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 2016

FINANCIAL HIGHLIGHTS

- Turnover decreased by approximately 15.0% to approximately HK$181.7 million for the six months ended 30 June 2016 as compared with the same period of previous year.
- Gross profit increased by approximately 13.2% to approximately HK$65.3 million for the six months ended 30 June 2016 as compared with the same period of previous year.
- Gross profit margin increased by approximately 9.0% to approximately 36.0% for the six months ended 30 June 2016 as compared with the same period of previous year.
- Profit attributable to equity shareholders of the Company decreased from approximately HK$331.5 million to approximately HK$0.063 million for the six months ended 30 June 2016 as compared with the same period of previous year.
- Average trade and bill receivables turnover days increased from approximately 180.7 days for the year ended 31 December 2015 to approximately 224.6 days for the six months ended 30 June 2016.
- Average inventory turnover days increased from approximately 95.1 days for the year ended 31 December 2015 to approximately 143.8 days for packaging materials for the six months ended 30 June 2016.

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 2016 together with the comparative figures for the corresponding period in 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2016 — unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2016	2015
	Note	***$'000***	*$'000*
Revenue	*3*	**181,692**	213,710
Cost of sales		**(116,363)**	(155,972)
Gross profit		**65,329**	57,738
Other income	*4*	**766**	10,744
Distribution costs		**(15,865)**	(6,654)
Administrative expenses		**(37,181)**	(39,062)
Other operating expenses		**(91)**	(167)
Profit from operations		**12,958**	22,599
Net income from disposal of a subsidiary		**—**	363,125
Finance costs	*5(a)*	**(5,913)**	(8,702)
Profit before taxation	*5*	**7,045**	377,022
Income tax	*6*	**(6,982)**	(45,591)
Profit for the period		**63**	331,431
Attributable to:			
Equity shareholders of the Company		**63**	331,456
Non-controlling interests		**—**	(25)
Profit for the period		**63**	331,431
Earnings per share	*7*		
Basic (HK$)		**0.00003**	0.70000
Diluted (HK$)		**0.00003**	0.63000

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2016 — unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2016	2015
	$'000	*$'000*
Profit for the period	**63**	331,431
Other comprehensive income for the period (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries	**(14,753)**	3,386
Other comprehensive income for the period	**(14,753)**	3,386
Total comprehensive income for the period	**(14,690)**	334,817
Attributable to:		
Equity shareholders of the Company	**(14,690)**	334,842
Non-controlling interests	**—**	(25)
Total comprehensive income for the period	**(14,690)**	334,817

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2016 — unaudited

(Expressed in Hong Kong dollars)

	Note	At 30 June 2016 $'000	At 31 December 2015 $'000
Non-current assets			
Fixed assets			
— Other property, plant and equipment	*8*	**502,402**	354,386
— Interests in leasehold land held for own use under operating lease		**20,616**	21,287
Intangible assets		**184,938**	1,082
Goodwill	*9*	**49,645**	—
Deferred tax assets		**9,309**	8,278
Other non-current assets		**1,643**	1,885
		768,553	386,918
Current assets			
Trading securities		**81,251**	83,410
Inventories	*10*	**530,180**	416,677
Trade and other receivables	*11*	**229,238**	329,356
Restricted cash		**21,458**	3,628
Cash and cash equivalents	*12*	**305,904**	194,410
		1,168,031	1,027,481
Current liabilities			
Trade and other payables	*13*	**553,346**	315,854
Bank loans and overdrafts		**151,547**	95,789
Convertible bond	*14*	**75,013**	1,403
Current taxation		**(2,459)**	4,268
		777,447	417,314
Net current assets		**390,584**	610,167
Total assets less current liabilities		**1,159,137**	997,085

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2016 — unaudited

(Expressed in Hong Kong dollars)

		At 30 June	At 31 December
		2016	2015
	Note	***$'000***	*$'000*
Non-current liabilities			
Bank loans and overdrafts		**556**	665
Convertible bond	*14*	**236,160**	69,198
Deferred tax liabilities		**56,599**	9,872
		293,315	79,735
NET ASSETS		**865,822**	917,350
CAPITAL AND RESERVES			
Share capital	*16(b)*	**5,019**	5,019
Reserves	*16(c)*	**860,803**	912,331
Total equity attributable to equity shareholders of the Company		**865,822**	917,350
Non-controlling interests		**—**	—
TOTAL EQUITY		**865,822**	917,350

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Basis of preparation

(a) Basis of preparation

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 2016 comprises the Company and its subsidiaries (collectively referred to as the "Group"). The Group is principally engaged in manufacturing and sales of BOPP films, sales of sub-processing cigarette films, development of properties, generation of photovoltaic power and cloud-related business. The Company's shares were listed on Stock Exchange of Hong Kong Limited on 13 July 2012.

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 30 August 2016. They are unaudited.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for 1) New accounting policy applied by the Company as set out in notes 1(b) and 1(c); and 2) the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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 policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. 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 2015 annual financial statement. 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 accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report as comparative does not constitute the Company's statutory financial statements and the consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2015 are available from the Company's registered office.

(b) Operation income of cloud platforms

Operation income of cloud platforms is recognised as income in the accounting period in which they are earned.

(c) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2 Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to HKFRSs 2012-2014 Cycle*

- *Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative*

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

Annual Improvements to HKFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 34, Interim financial reporting, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time.

Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative

The amendments to HKAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

3 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are manufacturing and sales of BOPP films, sales of sub-processing cigarette films, development of properties, generation of photovoltaic power and cloud-related business in the People's Republic of China (the "PRC").

Revenue 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 during the six months ended 30 June 2016 and 2015 is as follows:

	Six months ended 30 June			
	2016		**2015**	
	$'000	***%***	*$'000*	*%*
Manufacturing and sales of BOPP films				
— Cigarette films	**61,352**	**34%**	108,066	51%
— Non-cigarette-related films	**52,148**	**28%**	46,502	22%
Sub-total	**113,500**	**62%**	154,568	73%
Sales of sub-processing cigarette films	**55,521**	**31%**	59,142	27%
Sales of properties	**—**	**—**	—	—
Sales of electricity	**12,671**	**7%**	—	—
Operation income of cloud platforms	**—**	**—**	—	—
Total	**181,692**	**100%**	213,710	100%

The Group's operations are not subject to significant seasonality fluctuations.

For the six months ended 30 June 2016 there are 2 customers (six months ended 30 June 2015: 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 HK$102,156,000 and HK$130,579,000 for the six months ended 30 June 2016 and 2015 respectively.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the group has identified six reportable segments. No operating segments have been aggregated to form the following reportable segments.

In 2016, the Group has reclassified its segment by the similarity of production processes and degrees of risk (for the year 2015 and before, the segment was classified on a product basis). Such classification provides sufficient segmental information to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance. The segment information is set out below.

	Six months ended 30 June											
	Manufacturing and sales of BOPP films		**Sales of sub-processing cigarette films**		**Development of properties**		**Generation of photovoltaic power**		**Cloud-related business**		**Total**	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**113,500**	154,568	**55,521**	59,142	**—**	—	**12,671**	—	**—**	—	**181,692**	213,710
Reportable segment revenue	**113,500**	154,568	**55,521**	59,142	**—**	—	**12,671**	—	**—**	—	**181,692**	213,710
Reportable segment gross profit	**34,232**	33,519	**22,770**	24,219	**—**	—	**8,327**	—	**—**	—	**65,329**	57,738
Reportable segment profit/(loss) before taxation	**15,875**	7,360	**5,624**	8,004	**(11,041)**	(4,332)	**5,770**	(405)	**447**	—	**16,675**	10,627
Interest income from bank deposits	**138**	143	**888**	513	**191**	12	**5**	109	**—**	—	**1,222**	777
Interest expense	**578**	3,270	**4,291**	4,379	**1,044**	1,041	**—**	12	**—**	—	**5,913**	8,702
Depreciation and amortisation for the period	**7,439**	7,653	**4,473**	552	**331**	192	**3,610**	1	**—**	—	**15,853**	8,398
As at 30 June/31 December												
Reportable segment assets	**390,572**	424,621	**142,744**	220,819	**631,407**	350,370	**330,313**	297,188	**281,658**	—	**1,776,694**	1,292,998
Reportable segment liabilities	**125,546**	114,745	**69,407**	212,084	**493,972**	179,546	**75,572**	90,140	**281,704**	—	**1,046,201**	596,515

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2016	2015
	$'000	*$'000*
Reportable segment profit before taxation	**16,675**	10,627
Net income from sale of a subsidiary	**—**	363,125
Unallocated items	**(9,630)**	3,270
Consolidated profit before taxation	**7,045**	377,022

4 Other income

	Six months ended 30 June	
	2016	2015
	$'000	*$'000*
Interest income	**1,222**	777
Dividend income from listed securities	**669**	356
Sales of scrap materials	**3,732**	5,059
Net foreign exchange (loss)/gain	**(791)**	651
Net realised and unrealised (loss)/gain on trading securities	**(2,159)**	2,913
(Loss)/gain on revaluation of convertible bond *(note 14)*	**(3,100)**	970
Others	**1,193**	18
	766	10,744

5 Profit before taxation

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

	Six months ended 30 June	
	2016	2015
	$'000	*$'000*
(a) Finance costs		
Interest on bank borrowings	**2,428**	4,410
Interest on other borrowings	**4,318**	6,192
Interest on convertible bond *(note 14)*	**1,312**	2,027
Less: Interest expense capitalised into properties under development*	**(2,145)**	(3,927)
	5,913	8,702

* The borrowing cost has been capitalised at a rate of 5.600% - 8.515% per annum.

	Six months ended 30 June	
	2016	2015
	$'000	*$'000*
(b) Staff costs		
Contributions to defined contributions retirement plans	**1,528**	1,540
Equity-settled share-based payment expense	**3,316**	4,385
Salaries, wages and other benefits	**17,924**	24,254
	22,768	30,179
(c) Other items		
Amortisation of intangible assets	**80**	17
Cost of inventories	**112,019**	155,972
Depreciation and amortisation of fixed assets	**15,773**	8,381
Net foreign exchange loss/(gain)	**791**	(651)
Operating lease charges	**6,409**	6,600
Net loss on disposal of fixed assets	**5**	81

6 Income tax

Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2016	2015
	$'000	*$'000*
Current tax – Hong Kong Profits Tax		
Provision for the period	**242**	—
Current tax – PRC income tax		
Provision for the period	**6,692**	49,041
Deferred tax		
Origination and reversal of temporary differences	**48**	(3,450)
	6,982	45,591

(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 2016 and 2015 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% (2015: 25%) unless otherwise specified.

Entities engaged in qualified power projects, are eligible for a corporate income tax exemption for the first year to the third year, and a 50% reduction for the fourth year to the sixth year starting from the year in which the entities first generate operating income (the "3+3 tax holiday"). Xuzhou Sheentai New Energy Power Company Limited (an indirect wholly-owned subsidiary of the Group) obtained the "Notification of Corporate Income Tax ("CIT") 3+3 tax holiday" in 2016 and was entitled to the 3+3 tax holiday retrospectively from 2015 to 2020.

(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%.

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2016 is based on the consolidated profit attributable to equity shareholders of the Company of HK$63,000 (six months ended 30 June 2015: HK$331,456,000) and weighted average of 2,007,690,000 shares in issue during the six months ended 30 June 2016 (six months ended 30 June 2015: 474,975,000 shares) after the effect of Share Subdivision.

(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 HK$63,000 (six months ended 30 June 2015: HK$332,693,000) divided by the weighted average number of ordinary shares of 2,024,536,000 shares (six months ended 30 June 2015: 527,139,000 shares) after adjusting for the effects of deemed issue of shares under the Company's Pre-IPO Share Option Scheme (note 15) and the effect of conversion of convertible bond (note 14) and the effect of Share Subdivision.

8 Fixed assets

During the six months ended 30 June 2016, the Group's additions to fixed assets amounted to HK$171,702,000 (six months ended 30 June 2015: HK$58,081,000) consist of HK$40,225,000 (six months ended 30 June 2015: Nil) was due to an acquisition of a group companies on 30 June 2016. Items of equipment with a net book value of HK$5,000 were disposed of during the six months ended 30 June 2016 (six months ended 30 June 2015: HK$81,000), resulting in a loss on disposal of HK$5,000 (six months ended 30 June 2015: HK$81,000).

9 Goodwill

On 30 June 2016, the Company had acquired Treasure Cloud Limited which engages in the cloud platforms business at consideration of HK$236,160,000. The goodwill mainly arose from the acquisition of Treasure Cloud Limited which represented the excess of the aggregate purchase price over the fair value of the net identifiable assets acquired in business combination.

10 Inventories

Inventories in the consolidated statement of financial position comprise:

	At 30 June 2016	At 31 December 2015
	$'000	*$'000*
Packaging materials manufacturing and trading:		
— Raw materials	**58,971**	47,015
— Work in progress	**9,557**	9,827
— Finished goods	**25,101**	26,582
	93,629	83,424
Property development:		
— Land held for development for sales	**196,176**	196,176
— Property under development for sales	**240,375**	137,077
	436,551	333,253
	530,180	416,677

11 Trade and other receivables

	At 30 June 2016	At 31 December 2015
	$'000	*$'000*
Trade and bills receivable	**145,801**	309,104
Less: Allowance from doubtful debts *(note 11(b))*	**(1,835)**	(4,648)
	143,966	304,456
Deposits, prepayments and other receivables		
— Others	**85,272**	24,900
	229,238	329,356

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

(a) Ageing analysis:

As at 30 June 2016 and 31 December 2015, 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 2016		At 31 December 2015	
	Trade receivable	**Bills receivable**	Trade receivable	Bills receivable
	$'000	***$'000***	*$'000*	*$'000*
Less than 30 days	**48,530**	**12,030**	41,332	90,410
31 - 90 days	**28,258**	**6,343**	62,875	15,154
91 - 180 days	**32,780**	**11,370**	28,721	62,379
181 - 365 days	**2,384**	**1,296**	2,229	193
Over 365 days	**975**	**—**	1,008	155
	112,927	**31,039**	136,165	168,291

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

(b) Impaired of trade debtors and bills receivable:

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is directly written off against trade debtors and bills receivable.

As of 30 June 2016, an impairment loss of HK$1,835,000 (31 December 2015: HK$4,648,000) was recognised and provided for as a result from the assessment of the Group's trade receivables due from third parties of HK$1,835,000 (31 December 2015: HK$4,648,000) that individually determined to be impaired. The individually impaired trade receivables mainly relate to customers who are in financial difficulties and the likelihood of recoverability is expected to be in doubt. The Group does not hold any collateral over these balances.

Trade receivables due from third parties that are past due but not impaired relate to creditworthy customers who have maintained a close working relationship with the Group and have consistent payment records.

12 Cash and cash equivalents

	At 30 June 2016	At 31 December 2015
	$'000	*$'000*
Cash at bank and in hand	**305,904**	194,410
Cash and cash equivalents in the consolidated statement of financial position	**305,904**	194,410
Overdrafts from banks and other financial institution	**—**	(950)
Cash and cash equivalent in the consolidated cash flow statement	**305,904**	193,460

13 Trade and other payables

	At 30 June 2016 $'000	At 31 December 2015 $'000
Trade and bills payable	**80,564**	130,790
Advance received	**373,120**	5,779
Other payables and accruals		
— Related parties	**—**	71,125
— Others	**99,196**	106,369
Amount due to the Controlling Shareholder and director		
— Mr Guo Yumin	**466**	1,791
	553,346	315,854

Included in trade and other payables are trade creditors with the following ageing analysis as at 30 June 2016 and 31 December 2015:

	At 30 June 2016		At 31 December 2015	
	Trade payable *$'000*	**Bills payable** *$'000*	Trade payable *$'000*	Bills payable *$'000*
Due within 1 month or on demand	**74,473**	**1,021**	107,040	9,582
Due after 1 month but within 3 months	**2,173**	**—**	2,543	6,073
Due after 3 months but within 6 months	**1,577**	**—**	2,192	1,683
Due more than 6 months	**1,320**	**—**	1,677	—
	79,543	**1,021**	113,452	17,338

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

14 Convertible bond

The convertible bond recognised in the consolidated statement of financial position of the Group are analysed as follows:

	Host liability component *$'000*	**Derivative component** *$'000*	**Premium on issuance of convertible bond** *$'000*	**Total** *$'000*
2014 Convertible bond *(note a)*	70,510	4,503	—	75,013
2016 Convertible bond *(note b)*	228,005	—	8,155	236,160
	298,515	4,503	8,155	311,173

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

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

At 30 June 2016, the outstanding principal amount of this convertible bond issued on 30 June 2014 is HK$70,000,000.

For the 2014 convertible bond, the detailed components are analysed as follows:

	Host liability component *$'000*	**Derivative component** *$'000*	**Total** *$'000*
Balance at 31 December 2015	69,198	1,403	70,601
Interest expenses *(note 5(a))*	1,312	—	1,312
Change in fair value of derivative component *(note 4)*	—	3,100	3,100
Balance at 30 June 2016	70,510	4,503	75,013

(i) Interest expense represented for the 2014 Convertible Bond which is calculated using the effective interest method by applying the effective interest rate of 3.83% per annum to the liability component.

(ii) No convertible bond was converted as at 30 June 2016.

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

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

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

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

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

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

At 30 June 2016, the outstanding principal amount of this 2016 Convertible Bond issued on 30 June 2016 is HK$141,696,000.

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

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

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

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

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

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

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

For the 2016 convertible bond, the detailed components are analysed as follows:

	Host liability component $'000	Derivative component $'000	Premium on issuance of convertible bond $'000	Total $'000
Balance at 30 June 2016	228,005	—	8,155	236,160

15 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.

On 29 January 2015, the Company announced 14,600,000 share options to subscribe for up to a total of 14,600,000 ordinary shares of (before Share Subdivision) HK$0.01 each of the Company were granted to certain grantees under the share option scheme adopted by the Company on 22 June 2012 set above.

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.

(a) The terms and conditions of the grants are as follows:

			Options granted to		
Date granted	**Vesting date**	**Expiry date**	**Directors**	**Employees**	**Total**
22 June 2012	14 July 2013	13 July 2018	275,000	725,000	1,000,000
22 June 2012	14 July 2014	13 July 2018	412,500	1,087,500	1,500,000
22 June 2012	14 July 2015	13 July 2018	550,000	1,450,000	2,000,000
22 June 2012	14 July 2016	13 July 2018	687,500	1,812,500	2,500,000
22 June 2012	14 July 2017	13 July 2018	825,000	2,175,000	3,000,000
29 January 2015	29 January 2016	28 January 2025	500,000	2,420,000	2,920,000
29 January 2015	29 January 2017	28 January 2025	500,000	2,420,000	2,920,000
29 January 2015	29 January 2018	28 January 2025	500,000	2,420,000	2,920,000
29 January 2015	29 January 2019	28 January 2025	500,000	2,420,000	2,920,000
29 January 2015	29 January 2020	28 January 2025	500,000	2,420,000	2,920,000
			5,250,000	19,350,000	24,600,000

(b) The number and weighted average exercise prices of share options are as follows:

	Share Option granted on 22 June 2012		Share Option granted on 29 January 2015		Total
	Weighted average Exercise Price	No. of options *('000)*	Weighted average Exercise Price	No. of options *('000)*	No. of options *('000)*
Outstanding at 1 January 2016	**HK$0.1507**	**24,310**	**HK$0.8250**	**58,400**	**82,710**
Outstanding at 30 June 2016	**HK$0.1507**	**24,310**	**HK$0.8250**	**58,400**	**82,710**
Exercisable at 30 June 2016	**HK$0.1507**	**2,310**	**HK$0.8250**	**11,680**	**13,990**

	Share Option granted on 22 June 2012		Share Option granted on 29 January 2015		Total
	Weighted average Exercise Price	No. of options *('000)*	Weighted average Exercise Price	No. of options *('000)*	No. of options *('000)*
Outstanding at 1 January 2015	HK$0.6029	7,664	—	—	7,664
Granted before the Share Subdivision	—	—	HK$3.3000	14,600	14,600
Exercised after the Share Subdivision	HK$0.1507	(6,345)	—	—	(6,345)
Effect of the Share Subdivision		22,991		43,800	66,791
Outstanding at 31 December 2015	HK$0.1507	24,310	HK$0.8250	58,400	82,710
Exercisable at 31 December 2015	HK$0.1507	2,310	—	—	2,310

The Pre-IPO share options granted on 22 June 2012 outstanding at 30 June 2016 had an exercise price of HK$0.1507 (31 December 2015: HK$0.1507) and a weighted average remaining contractual life of 0.44 years (31 December 2015: 0.94 years).

The share options granted on 29 January 2015 outstanding at 30 June 2016 had an exercise price of HK$0.8250 (31 December 2015: HK$0.8250) and a weighted average remaining contractual life of 1.58 years (31 December 2015: 2.08 years).

16 Capital, reserves and dividends

(a) Dividends

(i) Dividends payable to equity shareholders attributable to the interim period

	Six months ended 30 June	
	2016	2015
	$'000	*$'000*
Interim dividend declared and paid after the interim period of HK$0.05 per ordinary share (2015: Nil)	**109,198**	–

The interim dividend has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2016	2015
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK$0.02 per ordinary share (six months ended 30 June 2015: HK$ 0.08 per ordinary share)	**40,154**	40,027

(b) Share capital

Authorised and issued share capital

	Note	**2016** Number of shares (’000)	**2016** Amount $’000	2015 Number of shares (’000)	2015 Amount $’000
Authorised:					
Ordinary shares of HK$0.0025 each	*(i)*	**8,000,000**	**20,000**	8,000,000	20,000
Ordinary shares, issued and fully paid:					
At 1 January		**2,007,690**	**5,019**	417,336	4,173
Shares issued under share option scheme after the Share Subdivision	*(ii)*	—	—	6,345	16
Placing of new shares before the Share Subdivision	*(iii)*	—	—	83,000	830
Effect of Share Subdivision		—	—	1,501,009	—
At 30 June/31 December		**2,007,690**	**5,019**	2,007,690	5,019

(i) The par value of the ordinary shares of the Company was initially at HK$0.01 per share. With effect from 24 September 2015, each of the existing issued and unissued shares of the Company was subdivided into 4 subdivided shares of HK$0.0025 each (each defined as “Subdivided Share”), after an ordinary resolution was passed at the annual general meeting of the Company held on 24 September 2015 and with an approval obtained from the Stock Exchange of Hong Kong Limited (the “Share Subdivision”). Upon the Share Subdivision became effective, the authorised capital of the Company became HK$20,000,000, divided into 8,000,000,000 Subdivided Shares of HK$0.0025 each. The other rights and terms of the shares remain unchanged after Share Subdivision.

(ii) Nil options were exercised during the six months ended 30 June 2016 (31 December 2015: 6,345,000).

(iii) On 26 February 2015 the Company placed 83,000,000 new shares to third parties at a price of HK$2.66. Proceeds of HK$830,000 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$211,119,000, 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) 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.

(iii) Share-based compensation reserve

Share-based compensation reserve presents the fair value of the share options granted to employees of the Group in accordance with the accounting policy adopted by share-based payments.

(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.

(v) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial asset held at the end of the reporting period and is dealt with in accordance with the accounting policies.

17 Commitments

(a) Capital commitments outstanding not provided for in the interim financial report:

	At 30 June 2016	At 31 December 2015
	$'000	*$'000*
Contracted for	—	36

(b) The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2016	At 31 December 2015
	$'000	*$'000*
Within 1 year	**10,583**	7,647

The Group is the lessee in respect of certain properties and plant 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 renegotiated. None of the leases includes contingent rentals.

18 Material related party transactions

During the six months ended 30 June 2016 and 2015, 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
Xuzhou Ruilong Real Estate Development Co., Ltd. *(Note)*	Owned by Mr Guo Yumin, the director and the Controlling Shareholder

Note: The English translation of the names is for reference only. The official names of these entities are in Chinese.

(a) Remuneration of key management personnel

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

	Six months ended 30 June	
	2016	2015
	$'000	*$'000*
Short-term employee benefits	**3,119**	2,876
Post-employment benefits	**102**	76
Equity-settled share-based payment expenses	**1,236**	1,518
	4,457	4,470

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

(b) Other related party transactions

(i) Sheen China Group Holdings Ltd., a wholly-owned subsidiary of the Company, has entered into an Equity Transfer Agreement with Chinese Hong Kong International Tobacco Group Co., Limited (the "Purchaser") in relation to a disposal of 51% of its equity interest in Jiangsu Shuntai Packaging & Printing Science Technology Co., Ltd. ("JSST") on 15 January 2015. The Purchaser is a wholly-owned subsidiary of Shenzhen Jinjia Color Printing Group Co., Ltd. ("Shenzhen Jinjia"), which is a shareholder of JSST, holding 49% of its interest.

(ii) *Other transactions with related parties*

	Six months ended 30 June 2016					
	Interest expenses	**Rental expenses**	**Proceeds from borrowing**	**Repayment of borrowing**	**Repayment of interest**	**Interest on convertible bond**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
Xuzhou Ruilong Real Estate Development Co., Ltd.	**2,697**	**274**	**37,907**	**109,032**	**7,491**	**—**
Mr Guo Yumin	**—**	**—**	**—**	**—**	**—**	**1,312**
	2,697	**274**	**37,907**	**109,032**	**7,491**	**1,312**

(c) Balances with related parties

As at 30 June 2016 and 31 December 2015, the Group had the following balances with related parties:

	Note	**At 30 June 2016** **$'000**	At 31 December 2015 *$'000*
Amount due to the Controlling Shareholder and director			
— Mr Guo Yumin	*(i)*	**466**	1,791
Amount due to related companies			
— Xuzhou Ruilong Real Estate Development Co., Ltd.		**—**	71,125
Convertible bond issued to the Controlling Shareholder and director			
— Mr Guo Yumin	*(ii)*	**75,013**	70,601
		75,479	143,517

(i) The balance with the Controlling Shareholder and director is unsecured, interest- free and repayable on demand.

(ii) Information about convertible bond due to the Controlling Shareholder and director has been disclosed in note 14.

19 Events after the reporting period

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

BUSINESS REVIEW

The Group has reported a decrease in turnover and profit attributable to equity holders of the Company for the six months ended 30 June 2016 when compared to the six months ended 30 June 2015. Such decease was mainly due to the one-off and non-recurrent gain on the disposal of Jiangsu Shuntai Packaging & Printing Science Technology Co., Ltd., a then subsidiary of the Company, during the six months ended 30 June 2015 and the absence of such disposal and one-off gain during the six months ended 30 June 2016. Also, fluctuations in foreign currency exchange rates have impacted our reported results.

The Group was originally a packaging materials manufacturer in the People's Republic of China (the "PRC") upon the listing of its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2012. Since then, the Group has been making significant effort in expanding its business to different sectors. The Group had explored new opportunities in property development and photovoltaic power market in 2014 and 2015 respectively. On 30 June 2016, the Group has completed the acquisition of a cloud-related business and commences to engage in the cloud computing industry. The cloud industry in the PRC is still in the development stage. In order to grasp the opportunity, the Group has purchased 15 data centers which are equipped with cloud technology. The Acquisition has provided an entrance for the Group to enter into the cloud industry. In the future, the Group will continue to leverage on its existing advantage and embark on business transformation with the aim to seize the development opportunities emerging from favorable policies and ultimately achieve rapid growth.

After the commencement of operation of our two photovoltaic power stations since late 2015 and mid-2016, and the engagement in cloud-related business since 30 June 2016, the Group has reclassified its existing business into five segments, namely, (i) manufacturing and sales of BOPP film (comprising self-manufactured cigarette film and self-manufactured non-cigarette-related films), (ii) sales of sub-processing cigarette films (comprising anti-counterfeiting cigarette films and slitting imported film), (iii) development of properties, (iv) generation of photovoltaic power, and (v) cloud-related business. During the first six months of 2016, the Group has made sales to (i) cigarette manufacturers; (ii) other customers of cigarette films; (iii) customers of non-cigarette-related packaging materials; (iv) electrical company in Xuzhou, the PRC. No sale has been recorded for sales of properties for the six months ended 30 June 2016.

The Group has two factories which are located in (i) Huai'an City in Jiangsu Province, accommodating production facilities for the manufacturing of anti-counterfeiting cigarette films: (ii) Qingdao City in Shandong Province, accommodating production facilities for the manufacturing of BOPP films. The site for property development is located in Xuzhou, Jiangsu, the PRC and is under pre-sales since early 2016, and is expected to generate profit in early 2017. The Group has two photovoltaic power stations located in Xuzhou in Jiangsu Province, which have commenced operation since 28 December 2015 and 25 June 2016 respectively. After the completion of the acquisition of the cloud business on 30 June 2016, the Group has 15 data centers located in Jiangsu, Anhui, Hubei, Chongqing, Jiangxi, Shanghai, Zhejiang and Shandong provinces. To oversee the operation of the new cloud business, the Group has reviewed and enhanced the existing human resources by employment of personnel with relevant experiences.

RESULTS OF OPERATION

Turnover

The principal activities of the Group include manufacturing and sales of BOPP films, sales of sub-processing cigarette films, development of properties, generation of photovoltaic power and cloud-related business. Our turnover represents the sales value of goods sold less returns, discounts and value added taxes and other sales taxes. For the six months period ended 30 June 2016, our turnover decreased by approximately HK$32.0 million, or approximately 15.0%, from approximately HK$213.7 million for the six months ended 30 June 2015 to approximately HK$181.7 million, primarily as a result of the following:

Manufacturing of sales of BOPP films

The decrease in turnover from sales of BOPP films by approximately 26.6%, from approximately HK$154.6 million for the six months ended 30 June 2015 to approximately HK$113.5 million for the six months ended 30 June 2016, was primarily due to the decrease in the average selling price of our self-manufacturing cigarette-related BOPP films by approximately 9.4% when compared to the six months ended 30 June 2015. The decrease was partially offset by the increase in the sales of our non-cigarette-related films by approximately 12.0%, from approximately HK$46.5 million for the six months ended 30 June 2015 to approximately HK$52.1 million for the six months ended 30 June 2016. It is primarily due to the increase in utilization of our second production line in Qingdao factory (which was put into production since late December 2014) and increase in sales forces to enlarge the non-cigarette market share which resulted in an increase of sales volume in our non-cigarette-related films by approximately 42.5%. However, due to the continuously depressed crude oil price, the average selling price of our non-cigarette-related films has decreased by approximately 12.9% when compared to six months ended 30 June 2015.

Sales of sub-processing cigarette films

The decrease in turnover from sales of sub-processing cigarette films was mainly due to the decrease in the sales of our slitting imported cigarette films by approximately 25.8%, from approximately HK$29.9 million for the six months ended 30 June 2015 to approximately HK$22.2 million for the six months ended 30 June 2016. The decrease was partially offset by the increase of the sales of our anti-counterfeiting cigarette films by approximately 14.4%, from approximately HK$29.2 million for the six months ended 30 June 2015 to approximately HK$33.4 million for the six months ended 30 June 2016 which were primarily due to the increase of demand from our customers.

Development of properties

The pre-sales of the Xuzhou property project has commenced since 6 March 2016. Profit is expected to be realized in 2017. As at 30 June 2016, around 51% of the properties has completed the pre-sales stage.

Generation of photovoltaic power

As at 30 June 2016, the Group had two photovoltaic power stations in operation, with a total grid-connected capacity of 30 megawatts ("MW"). Among them, one was put into operation since 28 December 2015 and the other has commenced operation since 25 June 2016. The revenue generated, including the sales of electricity and the tariff adjustments, amounted to approximately HK$ 12.7 million for the six month ended 30 June 2016.

Cloud-related business

The Group acquired 15 cloud data centers on 30 June 2016. No profit has been derived from the cloud-related business for the six months ended 30 June 2016.

Cost of sales

Our cost of sales decreased by approximately HK$39.6 million, or approximately 25.4% from approximately HK$156.0 million for the six months ended 30 June 2015 to approximately HK$116.4 million for the six months ended 30 June 2016, which was generally in line with the decrease in our revenue.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$7.6 million, or approximately 13.2%, from approximately HK$57.7 million for the six months ended 30 June 2015 to approximately HK$65.3 million for the six months ended 30 June 2016. Our gross profit margin increased from approximately 27.0% for the six months ended 30 June 2015 to approximately 36.0% for the six months ended 30 June 2016. The increase was mainly due to the commencement of our photovoltaic power stations during the six months ended 30 June 2016 which recorded profit margin of approximately 65.7%.

Other income

Our other income recorded a decrease of approximately HK$10.0 million when compared with the same period in 2015. The decrease was mainly due to a loss on trading of securities of approximately HK$2.2 million (six month ended 30 June 2015: gain of approximately HK$2.9 million) and a loss on the revaluation of a convertible bond of approximately HK$3.1 million (six month ended 30 June 2015: gain of approximately HK$1.0 million).

Distribution costs

Our selling and distribution expenses increased by approximately HK$9.2 million, or approximately 137.3%, from approximately HK$6.7 million for the six months ended 30 June 2015 to approximately HK$15.9 million for the six months ended 30 June 2016. The increase was mainly due to the increase in the advertising and selling personnel expenses of the property development segment of the Group. The advertising expenses and personnel expenses related to the property development amounted to approximately HK$ 6.9 million and HK$0.5 million respectively. The Xuzhou property project has commenced pre-sales stage since 6 March 2016 and the advertising campaign has been kicked off since the opening of the year 2016.

Administrative expenses

Our administrative expenses decreased by approximately HK$1.9 million, or approximately 4.9%, from approximately HK$39.1 million for the six months ended 30 June 2015 to approximately HK$37.2 million for the six months ended 30 June 2016, primarily due to the absence of performance bonus for senior management for the first half year of 2016 (for the six months ended 30 June 2015: approximately HK$4.1 million).

Finance cost

Our finance costs decreased by approximately 32.2% from approximately HK$8.7 million for the six month ended 30 June 2015 to approximately HK$5.9 million for the six months ended 30 June 2016, primarily due to the decrease of interest expenses .

Income tax

Our income tax decreased by approximately HK$38.6 million from approximately HK$45.6 million for the six months ended 30 June 2015 to approximately HK$7.0 million for the six months ended 30 June 2016. The difference was primarily due to the tax in the amount of approximately HK$ 36.7 million generated from the disposal of our cigarette paper box business in 2015 and the absence of such tax in 2016.

Profit attributable to equity holders of the Company

As a result of the foregoing factors, profit attributable to equity holders of the Company for the six months ended 30 June 2016 decreased by approximately HK$331.4 million to approximately HK$0.1 million. Such decrease was mainly due to the one-off and non-recurrent gain on the disposal of Jiangsu Shuntai Packaging & Printing Science Technology Co., Ltd, a then subsidiary of the Company, during the six months ended 30 June 2015 and the absence of such disposal and one-off gain during the six months ended 30 June 2016. Other than that, the decrease was mainly due to the increase of selling and administrative expenses incurred by our property development segment for 2016.

Liquidity and financial resources

As at 30 June 2016, the cash and cash equivalents of the Group amounted to approximately HK$305.9 million (which were denominated in HKD, RMB and USD) compared with approximately HK$194.4 million as at 31 December 2015.

For the six months ended 30 June 2016, 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$367.8 million, HK$175.1 million and HK$74.8 million respectively.

Borrowings and gearing ratio

Total interest-bearing borrowings of the Group as at 30 June 2016 was approximately HK$295.7 million (31 December 2015: approximately HK$303.3 million) which were denominated in RMB, USD and HKD, of which approximately HK$295.1 million were current interest-bearing borrowings (31 December 2015: approximately HK$233.4 million) and HK$0.6 million were non-current interest-bearing borrowings (31 December 2015: approximately HK$69.9 million). Approximately 72.5% of the borrowings were fixed rate borrowings and 27.5% of the borrowings were variable rate borrowings. 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 approximately 12% as at 31 December 2015 to approximately 24% as at 30 June 2016.

Exposure to fluctuation in exchange rate

The Group is exposed to currency risk primarily through sales and purchases made by the subsidiaries in the PRC which give rise to receivables, payables, cash balances and bank loans that are denominated in USD. At present, 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 are not exposed 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 2016, the Group's total capital expenditure amounted to approximately HK$131.5 million (30 June 2015: approximately HK$58.1 million), which was used in the acquisition of property, plant and equipment.

Charge on assets

As at 30 June 2016, the Group had pledged its lease prepayments, machinery and building held for own use with net book value of approximately HK$148.9 million (31 December 2015: approximately HK$163.0 million) for the purpose of securing loans with carrying value of approximately HK$39.4 million (31 December 2015: approximately HK$72.3 million). Approximately HK$21.5 million of bank balance has been pledged as at 30 June 2016 (31 December 2015: Nil).

Significant investment, material acquisitions and disposals

On 17 March 2016, the Company (as purchaser) entered into a sale and purchase agreement with Bloom Shine Investments Limited (as vendor) (as supplemented by the supplemental agreement dated 23 June 2016 and the supplemental deed dated 25 July 2016 entered into between the Company and the vendor), pursuant to which the Company conditionally agreed to purchase and Bloom Shine Investments Limited conditionally agreed to sell the entire issued share capital of Treasure Cloud Limited at a consideration of HK$236,160,000 (the "Sale and Purchase Agreement"). The consideration shall be satisfied by the Company issuing to Bloom Shine Investments Limited (or its nominee(s)) convertible bonds convertible into 328,000,000 ordinary shares of the Company at the initial conversation price of HK$0.72 (subject to adjustment).

On 30 June 2016, completion of the Sale and Purchase Agreement took place and the convertible bond in the principal amount of HK$141,696,000 had been issued to Bloom Shine Investments Limited pursuant to the Sale and Purchase Agreement.

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

Save as disclosed above, there were no significant investments held nor other material acquisitions and disposals of subsidiaries, associated companies and joint ventures during the six months ended 30 June 2016.

Contingent liabilities

As at 30 June 2016, the Group did not have any significant contingent liabilities (31 December 2015: Nil).

Human resources

As at 30 June 2016, the Group employed approximately 346 employees (as compared with 272 employees as at 30 June 2015) with total staff cost of approximately HK$22.8 million incurred for the six months ended 30 June 2016 (as compared with approximately HK$30.2 million for the same period of 2015). The Group's remuneration packages are generally structured with reference to market terms and individual merits. The Company has also adopted 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 Board approved the payment of an interim dividend of HK$0.05 per share for the six months ended 30 June 2016 to the shareholders whose names appear on the register of members of the Company on 15 September 2016, being the record date for determining entitlements of the shareholders to the approved interim dividend. The approved interim dividend will be payable on or around 27 September 2016.

For determining entitlement to the interim dividend, the register of members of the Company will be closed from 14 September 2016 to 15 September 2016, both days inclusive. In order to qualify for the approved interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 13 September 2016.

Use of proceeds

On 6 February 2015, the Company entered into the placing agreement with Orient Securities Limited (the "Placing Agent") whereby the Company conditionally agreed to place, through the Placing Agent, a maximum of 83,000,000 (before share division) new shares to not less than six placees at a price of HK$2.66 per placing share (the "Placing"). The Placing was completed on 26 February 2015.

As at 30 June 2016, the Company has completed most of the proposed future use of the net proceeds from the Placing. They included:

(i) investment into its Qingdao Factory for the second production line which has commenced production since December 2014;

(ii) the repayment of bank loans; and

(iii) investment in two photovoltaic power stations located in Xuzhou, the PRC.

Subsequent events

On 4 April 2014, the Company entered into a sale and purchase agreement (supplemented by a supplemental deed dated 16 May 2014) with Mr. Guo Yumin ("Mr. Guo") for the acquisition of the entire issued share capital of Sheen Tai International Investment Ltd. (the "Target Company"), pursuant to which Mr. Guo agreed to sell and the Company agreed to purchase the entire issued share capital in the Target Company at a consideration of HK$165,000,000. Completion took place on 30 June 2014 and the consideration was settled by the Company issuing to Mr. Guo convertible bonds in the principal amount of HK$165,000,000 (the "Convertible Bonds"), convertible into 99,517,490 shares (adjusted to 398,069,960 shares upon the share subdivision of the Company becoming effective) of the Company at the initial conversion price of HK$1.658 (adjusted to HK$0.4145 upon the share subdivision of the Company becoming effective).

On 19 July 2016, 168,878,166 shares of the Company were allotted and issued to Mr. Guo upon exercise of the Convertible Bonds by Mr. Guo. Immediately after the allotment and issue of the said shares, the total issued shares of the Company was enlarged to 2,176,568,166 shares.

Save as disclosed above, there was no important event affecting the Group after 30 June 2016 and up to the date of this announcement.

Prospects

The Group has acquired 15 business-class data centers in the PRC and is going to provide infrastructure service (IAAS), platform service (PAAS) and software service (SAAS) through our operators to customers. Our 15 data centers are located in Jiangsu, Anhui, Hubei, Chongqing, Jiangxi, Shanghai, Zhejiang and Shangdong province, PRC. They are all equipped with cloud technology. The equipment (servers, routers, switches, firewalls, load balancers, cabinets, wiring, etc.) and software required to deliver services is purchased for cloud computing.

In the future, the Group is going to compete in a huge potential market, cloud computing business. Regardless of our current size, we believe we have an opportunity for growth. In order to take advantage of this market, we will have effective positioning with target customers and provide them with valuable products. We are going to compete on scale. We will build and further acquire more data centers. We are also going to compete as a value-adding solutions provider with a portfolio of differentiated and integrated products.

"Cloud computing industry is fast-growing and crowded. The size of the market is huge, considering the global spending by companies on fix costs for servers, networking, data-centers, infrastructure software, databases, data warehouses, and variable cost on computer specialists in the past. Cloud computing business can offer tremendous financial returns and pay strong returns on capital" *(quoted from our 2015 Annual Report)*.

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 2016.

Corporate Governance Code

The Company has complied with the requirements under the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2016, 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 a deviation from code provision A.1.8 of the Code.

With regular, timely and effective 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 relatively low. The Company will review and consider to make such arrangement as and when it thinks 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 2016.

Audit Committee

The Company has an audit committee (the "Audit Committee") with terms of reference aligned with the provisions of the Code 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 interim financial results of the Group for the six months ended 30 June 2016 is unaudited but has been reviewed by the Audit Committee.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float during the six months ended 30 June 2016 as required under the Listing Rules.

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

Hong Kong, 30 August 2016

As at the date of this announcement, the executive Directors are Mr. Guo Yumin, Ms. Xia Yu, Mr. Zeng Xiangyang, Mr. Guo Cheng 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.