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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 2018

FINANCIAL AND OPERATING SUMMARY FOR THE YEAR ENDED 31 DECEMBER

(RMB million, except where otherwise stated)	**2018**	2017	Change
Revenue	**899.0**	1,008.0	-10.8%
Profit attributable to owners of the Company	**80.3**	68.8	+16.7%
Basic earnings per share (RMB cents)	**2.5**	2.1	+19.0%
Dividend per share (HK cents)			
– Final	**2.0**	2.0	–
– Special (Final)	**1.6**	1.6	–
Net cash flows from operating activities	**282.1**	422.4	-33.2%
Total assets	**3,117.7**	3,294.0	-5.4%
Inventory turnover day – Raw materials (days)*	**29.2**	24.9	+4.3 days
Inventory turnover day – Finished goods & Work in progress (days)*	**338.4**	300.8	+37.6 days
Trade receivables turnover day (days)*	**107.7**	92.2	+15.5 days
Trade payables turnover day (days)*	**112.8**	153.7	-40.9 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 2018 (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 consolidated annual results of the Group for the Year have been reviewed by the audit committee of the Company and approved by the Board on 18 March 2019. 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 2018

	Notes	2018 *RMB'000*	2017 *RMB'000*
REVENUE	4	**899,016**	1,007,991
Cost of sales		**(586,470)**	(767,303)
Gross profit		**312,546**	240,688
Other income and gains, net	4	**36,836**	34,942
Selling and distribution expenses		**(39,686)**	(43,621)
Administrative expenses		**(202,630)**	(158,054)
Finance costs, net	6	**(3,545)**	(8,726)
Share of (loss)/profit of an associate		**(7,430)**	102
PROFIT BEFORE TAX	5	**96,091**	65,331
Income tax expense	7	**(24,907)**	(8,965)
PROFIT FOR THE YEAR		**71,184**	56,366
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(886)**	2,514
NET OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(886)**	2,514
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**70,298**	58,880

	Note	2018 RMB'000	2017 RMB'000
Profit attributable to:			
Owners of the Company		**80,259**	68,794
Non-controlling interests		**(9,075)**	(12,428)
		71,184	56,366
Total comprehensive income attributable to:			
Owners of the Company		**79,373**	71,308
Non-controlling interests		**(9,075)**	(12,428)
		70,298	58,880
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY OWNERS OF THE COMPANY	9		
Basic (RMB cents per share)		**2.5**	2.1
Diluted (RMB cents per share)		**2.5**	2.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,194,793**	1,273,487
Investment properties		**7,799**	7,594
Prepaid land lease payments		**122,010**	125,230
Goodwill		**–**	22,760
Other intangible assets		**87,809**	139,514
Investment in an associate		**47,389**	68,426
Deferred tax assets		**27,139**	28,717
Long term prepayments and other receivables		**10,064**	6,909
Time deposits		**130,000**	–
Total non-current assets		**1,627,003**	1,672,637
CURRENT ASSETS			
Inventories		**606,784**	574,598
Trade and bills receivables	10	**236,588**	293,913
Prepayments, other receivables and other assets		**57,407**	81,606
Pledged deposits		**85,000**	214,300
Cash and cash equivalents		**504,884**	456,902
Total current assets		**1,490,663**	1,621,319
CURRENT LIABILITIES			
Trade and bills payables	11	**54,720**	83,908
Other payables and accruals		**85,216**	84,767
Interest-bearing bank and other borrowings		**82,671**	190,709
Tax payable		**14,292**	4,951
Total current liabilities		**236,899**	364,335
NET CURRENT ASSETS		**1,253,764**	1,256,984
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,880,767**	2,929,621

	Note	2018 RMB'000	2017 RMB'000
NON-CURRENT LIABILITIES			
Deferred income		**31,136**	32,605
Deferred tax liabilities		**35,365**	48,597
Total non-current liabilities		**66,501**	81,202
Net assets		**2,814,266**	2,848,419
EQUITY			
Equity attributable to owners of the Company			
Issued capital	12	**27,842**	28,060
Reserves		**2,773,738**	2,799,360
		2,801,580	2,827,420
Non-controlling interests		**12,686**	20,999
Total equity		**2,814,266**	2,848,419

NOTES TO FINANCIAL STATEMENTS

31 December 2018

1. BASIS OF PRESENTATION

This financial information has 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. It has 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. The financial information is 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 new and revised HKFRSs for the first time for the current year's financial information.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC) – Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

The nature and the impact of the new and revised HKFRS 9 and HKFRS 15 are described below:

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition* and *Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has applied HKFRS 9 retrospectively in accordance with the transition requirements, with the initial application date of 1 January 2018. The Group has elected not to adjust the comparative information for the period beginning 1 January 2018, which the comparative information was prepared under classification and measurement requirements of HKAS 39. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

On 1 January 2018, the Group has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into appropriate HKFRS 9 categories. The adoption of HKFRS 9 has had no significant impact on the classification and measurement of the financial assets of the Group.

On the date of initial application, 1 January 2018, the financial instruments of the Group were as follows:

	Measurement category		Carrying amount		
	Original (HKAS 39)	**New (HKFRS 9)**	**Original**	**New**	**Difference**
			RMB'000	*RMB'000*	*RMB'000*
Current financial assets					
Trade and bills receivables	Loans and receivables	Amortised cost	293,913	293,913	–
Financial assets included in prepayments, other receivables and other assets	Loans and receivables	Amortised cost	61,201	61,201	–
Pledged deposits	Loans and receivables	Amortised cost	214,300	214,300	–
Cash and cash equivalents	Loans and receivables	Amortised cost	456,902	456,902	–
Current financial liabilities					
Trade and bills payables	Amortised cost	Amortised cost	83,908	83,908	–
Other payables	Amortised cost	Amortised cost	84,767	84,767	–
Interest-bearing bank and other borrowings	Amortised cost	Amortised cost	190,709	190,709	–

Impairment

HKFRS 9 requires an impairment on trade and bills receivables, deposits and other receivables that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The Group's principal activities consist of the manufacture and sale of edible collagen sausage casing products, pharmaceutical products, food products, skin care and health care products and bioactive collagen products (the "Group Products"). The Group's contracts with customers for the sale of the Group Products generally include one performance obligation. The Group has concluded that revenue from the sale of the Group Products should be recognised at the point in time when control of the asset is transferred to the customer. Therefore, the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition.

Prior to the adoption of HKFRS 15, the Group recognised revenue from the sale of goods measured at fair value of the consideration received or receivable, net of allowances, trade discounts and/or volume rebates. If revenue cannot be reliably measured, revenue recognition is deferred until the uncertainty was resolved.

Under HKFRS 15, a transaction price is considered variable if a customer is provided with trade discounts or right of return. The Group estimates the amount of consideration to which it will be entitled in exchange for transferring the Group Products. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amount of allowances, trade discounts and right to return as this method better predicts the amount of variable consideration to which the Group will be entitled.

The Group has assessed that the adoption of HKFRS 15 did not materially affect how the Group recognised revenue and cost of sales under HKAS 18 when the customers have a right to allowance, trade discounts and volume rebates.

Consideration received from customers in advance

Generally, the Group receives short-term advances from its customers. Using the practical expedient in HKFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as advances from customers as included in other payables and accruals. Under HKFRS 15, the amount is classified as contract liabilities which are included in other payables and accruals.

Therefore, upon adoption of HKFRS 15, the Group reclassified RMB5,439,000 from advances from customers to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, RMB4,964,000 was reclassified from advances from customers to contract liabilities in relation to the consideration received from customers in advance for the sale of the Group Products.

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:

	2018	2017
	RMB'000	*RMB'000*
Customer 1	**211,968**	268,371
Customer 2	**122,925**	121,087

4. REVENUE, OTHER INCOME AND GAINS, NET

Set out below is the disaggregation of the Group's revenue:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Goods transferred at point in time		
Sale of goods	**898,768**	1,007,720
Service transferred over time		
Service income	**248**	271
	899,016	1,007,991
Other income		
Bank interest income	**15,568**	17,866
Sale of dried meat products	**586**	530
Government grants	**8,286**	9,842
Others	**1,031**	1,292
	25,471	29,530
Gains		
Foreign exchange gain, net	**3,746**	–
Gain on disposal of financial assets at fair value through profit or loss	**7,414**	3,566
Change in fair value of a financial asset at fair value through profit or loss	**–**	1,594
Fair value gains on investment properties	**205**	252
	11,365	5,412
Total other income and gains	**36,836**	34,942

5. PROFIT BEFORE TAX

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

	2018	2017
	RMB'000	*RMB'000*
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**151,936**	179,125
Retirement benefit contributions	**24,371**	27,411
	176,307	206,536
Cost of inventories sold	**487,295**	662,034
Depreciation	**94,469**	97,157
Amortisation of prepaid land lease payments	**3,220**	3,139
Impairment of goodwill	**22,760**	–
Amortisation of other intangible assets	**51,705**	51,705
Impairment of an investment in an associate	**13,607**	–
Minimum lease payments under operating leases	**3,771**	2,941
Loss on disposal of items of property, plant and equipment, net	**11,291**	265
Impairment of trade and bills receivables, net	**187**	4,060
Write-off of inventories	**7,457**	10,095
Provision against obsolete and slow-moving inventories	**7,620**	2,504

6. FINANCE COSTS, NET

	2018	2017
	RMB'000	*RMB'000*
Interest on bank loans	**3,545**	11,170
Less: Government grants	**–**	(2,444)
	3,545	8,726

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 elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2018	2017
	RMB'000	*RMB'000*
Current – PRC	**35,400**	6,243
Current – Hong Kong	**1,167**	1,498
Deferred tax	**(11,660)**	1,224
Total tax charge for the year	**24,907**	8,965

8. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Final dividend proposed subsequent to the reporting period – HK2.0 cents (2017: HK2.0 cents) per ordinary share	**55,271**	52,625
Final special dividend proposed subsequent to the reporting period – HK1.6 cents (2017: HK1.6 cents) per ordinary share	**44,217**	42,100
	99,488	94,725

The final dividend and special dividend for the year ended 31 December 2018 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 RMB80,259,000 (2017: RMB68,794,000) and the weighted average number of 3,254,294,000 ordinary shares (2017: 3,259,276,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

10. TRADE AND BILLS RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**209,009**	228,689
Due from a related company	**792**	–
	209,801	228,689
Bills receivable	**52,967**	91,217
	262,768	319,906
Impairment	**(26,180)**	(25,993)
	236,588	293,913

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 loss allowance, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**180,033**	239,776
3 to 4 months	**34,388**	24,515
Over 4 months	**22,167**	29,622
	236,588	293,913

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:

	2018	2017
	RMB'000	*RMB'000*
Within 1 month	**26,579**	26,327
1 to 2 months	**4,821**	4,977
2 to 3 months	**5,571**	13,116
Over 3 months	**17,749**	39,488
	54,720	83,908

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

12. SHARE CAPITAL

	2018 *RMB'000*	2017 *RMB'000*
Authorised:		
20,000,000,000 ordinary shares of HK$0.01 each	**200,000**	200,000
Issued and fully paid:		
3,234,578,000 (2017: 3,259,276,000) ordinary shares of HK$0.01 each	**32,346**	32,593
Equivalent to RMB'000	**27,842**	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** *HK$'000*	**Share premium** *HK$'000*	**Equivalent nominal value of ordinary shares** *RMB'000*	**Equivalent share premium** *RMB'000*	**Equivalent total** *RMB'000*
At 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 and 1 January 2018	**3,259,276,000**	**32,593**	**255,708**	**28,060**	**306,791**	**334,851**
Cancellation of shares repurchased	**(24,698,000)**	**(247)**	**(10,032)**	**(218)**	**(8,868)**	**(9,086)**
Final 2017 dividend and special dividend	**–**	**–**	**(117,334)**	**–**	**(95,719)**	**(95,719)**
At 31 December 2018	**3,234,578,000**	**32,346**	**128,342**	**27,842**	**202,204**	**230,046**

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In the Year, under the influence of external factors, the global economy experienced heightened volatility, which presented uncertainties to the market. During the Year, the Chinese economy surmounted challenges and difficulties and maintained a steady growth momentum. With the advancement of supply-side structural reforms, economic structure was optimized and upgraded, while the Chinese economy sustained a moderate yet steady upward momentum in general. Consumer Price Index (CPI) rose by 2.1% in 2018, hitting a new record high in the recent four years. In addition, China's average CPI remained at a high level, becoming the chief driver of economic growth.

According to the National Bureau of Statistics of the People's Republic of China (the "PRC"), during the Year, the gross domestic product grew by 6.6% year-on-year; the total retail sales of consumer goods grew by 9% year-on-year; the output of pork, beef, mutton and poultry was 85.17 million tons, down by 0.3% year-on-year, among which pork output was 54.04 million tons, representing a decrease of 0.9% year-on-year. Due to oversupply of collagen sausage casings resulted from stagnant growth in the domestic meat product industry in recent years as well as continued fierce market competition, together with the impact of African swine fever, the sales of the Group's collagen sausage casings during the Period dropped to some extent as compared with the same period last year.

Despite a reduction in sales of collagen sausage casings during the Year, with a solid foundation laid over the past three years, the Group's development of product diversification was increasingly mature in terms of product research and development, production technologies and market expansion. Based on the principal business of collagen sausage casings, the Group comprehensively promoted the production and operation of collagen food products, skincare products and medicinal products, extended its reach to the great health industry and the strategic emerging industries and expanded the areas of collagen applications.

Business Review

Thanks to the joint efforts of its employees, the Group continued to secure its important position in the domestic collagen sausage casing market, with the stability of production and operation being maintained and the economic benefits improved as compared with prior year. The Group launched price-off promotions of certain aged sausage casing products during the last two financial years, while the Group's sales were primarily sales of products that are fast-moving inventories and price-off promotions were significantly reduced during the Year. Therefore, although sales dropped as compared with that during 2017 (the "Prior Year"), the average selling price increased. Besides, the Group had taken various measures to control production costs per unit and used its bargaining power of bulk purchases to lower the cost of raw materials over the past years, the effectiveness of which gradually reflected in the cost of inventories determined on the weighted average basis. Both of the above had a positive effect on the Group's gross profit and gross profit margin.

In response to the complicated and ever-changing market environment at present, the Group centered on "new product development, market expansion and quality-oriented growth" as its work approach during the Year. To start with, the Group continued to upgrade product mix, improved product quality and further tapped into new markets by enhancing product development, market establishment and corporate management. At the same time, the Group took initiatives in launching the intelligent transformation of machinery automation, with stringent regulations on production and technical operation processes. Besides, the Group also actively promoted staff performance assessment and incentive mechanism to enhance staff motivation, resulted in improved operation quality and expanded market capability of the Group. As a result of the above efforts, the Group demonstrated remarkable improvement in economic benefits during the Year.

Industrial Layout and Technological Research & Development

The Group is committed to stepping up the development of its collagen technologies, with an aim to establishing the safe, reliable and standardized great health industry. The move will also upgrade and transform the collagen industry and proactively promote the application of collagen in the great health industry. The Group is striving to research and develop new technologies and new products in various fields covering collagen food products, healthcare products, skincare products and medicinal products, yet it is uncertain whether the research and development of new products will be successful and the products will be launched to the market. Considerable time is required to achieve the desired goals.

Wuzhou Shenguan Protein Casing Co., Ltd. ("Wuzhou Shenguan"), a wholly-owned subsidiary of the Company, maintained the research and development platforms titles as the national-grade "Post-doctoral Science Research Workstation (博士後科研工作站)", "Cluster of Collagen Technology Talents in Guangxi (廣西膠原蛋白技術人才小高地)", "Guangxi Collagen Engineering Technology Research Center (廣西膠原蛋白工程技術研究中心)", "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 the title of "Guangxi Collagen Extraction Technology Research Center (廣西膠原蛋白提取技術工程研究中心)" for the first time as approved by Guangxi Development and Reform Commission. As at 31 December 2018, the Group employed a total of ten high caliber talents, including five doctoral and post-doctoral research fellows, one professor level senior engineer and four graduates of master's degrees.

During the Year, the Group achieved outstanding results in new product research and development. For collagen food products, collagen rice noodles, bovine collagen and collagen solid and liquid drinks developed by the Group were put into trial production, some of which were already sold in the market. For collagen skincare products, the Group sped up the development of collagen skincare product series based on the market development trend. In particular, new products such as collagen serum product series, collagen mask essences, collagen extracts and collagen masks with "instrument" label achieved substantial progress in research and development, while certain new products are undergoing trial production.

For collagen medical materials, our new product, highly reactive collagen-based bone repairing biomaterials (高活性膠原基骨修復生物材料), is being tested for its product technical indicators. In addition, new products such as sterile low endotoxin medical collagen (低內毒素無菌醫療級膠原蛋白) and hydrophilic band-aids (親水性創口貼) are under research and development. 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 National Intellectual Property Administration of the PRC and the Taiwan Intellectual Property Office and "Preparation Method of Low Endotoxin Collagen" was accepted by the National Intellectual Property Administration of the PRC, the Taiwan Intellectual Property Office and the United States Patent and Trademark Office.

Ferguson (Wuhan) Biotech Company Limited ("Ferguson Wuhan") is putting efforts in the research and development of three types of products, namely health food, general food and special food for medical purposes, including glucosamine chondroitin, lutein softgel capsules, glucosamine tablets, methylfolate 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 2018, the Group had the following patents:

	Granted and still effective	**Accepted and pending for approval**
National Intellectual Property Administration of the PRC	69	8
Taiwan Intellectual Property Office	1	1
United States Patent and Trademark Office	–	1

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, increasing the level of automation, 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 ("Guangxi Zhiguan"), one of the Group's major cattle inner skin providers, applied for the Food Production Licence under the Measures for the Administration of Food Production Licensing and Food Safety Law of the PRC on a voluntary basis and was granted with such licence, effective until November 2022, by Wuzhou Bureau for Administrative Examination and Approval, the local issuing authority of the China Food and Drug Administration 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 of the best quality and comply with all safety requirements. The Group's production and manufacture of collagen sausage casings has passed the certification of ISO9001 Quality Management System, ISO22000 Food Safety Management System, ISO10012 Measurement Management System and ISO14000 Environmental Management System, and has obtained the Food Production Permit and the Filing of Export Food Manufacturers (出口食品生產企業備案證). The Group has also registered with the U.S. Food and Drug Administration 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 400 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, undertake various food and relevant product testing services and issue officially-recognized testing reports, delivering external sales revenue. 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 decreased by approximately 10.8% to approximately RMB899.0 million for the Year from approximately RMB1,008.0 million for the Prior Year. Although the sales of collagen sausage casing decreased, the proportion of sales of aged inventories at a lower price during the Year had declined as compared to the Prior Year, leading to a slight increase in average selling price.

Cost of sales

Cost of sales decreased by approximately 23.6% to approximately RMB586.5 million for the Year from approximately RMB767.3 million for the Prior Year, including the provision and write-off of inventory of approximately RMB15.1 million, as compared to the reversal of approximately RMB12.6 million for the Prior Year. Excluding such items, the cost of sales for the Year decreased by approximately 24.3% as compared to the Prior Year. One of the reasons for the decline in cost of sales goes to the drop in sales. In addition to this, the Group has taken various measures to control the unit costs of production as well as utilizing its bargaining power of bulk purchases to reduce the costs of raw materials over the past years, and the effectiveness of which has gradually emerged in terms of the cost of inventories determined on the weighted average basis. The costs of raw materials decreased by approximately 23.9% to approximately RMB203.6 million. In addition, the charges for energy decreased by approximately 25.0% to approximately RMB135.7 million for the Year as the Group continued to control energy consumption. The direct labor cost decreased by approximately 32.3% to approximately RMB106.2 million for the Year.

Gross profit

Gross profit increased by approximately 29.9% to approximately RMB312.5 million for the Year from approximately RMB240.7 million for the Prior Year. The gross profit margin increased from approximately 23.9% for the Prior Year to approximately 34.8% for the Year. The increase in gross profit margin is mainly due to the slight increase in average selling price as well as the decrease in cost of sales.

Other income and gains

Other income and gains increased by approximately 5.4% to approximately RMB36.8 million for the Year from approximately RMB34.9 million for the Prior Year. There was a gain on change in fair value of a financial asset at fair value through profit or loss of approximately RMB1.6 million recorded during the Prior Year, which was absent for the Year. Besides, the Group recorded a foreign exchange gain, net of approximately RMB3.7 million for the Year.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 9.0% to approximately RMB39.7 million for the Year from approximately RMB43.6 million for the Prior Year. Selling and distribution expenses as a percentage of revenue increased to approximately 4.4% for the Year from approximately 4.3% for the Prior Year.

Administrative expenses

Administrative expenses increased by approximately 28.2% to approximately RMB202.6 million for the Year from approximately RMB158.1 million for the Prior Year. During the Year, the Group sold or disposed some of the equipment in relatively obsolete condition and loss on disposal of approximately RMB11.3 million was recorded for equipment accordingly, as compared to a loss of approximately RMB265,000 for the Prior Year.

For the technologies acquired by the Group through the acquisition of Guangdong Victory, the intangible assets are amortized over five years. The related amortization expense was approximately RMB50.8 million for the Year. After deducting minority interests and deferred tax of Guangdong Victory, the effect of the related amortization expense on the net profit of the Group was approximately RMB30.4 million. The effect of such amortization expense on the net profit of the Group was approximately RMB26.8 million for the Prior Year. The factor above which had a relatively material impact on the net profit for the Year were non-cash items and the cash flow of the Group was not affected.

During the Year, the Group was required to make impairment of approximately RMB22.8 million on the goodwill arising from the acquisition of 80% interest in Guangdong Victory. The impairment on goodwill was recorded mainly because the development of the sales network of medical collagen raw materials was slower than expected and the Group had not received production permits for new products of which clinical trials had been completed, which resulted in a downward adjustment to and delay in achieving the profit as set out in Guangdong Victory's financial forecast.

In addition, during the Year, the Group also made impairment of approximately RMB13.6 million on the 25% interest in Ferguson Wuhan. For details of Ferguson Wuhan's operating conditions, please refer to "Share of loss of an associate".

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

Finance costs

Finance costs decreased by approximately 59.4% to approximately RMB3.5 million for the Year from approximately RMB8.7 million for the Prior Year. For information about the bank borrowings of the Group, please refer to the section headed "Cash and bank borrowings".

Share of loss of an associate

The share of loss of an associate for the Year amounted to approximately RMB7.4 million, which was mainly due to the share of loss of Ferguson Wuhan during the Year. During the Year, the sales revenue and gross profit of Ferguson Wuhan fell under the impact of the decline in the overall market price of professional healthcare products. In addition, selling and distribution expenses increased due to the commitment to expand the retail market, resulting in a loss in Ferguson Wuhan.

Income tax expenses

Income tax expenses were approximately RMB24.9 million for the Year, as compared to approximately RMB9.0 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 western China and their engagement in industries encouraged by government policies. The applicable tax rate for Wuzhou Shenguan and Shensheng Collagen was 15%.

The effective tax rates applied to the Group were approximately 13.7% and approximately 25.9% of profit before tax, respectively for the Prior Year and the Year. A higher effective tax rate for the Year was mainly due to the fact that the amortization of technology, impairment of goodwill and impairment of investment in an associate in the administrative expenses mentioned above were non-deductible items.

Loss attributable to non-controlling interests

The loss attributable to non-controlling interests for the Year was approximately RMB9.1 million, mainly representing the amortization expense of technology intangible assets attributable to the minority interests in Guangdong Victory.

Profit attributable to owners of the Company

Due to the aforesaid reasons, profit attributable to owners of the Company increased by approximately 16.7% to approximately RMB80.3 million for the Year from approximately RMB68.8 million for the Prior Year. The Group's selling and distribution expenses and administrative expenses for the exploration of new products, including facial masks, instant edible solid collagen and collagen rice noodles, for the Year and the Prior Year totaled RMB15.7 million and RMB35.2 million, respectively.

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 2018, the cash and cash equivalents together with pledged deposits and time deposits amounted to approximately RMB719.9 million, representing an increase of approximately RMB48.7 million from the end of 2017. 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 2018, the total bank borrowings of the Group amounted to approximately RMB82.7 million, representing a decrease of approximately RMB108.0 million (as at 31 December 2017: approximately RMB190.7 million), and all the bank borrowings were wholly repayable within one year. Of which, the total bank borrowings denominated in Renminbi were approximately RMB40.0 million, while the total bank borrowings denominated in Hong Kong dollars were HK$48.7 million (translated to approximately RMB42.7 million).

The Group was in a net cash position (cash and cash equivalents together with pledged deposits and time deposits less total bank borrowings) of approximately RMB637.2 million as at 31 December 2018, representing an increase of approximately RMB156.7 million as compared to that at the end of 2017. The debt-to-equity ratio was 2.9% as at 31 December 2018 (as at 31 December 2017: 6.7%). 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 RMB282.1 million was generated from operating activities, while investing activities and financing activities utilized approximately RMB209.4 million and RMB218.8 million, respectively. The net cash outflow from investing activities was mainly attributable to the cash outflow for increase in non-pledged time deposits with original maturity of over three months and purchase of property, plant and equipment, which was partially offset by the cash inflow from decrease in pledged deposits. The net cash outflow from financing activities was mainly attributable to the combined effects of the repayment of bank borrowings and the new bank borrowings and the payment of 2017 final dividend.

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 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 of the Group during the Year amounted to approximately RMB24.8 million, which was mainly used for the acquisition of property, plant and equipment, and the capital commitments as at 31 December 2018 amounted to approximately RMB112.4 million, which were mainly related to the improvement and upgrades of production facilities.

The estimated capital expenditure of the Group for 2019 amounted to approximately RMB80.0 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 2018, pledged bank deposits amounted to approximately RMB85.0 million in total.

Contingent liabilities

As at 31 December 2018 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, ASSOCIATES AND JOINT VENTURES

The Group had no significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures during the Year.

EVENTS AFTER THE YEAR

There were no important events affecting the Group that have occurred since 31 December 2018.

HUMAN RESOURCES

As at 31 December 2018, the Group hired a total of approximately 2,550 contract employees (as at 31 December 2017: 2,700). During the Period, the total remuneration and employees' benefit expenses charged to profit or loss were approximately RMB176.3 million (2017: approximately RMB206.5 million). In order to attract and retain high quality talents to ensure smooth business 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 as well as individual qualifications and experience.

PROSPECTS AND STRATEGIES

Looking ahead to 2019, the global market will still be uncertain due to many different factors. With profound changes in the external environment, the Chinese economy will face downward pressure, yet the development in the PRC will still be in a significant period of strategic opportunities. To cope with the slowdown in economic growth and move toward a high-quality development path, the Chinese government will adopt a "positive" fiscal policy with a "prudent" monetary policy. In the 2019 Central Economic Work Conference, it was suggested that in 2019, the PRC will uphold the underlying principle of pursuing progress while ensuring stability, adhere to the new development philosophy, promote high-quality development, take supply-side structural reform as the main task, deepen market reform, expand opening up at a high level, as well as further stabilizing employment, the financial market, foreign trade, foreign investment, domestic investment and expectations. In the meantime, the PRC will continue to focus on supporting the development of private enterprises, creating a legalized institutional environment, implementing a proactive fiscal policy and a stable monetary policy, introducing the employment first policy, promoting tax cuts in a larger scale and significantly reducing fees, as well as effectively alleviating the problem of financing difficulties and high financing costs for enterprises. However, given changes amidst stability in the current economic operation, together with structural adjustment of the meat product industry and increasingly fierce market competition, the Group's production and operation will be ridden with both opportunities and challenges. 2019 is going to be a crucial year for the Group regarding the implementation of the "Thirteenth Five-Year Plan". The Group will accelerate the implementation of product diversification strategies and put efforts in the research and development of new collagen-based food products, healthcare products, cosmetics, medicine and medical materials. The Group will utilize automation and intellectualization as a means to achieve product diversification and extend its reach to the great health industry and the strategic emerging industries, so as to build itself into a world-class base for collagen research and development and application as well as a major supplier of collagen raw materials.

In the face of external challenges such as the intensifying competition in the collagen sausage casing industry, structural adjustment of the meat product industry as well as transformation and upgrade of most enterprises, the Group will place "principal business consolidation and new product launch" as its work priorities for 2019 by endeavoring to stabilize and enhance product quality to solidify its leading position in the collagen sausage casing market; accelerating the reconstruction of mechanical equipment via automation and intellectualization to enhance production efficiency; stepping up its efforts in new product research and development as well as marketing and sales to speed up industrial transformation; further deepening the assessment and incentive mechanism to fully enhance staff motivation; and strengthening the management of its subsidiaries to create greater economic benefits and increase the overall competitiveness of the Group.

For collagen food products, in order to realize more significant growth in sales revenue, the Group will put more effort in production, advertising and sales planning of collagen rice noodles by fully engaged in marketing activities in respect of e-commerce, micro commerce and agent sales. Meanwhile, we will accelerate the research and development of solid collagen and liquid collagen drinks, improve process technologies, equipment and ancillary facilities, and market new products as soon as possible. For collagen skincare products, the Group will actively promote the construction of the collagen skincare product industry, complete the construction and production of the Singapore base, and spare no effort in advertising and sales planning.

The Group will continue to be active in developing its collagen medical material segment. We will strive for the clinical trial approval of highly reactive collagen-based bone repairing biomaterials (高活性膠原基骨修復生物材料) during 2019. The Group will relocate Guangdong Victory as soon as possible and endeavor to enhance the sales of medical collagen raw materials and semi-finished materials. Wuzhou Victory Biotech Co., Ltd., a subsidiary of the Group, will also speed up the purchase of equipment. It is expected to receive the GMP Production Permit in the first half of 2019 and will commence the production of products including water-soluble collagen and hydrophilic band-aids (親水性傷口貼).

The Group believes that the aforesaid initiatives will contribute to overall operational soundness and continuous growth in economic benefits, facilitation of the great health industry upgrade and further implementation of emerging industry strategies, so as to secure its leading position in the industry and generate fabulous returns to the shareholders of the Group 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 cents per ordinary share for the Year to shareholders whose names appear on the register of members of the Company on 31 May 2019 (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 19 June 2019 (Wednesday).

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 22 May 2019 (Wednesday), the register of members of the Company will be closed from 17 May 2019 (Friday) to 22 May 2019 (Wednesday), both days inclusive. The latest time to lodge transfer documents for registration will be at 4:30 p.m. on 16 May 2019 (Thursday). 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 28 May 2019 (Tuesday) to 31 May 2019 (Friday), both days inclusive. The record date will be 31 May 2019 (Friday). The latest time to lodge transfer documents for registration will be at 4:30 p.m. on 27 May 2019 (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

During the Year, the Company purchased certain of its shares on the Stock Exchange and certain of these shares were subsequently cancelled by the Company. The summary details of those repurchases during the Year are as follows:

Month	Number of shares repurchased	Number of shares cancelled	Price per share Highest	Price per share Lowest	Total price paid
			HK$	*HK$*	*HK$*
September 2018	5,716,000	–	0.4050	0.3900	2,288,130
October 2018	8,194,000	11,794,000	0.4100	0.3900	3,287,960
November 2018	6,544,000	4,928,000	0.4400	0.4000	2,770,940
December 2018 *(Note)*	5,324,000	7,976,000	0.4500	0.4350	2,376,890

Note: The 1,080,000 shares repurchased but not yet cancelled during December 2018 were subsequently cancelled in January 2019.

The purchase of the Company's shares during the Year was effected by the Directors, pursuant to the mandate from shareholders received at the last annual general meeting held in 2018, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Except as disclosed above, neither the Company, nor any of its subsidiaries 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 with all the Directors and save as disclosed below, all the Directors have confirmed that they had complied with the Model Code during the Period. Moreover, no incident of non-compliance of the Model Code by the senior management was noted by the Company.

On 25 July 2018, Ms. Zhou Yaxian purchased 184,000 shares of the Company via her wholly-owned company, Xian Sheng Limited, on the Stock Exchange which was in breach of Rule A.3(a)(ii) of the Model Code. The total purchase price of this transaction was approximately HK$81,000 (184,000 shares times an average purchase price of HK$0.43924 per Share). As Ms. Zhou was on a business trip, there was some miscommunication and Ms. Zhou inadvertently confirmed with the broker to place such order before obtaining clearance from the designated officer of the Board. Ms. Zhou confirmed that the breach was due to her inadvertence, in particular in relation to the commencement of blackout period. For clarity purpose, such purchase was effected at a time when there was no unpublished inside information.

In order to prevent potential breaches in the future, the Board has recommended the Company to review the reporting and monitoring procedures for dealing of shares of the Company under the Model Code, as well as enhancing its compliance measures and internal control procedures. The Board will also implement the following actions and procedures in order to minimize the chance of breach in future:

(i) More training in respect of compliance with the Listing Rules and the Model Code will be provided to the Directors, senior management and company secretary of the Company on a regular basis;

(ii) Re-circulation of and enhancement of internal communication guideline to the Directors, company secretary, and staff of the Company regarding the notification procedures and restrictions against dealing with shares of the Company during the blackout period under the Model Code.

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 independent non-executive Directors without the other 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, 18 March 2019

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.