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 2019

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 2.5% to approximately HK$214.9 million for the six months ended 30 June 2019 as compared with the corresponding period in 2018.
- Gross profit decreased by approximately 12.4% to approximately HK$48.3 million for the six months ended 30 June 2019 as compared with the corresponding period in 2018.
- Gross profit margin decreased by approximately 3.8% to approximately 22.5% for the six months ended 30 June 2019 as compared with the corresponding period in 2018.
- The Group recorded a loss attributable to equity shareholders of the Company of approximately HK$0.2 million for the six months ended 30 June 2019 as compared to a profit attributable to equity shareholders of the Company of approximately HK$4.6 million for the corresponding period in 2018.
- Average trade and bill receivables turnover days decreased from approximately 197.1 days for the year ended 31 December 2018 to approximately 176.2 days for the six months ended 30 June 2019.
- Average inventory turnover days for packaging materials decreased from approximately 109.2 days for the year ended 31 December 2018 to approximately 88.7 days for the six months ended 30 June 2019.
- The Board does not recommend payment of any interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: Nil).

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 2019 together with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
		HK$'000	*HK$'000*
	Note	***(Unaudited)***	*(Unaudited)*
Revenue	*4*	**214,908**	209,678
Cost of sales		**(166,615)**	(154,543)
Gross profit		**48,293**	55,135
Other income	*5*	**18,611**	8,532
Other gains and losses	*6*	**(14,042)**	(3,834)
Distribution costs		**(8,591)**	(6,908)
Administrative expenses		**(37,796)**	(40,358)
Other operating expenses		**(1,024)**	(41)
Profit from operations		**5,451**	12,526
Finance costs	*7*	**(3,802)**	(4,281)
Profit before tax		**1,649**	8,245
Income tax expense	*8*	**(1,891)**	(3,617)
(Loss)/profit for the period	*9*	**(242)**	4,628
Attributable to:			
Equity shareholders of the Company		**(242)**	4,613
Non-controlling interests		**—**	15
		(242)	4,628
(Loss)/earnings per share			
Basic (HK cents)	*11*	**(0.010)**	0.188
Diluted (HK cents)	*11*	**(0.010)**	0.188

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
(Loss)/profit for the period	**(242)**	4,628
Other comprehensive loss:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(1,953)**	(12,486)
Other comprehensive loss for the period, net of tax	**(1,953)**	(12,486)
Total comprehensive loss for the period	**(2,195)**	(7,858)
Attributable to:		
Equity shareholders of the Company	**(2,195)**	(7,455)
Non-controlling interests	—	(403)
Total comprehensive loss for the period	**(2,195)**	(7,858)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Note	**At 30 June 2019** ***HK$'000*** ***(Unaudited)***	At 31 December 2018 *HK$'000* *(Audited)*
Non-current assets			
Property, plant and equipment	*12*	**441,173**	458,835
Interests in leasehold land held for own use under operating lease		**27,875**	26,288
Right-of-use assets	*13*	**15,550**	—
Goodwill		**2,830**	2,830
Intangible assets		**1,338**	1,556
Other non-current assets		**3,144**	1,380
Contract assets		**49,963**	39,478
Deferred tax assets		**3,675**	4,691
Total non-current assets		**545,548**	535,058
Current assets			
Financial assets at fair value through profit or loss ("FVTPL")		**14,295**	15,199
Inventories		**90,800**	100,788
Trade and other receivables	*14*	**264,139**	274,618
Current tax assets		**1,880**	1,875
Restricted cash		**8,184**	8,881
Bank and cash balances		**151,456**	185,386
Total current assets		**530,754**	586,747
Current liabilities			
Trade and other payables	*15*	**75,072**	116,795
Contract liabilities		**15,593**	2,185
Bank borrowings		**125,672**	159,625
Deferred government grants		**266**	—
Current tax liabilities		**6,526**	6,049
Lease liabilities		**1,167**	—
Total current liabilities		**224,296**	284,654
Net current assets		**306,458**	302,093
Total assets less current liabilities		**852,006**	837,151

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Note	**At 30 June 2019** **HK$'000** **(Unaudited)**	At 31 December 2018 HK$'000 (Audited)
Non-current liabilities			
Deferred government grants		**6,173**	—
Deferred tax liabilities		**6,032**	5,844
Lease liabilities		**14,585**	—
Total non-current liabilities		**26,790**	5,844
Net assets		**825,216**	831,307
Capital and reserves			
Share capital	*16*	**6,085**	6,138
Reserves		**819,131**	825,169
Total equity		**825,216**	831,307

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 2018. The accounting policies (including the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2018 except as stated below.

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 2019. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has initially adopted HKFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained profits at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated — i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(b) As a lessee

The Group leases many assets, including land and properties.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The recognised right-of-use assets relate to the following types of assets:

	Balance as at	
	30 June 2019	**1 January 2019**
	HK$'000	*HK$'000*
Land	14,605	14,969
Properties	945	1,041
Total right-of-use assets	15,550	16,010

Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Transition

Previously, the Group classified land and property leases as operating leases under HKAS 17. These include land and office properties. The leases typically run for periods ranging from 1 to 25 years.

At transition, for leases classified as operating leases under HKAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17.

— Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

— Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

— Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(c) Impacts of financial statements

Impact on transition

On transition to HKFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained profits. The change in accounting policy affected the following items on the condensed consolidated statement of financial position (increase/(decrease)) as at 1 January 2019 is summarised below.

	1 January 2019
	HK$'000
Assets	
Right-of-use assets	16,010
Total assets	16,010
Liabilities	
Lease liabilities	16,010
Total liabilities	16,010
Equity	
Retained profits	—
Total equity	—

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 6.47%.

	1 January 2019
	HK$'000
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	22,167
Discounted using the incremental borrowing rate at 1 January 2019	16,673
Less: Recognition exemption for leases with less than 12 months of lease terms at transition	(663)
Lease liabilities recognised as at 1 January 2019	**16,010**
Of which are:	
Current lease liabilities	**1,083**
Non-current lease liabilities	**14,927**
	16,010

Impacts for the period

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised HK$15,550,000 of right-of-use assets and HK$15,752,000 of lease liabilities as at 30 June 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation and finance costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised depreciation charge of HK$795,000 and finance costs of HK$499,000 from these leases.

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.

The following table shows the carrying amounts and fair value of financial assets, including their levels in the fair value hierarchy. It does not include fair value information for financial assets not measured at fair value of the carrying amount is a reasonable approximation of fair value. Further, for the current period the fair value disclosure of lease liabilities is also not required.

(a) Disclosures of level in fair value hierarchy at 30 June 2019:

	Fair value measurements as at 30 June 2019: (unaudited)			**Total 2019**
Description	**Level 1**	**Level 2**	**Level 3**	
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurements:				
Financial assets:				
Financial assets at FVTPL				
— Listed equity securities	**14,295**	**—**	**—**	**14,295**

	Fair value measurements as at 31 December 2018: (audited)			Total 2018
Description	Level 1	Level 2	Level 3	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements:				
Financial assets:				
Financial assets at FVTPL				
— Listed equity securities	15,199	—	—	15,199

There were no 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.

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			
	2019		2018	
	HK$'000	***%***	*HK$'000*	*%*
	(Unaudited)		*(Unaudited)*	
Manufacturing and sales of BOPP films				
— Cigarette films	**117,059**	**54%**	105,370	50%
— Non-cigarette-related films	**57,965**	**28%**	53,006	25%
Sub-total	**175,024**	**82%**	158,376	75%
Sales of sub-processing cigarette films	**5,103**	**2%**	19,725	9%
Properties development and related services	**5,332**	**2%**	5,850	3%
Generation of photovoltaic power	**27,760**	**13%**	24,510	12%
Cloud-related business	**1,689**	**1%**	1,217	1%
Total	**214,908**	**100%**	209,678	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	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	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	**175,024**	158,376	**5,103**	19,725	**5,332**	5,850	**27,760**	24,510	**1,689**	1,217	**214,908**	209,678
Timing of revenue recognition												
Products transferred at a point in time	**175,024**	158,376	**5,103**	19,725	**5,332**	3,225	**—**	—	**—**	—	**185,459**	181,326
Products and services transferred over time	**—**	—	**—**	—	**—**	2,625	**27,760**	24,510	**1,689**	1,217	**29,449**	28,352
Total	**175,024**	158,376	**5,103**	19,725	**5,332**	5,850	**27,760**	24,510	**1,689**	1,217	**214,908**	209,678

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	At 30 June 2019	At 31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Receivables, which are included in "Trade and other receivables"	**183,368**	224,586
Contract assets	**49,963**	39,478
Contract liabilities	**(15,593)**	(2,185)

(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	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	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	**175,024**	158,376	**5,103**	19,725	**5,332**	5,850	**27,760**	24,510	**1,689**	1,217	**214,908**	209,678
Reportable segment revenue	**175,024**	158,376	**5,103**	19,725	**5,332**	5,850	**27,760**	24,510	**1,689**	1,217	**214,908**	209,678
Reportable segment gross profit/ (loss)	**27,844**	32,801	**3,829**	6,312	**(1,707)**	837	**17,669**	15,636	**658**	(451)	**48,293**	55,135
Reportable segment profit /(loss) before tax	**7,423**	9,087	**(4,849)**	1,302	**(4,238)**	(1,576)	**14,525**	14,323	**(847)**	(2,315)	**12,014**	20,821
Interest income from bank deposits	**50**	26	**17**	19	**72**	636	**7**	1	**25**	19	**171**	701
Interest expense	**2,640**	2,845	**714**	1,007	**—**	—	**448**	429	**—**	—	**3,802**	4,281
Depreciation and amortisation	**7,585**	8,158	**1,467**	1,103	**164**	256	**8,331**	6,913	**777**	2,014	**18,324**	18,444
As at 30 June (unaudited)/ 31 December (audited)												
Reportable segment assets	**365,069**	372,894	**83,136**	125,439	**154,510**	163,576	**427,337**	393,694	**20,140**	35,365	**1,050,192**	1,090,968
Reportable segment liabilities	**151,298**	168,122	**53,487**	62,025	**11,389**	45,452	**30,281**	10,351	**2,431**	3,434	**248,886**	289,384

(ii) Reconciliations of segment profit or loss

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Profit/(loss)		
Reportable segment profit before tax	**12,014**	20,821
Loss on disposal of subsidiaries	**—**	(1,629)
Net realised and unrealised loss on equity securities	**(14,166)**	(2,882)
Net unrealised gain on wealth management products	**—**	31
Dividend income from equity securities	**13,525**	129
Unallocated head office and corporate expenses	**(9,724)**	(8,225)
Consolidated profit before tax	**1,649**	8,245

5. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Government grants *(Note)*	**1,841**	—
Interest income	**173**	702
Dividend income from equity securities	**13,525**	129
Sales of scrap materials	**2,653**	7,158
Sundry income	**419**	543
	18,611	8,532

Note: Government grants mainly related to the subsidy received from the local government authority for the acquisition of land and buildings and various achievements of the Group.

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Net foreign exchange gains	**102**	128
Net realised and unrealised loss on equity securities	**(14,166)**	(2,882)
Net realised and unrealised gain on wealth management products	**—**	439
Loss on disposal of subsidiaries	**—**	(1,629)
Write off of property, plant and equipment	**(3)**	(11)
Gain on disposal of property, plant and equipment	**25**	121
	(14,042)	(3,834)

7. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Interest on bank borrowings	**3,303**	3,852
Other interest expense	**499**	429
Total borrowing costs	**3,802**	4,281

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Current tax — Hong Kong Profits Tax		
Overprovision in prior periods	**—**	(1,004)
Current tax — People's Republic of China Enterprise Income Tax ("PRC EIT")		
Provision for the period	**2,031**	2,735
(Over)/under-provision in prior periods	**(1,344)**	761
	687	3,496
PRC land appreciation tax	**—**	26
Deferred tax	**1,204**	1,099
	1,891	3,617

(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) No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the period (six months ended 30 June 2018: Nil).

(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% (2018: 15%) for the period ended 30 June 2019.

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. (LOSS)/PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Amortisation of intangible assets (included in cost of sales)	**313**	290
Depreciation of:		
— Property, plant and equipment	**20,839**	21,642
— Right-of-use assets	**795**	—
Amortisation of leasehold land	**345**	263
Write off of property, plant and equipment	**3**	11
Gain on disposal of property, plant and equipment	**(25)**	(121)

10. DIVIDENDS

No interim dividend has been declared by the Board for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

11. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
(Loss)/earnings		
(Loss)/earnings for the purpose of calculating basic and diluted (loss)/earnings per share	**(242)**	4,613
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss)/earnings per share (thousand shares)	**2,441,601**	2,455,248

The Company's share options as at 30 June 2019 do not give rise to any dilutive effect to the (loss)/ earnings per share.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment of approximately HK$3,536,000 (six months ended 30 June 2018: HK$69,788,000).

13. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2019, the Group entered into a new lease agreement for property for 2 years. The Group makes fixed payments during the contract period. On lease commencement, the Group recognised a right-of-use asset and lease liability of HK$354,000.

14. TRADE AND BILLS RECEIVABLES

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

	At 30 June 2019		At 31 December 2018	
	Trade receivables	**Bills receivable**	Trade receivables	Bills receivable
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
	(Unaudited)	***(Unaudited)***	*(Audited)*	*(Audited)*
Unbilled *(Note)*	**30,942**	—	23,696	—
Less than 30 days	**45,396**	**25,901**	53,064	25,390
31 - 90 days	**41,841**	—	52,909	—
91 - 180 days	**20,953**	—	19,315	—
181 - 365 days	**1,250**	—	46,243	—
Over 365 days	**17,085**	—	3,969	—
	157,467	**25,901**	199,196	25,390

Note: As at 30 June 2019 and 31 December 2018, the amount represents unbilled tariff adjustment receivables of solar power plants registered in the Renewable Energy Tariff Subsidy Catalogue.

15. TRADE AND BILLS PAYABLES

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

	At 30 June 2019		At 31 December 2018	
	Trade payables	**Bills payable**	Trade payables	Bills payable
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
	(Unaudited)	***(Unaudited)***	*(Audited)*	*(Audited)*
Due within 1 month or on demand	**14,561**	**9,349**	47,942	10,240
Due after 1 month but within 3 months	**2,865**	—	3,871	—
Due after 3 months but within 6 months	**2,339**	—	1,820	—
Due more than 6 months	**15,756**	—	13,910	—
	35,521	**9,349**	67,543	10,240

16. SHARE CAPITAL

	2019		2018	
	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 1 January	**2,455,248**	**6,138**	2,455,248	6,138
Repurchase of shares *(Note)*	**(21,112)**	**(53)**	—	—
At 30 June/ 31 December	**2,434,136**	**6,085**	2,455,248	6,138

Note:

During the six months ended 30 June 2019, the Company repurchased on the Stock Exchange a total of 21,112,000 shares of HK$0.0025 each of the Company, at an aggregate consideration after expenses of approximately HK$4,291,000, which with 21,112,000 were cancelled during the six months ended 30 June 2019. The nominal value of the cancelled shares was credited to capital redemption reserve and the aggregate consideration paid was debited to the share premium of the Group.

17. CAPITAL COMMITMENTS

The Group did not have any significant capital commitments at 30 June 2019 (At 31 December 2018: Nil).

18. MATERIAL RELATED PARTY TRANSACTIONS

For the periods ended 30 June 2019 and 2018, 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 Sheen Dragon Investment Company 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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Short-term employee benefits	**2,733**	5,711
Post-employment benefits	**147**	65
Equity compensation benefits	**395**	221
	3,275	5,997

(b) Other related party transactions

In addition to those related party transactions disclosed in note 18(a) to the condensed consolidated interim financial information, the Group had the following transactions with its related parties during the period:

	Six month ended 30 June 2019 (Unaudited)		
	Interest expense	**Rental expenses**	**Repayment of borrowings**
	HK$'000	***HK$'000***	***HK$'000***
Xuzhou Ruilong Real Estate Development Co., Ltd.	—	—	830
Mr. Guo Yumin	—	—	577
	—	—	1,407

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

(c) Balances with related parties

At 30 June 2019 and 31 December 2018, the Group had the following balances with related parties:

	Note	**At 30 June 2019** ***HK$'000*** ***(Unaudited)***	At 31 December 2018 *HK$'000* *(Audited)*
Due from related companies			
— Cheng Jun Group Limited	*(i)*	**26**	26
— Union Winful Limited	*(i)*	**58**	51
— Sheen Dragon Properties Limited	*(i)*	**109**	106
— Hong Kong Rising Star Group Holdings Limited	*(i)*	**151**	144
— Hong Kong Sheen Dragon Investment Company Limited	*(i)*	**7**	7
Due to a director and ultimate controlling party			
— Mr. Guo Yumin	*(i)*	**(296)**	(873)
Interest payable			
— Xuzhou Ruilong Real Estate Development Co., Ltd.	*(i)*	**—**	(830)
Due to a related company			
— Xuzhou Lvzhou Property Management Co., Ltd.	*(i)*	**(130)**	(131)
		(75)	(1,500)

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

(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.

19. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2019 (At 31 December 2018: Nil).

20. APPROVAL OF FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 August 2019.

OVERVIEW

During the six months ended 30 June 2019 (the "Period"), the crude oil price fluctuated wildly due to the unstable international situation, which resulted in the unstable prices of our raw materials for the manufacturing of BOPP films. The development of whole BOPP films industry was slowed down with uncertainties. During the period, we maintained a high sales volume of films, but net profit was narrowed down due to competitive market. In order to capture any potential opportunities, we also speeded up the transformation and upgraded our productive technique during the Period. On the other hand, our total amount of power generation rose from 21.7 million kwh to 27.4 million kwh, which comes up to our expectation of successful construction of the third photovoltaic power station with grid-connected capacity of 10 megawatts ("MW"). Most of the returns from the property development projects were realized in 2017. Occupancy rate reached around 40% by the Period. We expect a growth of sales of remaining car parks and storerooms with increase of the occupancy rate when the construction of public facilities finished around the project.

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 excluding returns, discounts and value added taxes and other sales taxes. For the Period, our revenue increased by approximately HK$5.2 million, or approximately 2.5% from approximately HK$209.7 million for the six months ended 30 June 2018 to approximately HK$214.9 million, primarily as a result of the following:

Manufacturing and sales of BOPP films

For the Period, the Company recorded a total of approximately HK$175.0 million revenue in this segment (for the six months ended 30 June 2018: HK$158.4 million). It was mainly resulted from 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 dropped from approximately HK$19.7 million for the six months ended 30 June 2018 to approximately HK$5.1 million for the Period, primarily due to a substantial loss of sales from a major customer in the Period.

Properties development and related services

For the Period, the Company recorded a total of approximately HK$5.3 million revenue from sales of remaining inventory storeroom and car park spots.

Generation of photovoltaic power

Revenue generated from this segment increased from approximately HK$24.5 million for the six months ended 30 June 2018 to approximately HK$27.8 million for the Period, which was in line with the increase in grid-connected capacity.

Cloud-related business

The Company recorded a total of approximately HK$1.7 million revenue for the Period.

GROSS PROFIT

Gross profit decreased by approximately HK$6.8 million, or 12.4% from approximately HK$55.1 million for the six months ended 30 June 2018 to approximately HK$48.3 million for the Period. Gross profit margin decreased from approximately 26.3% for the six months ended 30 June 2018 to approximately 22.5% for the Period. Such decrease was mainly resulted from a more fierce competition in sales of BOPP films industry.

DISTRIBUTION COST

Our selling and distribution expenses increased by approximately HK$1.7 million from approximately HK$6.9 million for the six months ended 30 June 2018 to approximately HK$8.6 million for the Period, which was in line with the growth of revenue generated from sales of BOPP films.

ADMINISTRATIVE COST

Administrative expenses primarily consist of the administrative staff salaries, office-related expenses, depreciation of office buildings and equipment, travel expenses. Our administrative expenses decreased by approximately HK$2.5 million for the six months ended 30 June 2018 from approximately HK$40.4 million to approximately HK$37.8 million for the Period due to cost control on decreased entertainment fee and staff benefits expenses.

FINANCE COST

During the Period, the Group incurred finance costs of approximately HK$3.8 million (six months ended 30 June 2018: approximately HK$4.3 million). The decrease was primarily due to the decrease of bank borrowings.

INCOME TAX

Income tax expenses for the Period were approximately HK$1.9 million (six months ended 30 June 2018: approximately HK$3.6 million).

LOSS ATTRIBUTED TO THE SHAREHOLDERS OF THE COMPANY

As a result of the foregoing factors, loss attributed to the shareholders of the Company for the period was approximately HK$0.2 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's primary uses of cash are to fund its working capital requirements, purchase of property, plant and equipment and loan repayment and related interest expenses. As at the date of this announcement, the Group has funded its operations principally with the cash generated from its operations, bank borrowings and shareholder contributions. In the future, the Group believes that its liquidity requirements will be satisfied with a combination of cash flows generated from its operating activities, bank loans, other borrowings and other funds raised from the capital markets from time to time. As of 30 June 2019, the Group had cash and cash equivalents in a total of approximately HK$151.5 million. 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$15.0 million, HK$4.6 million and HK$42.4 million, respectively.

BORROWING AND GEARING RATIO

As at 30 June 2019, all the interest-bearing bank loans were denominated in RMB, while cash and cash equivalents were primarily held in RMB, HKD and USD. The gearing ratio of the Group, which was calculated as total interest-bearing bank loans divided by total equity as at the end of the relevant period, increased from approximately -4.2% as at 31 December 2018 to -4.1% as at 30 June 2019.

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 Period, the Group's total capital expenditure amounted to approximately HK$3.5 million. The capital expenditure was mainly incurred in the construction of photovoltaic power station.

CHARGE ON ASSETS

As at 30 June 2019, the Group had pledged its lease prepayments, machinery, and building held for own use with net book value of approximately HK$118.7 million and trade receivable approximately HK$37.5 million for the purpose of securing loans with carrying value of approximately RMB55.0 million.

SUBSEQUENT EVENTS

There were no subsequent events occurred after the Period and up to the date of this announcement.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS

There were no significant investments held by the Company as at 30 June 2019, nor other material acquisitions and disposals of subsidiaries and associated companies by the Group.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any significant contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened (as at 31 December 2018: nil).

HUMAN RESOURCES

As at 30 June 2019, the Group had 249 employees (as at 30 June 2018: 318 employees). The remuneration policy and package of the Group's employees are periodically reviewed in accordance with industry practice and results performance of the Group. The Group provides external and internal training programs to its employees. The Group participates in various employee social security plans for its employees that are administered by local governments, including housing, pension, medical insurance, occupational injury insurance, maternity insurance and unemployment insurance.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the Period (for the six months ended 30 June 2018: nil).

PROSPECTS

The Company always strives to grasp the stable development opportunities in the film industry, research the market development trend, improve its own research and development capabilities and continuously improve the quality and design capabilities of products according to the needs of customers. In the future, we will continue to consider environmental factors and optimize production processes and product structure, further improve operational quality and efficiency, expand more sales channels and promote branding. In order to create differentiated competitive values as compared to our competitors, we will continue to promote the research and development of new products that meet the future development direction of the market according to market changes and actual needs of customers. At the same time, we will accelerate the pace of transformation and innovation, explore opportunities for the extension of the industry chain, and continue to seek strategic cooperation with leading companies.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company had repurchased an aggregate of 21,112,000 shares of the Company during the Period. The aforesaid repurchased shares had been cancelled on 6 March 2019. The Company did not sell any of the Company's listed securities during the Period.

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 adhere to the principles of good corporate governance in upholding the shareholders' interests and devote maximum 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 Period 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 Period, 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 Period.

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 Period 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 Period as required under the Listing Rules.

On behalf of the Board
Sheen Tai Holdings Group Company Limited
Guo Yumin
Chairman

Hong Kong, 30 August 2019

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