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 2017

GROUP FINANCIAL HIGHLIGHT

for the year ended 31 December 2017
(Expressed in Hong Kong dollars)

	2017	2016
	$'000	*$'000*
Revenue	**1,250,706**	478,354
Gross profit	**156,135**	173,556
(Loss)/profit before tax	**(182,164)**	47,984
(Loss)/profit attributable to:		
Equity shareholders of the Company	**(165,219)**	36,132
(Loss)/earnings per share		
Basic (HK$ per share)	**(0.069)**	0.017
Diluted (HK$ per share)	**(0.073)**	0.001
Cash and cash equivalents	**274,303**	171,003
Net assets	**897,772**	833,933
Total assets	**1,272,782**	2,134,825

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 2017 (the "**Year**"), with the comparative figures for the year ended 31 December 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017 (Expressed in Hong Kong dollars)

	Note	2017 HK$'000	2016 HK$'000
Revenue	4	**1,250,706**	478,354
Cost of sales		**(1,094,571)**	(304,798)
Gross profit		**156,135**	173,556
Other income	5	**16,485**	10,022
Other gains and losses	6	**(7,445)**	5,562
Distribution costs		**(21,000)**	(37,236)
Administrative expenses		**(96,045)**	(95,341)
Other operating expenses		**(4,230)**	(18)
Profit from operations		**43,900**	56,545
Finance costs	7	**(8,513)**	(8,561)
Impairment of goodwill	12	**(49,645)**	–
Impairment of property, plant and equipment		**(5,099)**	–
Impairment of intangible assets	13	**(162,807)**	–
(Loss)/profit before tax		**(182,164)**	47,984
Income tax credit/(expense)	8	**16,078**	(11,852)
(Loss)/profit for the year	9	**(166,086)**	36,132
Attributable to:			
Equity shareholders of the Company		**(165,219)**	36,132
Non-controlling interests		**(867)**	–
		(166,086)	36,132
(Loss)/earnings per share			
Basic (HK$ per share)	11	**(0.069)**	0.017
Diluted (HK$ per share)	11	**(0.073)**	0.001

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017 (Expressed in Hong Kong dollars)

	2017	2016
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(166,086)**	36,132
Other comprehensive income/(loss):		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**59,645**	(48,634)
Other comprehensive income/(loss) for the year, net of tax	**59,645**	(48,634)
Total comprehensive loss for the year	**(106,441)**	(12,502)
Attributable to:		
Equity shareholders of the Company	**(105,586)**	(12,502)
Non-controlling interests	**(855)**	–
	(106,441)	(12,502)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017 (Expressed in Hong Kong dollars)

	Note	**2017** **HK$'000**	2016 HK$'000
Non-current assets			
Property, plant and equipment		**476,596**	468,135
Interests in leasehold land held for own use under operating lease		**19,845**	18,982
Goodwill	*12*	**2,830**	52,475
Intangible assets	*13*	**2,086**	185,145
Other non-current assets		**3,470**	2,166
Deferred tax assets		**6,356**	13,054
Total non-current assets		**511,183**	739,957
Current assets			
Financial assets at fair value through profit or loss		**26,559**	224,648
Inventories		**142,144**	682,205
Trade and other receivables	*14*	**315,738**	299,802
Current tax assets		**2,855**	17,209
Restricted cash		–	1
Bank and cash balances		**274,303**	171,003
Total current assets		**761,599**	1,394,868
Current liabilities			
Trade and other payables	*17*	**210,308**	888,575
Bank borrowings	*15*	**153,452**	144,040
Current tax liabilities		**6,198**	9,230
Total current liabilities		**369,958**	1,041,845
Net current assets		**391,641**	353,023
Total assets less current liabilities		**902,824**	1,092,980

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017 (Expressed in Hong Kong dollars)

	Note	**2017** **HK$'000**	2016 *HK$'000*
Non-current liabilities			
Bank borrowings	*15*	–	445
Convertible bonds	*16*	**94**	202,176
Deferred tax liabilities		**4,958**	56,426
Total non-current liabilities		**5,052**	259,047
NET ASSETS		**897,772**	833,933
Capital and reserves			
Share capital		**6,138**	5,460
Reserves		**892,186**	828,098
Total equity attributable to equity shareholders of the Company		**898,324**	833,558
Non-controlling interests		**(552)**	375
TOTAL EQUITY		**897,772**	833,933

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017 (Expressed in Hong Kong dollars)

1. General information

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 address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is Unit 1903, 19/F, Jubilee Centre, 18 Fenwick Street, Wan Chai, Hong Kong. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 July 2012.

The Company is an investment holding company. The principal activities of its subsidiaries 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 opinion of the directors of the Company, Sheen Tai Group Holding Limited, a company incorporated in the British Virgin Islands (the "BVI"), is the immediate and ultimate parent and Mr Guo Yumin, a director, is the ultimate controlling party of the Company.

2. Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed 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. 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 consolidated financial statements.

3. Adoption of new and revised Hong Kong Financial Reporting Standards

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2017. None of these impact on the accounting policies of the Group. However, the Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative require disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2017. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
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
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	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. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 9 Financial Instruments

HKFRS 9 will replace HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of HKFRS 9 to the Group's consolidated financial statements 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.

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. Based on a preliminary assessment, if the Group were to adopt the new impairment requirements at 31 December 2017, accumulated impairment loss at that date would be similar with that recognized under HKAS 39.

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.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

Timing of revenue recognition

Currently, revenue arising from the provision of services is recognised over time, whereas revenue from the sale of manufactured goods is generally recognised when the risks and rewards of ownership have passed to the customers.

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

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

b) 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;

c) 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 or service 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.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from the provision of services.

For contracts with customers in which the sale of sales manufactured goods and properties developed is generally expected to be the only performance obligation, adoption of HKFRS 15 is not expected to have any impact on the Group's revenue or profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office properties and leasehold land leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its office properties and leasehold land amounted to HK$22,592,000 as at 31 December 2017. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

4 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 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:

	2017		2016	
	HK$'000	*%*	*HK$'000*	*%*
Manufacturing and sales of BOPP films				
– Cigarette films	**206,175**	**16%**	165,630	35%
– Non-cigarette-related films	**111,930**	**9%**	106,162	22%
Sub-total	**318,105**	**25%**	271,792	57%
Sales of sub-processing cigarette films	**70,447**	**6%**	138,776	29%
Properties development and related services	**812,348**	**65%**	1,374	–
Generation of photovoltaic power	**45,477**	**4%**	31,907	7%
Cloud-related business	**4,329**	**–**	34,505	7%
Total	**1,250,706**	**100%**	478,354	100%

(b) Segment reporting

The Group has five operating segments as follows:

- 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 engages in provision of development of cloud computing related software, outsourcing cloud platforms and providing cloud computing solutions and related services.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include net income from disposal of subsidiaries, net realised and unrealised loss on equity securities, dividend income from equity securities and unallocated head office and corporate expenses. Segment assets do not include equity securities and unallocated head office and corporate assets. Segment liabilities do not include unallocated head office and corporate liabilities.

(i) Segment results, assets and liabilities

Information about reportable segment profit or loss, assets and liabilities is as follows:

	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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**318,105**	271,792	**70,447**	138,776	**812,348**	1,374	**45,477**	31,907	**4,329**	34,505	**1,250,706**	478,354
Reportable segment revenue	**318,105**	271,792	**70,447**	138,776	**812,348**	1,374	**45,477**	31,907	**4,329**	34,505	**1,250,706**	478,354
Reportable segment gross profit/(loss)	**68,568**	77,151	**22,038**	55,333	**59,084**	714	**28,782**	19,801	**(22,337)**	20,557	**156,135**	173,556
Reportable segment profit/(loss) before tax	**27,170**	22,460	**6,636**	28,562	**50,796**	(22,552)	**13,426**	17,649	**(244,146)**	54,929	**(146,118)**	101,048
Interest income from bank deposits	**81**	173	**111**	398	**5**	197	**18**	15	**43**	–	**258**	783
Interest expense	**5,261**	3,585	**2,404**	2,511	**14**	1,153	**497**	–	**–**	–	**8,176**	7,249
Depreciation and amortisation	**15,255**	14,658	**1,185**	1,346	**503**	527	**13,044**	10,216	**24,846**	12,335	**54,833**	39,082
Other material items of income and expense:												
Impairment of goodwill	**–**	–	**–**	–	**–**	–	**–**	–	**49,645**	–	**49,645**	–
Impairment of property, plant and equipment	**–**	–	**–**	–	**–**	–	**–**	–	**5,099**	–	**5,099**	–
Impairment of intangible assets	**–**	–	**–**	–	**–**	–	**–**	–	**162,807**	–	**162,807**	–
Reportable segment assets	**404,262**	359,918	**95,369**	147,991	**294,003**	845,336	**341,488**	309,345	**61,349**	323,341	**1,196,471**	1,985,931
Additions to non-current segment assets during the year	**4,114**	2,372	**21,645**	2,067	**32**	263	**–**	127,317	**–**	238,031	**25,791**	370,050
Reportable segment liabilities	**172,921**	118,777	**84,591**	142,606	**97,591**	733,784	**14,771**	28,499	**3,288**	237,619	**373,162**	1,261,285

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

	2017	2016
	HK$'000	*HK$'000*
(Loss)/profit		
Reportable segment (loss)/profit before tax	**(146,118)**	101,048
Gain on disposal of subsidiaries	**363**	–
Net realised and unrealised loss on equity securities	**(21,089)**	(21,597)
Dividend income from equity securities	**396**	1,094
Unallocated head office and corporate expenses	**(15,716)**	(32,561)
Consolidated (loss)/profit before tax	**(182,164)**	47,984
Assets		
Reportable segment assets	**1,196,471**	1,985,931
Equity securities	**19,366**	55,839
Unallocated head office and corporate assets	**56,945**	93,055
Consolidated total assets	**1,272,782**	2,134,825
Liabilities		
Reportable segment liabilities	**373,162**	1,261,285
Unallocated head office and corporate liabilities	**1,848**	39,607
Consolidated total liabilities	**375,010**	1,300,892

(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.

(iv) Revenue from major customers

	2017	2016
	HK$'000	*HK$'000*
Segment of manufacturing and sales of BOPP films and sale of sub-processing cigarette films		
Customer A	**150,030**	122,017
Customer B	**119,122**	140,324
	269,152	262,341

5 Other income

	2017	2016
	HK$'000	*HK$'000*
Government grants *(Note)*	**605**	141
Compensation	**234**	–
Sales of scrap materials	**12,230**	6,100
Dividend income from equity securities	**396**	1,094
Interest income	**917**	1,336
Rental income	**–**	233
Sundry income	**2,103**	1,118
	16,485	10,022

Note: Government grants mainly related to the subsidy received from the local government authority for the achievements of the Group.

6. Other gains and losses

	2017	2016
	HK$'000	*HK$'000*
Loss on disposal of property, plant and equipment	**(27)**	(7)
Write off of property, plant and equipment	**(1,581)**	–
Gain on disposal of subsidiaries	**363**	–
Net foreign exchange gains/(losses)	**961**	(10,158)
Net realised and unrealised gain on wealth management products	**774**	2,975
Net realised and unrealised loss on equity securities	**(21,089)**	(21,597)
Gain on revaluation of convertible bonds	**13,154**	33,984
Gain on bargain purchase	**–**	365
	(7,445)	5,562

7. Finance costs

	2017	2016
	HK$'000	*HK$'000*
Interest on bank borrowings	**6,353**	3,826
Interest on convertible bond *(note 16(a))*	**–**	1,312
Other interest expense	**2,160**	5,297
Total borrowing costs	**8,513**	10,435
Amount capitalised	**–**	(1,874)
	8,513	8,561

The weighted average capitalisation rate on funds borrowed generally is at a rate of Nil (2016: 5.6% – 8.515%) per annum.

8. Income tax (credit)/expense

Income tax has been recognised in profit or loss as follows:

	2017	2016
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	707
Current tax – PRC enterprise income tax		
Provision for the year	**21,178**	15,238
(Over)/under-provision in prior years	**(5,288)**	368
	15,890	15,606
PRC land appreciation tax ("LAT")	**12,292**	–
Deferred tax	**(44,260)**	(4,461)
	(16,078)	11,852

(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 year ended 31 December 2017 is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year. The payments of dividends by the subsidiaries 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 2017.

Entities engaged in qualified power generating 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.

Entities engaged in software related business are eligible for a corporate income tax exemption for the first year to second year, and a 50% reduction for the third year to the fifth year starting from the year in which the entities first generate operating income (the "2+3 tax holiday). Xuyi Guangcai Information Technology Co., Ltd. (an indirect wholly-owned subsidiary of the Group) obtained the "Notification of CIT 2+3 tax holiday" in 2016 and was entitled to 2+3 tax holiday retrospectively from 2016 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, pretax amortisation shall be made based on 150% of the costs of the intangible assets.

The reconciliation between income tax (credit)/expense and product of (loss)/profit before tax multiplied by the applicable tax rates is as follows:

	2017	2016
	HK$'000	*HK$'000*
(Loss)/profit before tax	**(182,164)**	47,984
Notional tax on (loss)/profit before tax, calculated at the rates applicable in the jurisdictions concerned	**(22,082)**	12,712
Tax effect of the preferential tax rates	**(4,727)**	(8,944)
Additional deductible allowance for research and development expenses	**(939)**	(1,184)
Tax effect of non-deductible expenses	**9,871**	6,459
PRC withholding tax	**2,593**	3,244
Tax effect of non-taxable income	**(9,319)**	(5,915)
Tax effect of tax losses not recognised	**3,996**	5,112
(Over)/under-provision in prior years	**(5,288)**	368
LAT	**12,292**	–
Tax effect of unrecognised temporary differences	**(2,072)**	–
Tax effect of utilisation of tax losses not previously recognised	**(403)**	–
Income tax (credit)/expense	**(16,078)**	11,852

9. (Loss)/profit for the year

The Group's (loss)/profit for the year is stated after charging the following:

	2017	2016
	HK$'000	*HK$'000*
Amortisation of intangible assets (included in cost of sales)	**20,774**	10,121
Depreciation	**41,124**	33,681
Amortisation of leasehold land	**493**	498
Operating lease charges:		
– Land and buildings	**4,648**	9,940
Auditor's remuneration	**1,400**	2,180
Cost of inventories sold	**975,651**	278,083
Allowance for trade and other receivables	**1,943**	1,483
Write off of property, plant and equipment	**1,581**	–

Cost of inventories sold includes staff costs, depreciation, amortisation and operating lease charges of approximately HK$56,627,000 (2016: HK$49,913,000) which are included in the amounts disclosed separately above.

10. Dividends

	2017	2016
	HK$'000	*HK$'000*
2017 Interim of HK$0.01 (2016: 2016 Interim of HK$0.05) per ordinary share paid	**24,552**	109,198
2016 Final of HK$Nil (2016: 2015 Final of HK$0.02) per ordinary share	**–**	40,154
	24,552	149,352

Subsequent to the end of the reporting period, the Board does not recommend payments of any final dividends for the year ended 31 December 2017.

11. (Loss)/earnings per share

The calculation of the basic and diluted (loss)/earnings per share is based on the following:

	2017	2016
	HK$'000	*HK$'000*
(Loss)/earnings		
(Loss)/earnings for the purpose of calculating basic (loss)/earnings per share	**(165,219)**	36,132
After tax effect of change in fair value of convertible bonds *(note 16(b))*	**(13,154)**	(33,984)
(Loss)/earnings for the purpose of calculating diluted (loss)/earnings per share	**(178,373)**	2,148
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	**2,406,203**	2,087,718
Effect of deemed conversion of convertible bond	**28,037**	11,789
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	**2,434,240**	2,099,507

The Company's share options as at 31 December 2017 do not give rise to any dilutive effect to the loss per share.

12. Goodwill

	2017	2016
	HK$'000	*HK$'000*
Cost		
At 1 January	**52,475**	–
Arising on acquisition of subsidiaries	**–**	52,475
At 31 December	**52,475**	52,475
Accumulated impairment losses		
At 1 January	**–**	–
Impairment loss recognised in the current year	**(49,645)**	–
At 31 December	**(49,645)**	–
Carrying amount		
At 31 December	**2,830**	52,475

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2017	2016
	HK$'000	*HK$'000*
Cloud-related business:		
Treasure Cloud Group	**–**	49,645
Yancheng Renhe Network Sci. & Tech. Limited	**2,830**	2,830
	2,830	52,475

13. Intangible assets

	Software	Cloud platform operating agreement	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 1 January 2016	1,231	–	1,231
Additions	9,780	–	9,780
Acquisition of subsidiaries	1,230	183,707	184,937
Exchange differences	(485)	–	(485)
At 31 December 2016 and 1 January 2017	11,756	183,707	195,463
Additions	97	–	97
Exchange differences	848	–	848
At 31 December 2017	12,701	183,707	196,408
Accumulated amortisation and impairment losses			
At 1 January 2016	(149)	–	(149)
Acquisition of subsidiaries	(96)	–	(96)
Amortisation for the year	(936)	(9,185)	(10,121)
Exchange differences	48	–	48
At 31 December 2016 and 1 January 2017	(1,133)	(9,185)	(10,318)
Amortisation for the year	(2,403)	(18,371)	(20,774)
Impairment loss	(6,656)	(156,151)	(162,807)
Exchange differences	(423)	–	(423)
At 31 December 2017	(10,615)	(183,707)	(194,322)
Carrying amount			
At 31 December 2017	2,086	–	2,086
At 31 December 2016	10,623	174,522	185,145

14. Trade and other receivables

	2017	2016
	HK$'000	*HK$'000*
Trade and bills receivables	**257,913**	218,848
Allowance for doubtful debts	**(3,655)**	(2,829)
	254,258	216,019
Deposits, prepayments and other receivables		
– related parties	**60**	–
– third parties	**60,908**	83,305
Current portion of interests in leasehold land held for own use under operating lease	**512**	478
	315,738	299,802

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 180 days from the invoice date. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The ageing analysis of trade and bills receivables, based on the invoice date, and net of allowance, is as follows:

	2017		2016	
	Trade receivables	**Bills receivable**	Trade receivables	Bills receivables
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Less than 30 days	**101,962**	**20,409**	126,112	1,599
31 – 90 days	**66,066**	**–**	56,397	8,145
91 – 180 days	**16,429**	**–**	11,235	1,686
181 – 365 days	**18,488**	**–**	9,671	45
Over 365 days	**30,904**	**–**	1,129	–
	233,849	**20,409**	204,544	11,475

As at 31 December 2017, an allowance was made for estimated irrecoverable trade receivables of approximately HK$3,655,000 (2016: HK$2,829,000).

Reconciliation of allowance for trade and bills receivables:

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**2,829**	4,648
Allowance for the year	**598**	–
Reversals	**–**	(1,819)
Exchange differences	**228**	–
At 31 December	**3,655**	2,829

As of 31 December 2017, trade receivables of HK$42,539,000 (2016: HK$43,926,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade and bills receivables is as follows:

	2017	2016
	HK$'000	*HK$'000*
Less than 1 month	**23,422**	19,767
1 to 3 months	**7,399**	17,310
More than 3 months	**11,718**	6,849
	42,539	43,926

The carrying amounts of the Group's trade receivables are denominated in Renminbi ("RMB").

At 31 December 2017, an allowance of HK$1,345,000 was made (2016: HK$52,000 was reversed) for other receivables and an allowance of HK$Nil (2016: HK$3,354,000) was made for prepayments.

15. Bank borrowings

	2017	2016
	HK$'000	*HK$'000*
Secured	**47,956**	16,000
Unsecured	**105,496**	128,485
	153,452	144,485

The bank borrowings are repayable as follows:

Within one year or on demand	**153,452**	144,040
More than one year, but not exceeding two years	**–**	217
More than two years, but not more than five years	**–**	228
	153,452	144,485

The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	2017	2016
	HK$'000	*HK$'000*
HK$	**20,000**	51,445
United States dollars ("USD")	**13,562**	25,963
RMB	**119,890**	67,077
	153,452	144,485

As at 31 December 2017, the average interest rate of bank borrowings was 4.82% (2016: 3.91%) per annum.

Bank borrowings of HK$71,934,000 (2016: HK$67,077,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Other bank borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Bank borrowings of HK$47,956,000 (2016: HK$16,000,000) are secured by a charge over the Group's leasehold land and buildings and machinery.

16. Convertible bonds

(a) 2014 Convertible Bond

On 30 June 2014, the Company issued convertible bond (the "2014 Convertible Bond") in the principal amount of HK$165,000,000 to a director and ultimate controlling party of the Company, Mr Guo Yumin. The maturity date of the 2014 Convertible Bond was on the third anniversary of the date of issuance (i.e. 30 June 2017). The 2014 Convertible Bond bore interest at 3% per annum. No security or guarantee was granted in respect of the 2014 Convertible Bond. The 2014 Convertible Bond could be converted into 398,069,960 shares at the initial conversion price HK$0.4145 after the effect of a share subdivision (subject to adjustment pursuant to the terms of the convertible bond).

The Company might at any time before the maturity date of the 2014 Convertible Bond, by serving at least seven days prior written notice on the holder of the 2014 Convertible Bond with the total amount proposed to be redeemed from such holder specified therein, redeem the 2014 Convertible Bond (in whole or in part) at 100% to the principal amount (together with the accrued interest) of the part of the 2014 Convertible Bond to be redeemed. Any amount of the 2014 Convertible Bond which was redeemed by the Company would forthwith be cancelled.

At 31 December 2016, there was no outstanding principal amount of this convertible bond issued on 30 June 2014.

For the 2014 Convertible Bond, the detailed components are analysed as follows:

	Host liability component	Derivative component	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2016	69,198	1,403	70,601
Interest expense	1,312	–	1,312
Convert to new shares	(70,510)	(1,403)	(71,913)
At 31 December 2016, 1 January 2017 and 31 December 2017	–	–	–

(i) Interest expense on the convertible bond is calculated using the effective interest method by applying the effective interest rate of 3.83% per annum to the liability component.

(ii) On 19 July 2016, Mr Guo Yumin exercised his conversion rights of 2014 Convertible Bond at the initial conversion price HK$0.4145. As a result, the Company issued 168,878,166 ordinary shares accordingly.

(b) 2016 Convertible Bond

On 17 March 2016, the Company entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Bloom Shine Investments Limited ("Bloom Shine") and announced a plan to issue four tranches of convertible bonds (the "2016 Convertible Bond") with total principal amounts of HK$236,160,000 to Bloom Shine. The maturity date of the 2016 Convertible Bond is on the second anniversary of the date of issuance. The 2016 Convertible Bond will not bear any interest. The 2016 Convertible Bond can be converted into 328,000,000 shares at the initial conversion price HK$0.72 (subject to adjustment pursuant to the terms of the convertible bond).

Bondholder can assign or transfer in whole or in part the 2016 Convertible Bond (multiples of HK$576,000 of the fair value of the 2016 Convertible Bond), provided that the 2016 Convertible Bond cannot be assigned or transferred to connected persons (as defined under the Listing Rules) of the Company except in compliance with the Listing Rules and the Codes on Takeovers and Mergers and Share Buy-backs.

If the bondholder does not exercise his or her conversion rights, the Company shall, in any time after the issue of the 2016 Convertible Bond and before the first anniversary of the issue of the 2016 Convertible Bond, have the right to redeem any unexercised 2016 Convertible Bond with an amount equivalent to 160% of the unexercised principal amount on a specified date of redemption by giving a 5-day prior notice to the bondholder (such notice being irrevocable and cannot be opposed by the bondholder).

If the bondholder does not exercise his or her conversion rights, the Company shall, in any time after the first anniversary of the issue of the 2016 Convertible Bond and before the second anniversary of the issue of the 2016 Convertible Bond, have the right to redeem any unexercised 2016 Convertible Bond with an amount equivalent to 140% of the unexercised principal amount on a specified date of redemption by giving a 5-day prior notice to the bondholder (such notice being irrevocable and cannot be opposed by the bondholder).

Any amount of the 2016 Convertible Bond which is redeemed by the Company will forthwith be cancelled.

On 30 June 2016, the Company had issued the first tranche of 2016 Convertible Bond in the principal amount of HK$141,696,000 to Bloom Shine. The maturity date of the 2016 Convertible Bond is on the second anniversary of the date of issuance (i.e. 30 June 2018). The 2016 Convertible Bond can be converted into 196,800,000 shares at the initial conversion price HK$0.72 (subject to adjustment pursuant to the terms of the convertible bond). The first tranche of the 2016 Convertible Bond may be converted into conversion shares commencing from the sixth months after the date of issuance and ending on the maturity date of the first tranche of the 2016 Convertible Bond.

If the operation revenue of cloud platforms before tax and surcharges is not less than RMB30,000,000 for the year ended 31 December 2016, the Company shall issue the second tranche of 2016 Convertible Bond with principal amounts of HK$47,232,000 to Bloom Shine on or before 31 March 2017 or other date as agreed between two parties.

If the operation revenue of cloud platforms before tax and surcharges is not less than RMB37,500,000 for the year ended 31 December 2017, the Company shall issue the third tranche of 2016 Convertible Bond with principal amounts of HK$23,616,000 to Bloom Shine on or before 31 March 2018 or other date as agreed between two parties.

If the operation revenue of cloud platforms before tax and surcharges is not less than RMB48,750,000 for the year ending 31 December 2018, the Company shall issue the fourth tranche of 2016 Convertible Bond with principal amounts of HK$23,616,000 to Bloom Shine on or before 31 March 2019 or other date as agreed between two parties.

If the actual operation revenue of cloud platforms before tax and surcharges during a guaranteed period is less than the guaranteed revenue for that guaranteed period (the "Difference"), Bloom Shine may pay to the Company in cash an amount equivalent to the Difference ("Cash Compensation") on or before 31 March 2017, 31 March 2018, and 31 March 2019 or such other dates as agreed in written. In such case, Bloom Shine shall be entitled to obtain the relevant tranche of the 2016 Convertible Bond since the guaranteed revenue shall be considered to have been satisfied.

If no Cash Compensation is provided by Bloom Shine, the second tranche 2016 Convertible Bond, the third tranche 2016 Convertible Bond and the fourth tranche 2016 Convertible Bond payable to Bloom Shine or its nominee shall be reduced in proportion to the amount of the Difference.

The Difference for that guaranteed period shall be rolled over to the next guaranteed period and the guaranteed revenue for the next guaranteed period shall be increased by the amount of the Difference. Accordingly, the amount of the relevant tranche of 2016 Convertible Bond payable reduced pursuant to the clause above shall be rolled over and added to the amount of the tranche of 2016 Convertible Bond payable in the next guaranteed period.

If the actual operation revenue of cloud platforms before tax and surcharges during a guaranteed period is more than the guaranteed revenue for that guaranteed period, there will not be any upward adjustment of the principal value of the 2016 Convertible Bond.

On 22 February 2017, the first tranche 2016 Convertible Bond was fully converted into 196,800,000 ordinary shares at the initial conversion price HK$0.72.

On 31 March 2017, the second tranche 2016 Convertible Bond 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 second tranche 2016 Convertible Bond was fully converted into 65,600,000 ordinary shares at the initial conversion price HK$0.72.

The Group had designated the first tranche of 2016 Convertible Bond as financial liabilities at fair value through profit or loss. Of this potential future issued convertible bond, the second tranche to the fourth tranche of 2016 Convertible Bond were contingent consideration which were classified as financial liabilities at fair value through profit or loss. Therefore, the whole 2016 Convertible Bond were measured at fair value at each reporting date with changes in fair value recognised in profit or loss. The fair values of 2016 Convertible Bond were disclosed in the table below.

For the 2016 Convertible Bond, the detailed components are analysed as follows:

	First tranche of 2016 Convertible Bond	**Second tranche of 2016 Convertible Bond**	**Third tranche of 2016 Convertible Bond**	**Fourth tranche of 2016 Convertible Bond**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016	–	–	–	–	–
Initial fair value of convertible bond	138,936	53,056	22,896	21,272	236,160
Change in fair value of convertible bond	(10,701)	(11,728)	(5,454)	(6,101)	(33,984)
At 31 December 2016	128,235	41,328	17,442	15,171	202,176
Change in fair value of convertible bond	13,461	5,904	(17,442)	(15,077)	(13,154)
Convert to new shares	(141,696)	(47,232)	–	–	(188,928)
At 31 December 2017	–	–	–	94	94

17. Trade and other payables

	2017	2016
	HK$'000	*HK$'000*
Trade and bills payables	**126,565**	92,544
Advances received	**8,354**	686,376
Other payables and accruals		
– related party	**26,629**	12,830
– others	**43,092**	95,260
Due to a director and ultimate controlling party		
– Mr Guo Yumin	**5,668**	1,565
	210,308	888,575

The ageing analysis of trade and bills payables, based on invoice date, is as follows:

	2017		2016	
	Trade payables	**Bills payable**	Trade payables	Bill payable
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Due within 1 month or on demand	**105,679**	**3,602**	74,511	1,060
Due after 1 month but within 3 months	**8,758**	**–**	13,785	–
Due after 3 months but within 6 months	**1,719**	**–**	1,512	–
Due more than 6 months	**6,807**	**–**	1,676	–
	122,963	**3,602**	91,484	1,060

The carrying amounts of the Group's trade and bills payables are denominated in the following currencies:

	2017	2016
	HK$'000	*HK$'000*
USD	**3,602**	1,060
RMB	**122,963**	91,484
Total	**126,565**	92,544

18. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation. The changes included (i) the reclassification of certain gains or losses previously classified under other income or other operating expenses to other gains or losses; (ii) the reclassification of non-current portion of interests in leasehold land held for own use under operating lease previously classified under property, plant and equipment to a separate line item in the consolidated statement of financial position; (iii) the reclassification of the current portion of interests in leasehold land held for own use under non-current assets to trade and other receivables under current assets; and (iv) the reclassification of prepaid LAT previously classified under trade and other receivables to current tax assets. These new classifications of the accounting items were considered to provide a more appropriate presentation of the results and the state of affairs of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the year, the Group recorded an increase in revenue as compared to the year ended 31 December 2016. However, the Group recorded a loss attributable to equity shareholders of the Company for the Year as compared to a profit attributable to equity shareholders of the Company for the year ended 31 December 2016.

Looking backward, we went on public as a packaging materials manufacturer and has continuously explored new opportunities in various industries. The principal activities of the Group can be differentiated 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.

One of our factories located in Qingdao city of Shandong Province mainly produces BOPP films. Its market occupancy rate has ranked top 3 in recent years. Another factory, which has been relocated in 2017, is now located at the economic and technological development zone in Huai An City, manufacturing anti-counterfeiting films and colour films of the cigarette. In addition, a development project located in Xuzhou, Jiangsu, has successfully been marketed to the purchasers during the Year and contributed a large portion to the Group's revenue for the Year. The Group has two photovoltaic power stations which are located in Wei Ji Town, Sui Ning County and Xuzhou City in Jiangsu Province.The stations were put into operation in 28 December 2015 and 25 June 2016 respectively. The Group has a total of 15 data centers which are mainly located at Jiangsu, Anhui, Hubei, Chongqing, Jiangxi, Shanghai, Zhejiang and Shandong provinces.

RESULTS OF OPERATION

REVENUE

The principal activities of the Group include 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 is mainly generated from the sales of goods sold and service provided excluding returns, discounts, value added taxes and other sales taxes. During the Year, our revenue increased by approximately HK$772.3 million, or approximately 161.4%, from approximately HK$478.4 million to approximately HK$1,250.7 million. The increase in revenue is mainly due to the increase in revenue generated from property development and more details can be found as follows:

Manufacturing and sales of BOPP films

The revenue generated from manufacturing and sales of BOPP films increased by approximately 17.0%, from approximately HK$271.8 million for the year ended 31 December 2016 to approximately HK$318.1 million for the Year, primarily due to high demand of external customers for cigarette-related films.

Sales of sub-processing cigarette films

During the year, the Group recorded a decrease in revenue generated from the sales of sub-processing cigarette films. This was mainly due to (i) the decrease of the sales of our anti-counterfeiting cigarette films by approximately 25.6%, from approximately HK$67.6 million for the year ended 31 December 2016 to approximately HK$50.3 million for the Year, and (ii) the sales of our slitting imported cigarette films has decreased by approximately 71.7%, from approximately HK$71.2 million for the year ended 31 December 2016 to approximately HK$20.1 million for the Year, both primarily due to the decrease in customers' orders.

Properties development and related services

The revenue generated from properties development and related services during the Year was mainly from the sale of properties and the provision of property management services. During the Year, the property management services provided by Xuzhou Lvzhou Estate Management Company Limited contributed an income of approximately HK$2.8 million for the Group. The completion and delivery of the properties developed by Xuzhou New Advantage Real Estate Development Co. Ltd contributed approximately HK$809.6 million for the Group.

Generation of photovoltaic power

For the Year, the Group has two photovoltaic power stations that are in operation, with a total grid-connected capacity of 30 megawatts ("**MW**"). The revenue generated from this segment increased by approximately 42.6%, from approximately HK$31.9 million for the year ended 31 December 2016 to approximately HK$45.5 million for the Year, which was primarily due to the full utilisation of power generation capacity of both photovoltaic power stations.

Cloud-related business

The Group acquired 15 cloud data centers on 30 June 2016. The revenue generated from this segment decreased by approximately HK$30.2 million or approximately 87.5% from approximately HK$34.5 million for the year ended 31 December 2016 to approximately HK$4.3 million for the Year. The decrease in revenue was mainly due to the decrease in cloud-related business projects.

GROSS PROFIT

Our gross profit decreased by approximately HK$17.5 million, or approximately 10.1%, from approximately HK$173.6 million for the year ended 31 December 2016 to approximately HK$156.1 million for the Year. Our gross profit margin decreased from approximately 36.3% for the year ended 31 December 2016 to approximately 12.5% for the Year. The decrease in gross profit margin was mainly due to the giant costs incurred by (i) property construction and (ii) the increase in the price of raw materials for manufacturing films such as polypropylene material.

DISTRIBUTION COST

Our selling and distribution expenses decreased by approximately HK$16.2 million, or approximately 43.5%, from approximately HK$37.2 million for the year ended 31 December 2016 to approximately HK$ 21.0 million for the Year. The decrease was due to the reduction in advertising and selling expenses for the pre-sales of our properties located in Xuzhou since March 2016.

ADMINISTRATIVE COST

Our administrative expenses increased by approximately HK$0.7 million, or approximately 0.7%, from approximately HK$95.3 million for the year ended 31 December 2016 to approximately HK$96.0 million for the Year.

IMPAIRMENT LOSS

During the Year, the Group recorded an impairment loss of approximately HK$217.5 million in the clould-related business sector. The impairment loss was comprised of the decrease in value on goodwill of approximately HK$49.6 million, property, plant and equipment of approximately HK$5.1 million and intangible assets of approximately HK$162.8 million.

FINANCE COST

The finance cost decreased by approximately HK$0.1 million from approximately HK$8.6 million for the year ended 31 December 2016 to approximately HK$8.5 million for the Year.

INCOME TAX

Our income tax decreased from approximately HK$11.9 million for the year ended 31 December 2016 to a negative amount of approximately HK$16.1 million for the Year. It was due to the impairment loss on the cloud-related business.

LOSS ATTRIBUTED TO THE SHAREHOLDERS OF THE COMPANY

As a result of the foregoing factors, the Group recorded a loss attributable to equity shareholders of the Company of approximately HK$165.2 million for the Year as compared to a profit attributable to equity shareholders of the Company of approximately HK$36.1 million. This was mainly due to the increase in impairment loss.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the cash and cash equivalent of the Group amounted to approximately HK$274.3 million (which were denominated in HK$, RMB and USD) as compared with approximately HK$171.0 million as at 31 December 2016, representing an increase of approximately HK$103.3 million. Such increase was mainly due to the Group's net cash inflow of operating activities, net cash outflow of both investment activities and financing activities that amounted to approximately HK$123.7 million, approximately HK$22.9 million and approximately HK$29.4 million respectively.

BORROWING AND GEARING RATIO

Total interest-bearing borrowings of the Group as at 31 December 2017 was approximately HK$178.6 million (31 December 2016: approximately HK$187.0 million) which were denominated in HK$, RMB and USD, of which approximately HK$178.6 million were current interest-bearing borrowings (31 December 2016: HK$186.5 million) and nil was non-current interest-bearing borrowings (31 December 2016: HK$0.5 million). The Group's gearing ratio, measured by net debt divided by shareholders' equity at the end of the Year and multiplied by 100%, decreased from 28% on 31 December 2016 to -11% on 31 December 2017. The decrease in the gearing was primarily due to conversion of convertible bond and increase in bank balance.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

For the Year, the Group was exposed to currency risk primarily through sales and purchases made by the subsidiaries located in the People's Republic of China (the "**PRC**") which gave rise to receivables, payables, cash balances and bank loans that were denominated in USD. Currently, 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 were not exposed to any currency risks due to the exchange rate movement of RMB during the Year. For subsidiaries established outside the PRC, they had no material financial assets and liabilities denominated in RMB. Accordingly, the Group's exposure to RMB risk is insignificant.

CAPITAL EXPENDITURE

During the Year, the Group's total capital expenditure amounted to approximately HK$25.9 million which was mainly used in relocating one of our factories in Huai An City.

CHARGE ON ASSETS

As at 31 December 2017, the Group has pledged its lease prepayments, machinery and building that held for its own use with a net book value of approximately HK$143.4 million (31 December 2016: approximately HK$145.4 million) for the purpose of securing loans with carrying value of approximately HK$48.0 million (31 December 2016: approximately HK$16.0 million).

SUBSEQUENT EVENTS

Save as disclosed above, there is no significant event after the Year up to the date of this announcement.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any significant investment, material acquisitions and disposals of subsidiaries, associates and joint ventures during the Year.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any significant contingent liabilities.

HUMAN RESOURCES

As at 31 December 2017, the Group employed approximately 352 employees (as compared with 390 employees on 31 December 2016) with total staff cost of approximately HK$72.7 million. 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 (for the year ended 31 December 2016: Nil).

PROSPECTS

At present, the Company has established a close and cooperative relationship with Chinese tobacco companies, and thus has accumulated a large number of advantages in technological innovation, cost control, production and operation efficiency, and supply of raw materials for industrial chain. The Company will actively grasp the opportunities for rapid development such as developing high-tech anti-counterfeiting films and private customized tobacco films. We will also actively participate in the bidding of various films. Through product design conception and production process innovation, the Company will continue to enhance the brand connotation of customers in order to consolidate the status of the industry. Thus, the Company will further integrate the advantages of the industrial chain and seek to increase the proportion of supply within the system as well as implementing supply chain management services in order to reduce costs and increase efficiency. We will continue to expand the Company's tobacco film coverage through advanced design. Due to the increasing instability of property market in the PRC and the escalating cost in properties development, the Group will no longer involve in any new property development projects.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Relevant Period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

CAPITAL COMMITMENTS

As at 31 December 2017, the Group did not have any capital commitments (31 December 2016: Nil).

CORPORATE GOVERNANCE PRACTICE

The Directors recognise 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.2.1 and A.6.7 of the Code as stated below.

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 has 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. Guo Yumin and Ms. Xia Yu, both being executive Directors, and Ms Fan Qing, an independent non-executive Director, did not attend the annual general meeting of the Company during the Year as they had other commitments on the date of the said annual 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 Director's securities transactions for the year ended 31 December 2017 and up to the date of this announcement.

CLOSURE OF THE REGISTER OF MEMBERS

For determining entitlement to attend the forthcoming annual general meeting to be held on 25 May 2018 (Friday) ("**AGM**"), the register of members of the Company will be closed from 21 May 2018 (Monday) to 25 May 2018 (Friday), both days inclusive, during which period no transfer of Shares will be registered. The record date will be on 25 May 2018 (Friday). In order to qualify for attending the AGM, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on 18 May 2018 (Friday).

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 2017 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

Save as disclosed below, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the Year.

On 31 March 2017, upon fulfilment of a revenue guarantee guaranteed by Bloom Shine Investments Limited (the "**Vendor**") pursuant to a sale and purchase agreement, a supplemental agreement thereto dated 23 June 2016 and a supplemental deed dated 25 July 2016 entered into between the Company and the Vendor (collectively the "**Agreements and Deed**"), a second tranche convertible bond (the "**Second Tranche Convertible Bond**") in the principal amount of HK$47,232,000 was issued to the Vendor pursuant to the Agreements and Deed.

Based on a conversion price of HK$0.72 per share, 65,600,000 conversion shares were allotted and issued to the holder of the Second Tranche Convertible Bond.

For details, please refer to the announcements of the Company dated 17 and 18 March 2016, 23 and 30 June 2016, 25 July 2016 and 31 March 2017.

PUBLICATION OF FINAL RESULTS

The financial figures as set forth in this announcement have been compared by the Company's auditor, RSM Hong Kong, 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 RSM Hong Kong 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 RSM Hong Kong.

This announcement will be published on the websites of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Company website 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, 29 March 2018

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.