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: 1335)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHTS

- Turnover increased by approximately 29% to HK$342 million for the six months ended 30 June 2011 and 2012.
- Gross profit increased by approximately 29% to HK$119 million for the six months ended 30 June 2011 and 2012.
- Gross profit margin remained at around 35% for the six months ended 30 June 2011 and 2012.
- Profit attributable to equity shareholders of the Company increased by approximately 20% from HK$32 million to HK$38 million for the six months ended 30 June 2011 and 2012 respectively.
- Trade and bill receivables turnover days decreased from 98.3 days for the year ended 31 December 2011 to approximately 88.7 days for the six-month period ended 30 June 2012.
- Average inventory turnover days decreased from 98.9 days for the year ended 31 December 2011 to approximately 86.5 days for the six-month period ended 30 June 2012.

The board (the "Board") of directors (the "Directors") of Sheen Tai Holdings Group Company Limited (the "Company" or "Sheen Tai") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2012 together with the comparative figures for the corresponding period in 2011 as follows:

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2012
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June **2012** **(Unaudited)** ***HK$'000***	2011 (Unaudited) *HK$'000*
Turnover	*3*	**341,669**	264,827
Cost of sales		**(222,293)**	(172,170)
Gross profit		**119,376**	92,657
Other revenue and net income		**7,461**	17,083
Distribution costs		**(6,466)**	(8,663)
Administrative expenses		**(24,024)**	(16,138)
Other operating expenses		**(844)**	(9)
Profit from operations		**95,503**	84,930
Finance costs		**(10,625)**	(8,867)
Profit before taxation	*4*	**84,878**	76,063
Income tax	*5*	**(22,015)**	(20,292)
Profit for the period		**62,863**	55,771
Attributable to:			
Equity shareholders of the Company		**38,019**	31,620
Non-controlling interests		**24,844**	24,151
Profit for the period		**62,863**	55,771
Earnings per share			
Basic and diluted (HK$)	*6*	**0.13**	0.11

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2012
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**62,863**	55,771
Other comprehensive income for the period		
Exchange differences on translation of financial information of subsidiaries	**(181)**	6,289
Total comprehensive income for the period	**62,682**	62,060
Attributable to:		
Equity shareholders of the Company	**37,875**	32,521
Non-controlling interests	**24,807**	29,539
Total comprehensive income for the period	**62,682**	62,060

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2012
(Expressed in Hong Kong dollars)

	Note	**At 30 June 2012 (Unaudited)** ***HK$'000***	At 31 December 2011 (Audited) *HK$'000*
Non-current assets			
Fixed assets	*7*		
– Property, plant and equipment		**344,186**	340,790
– Interests in leasehold land held for own use under operating lease		**44,686**	45,420
Intangible assets		**197**	222
Deferred tax assets		**2,299**	1,900
		391,368	388,332
Current assets			
Inventories	*8*	**91,088**	120,254
Trade and other receivables	*9*	**146,677**	257,718
Cash and cash equivalents		**114,554**	63,013
		352,319	440,985
Current liabilities			
Trade and other payables	*10*	**189,210**	113,103
Bank loans		**190,199**	154,188
Current taxation		**15,926**	18,938
		395,335	286,229
Net current (liabilities)/assets		**(43,016)**	154,756
Total assets less current liabilities		**348,352**	543,088

	Note	At 30 June 2012 (Unaudited) *HK$'000*	At 31 December 2011 (Audited) *HK$'000*
Non-current liabilities			
Bank loans		**110,402**	146,787
Deferred tax liabilities		**2,094**	5,498
Deferred government grant		**232**	–
		112,728	152,285
NET ASSETS		**235,624**	390,803
CAPITAL AND RESERVES			
Capital		**3,000**	69,318
Reserves		**160,775**	171,858
Total equity attributable to equity shareholders of the Company		**163,775**	241,176
Non-controlling interests		**71,849**	149,627
NET ASSETS		**235,624**	390,803

NOTES FOR THE UNAUDITED INTERIM FINANCIAL STATEMEMTS

For the six months ended 30 June 2012
(Expressed in Hong Kong dollars unless otherwise indicated)

1 REPORTING ENTITY AND BASIS OF PREPARATION

(a) Reporting Entity

Sheen Tai Holdings Group Company Limited 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. This interim financial statements of the Company as at and for the six months ended 30 June 2012 comprises the Company and its subsidiaries. The Group is principally engaged in manufacturing and supply of cigarette paper boxes, cigarette films and other marketing films.

Pursuant to group reorganisation completed on 21 June 2012 (the "Reorganisation") to rationalise the group structure in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 29 June 2012 (the "Prospectus"). The Company's shares were first listed on the Stock Exchange on 13 July 2012.

The companies that took part in the Reorganisation now comprising the Group were controlled by an ultimate equity shareholder, Mr Guo Yumin (the "Controlling Shareholder") before and after the Reorganisation. The control is not transitory and, consequently there was a continuation of the risks and benefits to the Controlling Shareholder and, therefore, the Reorganisation is considered as a business combination under common control. The interim financial statements has been prepared using the merger basis of accounting as if the Group had always been in existence. The net assets of the companies now comprising the Group are consolidated using the existing book values from the Controlling Shareholder's perspective.

The interim financial statements containing consolidated financial statements and selected explanatory notes includes the results of operations of the companies now comprising the Group as if the current group structure had been in existence throughout the six months periods presented. The consolidated statement of financial position of the Group as at 31 December 2011 as set out in this interim financial statements have been prepared to present the state of affairs of the companies now comprising the Group as at that date as if the current group structure had been in existence as at that date.

All material intra-group transactions and balances have been eliminated in preparing the interim financial statements.

(b) Basis of preparation

This interim financial statements has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The interim financial statements was authorised for issue by the board of directors of the Company on 30 August 2012.

The interim financial statements has been prepared in accordance with the same accounting policies adopted in the combined financial statements for each of the years ended 31 December 2009, 2010 and 2011 as reported in the accountants' report included in the Prospectus in relation to share offering of the Company's shares.

The preparation of interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The interim financial results contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the audited financial statements for the year ended 31 December 2011. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in conformity with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial results is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA.

The Group recorded net current liabilities amounting to HK$43,016,000 as at 30 June 2012. With the subsequent successful listing of the shares of the Company on the Main Board of the Stock Exchange which raised a net proceed of HK$110,557,000 in July 2012, the Group has returned to a net current assets position. Taking into account the available unutilized committed bank loan facilities and expected cash flows from operations, it is reasonable to expect that the Group will have adequate resources to meet its liabilities and commitments as and when they fall due and to continue in operational existence for the foreseeable future. Accordingly, the Group has continued to adopt the going concern basis in preparing the interim financial statements.

The financial information relating to the financial year ended 31 December 2011 that is included in the interim financial results as being previously reported information does not constitute the Company's statutory financial statements and the consolidated financial statements for that financial year are derived from the accountants' report in the Prospectus. The reporting accountants have expressed an unqualified opinion on the financial information in the accountants' report dated 29 June 2012 as set out in the Prospectus.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments, new standards and interpretations which are first effective for the current accounting period of the Group. None of the developments are relevant to the Group's financial statements.

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

3 TURNOVER AND SEGMENT RESULTS

The principal activities of the Group are manufacturing and supply of cigarette packaging materials in the PRC. Turnover represents the sales value of goods sold less returns, discounts and value added taxes and other sales taxes. The amount of each significant category of revenue recognised in turnover during the six months ended 30 June 2012 and 2011 is as follows:

	At 30 June 2012		At 30 June 2011	
	(Unaudited)		(Unaudited)	
	HK$'000	*%*	*HK$'000*	*%*
Manufacturing and sale of cigarette-related packaging materials				
– Cigarette paper boxes	**134,618**	**39%**	103,076	39%
– Anti-counterfeiting films	**29,347**	**9%**	39,197	15%
– Other cigarette films	**76,432**	**22%**	28,528	11%
Sub-total	**240,397**	**70%**	170,801	65%
Trading of imported films	**30,726**	**9%**	20,159	8%
Manufacturing and sale of non-cigarette-related packaging materials	**70,546**	**21%**	73,867	27%
Total	**341,669**	**100%**	264,827	100%

Segment Information

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance is set out below.

	Six months ended 30 June					
	Cigarette related packaging materials		**Non-cigarette related packaging materials**		**Total**	
	2012	2011	**2012**	2011	**2012**	2011
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**271,123**	190,960	**70,546**	73,867	**341,669**	264,827
Reportable segment revenue	**271,123**	190,960	**70,546**	73,867	**341,669**	264,827
Reportable segment gross profit	**108,167**	82,352	**11,209**	10,305	**119,376**	92,657
Reportable segment profit before taxation	**81,125**	72,541	**3,753**	3,522	**84,878**	76,063
Interest income from bank deposits	**167**	189	**5**	40	**172**	229
Interest expense	**7,148**	4,455	**3,477**	4,412	**10,625**	8,867
Depreciation and amortization for the period	**11,842**	8,261	**3,633**	5,551	**15,475**	13,812

4 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank borrowings wholly within five years	**10,625**	8,867
Contributions to defined contributions retirement plans	**1,721**	1,265
Salaries, wages and other benefits	**17,246**	12,726
Amortisation of intangible assets	**23**	32
Auditors' remuneration	**89**	18
Cost of inventories	**222,293**	172,170
Depreciation and amortisation of fixed assets	**15,452**	13,780
Net foreign exchange gain	**(362)**	(76)
Operating lease charges	**492**	229
Loss on disposal of fixed assets	**843**	–

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) *Taxation in the consolidated income statement represents:*

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	*HK\$'000*
Current tax – Hong Kong Profits Tax		
Provision for the period	**3,766**	2,439
Current tax – PRC income tax		
Provision for the period	**22,059**	20,993
Deferred tax		
Origination and reversal of temporary differences	**(3,810)**	(3,140)
	22,015	20,292

(i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in these jurisdictions.

(ii) The provision for Hong Kong Profits Tax for the six months ended 30 June 2012 and 2011 is calculated at 16.5%. The payments of dividends by the Group companies incorporated in Hong Kong are not subject to withholding tax.

(iii) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("New Tax Law") which became effective on 1 January 2008 and the PRC's statutory Corporate Income Tax rate is 25%.

The New Tax Law and its relevant regulations provide for a five-year transition period from 1 January 2008 for those companies which were entitled to preferential tax rates under the then effective tax laws and regulations. The transitional tax rates are 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012 onwards, respectively.

(iv) The Group's PRC subsidiaries are subject to income tax at 25%, except for Jiangsu Sheen Colour Science Technology Co., Ltd. and Ling Xian Fei Yu Import & Export (Shenzhen) Co., Ltd. which are subject to income tax at 20%, 22%, 24% and 25% for 2009, 2010, 2011 and 2012 onwards, respectively.

(v) 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%.

Since the Group can control the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, deferred tax liabilities are only recognised to the extent that such profits are expected to be distributed in the foreseeable future. As of 30 June 2012 and 31 December 2011, deferred tax liabilities arising from withholding tax of HK$1,856,000 and HK$5,223,000 respectively were recognised.

6 EARNINGS PER SHARE

(a) *Basic earnings per share*

The calculation of basic earnings per share for the six months ended 30 June 2012 is based on the profit attributable to equity shareholders of the Company of HK$38,019,000 (six months ended 30 June 2011: HK$31,620,000) and weighted average number of 300,000,000 shares in issue during the six months ended 30 June 2012 (six months ended 30 June 2011: 300,000,000 shares) as if the shares were outstanding throughout the entire six months ended 30 June 2012 and 2011, respectively.

(b) *Diluted earnings per share*

There were no dilutive potential ordinary shares for the six months ended 30 June 2012 and 2011, and therefore, the basic and diluted earnings per share are the same.

7 FIXED ASSETS

During the six months ended 30 June 2012, the Group's additions to fixed assets amounted to HK$21,247,000 (six months ended 30 June 2011: HK$15,258,000). Items of equipment with a net book value of HK$994,000 were disposed of during the six months ended 30 June 2012 (six months ended 30 June 2011: HK$7,000), resulting a loss on disposal of HK$843,000 (six months ended 30 June 2011: Nil).

8 INVENTORIES

	At 30 June 2012 (Unaudited) *HK$'000*	At 31 December 2011 (Audited) *HK$'000*
Raw materials	**51,787**	67,104
Work in progress	**16,059**	13,224
Finished goods	**23,242**	39,926
	91,088	120,254

9 TRADE AND OTHER RECEIVABLES

	At 30 June 2012 (Unaudited) *HK$'000*	At 31 December 2011 (Audited) *HK$'000*
Trade and bills receivable	**119,487**	213,422
Deposits, prepayments and other receivables		
– related parties	**–**	2,467
– others	**27,190**	12,817
Amount due from the Controlling Shareholder	**–**	29,012
	146,677	257,718

Included in trade and other receivables are trade and bills receivable with the following ageing analysis as of the balance sheet date:

	At 30 June 2012 (Unaudited) *HK$'000*	At 31 December 2011 (Audited) *HK$'000*
Current	**89,267**	193,356
Less than 1 month past due	**11,270**	7,136
1 to 3 months past due	**7,056**	4,864
More than 3 months past due	**11,894**	8,066
Amount past due	**30,220**	20,066
	119,487	213,422

Trade and bills receivable are due within 30 to 180 days from the date of billing.

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history default.

The trade and bills receivable as of each period end were not impaired. Receivables that were past due but not impaired relate to the trade balance with a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balance are still considered fully recoverable. The Group does not hold any collateral over these balances.

10 TRADE AND OTHER PAYABLES

	At 30 June 2012 (Unaudited) *HK$'000*	At 31 December 2011 (Audited) *HK$'000*
Trade payables	**39,514**	52,164
Other payables and accruals	**43,179**	48,353
Dividend payable	**58,001**	–
Amount payable for the acquisition of non-controlling interest in a subsidiary	**48,516**	–
Amount due to the Controlling Shareholder	**–**	12,586
	189,210	113,103

All of the trade and other payables are expected to be settled within one year.

Included in trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date:

	At 30 June 2012 (Unaudited) *HK$'000*	At 31 December 2011 (Audited) *HK$'000*
Due within 1 month or on demand	**38,421**	44,904
Due after 1 month but within 3 months	**572**	273
Due after 3 months but within 6 months	**55**	6,822
Due more than 6 months	**466**	165
	39,514	52,164

11 DIVIDENDS

No dividends have been declared or paid by the Company since its incorporation.

Dividends for the period ended 30 June 2012 and for the year ended 31 December 2011 represented dividends declared by subsidiaries, namely, Sheen China Group Holdings Inc., Qingdao Ener Packaging Technology Co., Ltd. and Jiangsu Shuntai Packaging & Printing Science Technology Co. Ltd..

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is a packaging materials manufacturer and supplier with a leading position in Jiangsu Province, the People's Republic of China (the "PRC"), focusing on manufacturing and sales of cigarette packages and films. The Group's products can be broadly classified into three categories, namely, (i) cigarette-related packaging materials (comprising cigarette paper boxes, anti-counterfeiting films and other cigarette films manufactured by us); (ii) imported films; and (iii) non-cigarette-related packaging materials (being films for packaging non-cigarette-related products manufactured by us). The Group has made sales to (i) cigarette manufacturers; (ii) other customers of cigarette films; and (iii) customers of non-cigarette-related packaging materials. The Group has two factories, namely the Shuntai Factory, located in Huai'an City in Jiangsu Province, accommodating production facilities for (i) the printing and manufacturing of cigarette paper boxes; and (ii) the printing of anti-counterfeiting films; and the Ener Factory, located in Qingdao City in Shandong Province, accommodating production facilities for the manufacturing of other cigarette films and non-cigarette-related packaging materials.

During the six months ended 30 June 2012, the PRC government has taken proactive measures to uphold its economic growth target and the impact of these government measures remains to be seen. It would be expected that the same trail will be followed in the remaining months of 2012. The Group will continuously implement tight cost control measures, stringent quality management and competitive strategy to explore new markets in other provinces.

Results of operation

Turnover

The Group's turnover, which represents the sales value of goods sold less returns, discounts and value added taxes and other sales taxes and which are principally derived from the manufacturing and trading of cigarette-related and non-cigarette related packaging materials, increased by HK$76.9 million, or approximately 29.0%, from HK$264.8 million for the six months ended 30 June 2011 to HK$341.7 million for the six months ended 30 June 2012.

Manufacturing and sale of cigarette-related packaging materials

The increase in turnover from cigarette-related packaging materials was mainly contributed by (i) the significant growth in sales of cigarette paper boxes by approximately 30.6%, from approximately HK$103.1 million for the six months ended 30 June 2011 to approximately HK$134.6 million for the six months ended 30 June 2012, primarily as a result of the increase in demand from the Group's customer of cigarette paper boxes; (ii) the increase in sales of other cigarette films by approximately 168.1%, from approximately HK$28.5 million for the six months ended 30 June 2011 to approximately HK$76.4 million for the six months ended 30 June 2012, primarily due to one of the Group's key customers of cigarette films has continuously purchased more products from us since 2011. The increase was partially offset by the decrease in the sales of anti-counterfeiting films by approximately 25.3%, from approximately HK$39.2 million for the six months ended 30 June 2011 to approximately HK$29.3 million for the six months ended 30 June 2012, primarily due to the delay of purchase orders from the Group's major customer of anti-counterfeiting films as a result of their internal machinery renewal. The Directors expect the demand of anti-counterfeiting films of the Group's major customer will recover in the second half year of 2012 and the total sales volume for 2012 will stay at a similar level as that for 2011.

Trading of imported films

Revenue from trading of imported films increased by approximately HK$10.6 million, or approximately 52.0%, from HK$20.2 million for the six months ended 30 June 2011 to approximately HK$30.7 million for the six months ended 30 June 2012. The revenue has increased gradually after the Company's indirect wholly-owned subsidiary, Ling Xian Fei Yu Import & Export (Shenzhen) Co., Ltd. ("Ling Xian Fei Yu") has taken over all trading activities of imported films from the Group's agents in 2011.

Manufacturing and sale of non-cigarette-related packaging materials

Revenue from manufacturing and sale of non-cigarette-related packaging materials decreased by approximately HK$3.4 million, or approximately 4.6%, from HK$73.9 million for the six months ended 30 June 2011 to approximately HK$70.5 million for the six months ended 30 June 2012. The decrease was consistent with the Group's plan to decrease the sales attributable to non-cigarette-related packaging materials as a percentage to the total sales of the Group.

Gross profit and gross profit margin

The Group's gross profit increased by HK$26.7 million, or approximately 28.8%, from HK$92.7 million for the six months ended 30 June 2011 to HK$119.4 million for the six months ended 30 June 2012. The Group's gross profit margin remained stable at approximately 34.9% for the six months ended 30 June 2012 when compared to 35.0% for the six months ended 30 June 2011.

Other revenue and other net income

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(a) Other revenue		
Interest income	**172**	229
Government grants	**13**	6,418
	185	6,647

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(b) Other net income		
Net foreign exchange gain	**362**	76
Sales of scrap materials	**5,946**	5,829
Sales of raw materials	**–**	2,036
Others	**968**	2,495
	7,276	10,436

The Group's other revenue and other net income recorded a decrease of approximately HK$9.6 million, or approximately 56.3%, when compared with the same period in 2011. The decrease was a result of the absence of the sale of raw material and decrease of government grant in the six-month period ended 30 June 2012.

Distribution costs

The Group's distribution costs decreased by approximately HK$2.2 million, or approximately 25.3%, from HK$8.7 million for the six months ended 30 June 2011 to HK$6.5 million for the six months ended 30 June 2012, primarily due to the decrease of commission paid to the Group's former related companies for handling the import and export matters of the Group. The Company's subsidiary, Ling Xian Fei Yu, has been designated as the import and export arm of the Group and has taken up all such activities in 2011. The decrease was partially offset by an increase in the transportation expenses which was in line with the increase of the sales for the six months ended 30 June 2012.

Administrative expenses

The Group's administrative expenses increased by approximately HK$7.9 million, or approximately 49.1%, from HK$16.1 million for the six months ended 30 June 2011 to HK$24.0 million for the six months ended 30 June 2012, primarily attributable to the increase in salary levels for senior administrative staff recruited for the expansion of the Group's operation.

Finance cost

The Group's finance costs increased by approximately 19.1% from HK$8.9 million for the six months ended 30 June 2011 to HK$10.6 million for the six months ended 30 June 2012, primarily due to the increase in bank borrowings over the period as a result of the continuous expansion of the Group's business operation and production volume.

Income tax

The Group's income tax increased by approximately HK$1.7 million from HK$20.3 million for the six months ended 30 June 2011 to HK$22.0 million for the six months ended 30 June 2012, primarily as a result of the increase in the Group's profit before taxation.

Profit attributable to equity shareholders of the Company

As a result of the foregoing factors, profit attributable to equity shareholders of the Company increased by approximately 20.3% from HK$31.6 million to HK$38.0 million for the six months ended 30 June 2011 and 2012 respectively. The increase was due to the reasons set out above.

Liquidity and financial resources

The Group recorded net current liabilities amounting to HK$43,016,000 as at 30 June 2012. With the subsequent successful listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") which raised a net proceed of HK$110,557,000 in July 2012, the Group has returned to a net current assets position. Taking into account the available unutilized committed bank loan facilities and expected cash flows from operations, it is reasonable to expect that the Group will have adequate resources to meet its liabilities and commitments as and when they fall due and to continue in operational existence in the foreseeable future.

As at 30 June 2012, the cash and cash equivalents of the Group amounted to HK$114.6 million compared with HK$63.0 million as at 31 December 2011. Such increase was mainly due to the cash inflow of operating activities offset by the cash outflow of financial activities.

For the six months ended 30 June 2012, the Group's net cash inflow of operating activities, net cash outflow of investment activities and net cash outflow of financing activities amounted to HK$150.5 million, HK$18.0 million and HK$80.7 million respectively. The Group primarily uses cash inflow of operating activities and banking facilities to satisfy the requirement of working capital.

Borrowings and gearing ratio

Total interest-bearing borrowings of the Group as at 30 June 2012 was HK$300.6 million denominated in RMB. The Group's gearing ratio, measured by net debt divided by shareholders' equity as at the end of the periods and multiplied by 100%, increased from 99% as at 31 December 2011 to 114% as at 30 June 2012. It was primarily due to the increase of bank loans for working capital to cope with the expansion of business of the Group.

At 30 June 2012, the bank loans were repayable as follows:

	At 30 June 2012 (Unaudited) *HK$'000*	At 31 December 2011 (Audited) *HK$'000*
Within 1 year or on demand	**190,199**	154,188
After 1 year but within 2 years	**110,402**	–
After 2 years but within 5 years	**–**	146,787
	110,402	146,787
	300,601	300,975

At 30 June 2012 and 31 December 2011, the banking facilities of the Group totalling HK$398,736,000 and HK$300,975,000 respectively, were utilised to the extent of HK$300,601,000 and HK$300,975,000 respectively.

Capital expenditure

During the six months ended 30 June 2012, the Group's total capital expenditure amounted to approximately HK$21.2 million, which was used in the acquisition of property, plant and equipment.

Charge on assets

As at 30 June 2012, the Group had pledged its interest on leasehold land held for own use under operating lease, machinery and building held for own use with net book value of HK$259.6 million for the purpose of securing loans with carrying value of HK$245.4 million.

Significant investment and acquisitions

On 13 March 2012, an equity transfer agreement was entered into by a member of the Group with Qingdao Beizhou Group Co., Ltd. to acquire the remaining 30% equity interest in Qingdao Ener Packaging Technology Co., Ltd ("Qingdao Ener") at a consideration of RMB39.6 million. Such consideration was arrived at after arm's length negotiation between the parties and determined based upon the net asset value attributable to such 30% equity interest as at 31 December 2011, the prospects of Qingdao Ener and the benefits expected to be accrued to the Group upon the consolidation of the management control of Qingdao Ener. The consideration is required to be paid by the Group on or before 30 September 2012. The said transfer was approved by the Bureau of Economic Development of the Qingdao National High-tech Industrial Development Zone on 3 May 2012.

On 13 July 2012 (the "Listing Date"), the ordinary shares of the Company with a nominal value of HK$0.01 each (the "Shares") were first listed on the Stock Exchange following the completion of its initial public offering. 100,000,000 Shares were issued at a price of HK$1.2 per Share under the initial public offering. On 3 August 2012, the over-allotment option has been exercised by the sole bookrunner in full. Under the over-allotment option, an aggregate of 15,000,000 shares, representing 15% of the Shares initially being offered under the initial public offering before any exercise of the over-allotment option, have been allotted and issued by the Company at HK$1.20 per Share, being the final offer price per share under the initial public offering. The aggregated net proceeds from the initial public offering was HK$110,557,000.

Jiangsu Shuntai Packaging & Printing Science Technology Co., Ltd. (an indirect 51% owned subsidiary of the Company) ("Jiangsu Shuntai") and Ling Xian Fei Yu entered into an equity transfer agreement dated 28 August 2012, pursuant to which Ling Xian Fei Yu agreed to acquire 65% equity interest of Jiangsu Sheen Colour Science Technology Co., Ltd. ("Jiangsu Sheen Colour") from Jiangsu Shuntai for cash consideration of RMB17,209,700 (equivalent to approximately HK$20,987,000). The remaining 35% equity interest of Jiangsu Sheen Colour is owned by Sheen China (Hong Kong) Limited (an indirect wholly-owned subsidiary of the Company), and Jiangsu Sheen Colour will become an indirect wholly-owned subsidiary of the Group after the transaction.

Contingent liabilities

As at 30 June 2012, the Group did not have any significant contingent liabilities (31 December 2011: Nil).

Human resources

As at 30 June 2012, the Group employed 408 employees (as compared with 393 employees as at 30 June 2011) with total staff cost of HK$19.0 million incurred for the six months ended 30 June 2012 (as compared with HK$14.0 million for the same period of 2011). 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.

Prospects

Going forward, the Group will continue to maximize its shareholders' value by enhancing its leading position in cigarette packaging industry in Jiangsu Province, the PRC, increasing its market share in the PRC by leveraging the Group's leading position in Jiangsu Province, the PRC and unique features of its anti-counterfeiting films, and increasing its market share by acquiring companies with approved supplier status of the Group's target customers.

Interim Dividend

The Directors proposed not to declare any interim dividend for the six-month period ended 30 June 2012.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Purchase, Sales or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities after the Listing Date and up to the date of this announcement. The Shares were first listed on the Main Board of the Stock Exchange on 13 July 2012.

Corporate Governance Code

As the Company was listed on 13 July 2012, the Company was not required to comply with the requirements under the code provisions set out in Appendix 14 – Corporate Governance Code (the "Code") to the Listing Rules or the continuing obligations requirements of a listed issuer pursuant to the Listing Rules for the six months ended 30 June 2012. Nevertheless, the Directors consider that since the Listing Date and up to the date of this announcement, the Company has applied the principles and complied with all the applicable code provisions set out in the Code, except for the deviation from code provision A.2.1 of the Code as described 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. The Company does not have any officer with the title of ''chief executive". This is deviated from the code provision A.2.1 of the Code.

Mr. Guo, who acts as the chairman of the Board and the executive Director, is also responsible for overall management and formulation of business strategy of the Group. 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 Group. 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 enabling the Group to operate efficiently.

The Company understands the importance to comply with the code provision A.2.1 of the Code and will continue to consider the feasibility to comply. If compliance is determined, appropriate persons will be nominated to assume the different roles of chairman and chief executive.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the code of conduct and the required standard set out in the Model Code regarding directors' securities transactions from the Listing Date up to the date of this announcement.

Audit Committee

The Company has an audit committee (the "Audit Committee") with terms of reference aligned with the provision of the Code as set out in Appendix 14 to the Listing Rules for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The Audit Committee comprises three members, all being independent non-executive Directors, namely, Mr. Lo Wa Kei, Roy, as its Chairman, Ms. Fan Qing and Mr. Fong Wo, Felix.

The Audit Committee met with the external auditors of the Company to discuss the review process and accounting issues of the Audit Committee. The interim financial results of the Group for the six months ended 30 June 2012 is unaudited but has been reviewed by KPMG, the auditors of the Company, and by the Audit Committee.

By Order of the Board
Sheen Tai Holdings Group Company Limited
Guo Yumin
Chairman

Hong Kong, 30 August 2012

As at the date of this announcement, the executive Directors are Mr. Guo Yumin, Madam Xia Yu, Mr. Huang Bo and Mr. Bau Siu Fung and the independent non-executive Directors are Ms. Fan Qing, Mr. Lo Wa Kei, Roy and Mr. Fong Wo, Felix.