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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

FINANCIAL HIGHLIGHTS

- Turnover decreased by approximately 10.1% to approximately HK$307.1 million for the six months ended 30 June 2013 as compared with the same period of previous year.

- Gross profit decreased by approximately 7.2% to approximately HK$110.8 million for the six months ended 30 June 2013 as compared with the same period of previous year.

- Gross profit margin increased by approximately 3.4% to approximately 36.1% for the six months ended 30 June 2013 as compared with the same period of previous year.

- Profit attributable to equity shareholders of the Company decreased by approximately 10.0% from approximately HK$38.0 million to approximately HK$34.2 million for the six months ended 30 June 2013 as compared with the same period of previous year.

- Average trade and bill receivables turnover days decreased from approximately 105.1 days for the year ended 31 December 2012 to approximately 101.5 days for the six months ended 30 June 2013.

- Average inventory turnover days increased from approximately 92.6 days for the year ended 31 December 2012 to approximately 95.9 days for the six months ended 30 June 2013.

The board (the "Board") of directors (the "Directors") of Sheen Tai Holdings Group Company Limited (the "Company") 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 2013 together with the comparative figures for the corresponding period in 2012 as follows:

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2013 (unaudited)
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2013	2012
	Note	***$'000***	*$'000*
Turnover	*3*	**307,125**	341,669
Cost of sales		**(196,340)**	(222,293)
Gross profit		**110,785**	119,376
Other revenue and net income	*4*	**6,745**	7,461
Distribution costs		**(6,241)**	(6,466)
Administrative expenses		**(28,181)**	(24,024)
Other operating expenses		**(417)**	(844)
Profit from operations		**82,691**	95,503
Finance costs	*5(a)*	**(10,380)**	(10,625)
Profit before taxation	*5*	**72,311**	84,878
Income tax	*6*	**(18,816)**	(22,015)
Profit for the period		**53,495**	62,863
Attributable to:			
Equity shareholders of the Company		**34,219**	38,019
Non-controlling interests		**19,276**	24,844
Profit for the period		**53,495**	62,863
Earnings per share	*7*		
Basic (HK$)		**0.08**	0.13
Diluted (HK$)		**0.08**	0.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2013 (unaudited)
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2013	2012
	$'000	*$'000*
Profit for the period	**53,495**	62,863
Other comprehensive income for the period		
Exchange differences on translation of financial statements of subsidiaries	**4,519**	(181)
Total comprehensive income for the period	**58,014**	62,682
Attributable to:		
Equity shareholders of the Company	**37,663**	37,875
Non-controlling interests	**20,351**	24,807
Total comprehensive income for the period	**58,014**	62,682

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2013

(Expressed in Hong Kong dollars)

	Note	**At 30 June 2013 *(Unaudited)* *$'000***	At 31 December 2012 *(Audited)* *$'000*
Non-current assets			
Fixed assets			
– Property, plant and equipment	*8*	**326,179**	335,287
– Interests in leasehold land held for own use under operating lease		**44,740**	44,442
Intangible assets		**182**	169
Deferred tax assets		**1,700**	2,317
		372,801	382,215
Current assets			
Inventories	*9*	**100,863**	105,579
Trade and other receivables	*10*	**168,759**	223,157
Restricted cash		**43,937**	–
Cash and cash equivalents	*11*	**82,406**	79,180
		395,965	407,916
Current liabilities			
Trade and other payables	*12*	**47,840**	70,439
Bank loans	*13*	**318,471**	277,504
Current taxation		**11,799**	19,676
		378,110	367,619
Net current assets		**17,855**	40,297
Total assets less current liabilities		**390,656**	422,512

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2013
(Expressed in Hong Kong dollars)

	Note	At 30 June 2013 (Unaudited) $'000	At 31 December 2012 (Audited) $'000
Non-current liabilities			
Bank loans	*13*	**–**	24,667
Deferred tax liabilities		**2,190**	2,272
Deferred government grant		**872**	1,040
		3,062	27,979
NET ASSETS		**387,594**	394,533
CAPITAL AND RESERVES			
Share capital	*15*	**4,150**	4,150
Reserves	*15*	**325,907**	329,355
Total equity attributable to equity shareholders of the Company		**330,057**	333,505
Non-controlling interests		**57,537**	61,028
TOTAL EQUITY		**387,594**	394,533

NOTES TO THE INTERIM FINANCIAL REPORT (UNAUDITED)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Reporting entity and basis of preparation

(a) Reporting Entity

Sheen Tai Holdings Group Company Limited (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. This interim financial report of the Company as at and for the six months ended 30 June 2013 comprises the Company and its subsidiaries (collectively referred to as the "Group"). 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 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 report has been prepared using the merger basis of accounting as if the Group had always been in existence. The net assets of the companies comprising the Group were consolidated using the existing book values from the Controlling Shareholder's perspective.

The comparative figures for the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement of the Group as set out in this interim financial report includes the results of operations of the companies comprising the Group (or since the dates of their incorporation/establishment where this is a shorter period) as if the current group structure had been in existence throughout the entire six month period ended 30 June 2012 presented. The consolidated statement of financial position of the Group as at 30 June 2013 and 31 December 2012 as set out in the interim financial report has been prepared to present the state of affairs of the companies now comprising the Group as at that date.

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

(b) ***Basis of preparation***

This interim financial report 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 report was authorised for issue by the board of directors on 28 August 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements.

The preparation of an interim financial report 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 report contains condensed 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 2012. 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 financial information relating to the financial year ended 31 December 2012 that is included in the interim financial report 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 those financial statements. Statutory financial statements for the year ended 31 December 2012 are available from the Company's registered office. The auditor has expressed an unqualified opinion on these financial statements in their report dated 25 March 2013.

2 Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. None of the amendments have any material impact on 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 reporting

(a) Turnover

The principal activities of the Group are manufacturing and sales of cigarette packaging materials in the People's Republic of China (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 2013 and 2012 is as follows:

	Six months ended 30 June			
	2013		2012	
	$'000	***%***	*$'000*	*%*
Manufacturing and sales of cigarette-related packaging materials				
– Cigarette paper boxes	**118,332**	**39%**	134,618	39%
– Anti-counterfeiting films	**30,771**	**10%**	29,347	9%
– Other cigarette films	**67,120**	**22%**	76,432	22%
Sub-total	**216,223**	**71%**	240,397	70%
Trading of imported films	**32,157**	**10%**	30,726	9%
Manufacturing and sale of non-cigarette-related packaging materials	**58,745**	**19%**	70,546	21%
Total	**307,125**	**100%**	341,669	100%

For the six months ended 30 June 2013 there are 2 customers (six months ended 30 June 2012: 2) with whom transactions have exceeded 10% of the Group's revenues. Revenues from sales of cigarette packages and films to these customers, including sales to entities which are known to the Group to be under common control with these customers (i.e. the sales to different customers are viewed as a single customer if the relevant sales were made to various customers under common control), amounted to approximately $225,362,000 and $239,526,000 for the six months ended 30 June 2013 and 2012 respectively.

(b) Segment results

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**	
	2013	2012	**2013**	2012	**2013**	2012
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**248,380**	271,123	**58,745**	70,546	**307,125**	341,669
Reportable segment revenue	**248,380**	271,123	**58,745**	70,546	**307,125**	341,669
Reportable segment gross profit	**102,734**	108,167	**8,051**	11,209	**110,785**	119,376
Reportable segment profit before taxation	**70,664**	81,125	**1,647**	3,753	**72,311**	84,878
Interest income from bank deposits	**203**	167	**28**	5	**231**	172
Interest expense	**7,302**	7,148	**3,078**	3,477	**10,380**	10,625
Depreciation and amortisation for the period	**12,109**	11,842	**3,984**	3,633	**16,093**	15,475

4 Other revenue and net income

	Six months ended 30 June	
	2013	2012
	$'000	*$'000*
(a) Other revenue		
Interest income	**231**	172
Government grants	**272**	13
	503	185
(b) Other net income		
Net foreign exchange gain	**429**	362
Sales of scrap materials	**5,283**	5,946
Others	**530**	968
	6,242	7,276

5 Profit before taxation

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

	Six months ended 30 June	
	2013	2012
	$'000	*$'000*
(a) Finance costs		
Interest on bank borrowings	**10,380**	10,625
(b) Staff costs		
Contributions to defined contributions retirement plans	**1,809**	1,721
Equity-settled share-based payment expense	**389**	–
Salaries, wages and other benefits	**20,687**	17,246
	22,885	18,967
(c) Other items		
Amortisation of intangible assets	**29**	23
Auditors' remuneration	**805**	89
Cost of inventories	**196,340**	222,293
Depreciation and amortisation of fixed assets	**16,064**	15,452
Net foreign exchange gain	**(429)**	(362)
Operating lease charges	**599**	492
Net loss on disposal of fixed assets	**377**	843

6 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2013	2012
	$'000	*$'000*
Current tax – Hong Kong Profits Tax		
Provision for the period	**2,313**	3,766
Current tax – PRC income tax		
Provision for the period	**15,955**	22,059
Deferred tax		
Origination and reversal of temporary differences	**548**	(3,810)
	18,816	22,015

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, 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 2013 and 2012 is calculated at 16.5%. The payments of dividends by the Group companies incorporated in Hong Kong are not subject to withholding tax.

(iii) The provision for PRC income tax has been calculated at the applicable tax rates on the estimated assessable profits of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The income tax rate applicable to the Group's subsidiaries located in the PRC is 25% (2012: 25%).

(iv) According to the Corporate Income Tax Law of the PRC 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 China and Hong Kong Special Administrative Region and the relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 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 2013 and 31 December 2012, deferred tax liabilities arising from withholding tax of HK$2,064,000 and HK$2,071,000 respectively were recognised.

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2013 is based on the consolidated profit attributable to equity shareholders of the Company of HK$34,219,000 (six months ended 30 June 2012: HK$38,019,000) and weighted average number of 415,000,000 shares in issue during the six months ended 30 June 2013 (six months ended 30 June 2012: 300,000,000 shares, as discussed in note 15 as if the shares were outstanding throughout the entire six months ended 30 June 2012).

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company of HKS34,219,000 divided by the weighted average number of ordinary shares of 417,106,000 shares after adjusting for the effects of deemed issue of shares for nil consideration under the Company's Pre-IPO Share Option Scheme (note 14).

There were no dilutive potential ordinary shares for the six months ended 30 June 2012.

8 Fixed assets

During the six months ended 30 June 2013, the Group's additions to fixed assets amounted to HK$1,107,000 (six months ended 30 June 2012: HK$21,247,000). Items of equipment with a net book value of HK$439,000 were disposed of during the six months ended 30 June 2013 (six months ended 30 June 2012: HK$994,000), resulting in a loss on disposal of HK$377,000 (six months ended 30 June 2012: HK$843,000).

9 Inventories

	At 30 June 2013 *$'000*	At 31 December 2012 *$'000*
Raw materials	**55,051**	61,975
Work in progress	**18,819**	14,417
Finished goods	**26,993**	29,187
	100,863	105,579

10 Trade and other receivables

	At 30 June 2013 *$'000*	At 31 December 2012 *$'000*
Trade and bills receivable	**151,272**	189,267
Deposits, prepayments and other receivables	**17,487**	33,890
	168,759	223,157

All of the trade and other receivables are expected to be recovered or recognized as expense within one year.

(a) Ageing analysis:

As at 30 June 2013 and 31 December 2013, the ageing analysis of trade and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2013		At 31 December 2012	
	Trade receivable *$'000*	**Bills receivable** *$'000*	Trade receivable *$'000*	Bills receivable *$'000*
Within 1 month	**50,985**	**11,171**	96,255	1,778
1 to 3 months	**59,330**	**3,202**	37,865	8,632
3 to 6 months	**20,016**	**445**	36,423	1,222
6 to 12 months	**3,837**	**–**	3,532	–
Over 1 year	**2,286**	**–**	3,560	–
	136,454	**14,818**	177,635	11,632

(b) ***Trade and bills receivable that are not impaired:***

	At 30 June 2013	At 31 December 2012
	$'000	*$'000*
Current	**113,082**	141,975
Less than 1 month past due	**20,970**	8,407
1 to 3 months past due	**7,748**	31,683
More than 3 months past due	**9,472**	7,202
Amount past due	**38,190**	47,292
	151,272	189,267

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

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of 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 is no significant change in credit quality and the balance are still considered fully recoverable.

11 Cash and cash equivalents

Cash and cash equivalents comprise:

	At 30 June 2013	At 31 December 2012
	$'000	*$'000*
Cash at bank and in hand	**82,406**	79,180

12 Trade and other payables

	At 30 June 2013	At 31 December 2012
	$'000	*$'000*
Trade payables	**26,000**	40,288
Other payables and accruals	**21,312**	29,633
Amount due to the Controlling Shareholder – Mr Guo Yumin	**528**	518
	47,840	70,439

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 at 30 June 2013 and 31 December 2012:

	At 30 June 2013 ***$'000***	At 31 December 2012 *$'000*
Within 1 month or on demand	**13,605**	27,103
After 1 month but within 3 months	**8,831**	11,959
After 3 months but within 6 months	**2,153**	670
More than 6 months	**1,411**	556
	26,000	40,288

13 Bank loans

As at 30 June 2013, the bank loans were repayable as follows:

	At 30 June 2013 ***$'000***	At 31 December 2012 *$'000*
Within 1 year or on demand	**318,471**	277,504
After 1 year but within 2 years	**–**	24,667
	318,471	24,667
	318,471	302,171

	At 30 June 2013 ***$'000***	At 31 December 2012 *$'000*
Representing:		
Secured	**292,567**	277,504
Unsecured	**25,904**	24,667
	318,471	302,171

As at 30 June 2013 and 31 December 2012, the banking facilities of the Group amounted to HK$368,684,000 and HK$351,505,000 respectively were utilized to the extent of HK$318,471,000 and HK$302,171,000 respectively. Certain bank loans were secured by assets of the Group as set out below:

	At 30 June 2013 *$'000*	At 31 December 2012 *$'000*
Restricted cash	**43,937**	–
Fixed assets	**283,391**	289,802
Trade receivables	**48,439**	57,673
	375,767	347,475

14 Equity-settled share-based transactions

Pursuant to an ordinary resolution of the sole shareholder passed on 22 June 2012, a pre-IPO share option scheme (the "share option scheme") was approved and adopted to provide grantees with the opportunity to acquire equity interest in the Company. The purpose of the share option scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time), directors and advisers of the Group and to promote the success of the business of the Group.

Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

There was no share option exercised during the six months ended 30 June 2013 as the vesting period was not lapsed.

The options outstanding as at 30 June 2013 had an exercise price of HK $0.6029 and a weighted average remaining contractual life of 4 years.

15 Capital, reserves and dividends

(a) Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period is set out as follow.

	Six months ended 30 June	
	2013 *$'000*	2012 *$'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK$0.1 per ordinary share (six months ended 30 June 2012: Nil per ordinary share)	**41,500**	–

(b) Share capital

(i) The Company was incorporated on 24 February 2012 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the same date, the Company issued 1 share at par value of HK$ 0.01 each.

(ii) On 21 June 2012, the Group completed the Reorganisation to rationalise the Group's structure in preparing for the listing of the Company's shares on the Stock Exchange. Further details of the Reorganisation are set out in the paragraph headed "Corporate reorganisation" in Appendix V to the Prospectus. As a result of the Reorganisation, the Company became the holding company of the Group on 21 June 2012.

(iii) Pursuant to the resolutions in writing of all the shareholders of the Company passed on 21 June 2012, the authorized share capital of the Company was increased from HK$380,000 to HK$20,000,000 by the creation of an additional 1,962,000,000 shares of HK$0.01 each. In addition, 299,999,999 shares all credited as fully paid at par, were allotted and issued to shareholder of the Company.

(iv) On 13 July 2012, the shares of the Company was listed on the Stock Exchange following the completion of its initial public offering. 100,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$1.20 per share under the initial public offering. On 3 August 2012, the over-allotment option has been exercised in full to cover over-allocations in the Placing. Under the over-allotment option, an aggregate of 15,000,000 ordinary shares have been allotted and issued by the Company at HK$1.20 per share. Proceeds of HK$1,150,000 representing the par value of these ordinary shares, were credited to the Company's share capital and the excess of the proceeds over the nominal value of the total number of ordinary shares issued after offsetting share issuance costs of HK$123,696,000, were credited to the share premium account of the Company.

(c) Nature and purpose of reserves

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company. Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Capital reserve

The capital reserve mainly comprises the following:

– the equity shareholders of the Company acquired the non-controlling interests of Qingdao Ener Packaging Technology Co., Ltd. at RMB39,600,000 (equivalent to HK$48,507,000) pursuant to a share transfer agreement dated 13 March 2012;

– Ling Xian Fei Yu Import and Export (Shenzhen) Co., Ltd. acquired the non-controlling interests of Jiangsu Sheen Colour Science Technology Co., Ltd. at HK$3,113,000 pursuant to a share transfer agreement dated 28 August 2012;

– the contribution made by the Controlling Shareholder before the Reorganisation by waiving the right to receive an amount payable by Sheen China Group Holdings Inc.; and

– the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of the shares issued by the Company in exchange under the Reorganisation of the Group.

(iii) Statutory reserve

General reserve fund

Pursuant to the applicable PRC regulations, all PRC subsidiaries of the Group are required to appropriate 10% of their after-tax profit (after offsetting losses of previous year/period) to the statutory reserve until such reserve reaches 50% of the registered capital of each relevant PRC subsidiary. The transfer to the statutory reserve must be made before distribution of dividends to equity shareholders. The statutory reserve fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase the registered capital of the subsidiary.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial information of operations with functional currency other than Hong Kong dollars.

16 Commitments

(a) Capital commitments outstanding as at 31 December 2012 and 30 June 2013 not provided for in the interim financial report:

	At 30 June 2013	At 31 December 2012
	\$'000	*\$'000*
Contracted for but not provided	**914**	772

(b) At 31 December 2012 and 30 June 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2013	At 31 December 2012
	\$'000	*\$'000*
Within 1 year	**979**	911
After 1 year and within 5 years	**122**	228
	1,101	1,139

The Group is the lessee in respect of certain properties held under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are re-negotiated. None of the leases includes contingent rentals.

17 Material related party transactions

During the six months ended 30 June 2013 and 2012, transactions with the following parties are considered to be related party transactions:

Name of related party	*Relationship with the Group*
Mr Guo Yumin	Director and the Controlling Shareholder of the Group
Qingdao Xurui Investment Guarantee Co., Ltd. (青島旭瑞投資擔保有限公司) *(Note)*	Owned by Qingdao Beizhou Group Co., Ltd (青島北洲集團有限公司), the shareholder of Qingdao Ener Packaging Technology Co., Ltd holding 30% of the registered capital of Qingdao Ener Packaging Technology Co., Ltd until 13 March 2012

Note: The English translation of the names is for reference only. The official name of the entity in Chinese.

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows:

	Six months ended 30 June	
	2013	2012
	$'000	*$'000*
Short-term employee benefits	**3,617**	1,778
Post-employment benefits	**183**	146
	3,800	1,924

Total remuneration is disclosed in "staff costs" (see note 5(b)).

(b) Transactions with related parties

	Six months ended 30 June	
	2013	2012
	$'000	*$'000*
Guarantee service fee paid to		
– Qingdao Xurui Investment Guarantee Co., Ltd.	**–**	92

(c) Balances with related parties

As at 31 December 2012 and 30 June 2013, the Group had the following balances with related parties:

	At 30 June 2013	At 31 December 2012
	$'000	*$'000*
Amount due to the Controlling Shareholder and director		
– Mr Guo Yumin	**528**	518

The balances with the Controlling Shareholder are unsecured, interest free and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Sheen Tai Holdings Group Company Limited (the "Company") and together with its subsidiaries (the "Group") is a packaging materials manufacturer and supplier in the People's Republic of China (the "PRC") with a leading position in Jiangsu Province, PRC, focusing on the development, promotion and sales of the Group's imported films, self-manufactured films and cigarette paper boxes. 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 the Group); (ii) imported films; and (iii) non-cigarette-related packaging materials (being films for packaging non-cigarette-related products manufactured by the Group). 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 located in (i) Huai'an City in Jiangsu Province with accommodating production facilities for the printing and manufacturing of cigarette paper boxes and anti-counterfeiting films; and (ii) Qingdao City in Shandong Province with accommodating production facilities for the manufacturing of BOPP films.

For the six months ended 30 June 2013, the growth rate of the gross domestic product of PRC reached 7.6% and achieved one of the highest rate of growth among Asian countries. The PRC government has taken proactive and prudent measures to uphold its economic growth. PRC's economy is expected to stay on the same trail in the remaining months of 2013.

During the six months ended 30 June 2013, the Group had strived to advance its business by maintaining the competitiveness of its products through strengthening marketing effort based on the prevailing market trend and motivating its staff.

Results of operation

Turnover

The Group's turnover, which comprises 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 sales of cigarette-related and non-cigarette related packaging materials, decreased by approximately HK$34.6 million, or approximately 10.1%, from approximately HK$341.7 million for the six months ended 30 June 2012 to approximately HK$307.1 million for the six months ended 30 June 2013, primarily as a result of the following:

Manufacturing and sale of cigarette-related packaging materials

The decrease in turnover from cigarette-related packaging materials was mainly due to (i) the decline in sales of the Group's cigarette paper boxes by approximately 12.1%, from approximately HK$134.6 million for the six months ended 30 June 2012 to approximately HK$118.3 million for the six months ended 30 June 2013, primarily as a result of the decrease in demand from the Group's sole customer of cigarette paper boxes; (ii) the decrease in sales of the Group's other cigarette films by approximately 12.2%, from approximately HK$76.4 million for the six months ended 30 June 2012 to approximately HK$67.1 million for the six months ended 30 June 2013, primarily due to a drop in the sales for a key customer in 2013. The decrease was partially offset by the increase in the sales of the Group's anti-counterfeiting films by approximately 4.8%, from approximately HK$29.3 million for the six months ended 30 June 2012 to approximately HK$30.8 million for the six months ended 30 June 2013. In view of the expected recovery of the market in the second half year in 2013, the Directors anticipate that the demand of cigarette paper boxes for the second half year in 2013 will pick up and the total sales volume of cigarette boxes for the year ended 31 December 2013 will remain similar level as that for the year ended 31 December 2012.

Trading of imported films

Revenue from the Group's trading of imported films increased by approximately HK$1.5 million, or approximately 4.9%, from approximately HK$30.7 million for the six months ended 30 June 2012 to approximately HK$32.2 million for the six months ended 30 June 2013, primarily due to the increase in demand of one of the Group's customer.

Manufacturing and sale of non-cigarette-related packaging materials

Revenue from the Group's manufacturing and sale of non-cigarette-related packaging materials decreased by approximately HK$11.8 million, or approximately 16.7%, from approximately HK$70.5 million for the six months ended 30 June 2012 to approximately HK$58.7 million for the six months ended 30 June 2013. The decrease was primarily due to the decrease in sales of the Group's straw films for the six months ended 30 June 2013.

Cost of sales

The Group's cost of sales decreased by approximately HK$26.0 million, or approximately 11.7% from approximately HK$222.3 million for the six months ended 30 June 2012 to approximately HK$196.3 million for the six months ended 30 June 2013, primarily due to the decreased direct costs including labour cost and expenditure on procurement of materials, machinery and equipment caused by the decrease of revenue.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK$8.6 million, or approximately 7.2%, from approximately HK$119.4 million for the six months ended 30 June 2012 to approximately HK$110.8 million for the six months ended 30 June 2013. However, the Group's gross profit margin increased from approximately 34.9% for the six months ended 30 June 2012 to approximately 36.1% for the six months ended 30 June 2013. The increase in gross profit margin was mainly due to the exchange gain generated from the purchase of raw material the Group imported from oversea and the decrease of the Group's spending in repair and maintenance of the Group's machineries.

Other revenue and net income

The Group's other revenue recorded a decrease of approximately HK$0.8 million, or approximately 10.7% from approximately HK$7.5 million for the six months ended 30 June 2012 to approximately HK6.7 million for the six months ended 30 June 2013. The decrease was mainly caused by the drop in sales of scrap materials due to lower production for the six months ended 30 June 2013 which is in line with the decrease of turnover for the six months ended 30 June 2013.

Distribution costs

The Group's distribution costs decreased by approximately HK$0.3 million, or approximately 4.6%, from approximately HK$6.5 million for the six months ended 30 June 2012 to approximately HK$6.2 million for the six months ended 30 June 2013. Most of the Group's distribution costs arose from the sales of the Group's other cigarette films and non-cigarette-related packaging materials. During the six months ended 30 June 2013, the Group has obtained more new distant customers from other provinces. Therefore, the extent of the decrease of turnover was larger than that of the distribution costs during the six months ended 30 June 2013.

Administrative expenses

The Group's administrative expenses increased by approximately HK$4.2 million, or approximately 17.5%, from approximately HK$24.0 million for the six months ended 30 June 2012 to approximately HK$28.2 million for the six months ended 30 June 2013, primarily attributable to the increase in salary level for senior management and professional fee paid after listing. The increase was partially offset by the one-off listing expenses incurred during the first half of 2012.

Finance costs

The Group's finance costs slightly decreased by approximately 1.9% from approximately HK$10.6 million for the six month ended 30 June 2012 to approximately HK$10.4 million for the six months ended 30 June 2013.

Income tax

The Group's income tax decreased by approximately HK$3.2 million from approximately HK$22.0 million for the six months ended 30 June 2012 to approximately HK$18.8 million for the six months ended 30 June 2013, primarily as a result of the decrease 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 decreased by approximately 10.0% from approximately HK$38.0 million for the six months ended 30 June 2012 to approximately HK$34.2 million for the six months ended 30 June 2013. The decrease was due to the reasons set out above.

Liquidity and financial resources

As at 30 June 2013, the cash and cash equivalents of the Group amounted to approximately HK$82.4 million compared with approximately HK$79.2 million as at 31 December 2012.

For the six months ended 30 June 2013, the Group's net cash inflow of operating activities, net cash outflow of investment activities and net cash outflow of financing activities amounted to approximately HK$112.8 million, approximately HK$2.0 million and approximately HK$108.8 million respectively. The net cash outflow of financing activities mainly comprised dividend amounting to approximately HK$69.0 million and restricted cash amounting to approximately HK$43.9 million which was pledged for a dividend loan amounting to approximately HK$41.5 million. The Group primarily uses cash inflow of operating activities to satisfy the requirement of working capital.

Borrowings and gearing ratio

Total interest-bearing borrowings of the Group as at 30 June 2013 was approximately HK$318.5 million (31 December 2012: approximately HK$302.2 million), which were all variable rate borrowings, of which approximately HK$277.0 million (31 December 2012: approximately HK$302.2 million) was denominated in RMB. The Group's gearing ratio, measured by net debt divided by shareholders' equity as at 30 June 2013 and multiplied by 100%, decreased from approximately 67% as at 31 December 2012 to approximately 61% as at 30 June 2013.

Exposure to fluctuation in exchange rate

The Group is exposed to currency risk primarily through sales and purchases made by the PRC subsidiaries which give rise to receivables, payables, cash balances and bank loans that are denominated in US dollars. Presently, the Group has no hedging policy with respect to the foreign exchange exposure.

As the functional currencies for all subsidiaries in the PRC are RMB, these subsidiaries do not expose to any currency risk due to the exchange rate movement of RMB. For subsidiaries established outside of the PRC, they have no material financial assets and liabilities denominated in RMB. Accordingly, the Group's exposure to RMB currency risk is insignificant.

Capital expenditure

During the six months ended 30 June 2013, the Group's total capital expenditure amounted to approximately HK$1.1 million, which was used in the acquisition of property, plant and equipment.

Charge on assets

As at 30 June 2013, the Group had pledged its lease prepayments, machinery and building held for own use with net book value of approximately HK$283.4 million (31 December 2012: approximately HK$289.8 million), its cash amounting to approximately HK$43.9 million (31 December 2012: Nil) and its trade receivables of approximately HK$48.4 million (31 December 2012: approximately HK$57.7 million) for the purpose of securing loans with carrying value of approximately HK$292.6 million (31 December 2012: approximately HK$277.5 million).

Contingent liabilities

As at 30 June 2013, the Group did not have any significant contingent liabilities (31 December 2012: Nil).

Establishment of a new subsidiary

On 11 January 2013, Jiangsu Sheen Colour and Huai'an Hetai Investment Co. Ltd., a third party, has set up a new subsidiary, with equity interests of 70% and 30% respectively. The subsidiary named Jiangsu Kingtai Packaging Technology Co. Ltd. is principally engaged in the trading of aluminium foil films for cigarette paper box packaging.

Human resources

As at 30 June 2013, the Group employed 397 employees (as compared with 408 employees as at 30 June 2012) with total staff cost of approximately HK$22.9 million incurred for the six months ended 30 June 2013 (as compared with approximately HK$19.0 million for the same period of 2012). 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.

Interim Dividend

The Directors proposed not to declare any interim dividend for the six months ended 30 June 2013.

Prospects

Going forward, the Group will deploy more resources to explore new markets in other provinces in order to expand the Group's market share and enlarge the Group's customer coverage. A series of marketing strategies would be implemented according to the market situations and to the Group's business plan. The Board will continuously assess the overall performance and business opportunities available to the Group with the target of maximizing the Group's shareholders' value and increasing the Group's market share in the PRC.

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 during the six months ended 30 June 2013.

Corporate Governance Code

The Company has complied 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 2013, except for the deviation from code provision A.1.8 of the Code as described below.

Under code provision A.1.8 of the Code, an issuer should arrange appropriate insurance cover in respect of legal action against its Directors. The Company does not have such insurance cover for its Directors. This is deviated from code provision A.1.8 of the Code.

With regular and timely communications among the Directors and the management of the Group, the management of the Group believes that all potential claims and legal actions against the Directors can be handled effectively, and the possibility of actual litigation against the Directors is low. The Company understands the importance to arrange insurance cover for its Directors and will consider to make such an arrangement as and when it considers necessary.

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 during the six months ended 30 June 2013.

Audit Committee

The Company has an audit committee (the "Audit Committee") with terms of reference aligned with 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 2013 is unaudited but has been reviewed by KPMG, the auditors of the Company, and by the Audit Committee.

Appointment of Executive Directors and President

On 31 December 2012, Mr. Zeng Xiangyang was appointed as an executive Director and President of the Company with effect from 1 January 2013 and Mr. He Lijun was appointed as an executive Director with effect from 1 January 2013. Each of Mr. Zeng Xiangyang and Mr. He Lijun has entered into a service contract with the Company for a term commencing from 1 January 2013 and expiring on 12 July 2015 and may be terminated by either party by giving at least three months' written notice. Each of Mr. Zeng Xiangyang and Mr. He Lijun has been re-elected at the annual general meeting of the Company held on 20 May 2013.

Amendments to the terms of reference of the Nomination Committee of the Company

The terms of reference of the nomination committee of the Company was amended on 28 August 2013 to include the review of the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy as one of its duties.

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

Hong Kong, 28 August 2013

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