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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 2018

GROUP FINANCIAL HIGHLIGHT

for the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	2018	2017
	HK$'000	*HK$'000*
Revenue	**453,827**	1,250,706
Gross profit	**115,404**	156,135
Loss before tax	**(18,882)**	(182,164)
Loss attributable to:		
Equity shareholders of the Company	**(26,498)**	(165,219)
Loss per share		
Basic (HK$ per share)	**(0.011)**	(0.069)
Diluted (HK$ per share)	**(0.011)**	(0.073)
Cash and cash equivalents	**185,386**	274,303
Net assets	**831,307**	897,772
Total assets	**1,121,805**	1,272,782

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 2018 (the "**Year**"), with the comparative figures for the year ended 31 December 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018 (Expressed in Hong Kong dollars)

	Note	2018 HK$'000	2017 HK$'000
Revenue	4	**453,827**	1,250,706
Cost of sales		**(338,423)**	(1,094,571)
Gross profit		**115,404**	156,135
Other income	5	**12,687**	16,485
Other gains and losses	6	**(9,368)**	(7,445)
Distribution costs		**(18,260)**	(21,000)
Impairment losses on trade and other receivables		**(1,662)**	(1,943)
Administrative expenses		**(87,228)**	(94,102)
Other operating expenses		**(2,880)**	(4,230)
Profit from operations		**8,693**	43,900
Finance costs	7	**(8,156)**	(8,513)
Impairment of goodwill		**–**	(49,645)
Impairment of property, plant and equipment		**(19,419)**	(5,099)
Impairment of intangible assets		**–**	(162,807)
Loss before tax		**(18,882)**	(182,164)
Income tax (expense)/credit	8	**(7,734)**	16,078
Loss for the year	9	**(26,616)**	(166,086)
Attributable to:			
Equity shareholders of the Company		**(26,498)**	(165,219)
Non-controlling interests		**(118)**	(867)
		(26,616)	(166,086)
Loss per share			
Basic (HK$ per share)	11	**(0.011)**	(0.069)
Diluted (HK$ per share)	11	**(0.011)**	(0.073)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018 (Expressed in Hong Kong dollars)

	2018	2017
	HK$'000	*HK$'000*
Loss for the year	**(26,616)**	(166,086)
Other comprehensive loss:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(41,658)**	59,645
Exchange differences reclassified to profit or loss on disposal of subsidiaries	**(2)**	–
Other comprehensive loss for the year, net of tax	**(41,660)**	59,645
Total comprehensive loss for the year	**(68,276)**	(106,441)
Attributable to:		
Equity shareholders of the Company	**(68,158)**	(105,586)
Non-controlling interests	**(118)**	(855)
Total comprehensive loss for the year	**(68,276)**	(106,441)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018 (Expressed in Hong Kong dollars)

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**458,835**	476,596
Interests in leasehold land held for own use under operating lease		**26,288**	19,845
Goodwill		**2,830**	2,830
Intangible assets		**1,556**	2,086
Other non-current assets		**1,380**	3,470
Contract assets		**39,478**	–
Deferred tax assets		**4,691**	6,356
Total non-current assets		**535,058**	511,183
Current assets			
Financial assets at fair value through profit or loss ("FVTPL")		**15,199**	26,559
Inventories		**100,788**	142,144
Trade and other receivables	*12*	**274,618**	315,738
Current tax assets		**1,875**	2,855
Restricted cash		**8,881**	–
Bank and cash balances		**185,386**	274,303
Total current assets		**586,747**	761,599
Current liabilities			
Trade and other payables	*14*	**116,795**	210,308
Contract liabilities		**2,185**	–
Bank borrowings	*13*	**159,625**	153,452
Current tax liabilities		**6,049**	6,198
Total current liabilities		**284,654**	369,958
Net current assets		**302,093**	391,641
Total assets less current liabilities		**837,151**	902,824

	Note	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Convertible bonds		**–**	94
Deferred tax liabilities		**5,844**	4,958
Total non-current liabilities		**5,844**	5,052
NET ASSETS		**831,307**	897,772
CAPITAL AND RESERVES			
Share capital		**6,138**	6,138
Reserves		**825,169**	892,186
Total equity attributable to equity shareholders of the Company		**831,307**	898,324
Non-controlling interests		**–**	(552)
Total equity		**831,307**	897,772

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 (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**") since 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 of the Company, 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 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9 Financial Instruments; and

(ii) HKFRS 15 Revenue from Contracts with Customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

(a) *Classification*

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at FVTPL, and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in profit or loss.

(b) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial assets not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

The Group subsequently measures all equity investments at fair value. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains and losses in the statement of profit or loss as applicable.

(c) *Impairment*

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The adoption of HKFRS 9 did not result in any significant impact on the amounts reported in the opening retained profits on 1 January 2018 and the financial information during the year ended 31 December 2018.

The following table and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Financial assets	*Note*	Classification under HKAS 39	Classification under HKFRS 9	Carrying amount under HKAS 39 *HK$'000*	Carrying amount under HKFRS 9 *HK$'000*
Trade and other receivables	*(a)*	Loans and receivables	Amortised cost	274,764	274,764
Bank and cash balances	*(a)*	Loans and receivables	Amortised cost	274,303	274,303
Equity investments and wealth management products	*(b)*	FVTPL	FVTPL	26,559	26,559

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application.

Notes:

(a) Trade and other receivables and bank and cash balances that were classified as loans and receivables under HKAS 39 are now classified at amortised cost.

(b) Equity securities - held for trading and wealth management products are required to be held as FVTPL as under HKFRS 9. There was no impact on the amounts recognised in relation to these assets from the adoption of HKFRS 9.

For assets in scope of the HKFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the additional impairment allowance under the application of HKFRS 9 impairment model requirements at 1 January 2018 is insignificant.

Impairment losses related to trade and other receivables are presented separately in the consolidated statement of profit or loss. As a result, the Group reclassified impairment losses amounting to HK$1,943,000, recognised under HKAS 39, from "administrative expenses" to "impairment losses on trade and other receivables" in the consolidated statement of profit or loss for the year ended 31 December 2017.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018.

The adoption of HKFRS 15 resulted in the following changes to the Group's accounting policies.

The Group manufactures and sells a range of BOPP films and sub-processing cigarette films. Sales are recognised when control of the products has transferred, being when the products are delivered to and accepted by the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group recognised revenue from the sale of electricity upon electricity is generated and transmitted. In addition, tariff adjustments are recognised as revenue based on management's assessment and judgement that all of the Group's operating power plants have qualified and met all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plants.

Certain part of the tariff adjustments are subject to approval for registration in the Renewable Energy Tariff Subsidy Catalogue (the "**Catalogue**") by the People's Republic of China (the "**PRC**") government, the relevant revenue from these tariff adjustments are considered variable consideration, and is recognised only to the extent that it is highly probable that a significant reversal will not occur.

Moreover, since certain part of the tariff adjustments are yet to be approved for registration in the Catalogue by the PRC government, management considers that these electricity sales contracts contain a financing component.

Variable consideration

For contracts that contain variable consideration in relation to sale of electricity to the state grid companies which contain tariff adjustments related to solar power plants yet to be approved for registration in the Catalogue by the PRC government, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

Management considered that the effect of the financing component is not significant for revenue recognised before 1 January 2018.

The following table summarises the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 if that superseded standard had continued to apply to 2018 instead of HKFRS 15. This table shows only those line items impacted by the adoption of HKFRS 15:

As at 31 December 2018	*Note*	**Amounts reported in accordance with HKFRS 15** *HK$'000*	**Hypothetical amounts under HKAS 18** *HK$'000*	**Estimated impact of adoption of HKFRS 15** *HK$'000*
Consolidated statement of financial position (extract)				
Contract assets	*(a)*	39,478	–	39,478
Trade receivables	*(a)*	229,652	269,130	(39,478)
Contract liabilities	*(a)*	2,185	–	2,185
Advances received	*(a)*	–	2,185	(2,185)

Note:

(a) Reclassifications were made as at 1 January 2018 to be consistent with the terminology under HKFRS 15:

As at 1 January 2018, tariff adjustments related to solar power plants yet to be approved for registration in the Catalogue were reclassified and presented as contract assets.

Contract liabilities recognised in relation to sales of goods and properties were previously presented as "Advances received".

(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 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to HKFRSs 2015 – 2017 Cycle	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 HKFRS 16 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 16, 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 2019. 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 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 property leases and leasehold land 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 offices and leasehold land amounted to HK$22,167,000 as at 31 December 2018. 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.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

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) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service line for the year is as follow:

	2018		2017	
	HK$'000	*%*	*HK$'000*	*%*
Revenue from contracts with customers within the scope of HKFRS 15				
Disaggregated by major products or service lines				
Manufacturing and sales of BOPP films				
– Cigarette films	**220,424**	**48%**	206,175	16%
– Non-cigarette-related films	**121,589**	**27%**	111,930	9%
Sub-total	**342,013**	**75%**	318,105	25%
Sales of sub-processing cigarette films	**50,083**	**11%**	70,447	6%
Properties development and related services	**10,377**	**2%**	812,348	65%
Generation of photovoltaic power	**50,181**	**12%**	45,477	4%
Cloud-related business	**1,173**	**–**	4,329	–
Total	**453,827**	**100%**	1,250,706	100%

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

For the year ended 31 December	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	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Primary geographical markets												
Mainland China	**342,013**	318,105	**50,083**	70,447	**10,377**	812,348	**50,181**	45,477	**1,173**	4,329	**453,827**	1,250,706
Timing of revenue recognition												
Products transferred at a point in time	**342,013**	318,105	**50,083**	70,447	**7,752**	809,560	**–**	–	**–**	–	**399,848**	1,198,112
Products and services transferred over time	**–**	–	**–**	–	**2,625**	2,788	**50,181**	45,477	**1,173**	4,329	**53,979**	52,594
Total	**342,013**	318,105	**50,083**	70,447	**10,377**	812,348	**50,181**	45,477	**1,173**	4,329	**453,827**	1,250,706

The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18.

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

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

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

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

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 unallocated head office and corporate expenses, (loss)/gain on disposal of a subsidiary, net realised and unrealised loss on equity securities and dividend income from equity securities. 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 operating 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	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Year ended 31 December												
Revenue from external customers	**342,013**	318,105	**50,083**	70,447	**10,377**	812,348	**50,181**	45,477	**1,173**	4,329	**453,827**	1,250,706
Reportable segment revenue	**342,013**	318,105	**50,083**	70,447	**10,377**	812,348	**50,181**	45,477	**1,173**	4,329	**453,827**	1,250,706
Reportable segment gross profit/(loss)	**68,095**	68,568	**14,534**	22,038	**2,339**	59,084	**31,670**	28,782	**(1,234)**	(22,337)	**115,404**	156,135
Reportable segment profit/(loss) before tax	**1,783**	27,170	**5,914**	6,636	**(507)**	50,796	**19,049**	13,426	**(24,068)**	(244,146)	**2,171**	(146,118)
Interest income from bank deposits	**64**	81	**54**	111	**755**	5	**17**	18	**50**	43	**940**	258
Interest expense	**6,003**	5,261	**1,960**	2,404	**–**	14	**193**	497	**–**	–	**8,156**	8,176
Depreciation and amortisation	**15,781**	15,255	**2,077**	1,185	**432**	503	**14,826**	13,044	**3,891**	24,846	**37,007**	54,833
Other material non-cash items:												
Impairment of goodwill	**–**	–	**–**	–	**–**	–	**–**	–	**–**	49,645	**–**	49,645
Impairment of property, plant and equipment	**–**	–	**–**	–	**–**	–	**–**	–	**19,419**	5,099	**19,419**	5,099
Impairment of intangible assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	162,807	**–**	162,807
As at 31 December												
Reportable segment assets	**372,894**	404,262	**125,439**	95,369	**163,576**	294,003	**393,694**	341,488	**35,365**	61,349	**1,090,968**	1,196,471
Additions to non-current segment assets during the year	**2,872**	4,114	**9,143**	21,645	**7**	32	**65,244**	–	**–**	–	**77,266**	25,791
Reportable segment liabilities	**168,122**	172,921	**62,025**	84,591	**45,452**	97,591	**10,351**	14,771	**3,434**	3,288	**289,384**	373,162

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

	2018	2017
	HK$'000	*HK$'000*
Profit/(loss)		
Reportable segment profit/(loss) before tax	**2,171**	(146,118)
(Loss)/gain on disposal of subsidiaries	**(1,629)**	363
Net realised and unrealised loss on investment in equity securities	**(4,167)**	(21,089)
Dividend income from equity securities	**129**	396
Unallocated head office and corporate expenses	**(15,386)**	(15,716)
Consolidated loss before tax	**(18,882)**	(182,164)
Assets		
Reportable segment assets	**1,090,968**	1,196,471
Equity securities	**15,199**	19,366
Unallocated head office and corporate assets	**15,638**	56,945
Consolidated total assets	**1,121,805**	1,272,782
Liabilities		
Reportable segment liabilities	**289,384**	373,162
Unallocated head office and corporate liabilities	**1,114**	1,848
Consolidated total liabilities	**290,498**	375,010

(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

	2018	2017
	HK$'000	*HK$'000*
Segment of manufacturing and sales of BOPP films and sale of sub-processing cigarette firms		
Customer A	**150,949**	150,030
Customer B	**95,988**	119,122
	246,937	269,152
Segment of generation of photovoltaic power		
Customer C	**50,181**	45,477

5. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Government grants *(Note)*	**497**	605
Compensation	**358**	234
Sales of scrap materials	**10,581**	12,230
Dividend income from equity securities	**129**	396
Interest income on bank deposits	**940**	917
Sundry income	**182**	2,103
	12,687	16,485

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

	2018 *HK$'000*	2017 *HK$'000*
Gain/(loss) on disposal of property, plant and equipment	**107**	(27)
Write off of property, plant and equipment	**(28)**	(1,581)
(Loss)/gain on disposal of subsidiaries	**(1,629)**	363
Net foreign exchange (losses)/gains	**(2,337)**	961
Net realised and unrealised gain on investment in wealth management products	**592**	774
Net realised and unrealised loss on investment in equity securities	**(4,167)**	(21,089)
Fair value gain on convertible bonds	**94**	13,154
Others	**(2,000)**	–
	(9,368)	(7,445)

7. FINANCE COSTS

	2018 *HK$'000*	2017 *HK$'000*
Interest on bank borrowings	**7,786**	6,353
Other interest expense	**370**	2,160
Total borrowing costs	**8,156**	8,513

8. INCOME TAX EXPENSE/(CREDIT)

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

	2018	2017
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Overprovision in prior year	**(917)**	–
Current tax – PRC enterprise income tax		
Provision for the year	**4,720**	21,178
Under/(over)-provision in prior years	**1,485**	(5,288)
	5,288	15,890
PRC land appreciation tax ("**LAT**")	**71**	12,292
Deferred tax	**2,375**	(44,260)
	7,734	(16,078)

(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) No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year (2017: Nil).

On 21 March 2018, the Inland Revenue (Amendment) (No. 7) Bill 2017, which introduces a two-tiered profits tax regime, was substantively enacted. Under the two-tiered profits tax regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at 8.25% with effect from the year assessment 2018/2019. Profits above HK$2 million will continue to be subject to the tax rate of 16.5%.

(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% (2017: 15%) for the year ended 31 December 2018.

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 Generation Co., Ltd. (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 2017 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 expense/(credit) and product of loss before tax multiplied by the applicable tax rates is as follows:

	2018	2017
	HK$'000	*HK$'000*
Loss before tax	**(18,882)**	(182,164)
Notional tax on loss before tax, calculated at the rates applicable in the jurisdictions concerned	**(2,020)**	(22,082)
Tax effect of the preferential tax rates	**(3,058)**	(4,727)
Additional deductible allowance for research and development expenses	**(989)**	(939)
Tax effect of non-deductible expenses	**8,752**	9,871
PRC withholding tax	**912**	2,593
Tax effect of non-taxable income	**(102)**	(9,319)
Tax effect of tax losses not recognised	**2,739**	3,996
Under/(over)-provision in prior years	**568**	(5,288)
Overprovision in current year	**(120)**	–
LAT	**71**	12,292
Tax effect of unrecognised temporary differences	**981**	(2,072)
Tax effect of utilisation of tax losses not previously recognised	**–**	(403)
Income tax expense/(credit)	**7,734**	(16,078)

9. LOSS FOR THE YEAR

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

	2018	2017
	HK$'000	*HK$'000*
Amortisation of intangible assets (included in cost of sales)	**462**	20,774
Depreciation	**43,489**	41,124
Amortisation of leasehold land	**521**	493
Operating lease charges:		
– Land and buildings	**3,975**	4,648
Auditor's remuneration	**1,330**	1,400
Cost of inventories sold	**248,569**	975,651
Allowance for trade and other receivables	**2,066**	1,943
Research and development expenditure	**16,214**	15,949
Reversal for allowance of trade and other receivables	**(404)**	–
Allowance for inventories	**212**	432
Write off of property, plant and equipment	**28**	1,581

Cost of inventories sold includes staff costs, depreciation, amortisation and operating lease charges of approximately HK$52,728,000 (2017: HK$56,627,000) which are included in the amounts disclosed separately above.

10. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
2018 Interim of HK$Nil (2017: 2017 Interim of HK$0.01) per ordinary share paid	**–**	24,552
2017 Final of HK$Nil (2017: 2016 Final of HK$ Nil) per ordinary share	**–**	–
	–	24,552

Subsequent to the end of the reporting period, the Board does not recommend payments of any final dividends for the year ended 31 December 2018.

11. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following:

	2018	2017
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of calculating basic loss per share	**(26,498)**	(165,219)
After tax effect of change in fair value of convertible bonds	**–**	(13,154)
Loss for the purpose of calculating diluted loss per share	**(26,498)**	(178,373)
Number of shares	**'000**	'000
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**2,455,248**	2,406,203
Effect of deemed conversion of convertible bond	**–**	28,037
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	**2,455,248**	2,434,240

The Company's share options as at 31 December 2017 and 2018 do not give rise to any dilutive effect to the loss per share.

12 TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade and bills receivables	**229,652**	257,913
Allowance for doubtful debts	**(5,066)**	(3,655)
	224,586	254,258
Deposits, prepayments and other receivables		
– related parties	**334**	60
– third parties	**49,050**	60,908
Current portion of interests in leasehold land held for own use under operating lease	**648**	512
	274,618	315,738

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:

	2018		2017	
	Trade receivables	**Bills receivables**	Trade receivables	Bills receivables
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Unbilled *(Note)*	**23,696**	**–**	54,821	–
Less than 30 days	**53,064**	**25,390**	99,745	20,409
31 – 90 days	**52,909**	**–**	61,434	–
91 – 180 days	**19,315**	**–**	8,590	–
181 – 365 days	**46,243**	**–**	787	–
Over 365 days	**3,969**	**–**	8,472	–
	199,196	**25,390**	233,849	20,409

Note:

As at 31 December 2018, the amount represents unbilled tariff adjustment receivables of solar power plants registered in the Catalogue.

As at 31 December 2017, the amount represents unbilled tariff adjustment receivables of all solar power plants. Tariff adjustments related to solar power plants yet to be approved for registration in the Catalogue are reclassified to contract assets as at 1 January 2018.

As at 31 December 2018, trade receivables of approximately HK$37,574,000 (2017: HK$Nil) were pledged to a bank to secure bank borrowings as set out in note 13.

As at 31 December 2018, an allowance was made for estimated irrecoverable trade receivables of approximately HK$5,066,000 (2017: HK$3,655,000).

The carrying amounts of the Group's trade receivables are denominated in RMB.

At 31 December 2018, an allowance of HK$1,345,000 (2017: HK$1,345,000) was made for other receivables.

13. BANK BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Secured	**85,395**	47,956
Unsecured	**74,230**	105,496
	159,625	153,452

The bank borrowings are repayable within one year or on demand.

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

	2018	2017
	HK$'000	*HK$'000*
HK$	**20,000**	20,000
United States dollars ("US$")	**8,686**	13,562
RMB	**130,939**	119,890
	159,625	153,452

As at 31 December 2018, the average interest rate of bank borrowings was 4.92% (2017: 4.82%) per annum.

Bank borrowings of HK$45,544,000 (2017: HK$71,934,000) 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.

As at 31 December 2018, the Group's banking facilities were secured by the Group's leasehold land, buildings and machinery, trade receivables and corporate guarantee executed by the Company and two subsidiaries.

14. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade and bills payables	**77,783**	126,565
Advances received	**–**	8,354
Other payables and accruals		
– related parties	**961**	26,629
– others	**37,178**	43,092
Due to a director and ultimate controlling party		
– Mr. Guo Yumin	**873**	5,668
	116,795	210,308

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

	2018		2017	
	Trade payables	**Bills payable**	Trade payables	Bills payable
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Due within 1 month or on demand	**47,942**	**10,240**	105,679	3,602
Due after 1 month but within 3 months	**3,871**	**–**	8,758	–
Due after 3 months but within 6 months	**1,820**	**–**	1,719	–
Due more than 6 months	**13,910**	**–**	6,807	–
	67,543	**10,240**	122,963	3,602

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

	2018	2017
	HK$'000	*HK$'000*
US$	**1,359**	3,602
RMB	**76,424**	122,963
Total	**77,783**	126,565

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the Year, the Group recorded a decrease in revenue as compared to the year ended 31 December 2017. However, the Group recorded a decrease in net loss compared to the year ended 31 December 2017 as the Group made an impairment loss of HK$217.5 million in the subsidiaries mainly engaged in the cloud-related business during the year ended 31 December 2017 but no such significant impairment loss repeated during the Year.

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 excluding returns, discounts, value added taxes and other sales taxes. During the Year, our revenue decreased by approximately HK$796.9 million, or approximately 63.7%, from approximately HK$1,250.7 million to approximately HK$453.8 million. The decrease was mainly due to the decrease in revenue from properties development as most of the revenue had been realised in 2017. 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 7.5%, from approximately HK$318.1 million for the year ended 31 December 2017 to approximately HK$342.0 million for the Year.

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 6.8%, from approximately HK$50.3 million for the year ended 31 December 2017 to approximately HK$46.9 million for the Year; and (ii) the sales of our slitting imported cigarette films has decreased by approximately 84.1%, from approximately HK$20.1 million for the year ended 31 December 2017 to approximately HK$3.2 million for the Year, both primarily due to the decrease in customers' orders resulting from the keen competition in the PRC.

Properties development and related services

The revenue generated from this segment during the Year was mainly from the sale of properties. There is no new properties project developed for the Year. All related properties development revenue was generated from sales of remaining inventory of previous property project, which contributed approximately HK$7.8 million to the Group and properties related services generated approximately HK$2.6 million during the Year.

Generation of photovoltaic power

For the Year, the Group has three photovoltaic power stations that are in operation, with a total grid-connected capacity of 40 megawatts ("**MW**"). Total amount of power generation rose from 43.9 million kwh to 48.1 million kwh. The revenue generated from this segment increased by approximately 10.3%, from approximately HK$45.5 million for the year ended 31 December 2017 to approximately HK$50.2 million for the Year, which was primarily due to the completion of construction of the third photovoltaic power station and that the power station has been put into operation in June 2018.

Cloud-related business

The revenue generated from this segment amounted to approximately HK$ 1.2 million for the Year. The Company signed a third supplemental agreement with Bloom Shine Investments Limited to terminate issuance of convertible bonds in September 2018. Meanwhile, the Company entered into the termination cooperation agreement with Guang He Hui Yun in relation to the operation and maintenance of the cloud platforms. For more details, please refer to the announcement of the Company dated 26 September 2018. The Company is now actively seeking for cloud-related business partners and opportunities in the PRC.

GROSS PROFIT

Our gross profit decreased by approximately HK$40.7 million, or approximately 26.1%, from approximately HK$156.1 million for the year ended 31 December 2017 to approximately HK$115.4 million for the Year. The decrease is due to the increase in the price of raw materials of manufacturing films such as polypropylene material. Our gross profit margin increased from approximately 12.5% for the year ended 31 December 2017 to approximately 25.4% for the Year. The increase in gross profit margin was mainly due to the less impact from low property construction profit margin for the Year.

DISTRIBUTION COSTS

Our selling and distribution expenses decreased by approximately HK$2.7 million, or approximately 12.9%, from approximately HK$21.0 million for the year ended 31 December 2017 to approximately HK$18.3 million for the Year. The decrease was due to the reduction in advertising and selling expenses for the sales of our remaining properties located in Xuzhou, Jiang Su Province, the PRC.

ADMINISTRATIVE EXPENSES

Our administrative expenses decreased by approximately HK$6.9 million, or approximately 7.3%, from approximately HK$94.1 million for the year ended 31 December 2017 to approximately HK$87.2 million for the Year due to the cost tightening control measures implemented by the Company during the Year.

IMPAIRMENT LOSS

During the Year, the Group recorded an impairment loss of approximately HK$19.4 million in the cloud-related business sector. The impairment loss represented decrease in value on property, plant, and equipment in this section. There is no impairment of goodwill and intangible assets recorded for the Year.

FINANCE COSTS

The finance costs decreased by approximately HK$0.3 million from approximately HK$8.5 million for the year ended 31 December 2017 to approximately HK$8.2 million for the Year.

INCOME TAX

Our income tax increased from a negative amount of approximately HK$16.1 million for the year ended 31 December 2017 to a positive amount of approximately HK$7.7 million for the Year, as less impairment loss on the cloud-related business was recorded for the Year.

LOSS ATTRIBUTABLE 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$26.5 million for the Year as compared to a loss attributable to equity shareholders of the Company of approximately HK$165.2 million compared to the year ended 31 December 2017. This was mainly due to a significant impairment loss amounted to HK$217.5 million incurred in cloud-related business sector during the year ended 31 December 2017 as compared with approximately HK$19.4 million impairment loss on property, plant and equipment in this sector for the Year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the cash and cash equivalent of the Group amounted to approximately HK$185.4 million (which were denominated in HK$, RMB and US$) as compared with approximately HK$274.3 million as at 31 December 2017, representing a decrease of approximately HK$88.9 million. Such decrease was mainly due to the Group's net cash inflow of operating activities, net cash outflow of investment activities and net cash inflow of financing activities that amounted to approximately HK$15.8 million, approximately HK$86.1 million and approximately HK$4.8 million respectively.

BORROWING AND GEARING RATIO

Total interest-bearing borrowings of the Group as at 31 December 2018 amounted to approximately HK$159.6 million (as at 31 December 2017: approximately HK$178.6 million) which were denominated in HK$, RMB and US$, of which approximately HK$159.6 million were current interest-bearing borrowings (as at 31 December 2017: HK$178.6 million) and nil was non-current interest-bearing borrowings (as at 31 December 2017: nil). 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 -10.7% on 31 December 2017 to -4.2% on 31 December 2018. The increase in the gearing was primarily due to decrease in cash and cash equivalents.

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 of the Company located in the PRC which gave rise to receivables, and payables that were denominated in US$. 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$69.2 million which was mainly used in the construction of the third photovoltaic power stations which amounted to approximately HK$63.8 million.

CHARGE ON ASSETS

As at 31 December 2018, the Group has pledged its lease prepayments, machinery and building that held for its own use with a net book value of approximately HK$124.5 million (as at 31 December 2017: approximately HK$143.4 million) and trade receivable approximately HK$37.6 million (as at 31 December 2017: Nil) for the purpose of securing loans with carrying value of approximately HK$85.4 million (as at 31 December 2017: approximately HK$48.0 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

During the Year, Xuzhou Shuntai New Energy Power Generation Co., Ltd. (徐州順泰新能源發電有限公司), an indirect wholly-owned subsidiary of the Company, obtained an approval from Xuzhou Development and Reform Commission (徐州市發展和改革委員會) for the construction of a new photovoltaic power stations. In June 2018, the Company has already safely completed the construction of the photovoltaic power stations and a management team was assigned to operate the photovoltaic power stations. The total investment for the project is approximately HK$63.8 million.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any significant contingent liabilities.

HUMAN RESOURCES

As at 31 December 2018, the Group employed approximately 317 employees (as compared with 352 employees on 31 December 2017) with total staff cost of approximately HK$56.3 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 2017: Nil).

PROSPECTS

The prices of raw materials for the photovoltaic industry, including monocrystalline silicon polysilicon, have fallen since early 2018. As costs of power generation has fallen, it is more likely that the companies generate sufficient profit in the era of grid parity but without heavily rely on the subsidies from the PRC government. Although the Company currently owns 3 photovoltaic power stations and has considerable management experience in operating the power stations, we will still evaluate potential investment projects objectively and make investment decisions based on reasonable financial forecast.

The Company has all along regarded safety as a competitive advantage. In order to ensure operational safety, our photovoltaic companies have conducted network-related tests and safety inspections of security equipment and emergency training and exercises to enhance employees' safety awareness. In the future, we will continue to upgrade our operational standards, safety, and enhance working environment and risk control.

Looking back our BOPP film segment in 2018, we actively expanded sales channel, and the number of customers has grown steadily. We expect the industry's Matthew effect to be magnified, and our Company will have more pressure to compete in BOPP film products, especially food film related products. While striving to further expand the BOPP film market, we will endeavour to develop new products to strengthen our business performance.

The Company will continue to explore and develop our Cloud Platform business. Our Board still believes that the Cloud Platform business has tremendous growth potential. We have already consulted cloud – related experts and actively been seeking for opportunities in China cloud market.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Year. 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 2018, the Group did not have any capital commitments (as at 31 December 2017: Nil).

CORPORATE GOVERNANCE REPORT

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 "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Board considered that the Company had complied with the code provisions of the Code during the year ended 31 December 2018 except for the deviations from code provisions A.2.1 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 and 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 the Board considers necessary.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Director's securities transactions for the Year and up to the date of this announcement.

CLOSURE OF THE REGISTER OF MEMBERS

For determining entitlement to attend the forthcoming annual general meeting ("**AGM**") to be held on 31 May 2019, the register of members of the Company will be closed from 28 May 2019 to 31 May 2019, both days inclusive, during which period no transfer of Shares will be registered. The record date will be on 31 May 2019. 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 27 May 2019.

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 2018 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 SHARES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the Year.

The Company had repurchased an aggregate of 21,112,000 shares of the Company in January 2019. The aforesaid repurchased shares had been cancelled on 6 March 2019.

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 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 2019

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