Sheen Tai Holdings Group Company Limited
順泰控股集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1335)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 15.1% to approximately HK$209.7 million for the six months ended 30 June 2018 as compared with the same period of previous year.

- Gross profit decreased by approximately 6.4% to approximately HK$55.1 million for the six months ended 30 June 2018 as compared with the same period of previous year.

- Gross profit margin increased by approximately 2.4% to approximately 26.3% for the six months ended 30 June 2018 as compared with the same period of previous year.

- The Group recorded a profit attributable to equity shareholders of the Company of approximately HK$4.6 million for the six months ended 30 June 2018 as compared to a loss attributable to equity shareholders of the Company of approximately HK$17.5 million for the corresponding period in 2017.

- Average trade and bill receivables turnover days increased from approximately 195.8 days for the year ended 31 December 2017 to approximately 216.3 days for the six months ended 30 June 2018.

- Average inventory turnover days for packaging materials increased from approximately 124.5 days for the year ended 31 December 2017 to approximately 144.3 days for the six months ended 30 June 2018.

- The Board does not recommend payment of any interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: HK$0.01 per share).

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 2018 together with the comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2018	2017
		HK$'000	*HK$'000*
	Note	***(Unaudited)***	*(Unaudited)*
Revenue	*4*	**209,678**	246,851
Cost of sales		**(154,543)**	(187,938)
Gross profit		**55,135**	58,913
Other income	*5*	**8,532**	8,101
Other gains and losses	*6*	**(3,834)**	(24,733)
Distribution costs		**(6,908)**	(10,262)
Administrative expenses		**(40,358)**	(42,004)
Other operating expenses		**(41)**	(17)
Profit/(loss) from operations		**12,526**	(10,002)
Finance costs	*7*	**(4,281)**	(3,686)
Profit/(loss) before tax		**8,245**	(13,688)
Income tax expense	*8*	**(3,617)**	(3,512)
Profit/(loss) for the period	*9*	**4,628**	(17,200)
Attributable to:			
Equity shareholders of the Company		**4,613**	(17,473)
Non-controlling interests		**15**	273
Profit/(loss) for the period		**4,628**	(17,200)
Earnings/(loss) per share	*11*		
Basic (HK cents)		**0.188**	(0.741)
Diluted (HK cents)		**0.188**	(0.741)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Profit/(loss) for the period	**4,628**	(17,200)
Other comprehensive (loss)/income:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(12,486)**	24,885
Other comprehensive (loss)/income for the period, net of tax	**(12,486)**	24,885
Total comprehensive (loss)/income for the period	**(7,858)**	7,685
Attributable to:		
Equity shareholders of the Company	**(7,455)**	6,498
Non-controlling interests	**(403)**	1,187
Total comprehensive (loss)/income for the period	**(7,858)**	7,685

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

(Expressed in Hong Kong dollars)

	Note	**At 30 June 2018** ***HK$'000*** ***(Unaudited)***	At 31 December 2017 *HK$'000* *(Audited)*
Non-current assets			
Property, plant and equipment	*12*	**516,199**	476,596
Interests in leasehold land held for own use under operating lease		**19,316**	19,845
Goodwill		**2,830**	2,830
Intangible assets		**1,795**	2,086
Other non-current assets		**3,584**	3,470
Deferred tax assets		**6,219**	6,356
Total non-current assets		**549,943**	511,183
Current assets			
Financial assets at fair value through profit or loss ("FVTPL")		**23,608**	26,559
Inventories		**140,939**	142,144
Trade and other receivables	*13*	**316,046**	315,738
Current tax assets		**3,180**	2,855
Bank and cash balances		**185,767**	274,303
Total current assets		**669,540**	761,599
Current liabilities			
Trade and other payables	*14*	**158,273**	210,308
Bank borrowings		**158,131**	153,452
Current tax liabilities		**6,292**	6,198
Total current liabilities		**322,696**	369,958
Net current assets		**346,844**	391,641
Total assets less current liabilities		**896,787**	902,824

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

(Expressed in Hong Kong dollars)

	Note	**At 30 June 2018** ***HK$'000*** ***(Unaudited)***	At 31 December 2017 *HK$'000* *(Audited)*
Non-current liabilities			
Convertible bonds		**94**	94
Deferred tax liabilities		**5,963**	4,958
Total non-current liabilities		**6,057**	5,052
Net assets		**890,730**	897,772
Capital and reserves			
Share capital	*15*	**6,138**	6,138
Reserves		**885,547**	892,186
Total equity attributable to equity shareholders of the Company		**891,685**	898,324
Non-controlling interests		**(955)**	(552)
Total equity		**890,730**	897,772

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

(Expressed in Hong Kong dollars unless otherwise indicated)

1. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

These condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2017.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations.

The Group has initially adopted HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

HKFRS 9 Financial Instruments

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

The adoption of HKFRS 9 from 1 January 2018 resulted in the following changes to the Group's accounting policies.

(a) Classification

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

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

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

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

(b) Measurement

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

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

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

(c) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial instruments carried at amortised cost.

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

The adoption of new approach did not result in any impact on the amounts reported in the opening retained profits on 1 January 2018 and the financial information during the six months ended 30 June 2018.

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

Financial assets	Classification under HKAS 39	Classification under HKFRS 9	Carrying amount under HKAS 39	Carrying amount under HKFRS 9
			HK$'000	*HK$'000*
Trade and other receivables	Loans and receivables	Amortised cost	274,764	274,764
Equity investments, wealth management products and debentures	FVTPL	FVTPL	26,559	26,559

HKFRS 15 Revenue from Contracts with Customers

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

The Group has adopted HKFRS 15 using the cumulative effect method with the effect of initially applying this standard recognised at the date of initial application. Accordingly, the information presented for 2017 has not been restated, i.e. it is presented, as previously reported, under HKAS 18, HKAS 11 and related interpretations.

Considering the nature of the Group's principal activities, the adoption of HKFRS 15 does not have material impact on the Group's revenue recognition.

3. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 30 June 2018:

Description	**Fair value measurements as at 30 June 2018: (unaudited)**			**Total**
	Level 1	**Level 2**	**Level 3**	**2018**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurements:				
Financial assets:				
Financial assets at fair value through profit or loss				
— Listed	**16,484**	**—**	**—**	**16,484**
— Unlisted	**—**	**7,124**	**—**	**7,124**
Total	**16,484**	**7,124**	**—**	**23,608**
Recurring fair value measurements:				
Financial liabilities:				
Financial liabilities at fair value through profit or loss	**—**	**—**	**94**	**94**

Description	Fair value measurements as at 31 December 2017: (audited)			Total
	Level 1	Level 2	Level 3	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements:				
Financial assets:				
Financial assets at fair value through profit or loss				
— Listed	19,366	—	—	19,366
— Unlisted *(note 1)*	—	7,193	—	7,193
Total	19,366	7,193	—	26,559
Recurring fair value measurements:				
Financial liabilities:				
Financial liabilities at fair value through profit or loss	—	—	94	94

During the period, there were no changes in the valuation techniques used.

During the period ended 30 June 2018 and year ended 31 December 2017, there were no transfers among Level 1, Level 2 and Level 3.

Valuation techniques and inputs used in Level 2 fair value measurements:

Note 1: The fair value of financial assets at fair value through profit or loss is based on the market comparison method. The valuation refers to the expected return rates announced by the banks.

(b) Reconciliation of liabilities measured at fair value based on level 3:

	At 30 June 2018	At 31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
At beginning of period/year	**94**	202,176
Convert to new shares	—	(188,928)
Total losses recognised in profit or loss (#)	—	(13,154)
At end of period/year	**94**	94
(#) Include losses for assets held at end of reporting period/year	—	(13,154)

The total losses recognised in profit or loss including those for liabilities held at end of reporting period are presented in other gains and losses in the statement of profit or loss.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2018:

The Group's financial controller is responsible for the fair value measurements of assets and financial liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Director for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Key unobservable inputs used in level 3 fair value measurements are mainly:

— Stock price volatility of the Company (estimated based on the historical daily volatility of the Company's share price as at the valuation date, quoted from Bloomberg).

— Expected revenue growth rate (estimated based on management's business forecast and historical revenue).

— Expected revenue volatility (estimated based on the average revenue volatility of nine comparable companies from 2011 onward).

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value	
					At 30 June 2018	At 31 December 2017
					HK$'000	*HK$'000*
					(Unaudited)	*(Audited)*
Convertible bonds	Black-Scholes model with Monte Carlo Simulation method	Stock price volatility	67.5% (2017:67.5%)	Increase	**94**	94
		Expected revenue growth rate	0% (2017: 0%)	Increase		
		Expected revenue volatility	27.6% (2017: 27.6%)	Increase		

There were no significant changes in the valuation techniques used.

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers.

The nature and effect of initially applying HKFRS 15 on the Group's interim financial statements are disclosed in note 2.

Revenue represents the sales value of goods sold less returns, discounts, value added taxes and other sales taxes and rendering of services. The amount of each significant category of revenue during the period is as follows:

	Six months ended 30 June			
	2018		2017	
	HK$'000	*%*	***HK$'000***	*%*
	(Unaudited)		*(Unaudited)*	
Manufacturing and sales of BOPP films				
— Cigarette films	**105,370**	**50%**	88,434	36%
— Non-cigarette-related films	**53,006**	**25%**	44,240	18%
Sub-total	**158,376**	**75%**	132,674	54%
Sales of sub-processing cigarette films	**19,725**	**9%**	48,568	20%
Properties development and related services	**5,850**	**3%**	37,927	15%
Generation of photovoltaic power	**24,510**	**12%**	24,173	10%
Cloud-related business	**1,217**	**1%**	3,509	1%
Total	**209,678**	**100%**	246,851	100%

In the following table, revenue is disaggregated by primary geographical market and timing of revenue recognition.

For the six months ended 30 June (unaudited)	Manufacturing and sales of BOPP films		Sales of sub-processing cigarette films		Properties development and related services		Generation of photovoltaic power		Cloud-related business		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Primary geographical markets												
Mainland China	**158,376**	132,674	**19,725**	48,568	**5,850**	37,927	**24,510**	24,173	**1,217**	3,509	**209,678**	246,851
Timing of revenue recognition												
Products transferred at a point in time	**158,376**	132,674	**19,725**	48,568	**3,225**	34,860	—	—	—	—	**181,326**	216,102
Products and services transferred over time	—	—	—	—	**2,625**	3,067	**24,510**	24,173	**1,217**	3,509	**28,352**	30,749
Total	**158,376**	132,674	**19,725**	48,568	**5,850**	37,927	**24,510**	24,173	**1,217**	3,509	**209,678**	246,851

The following table provides information about receivables, from contracts with customers:

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Receivables, which are included in "Trade and other receivables"	**246,919**	254,258

(b) Segment reporting

The Group has five operating segments as follows:

- Manufacturing and sales of BOPP films: this segment engages in manufacturing and sales of cigarette packaging films and non-cigarette-related packing films (e.g. films for packing straws, food, cassettes and stationery tapes);

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

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

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

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

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

(i) *Segment results, assets and liabilities*

Information about reportable segment profit or loss, assets and liabilities is as follows:

	Six months ended 30 June (unaudited)											
	Manufacturing and sales of BOPP films		Sales of sub-processing cigarette films		Properties development and related services		Generation of photovoltaic power		Cloud-related business		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**158,376**	132,674	**19,725**	48,568	**5,850**	37,927	**24,510**	24,173	**1,217**	3,509	**209,678**	246,851
Reportable segment revenue	**158,376**	132,674	**19,725**	48,568	**5,850**	37,927	**24,510**	24,173	**1,217**	3,509	**209,678**	246,851
Reportable segment gross profit/(loss)	**32,801**	31,907	**6,312**	18,308	**837**	3,448	**15,636**	16,246	**(451)**	(10,996)	**55,135**	58,913
Reportable segment profit/(loss) before tax	**9,087**	12,054	**1,302**	9,727	**(1,576)**	211	**14,323**	15,544	**(2,315)**	(26,321)	**20,821**	11,215
Interest income from bank deposits	**26**	35	**19**	38	**636**	259	**1**	10	**19**	19	**701**	361
Interest expense	**2,845**	2,189	**1,007**	1,250	**—**	—	**429**	—	**—**	—	**4,281**	3,439
Depreciation and amortisation	**8,158**	7,425	**1,103**	459	**256**	256	**6,913**	6,421	**2,014**	13,107	**18,444**	27,668
As at 30 June (unaudited)/ 31 December (audited)												
Reportable segment assets	**410,042**	404,262	**89,785**	95,369	**195,409**	294,003	**417,987**	341,488	**58,523**	61,349	**1,171,746**	1,196,471
Reportable segment liabilities	**172,957**	172,921	**59,270**	84,591	**70,710**	97,591	**22,385**	14,771	**3,311**	3,288	**328,633**	373,162

(ii) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Profit/(loss)		
Reportable segment profit before tax	**20,821**	11,215
Loss on disposal of subsidiaries	**(1,629)**	—
Net realised and unrealised loss on equity securities	**(2,882)**	(12,302)
Fair value gains on financial assets at fair value through profit or loss	**31**	—
Dividend income from equity securities	**129**	396
Unallocated head office and corporate expenses	**(8,225)**	(12,997)
Consolidated profit/(loss) before tax	**8,245**	(13,688)

5. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Interest income	**702**	381
Dividend income from equity securities	**129**	396
Sales of scrap materials	**7,158**	5,890
Sundry income	**543**	1,434
	8,532	8,101

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Net foreign exchange gains	**128**	361
Fair value gain on financial assets at fair value through profit or loss	**31**	—
Net realised and unrealised loss on equity securities	**(2,882)**	(12,302)
Interest income from wealth management products	**408**	—
Loss on disposal of subsidiaries	**(1,629)**	—
Loss on revaluation of convertible bonds	**—**	(12,792)
Write off of property, plant and equipment	**(11)**	—
Gain on disposal of property, plant and equipment	**121**	—
	(3,834)	(24,733)

7. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Interest on bank borrowings	**3,852**	2,451
Other interest expense	**429**	1,235
Total borrowing costs	**4,281**	3,686

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Current tax — Hong Kong Profits Tax		
Provision for the period	**—**	85
Overprovision in prior periods	**(1,004)**	—
	(1,004)	85
Current tax — People's Republic of China Enterprise Income Tax ("PRC EIT")		
Provision for the period	**2,735**	3,053
Underprovision in prior periods	**761**	721
	3,496	3,774
PRC land appreciation tax	**26**	—
Deferred tax	**1,099**	(347)
	3,617	3,512

(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 period ended 30 June 2018 is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the period. The payments of dividends by the subsidiaries incorporated in Hong Kong are not subject to withholding tax.

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

Pursuant to the rules and regulations applicable to advanced technology enterprises established in the PRC, Jiangsu Sheen Colour Science Technology Co., Ltd. and Qingdao Ener Packaging Technology Co., Ltd. are subject to PRC corporate income tax at a preferential tax rate of 15% for the period ended 30 June 2018.

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

Entities engaged in software related business are eligible for a corporate income tax exemption for the first year to second year, and a 50% reduction for the third year to the fifth year starting from the year in which the entities first generate operating income (the "2+3 tax holiday"). Xuyi Guangcai Information Technology Co., Ltd. (an indirect wholly-owned subsidiary of the Group) obtained the "Notification of CIT 2+3 tax holiday" in 2017 and was entitled to 2+3 tax holiday retrospectively from 2016 to 2020.

(iv) According to the New Tax Law and its implementation rules, dividends receivable by non-PRC-resident corporate investors from PRC-resident enterprises are subject to withholding tax at 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. Under the tax arrangement between the Mainland of China and Hong Kong Special Administrative Region and the relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds a 25% equity interest or more of a PRC enterprise is entitled to a reduced withholding tax rate of 5%. The withholding tax rate applicable to the Group is 5%.

(v) According to the New Tax Law and its implementation rules, where the research and development expenses incurred by an enterprise in research and development activities do not form intangible assets and are included in the current period's profit or loss, 50% of such research and development expenses shall be deducted from the taxable income amount of the period; where intangible assets are formed, pretax amortisation shall be made based on 150% of the costs of the intangible assets.

9. PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Amortisation of intangible assets	**290**	10,852
Depreciation	**21,642**	20,380
Amortisation of leasehold land	**263**	243
Operating lease charges:		
— Land and buildings	**2,436**	5,883
Cost of inventories sold	**142,122**	165,506
Reversal of impairment losses on trade and other receivables	**—**	(449)
Write off of property, plant and equipment	**11**	—
Gain on disposal of property, plant and equipment	**(121)**	—
Allowance for inventories	**—**	495

Cost of inventories sold includes staff costs, depreciation and operating lease charges of approximately HK$18,815,000 (2017: HK$17,831,000) which are included in the amounts disclosed separately.

10. DIVIDENDS

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
2018 Interim of HK$Nil (2017: 2017 Interim of HK$0.01) per ordinary share paid	**—**	24,464

11. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share is based on the following:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Earnings/(loss)		
Profit/(loss) for the purpose of calculating basic earnings/(loss) per share	**4,613**	(17,473)
After tax effect of change in fair value of convertible bonds	**—**	—
Profit/(loss) for the purpose of calculating diluted earnings/(loss) per share	**4,613**	(17,473)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings/(loss) per share (thousand shares)	**2,455,248**	2,358,537

The Company's share options as at 30 June 2018 do not give rise to any dilutive effect to the earnings per share.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment of approximately HK$69,788,000 (2017: HK$18,374,000).

13. TRADE AND OTHER RECEIVABLES

	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 HK$'000 (Audited)
Trade and bills receivables	**250,523**	257,913
Allowance for doubtful debts	**(3,604)**	(3,655)
	246,919	254,258
Deposits, prepayments and other receivables		
— related parties	**243**	60
— third parties	**68,379**	60,908
Current portion of interests in leasehold land held for own use under operating lease	**505**	512
	316,046	315,738

The ageing analysis of trade and bills receivables, based on the invoice date, and net of allowance, is as follows:

	At 30 June 2018		At 31 December 2017	
	Trade receivables ***HK$'000*** ***(Unaudited)***	**Bills receivable** ***HK$'000*** ***(Unaudited)***	Trade receivables *HK$'000* *(Audited)*	Bills receivable *HK$'000* *(Audited)*
Less than 30 days	**33,841**	**1,148**	101,962	20,409
31 - 90 days	**69,104**	**—**	66,066	—
91 - 180 days	**36,762**	**—**	16,429	—
181 - 365 days	**63,751**	**—**	18,488	—
Over 365 days	**42,313**	**—**	30,904	—
	245,771	**1,148**	233,849	20,409

14. TRADE AND OTHER PAYABLES

	At 30 June 2018	At 31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Trade and bills payables	**107,334**	126,565
Advances received	**13,459**	8,354
Other payables and accruals		
— related parties	**744**	26,629
— others	**35,750**	43,092
Due to a director and ultimate controlling shareholder and director		
— Mr Guo Yumin	**986**	5,668
	158,273	210,308

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

	At 30 June 2018		At 31 December 2017	
	Trade payables	**Bills payable**	Trade payables	Bills payable
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
	(Unaudited)	***(Unaudited)***	*(Audited)*	*(Audited)*
Less than 30 days or on demand	**84,778**	**1,274**	105,679	3,602
31 - 90 days	**6,072**	**—**	8,758	—
91 - 180 days	**4,459**	**—**	1,719	—
181 - 365 days	**6,596**	**—**	745	—
Over 365 days	**4,155**	**—**	6,062	—
	106,060	**1,274**	122,963	3,602

15. SHARE CAPITAL

	At 30 June 2018		At 31 December 2017	
	Number of shares	**Amount**	Number of shares	Amount
	'000	***HK$'000***	*'000*	*HK$'000*
	(Unaudited)	***(Unaudited)***	*(Audited)*	*(Audited)*
Authorised:				
Ordinary shares of HK$0.0025 each	**8,000,000**	**20,000**	8,000,000	20,000
Issued and fully paid:				
Ordinary shares of HK$0.0025 each				
At beginning of period/year	**2,455,248**	**6,138**	2,183,968	5,460
Shares issued under share option scheme	—	—	8,880	22
Conversion of convertible bonds	—	—	262,400	656
At end of period/year	**2,455,248**	**6,138**	2,455,248	6,138

16. CAPITAL COMMITMENTS

	At 30 June 2018	At 31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Contracted but not provided for:		
Purchase of property, plant and equipment	**502**	—

17. MATERIAL RELATED PARTY TRANSACTIONS

For the period ended 30 June 2018 and 2017, transactions with the following parties are considered to be related party transactions:

Mr. Guo Yumin	Director and the ultimate controlling party of the Company
Xuzhou Ruilong Real Estate Development Co., Ltd. *(Note)*	Owned by Mr. Guo Yumin
Xuzhou Xingchen Real Estate Development Co., Ltd. *(Note)*	Owned by Mr. Guo Yumin
Cheng Jun Group Limited	Owned by Mr. Guo Yumin
Union Winful Limited	Owned by Mr. Guo Yumin
Sheen Dragon Properties Limited	Owned by Mr. Guo Yumin
Hong Kong Rising Star Group Holdings Limited	Owned by Mr. Guo Yumin
Xuzhou Lvzhou Property Management Co., Ltd. *(Note)*	Owned by Mr. Guo Yumin

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

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees, is as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Short-term employee benefits	**5,711**	4,223
Post-employment benefits	**65**	90
Equity compensation benefits	**221**	1,125
	5,997	5,438

(b) Other related party transactions

The Group had the following transactions with its related parties during the period:

	Six month ended 30 June 2018 (Unaudited)			
	Interest expense	**Rental expenses**	**Proceeds from borrowings**	**Repayment of borrowings**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Xuzhou Ruilong Real Estate Development Co., Ltd.	**429**	**366**	**—**	**—**
Mr. Guo Yumin	**—**	**—**	**—**	**4,682**
	429	**366**	**—**	**4,682**

	Six month ended 30 June 2017 (Unaudited)			
	Interest expense	Rental expenses	Proceeds from borrowings	Repayment of borrowings
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Xuzhou Ruilong Real Estate Development Co., Ltd.	194	—	19,358	8,165
Mr. Guo Yumin	—	—	—	1,501
	194	—	19,358	9,666

(c) Balances with related parties

At 30 June 2018 and 31 December 2017, the Group had the following balances with related parties:

	Note	**2018** ***HK$'000*** ***(Unaudited)***	2017 *HK$'000* *(Audited)*
Trade receivables			
— Xuzhou Ruilong Real Estate Development Co., Ltd.		**—**	4,913
— Xuzhou Xingchen Real Estate Development Co., Ltd.		**—**	1,012
Trade payable			
— Xuzhou Ruilong Real Estate Development Co., Ltd.		**—**	(5,695)
Due from related companies			
— Cheng Jun Group Limited	*(i)*	**18**	18
— Union Winful Limited	*(i)*	**47**	42
— Sheen Dragon Properties Limited		**37**	—
— Hong Kong Rising Star Group Holdings Limited		**142**	—
Due to a director and ultimate controlling party			
— Mr. Guo Yumin	*(i)*	**(986)**	(5,668)
Loans from a related company			
— Xuzhou Ruilong Real Estate Development Co., Ltd.	*(ii)*	**—**	(25,177)
Due to a related company			
— Xuzhou Ruilong Real Estate Development Co., Ltd.	*(i)*	**(676)**	(1,452)
— Xuzhou Lvzhou Property Management Co., Ltd.		**(68)**	—
		(1,486)	(32,007)

(i) The amounts due from/(to) related companies and a director are interest-free and expected to be recovered within one year.

(ii) Loans from a related company of RMB13,000,000 which is equivalent to HK$15,586,000 with interest bearing at 4.35% per annum as at 31 December 2017; and RMB8,000,000 which is equivalent to HK$9,591,000 with interest bearing at an interest rate referencing to the benchmark lending rate per annum of the People's Bank of China as at 31 December 2017. Both loans from a related company had been fully repaid during the six months ended 30 June 2018.

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of Xuzhou Ruilong Real Estate Development Co., Ltd. and Mr. Guo Yumin above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are financial assistance received by a listed issuer's Group from a connected person or commonly held entity, which are conducted on normal commercial terms or better and are not secured by the assets of the Group.

18. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2018 (At 31 December 2017: HK$Nil).

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation. The changes included the reclassification of certain gains or losses previously classified under other income to other gains and losses. These new classification of accounting items were considered to provide a more appropriate presentation of the results and the state of affairs of the Group.

20. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31 August 2018.

OVERVIEW

The Group has strengthened its business and maintained its stable operations for the six months ended 2018. It recorded a revenue of approximately 209.7 million for the six months ended 30 June 2018, as compared to a net loss in the corresponding period in 2017.

Qingdao Ener Packaging Technology Co., Ltd., a subsidiary of the Group, mainly provides cigarette film for large domestic cigarette companies. The Company's management actively operated under unfavorable market environment and has made good use of accumulated technological innovation advantages and customer resources. The sales achieved another peak record, as well as the revenue and the gross profit for the six months ended 2018. Revenue generated from the real estate segment for the six months ended 2018 was mainly derived from the sales of the remaining inventory which are storerooms of Xuzhou Property project. The Company has achieved another milestone that the third photovoltaic power station, a grid-connected capacity of 10 megawatts ("MW"), has been completed and successfully put into operation.

The existing business of the Company consists of five segments, namely; (i) manufacturing and sales of BOPP films; (ii) sales of sub-processing cigarette films; (iii) properties development and related services; (iv) generation of photovoltaic power; and (v) cloud-related business.

FINANCIAL REVIEW

RESULTS OF OPERATION

Revenue

The principal activities of the Group include manufacturing and sales of BOPP films, sales of sub-processing cigarette films, properties development and related services, generation of photovoltaic power and cloud-related business. Our revenue represents the sales of goods sold and service provided excluding returns, discounts and value added taxes and other sales taxes. For the six months ended 30 June 2018, our revenue decreased by approximately HK$37.2 million, or approximately 15.1%, from approximately HK$246.9 million for the six months ended 30 June 2017 to approximately HK$ 209.7 million, primarily as a result of the following:

Manufacturing and sales of BOPP films

The increase in revenue from manufacturing and sales of BOPP films by approximately 19.4%, from approximately HK$132.7 million for the six months ended 30 June 2017 to approximately HK$158.4 million for the six months ended 30 June 2018, primarily due to the increase in demand of external main customers for cigarette-related films.

Sales of sub-processing cigarette films

The decrease in revenue from the sales of sub-processing cigarette films from approximately HK$48.6 million for the six months ended 30 June 2017 to approximately HK$19.7 million for the six months ended 30 June 2018, primarily due to the decrease in demand of external main customers for sub-processing cigarette-related films.

Properties development and related services

Most of the returns from the property development project were realised in the year of 2017. For the six months ended at 30 June 2018, the sales of storerooms as the remaining inventory contributed the revenue of approximately HK$3.2 million and property management service income of approximately HK$2.7 million.

Generation of photovoltaic power

The third photovoltaic power station has put into operation since June 2018 and now the total generation of electricity from our photovoltaic power stations has reached to 40 MW. Revenue increased from approximately HK$24.2 million for the six months ended 30 June 2017 to approximately HK$24.5 million for the six months ended 30 June 2018.

Cloud-related business

For the six months ended 30 June 2018, the Company has recorded a total of approximately HK$1.2 million revenue.

GROSS PROFIT

Our gross profit decreased by approximately HK$3.8 million, or approximately 6.4%, from approximately HK$58.9 million for the six months ended 30 June 2017 to approximately HK$55.1 million for the six months ended 30 June 2018. Our gross profit margin increased from approximately 23.9% for the six months ended 30 June 2017 to approximately 26.3% for the period ended 30 June 2018. The increase was mainly due to the decrease in amortization cost in cloud-related business.

DISTRIBUTION COST

Our selling and distribution expenses decreased by approximately HK$3.4 million, or approximately 33.0%, from approximately HK$10.3 million for the six months ended 30 June 2017 to approximately HK$ 6.9 million for the six months ended 30 June 2018. The decrease was mainly due to the reduction in advertising and selling expenses for the pre-sales of our properties located in Xuzhou since March 2016.

ADMINISTRATIVE COST

Our administrative expenses decreased by approximately HK$1.6 million, or approximately 3.81%, from approximately HK$42.0 million for the six months ended 30 June 2017 to approximately HK$40.4 million for the six months ended 30 June 2018. The decrease was mainly due to economical and better allocation of resources.

FINANCE COST

The finance cost increased by approximately 16.2% from approximately HK$3.7 million for the six months ended 30 June 2017 to approximately HK$4.3 million for the six months ended 30 June 2018, primarily due to the increase in borrowing for the construction of photovaltaic power stations.

INCOME TAX

Our income tax decreased by approximately HK$0.1 million from approximately HK$3.5 million for the six months ended 30 June 2017 to approximately HK$3.6 million for the six months ended 30 June 2018.

PROFIT ATTRIBUTED TO SHAREHOLDERS OF THE COMPANY

As a result of the foregoing factors, profit attributable to equity shareholders of the Company for the period was approximately HK$4.6 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the cash and cash equivalent of the Group amounted to approximately HK$185.8 million (which were denominated in Hong Kong Dollars ("HKD"), Renminbi ("RMB") and United States Dollars ("USD")) compared with approximately HK$274.3 million as at 30 June 2017. For the six months ended 30 June 2018, the Group's net cash inflow of operating activities, net cash outflow of investment activities and net outflow of financing activities amounted to approximately HK$12.3 million, HK$71.6 million and HK$23.3 million respectively.

BORROWINGS AND GEARING RATIO

Total interest-bearing borrowings of the Group as at 30 June 2018 was approximately HK$158.1 million which were denominated in HKD, RMB and USD. 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 -10.7% as at 31 December 2017 to -3.1% as at 30 June 2018. The increase was primarily due to the decrease of bank deposit.

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 USD. Presently, 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, the aforesaid subsidiaries are not exposed to any currency risk due to the exchange rate movement of RMB. For subsidiaries incorporated outside of the PRC, they have no material financial assets and liabilities denominated in RMB. Accordingly, the Group's exposure to RMB risk is insignificant.

CAPITAL EXPENDITURE

During the six months ended 30 June 2018, the Group's total capital expenditure amounted to approximately HK$69.8 million. The capital expenditure was mainly incurred in the construction of photovaltaic power station.

CHARGE ON ASSETS

As at 30 June 2018, the Group had pledged its lease prepayments, machinery and building held for own use with net book value of approximately HK$135.5 million for the purpose of securing loans with carrying value of approximately RMB60.0 million.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSALS

Xuzhou Shuntai New Energy Power Generation Co., Ltd., an indirect wholly owned subsidiary of the Company, has obtained approval from Xuzhou Development and Reform Commission. On 25 June 2018, we have already safely completed the construction of and assigned management team to operate the photovoltaic power stations.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any significant contingent liabilities.

HUMAN RESOURCES

As at 30 June 2018, the Group employed approximately 318 employees. 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(s) or reward(s) to high-calibre employees and attract top talents that are valuable to the Group.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2018.

SUBSEQUENT EVENTS

Save as disclosed above, there was no important event affecting the Group after 30 June 2018 and up to the date of this announcement.

PROSPECTS

In the future, we will continue to uphold the principle of ensuring the interests of shareholders and expand our existing business to a favorable size. While ensuring the steady development of existing segments, we also try to explore new opportunities with policy support and diversify its business to avoid negative impact arising from industry cycle.

At present, the domestic market of tobacco industry remains steady. The market share becomes more highly concentrated due to the decrease of the total number of brands. The sales volume is reviving in the mid 2018, particularly, the top-tier and fine cigarette market has been experiencing a rapid growth in the first half year 2018 while the State Tobacco Monopoly Administration has further adjusted the cigarette products structure. It has also repeatedly adjusted cigarette classification standards to promote the production of such cigarette products. We believe that if we are able to seize opportunities to design products that combine exquisite, environmentally friendly, anti-counterfeit, and custom-made concepts based on customer needs for this growing market demand, we will be able to further expand in the film market. Leveraging the advantages accumulated by the company over the years as well as seizing the opportunities, we believe we will be able to achieve the goal with both transaction volume and price rising.

On the other hand, for photovoltaic sector, the growth rate of the photovoltaic industry in the first half of 2018 is high, but the brutal growth has led to a lot of troubles, resulting in a series of quality problems. At present, the PRC governments' subsidy for photovoltaic power generation is about RMB30 billion. While clean energy like wind power, the subsidy is only about RMB5 billion to RMB6 billion, whose power generation is three times than that of photovoltaics. The new policy introduced at the end of May 2018 can be understood as to avoid the risk of a larger subsidy gap. The management team will be more cautious in investing in this sector in the future; ensuring this segment increase in a healthier way.

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 2018.

CORPORATE GOVERNANCE CODE

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Directors continuously observe the principles of good corporate governance in the interests of shareholders and devote considerable effort to identifying and formalizing best practice.

The Group's corporate governance practices are based on the principles and the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules.

The Board considered that the Company had complied with the code provisions of the Code during the six months ended 2018 except for the deviations from code provisions A.2.1 of the Code as stated below.

Under code provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the six months ended 2018, there has been no chief executive in the Company. Mr. Guo Yumin acted as the chairman of the Board and is responsible for the overall management and formulation of business strategy of the Group.

The Board does not have the intention to fill the position of the chief executive of the Company at present and believes that the absence of the chief executive will not have adverse effect to the Company, as decisions of the Company will be made collectively by the executive Directors. The Board will keep reviewing the current structure of the Board and the need of appointment of a suitable candidate to perform the role of chief executive. Appointment will be made to fill the post to comply with code provision A.2.1 of the Code if 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 2018.

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 2018 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 2018 as required under the Listing Rules.

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

Hong Kong, 31 August 2018

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