednesday), both days inclusive. The latest time to lodge transfer documents for registration will be at 4:30 p.m. on 16 May 2018 (Wednesday). For determining entitlement to the final dividend and the special final dividend (if approved at the forthcoming annual general meeting), the register of members of the Company will be closed from 29 May 2018 (Tuesday) to 1 June 2018 (Friday), both days inclusive. The record date will be 1 June 2018 (Friday). The latest time to lodge transfer documents for registration will be at 4:30 p.m. on 28 May 2018 (Monday). During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the forthcoming annual general meeting, and to qualify for the final and the special final dividends (if approved at the forthcoming annual general meeting), all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the dates and times stated above respectively.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the Year.

Model Code Set out in Appendix 10 to the Listing Rules

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. The Company has also adopted the Model Code for the members of senior management of the Group.

The Company has made specific enquiry of all Directors and all the Directors have confirmed that they have complied with the Model Code during the Year. Moreover, no incident of non-compliance of the Model Code by the senior management was noted by the Company.

Corporate Governance Code

Save as disclosed below, the Company had complied with all the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules during the Year.

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.

Ms. Zhou Yaxian, who acts as the chairman (the "Chairman") and the president of the Company, is also responsible for overseeing the general operations of the Group. The Company has not appointed any chief executive officer and the daily operations of the Group are delegated to other executive Directors, the management and various department heads. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive Directors and senior management, who are in charge of different functions complement the role of the chairman and chief executive. The Board believes that this structure is conducive to strong and consistent leadership which enables the Group to operate efficiently.

The Company understands the importance to comply with code provision A.2.1 of the Code and will continue to consider the feasibility of appointing the chief executive. The Company will make timely announcement if the chief executive has been appointed.

The Chairman takes the lead to ensure that the Board acts in the best interests of the Company, that there is effective communication with the shareholders and that their views are communicated to the Board as a whole. The Chairman meets at least annually with the non-executive Directors without the executive Directors being present.

Audit Committee

The audit committee of the Board had reviewed the consolidated annual results of the Group for the Year and considered that the Company had complied with all applicable laws, accounting standards and requirements, and had made adequate disclosure.

By Order of the Board
Shenguan Holdings (Group) Limited
Zhou Yaxian
Chairman

Hong Kong, 19 March 2018

As at the date of this announcement, the executive Directors are Ms. Zhou Yaxian, Mr. Shi Guicheng, Mr. Ru Xiquan and Mr. Mo Yunxi; the non-executive Director is Dato' Sri Low Jee Keong; and the independent non-executive Directors are Mr. Tsui Yung Kwok, Mr. Meng Qinguo and Mr. Yang Xiaohu.