

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 Report
2012



CONTENTS

Financial Highlights	2
Corporate Information	3
Chairman's Statement	4
Management Discussion and Analysis	5
Corporate Governance and Other Information	9
Independent Review Report	14
Consolidated Income Statement (Unaudited)	15
Consolidated Statement of Comprehensive Income (Unaudited)	16
Consolidated Statement of Financial Position (Unaudited)	17
Consolidated Statement of Changes in Equity (Unaudited)	19
Condensed Consolidated Cash Flow Statement (Unaudited)	21
Notes to the Interim Financial Report (Unaudited)	22



Financial Highlights

The shares of Sheen Tai Holdings Group Company Limited (the “Company” or “Sheen Tai”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 13 July 2012.

The board (the “Board”) of directors (the “Directors”) of 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 2012 together with the comparative figures for the corresponding period in 2011.

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

Corporate Information

DIRECTORS

Executive Directors

Mr. Guo Yumin (*Chairman*)
Ms. Xia Yu
Mr. Huang Bo
Mr. Bau Siu Fung

Independent Non-executive Directors

Mr. Lo Wa Kei, Roy
Mr. Fong Wo, Felix
Ms. Fan Qing

COMPANY SECRETARY

Mr. Bau Siu Fung

AUDIT COMMITTEE

Mr. Lo Wa Kei, Roy (*Chairman*)
Mr. Fong Wo, Felix
Ms. Fan Qing

REMUNERATION COMMITTEE

Ms. Fan Qing (*Chairperson*)
Mr. Guo Yumin
Mr. Lo Wa Kei, Roy

NOMINATION COMMITTEE

Mr. Guo Yumin (*Chairman*)
Ms. Fan Qing
Mr. Lo Wa Kei, Roy

AUTHORISED REPRESENTATIVES

Mr. Guo Yumin
Mr. Bau Siu Fung

COMPANY WEBSITE

www.sheentai.com

PLACES OF BUSINESS IN HONG KONG

Suites 2001-2005
20th Floor, Jardine House
1 Connaught Place
Hong Kong

Room 1903, Jubilee Centre
18 Fenwick Street
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Appleby Trust (Cayman) Ltd.
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 28, Three Pacific Place
1 Queen's Road East
Hong Kong

AUDITORS

KPMG, Certified Public Accountants
8th Floor, Prince's Building
10 Charter Road
Hong Kong

COMPLIANCE ADVISER

Haitong International Capital Limited
25th Floor, New World Tower
16-18 Queen's Road Central
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

Loong & Yeung
Suites 2001-2005
20th Floor, Jardine House
1 Connaught Place
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank
Bank of China Limited
Shanghai Pudong Development Bank
China Construction Bank
Bank of Qingdao Co., Ltd.

Chairman's Statement

Dear shareholders,

The board (the "Board") of directors (the "Directors") of Sheen Tai Holdings Group Company Limited (the "Company") and its subsidiaries (together referred to as the "Group") are pleased to present the first interim report since the listing of the Company's shares (the "Listing") on The Stock Exchange of Hong Kong Limited on 13 July 2012.

The Listing marked a major milestone for the Group. The aggregated net proceeds from the initial public offering of the Company's shares (the "IPO") amounted to approximately HK\$110.6 million. The IPO strengthened the capital base of the Group and established a platform for the Group to tap funds for future opportunities and advancement in the market of our products.

The Group has focused on the supply of cigarette packaging materials in the People's Republic of China (the "PRC") since 1997 and developed to engage in the sale and manufacturing of films (including cigarette films and non-cigarette films) and cigarette paper boxes in recent years.

For the first half of the financial year of 2012, the Group achieved remarkable improvement in its results when compared with the corresponding period last year. During the period, the revenue of the Group was approximately HK\$341.7 million (same period of 2011: HK\$264.8 million), representing an increase of 29.0% over the corresponding period last year. Profits attributable to equity shareholders of the Company increased by approximately 20.2% to approximately HK\$38.0 million (same period of 2011: HK\$31.6 million) and earnings per share were HK\$0.13 (same period of 2011: HK\$0.11). The Listing and trading of the shares of the Company only started in July 2012 and the aggregated proceeds shall be applied in accordance with the corresponding prospectus. Therefore, the Directors do not propose the payment of interim dividends.

Looking forward, the China economy is expected to grow steadily under the PRC government's policy to boost domestic consumption. The Group will continue to expand the business of our packaging products by enlarge our major market in Jiangsu province while our coverage will continue to extend to other provinces. The Group will continuously improve the efficiency of manufacturing process and reduce the processing cost of our products. The Directors believe that our business growth will be maintained and will certainly bring satisfactory rewards to the Group and its shareholders.

On behalf of the Board, I would like to express my sincere gratitude to our shareholders, investors and business partners for their support and trust in us; and also to our management and employees for their contribution to the outstanding performance of the Group.

Guo, Yumin

Chairman

Hong Kong, 30 August 2012

Management Discussion and Analysis

BUSINESS REVIEW

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

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

RESULTS OF OPERATION

Turnover

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

Manufacturing and sale of cigarette-related packaging materials

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

Management Discussion and Analysis

Trading of imported films

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

Manufacturing and sale of non-cigarette-related packaging materials

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

Gross profit and gross profit margin

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

Other revenue and other net income

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

Distribution costs

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

Administrative expenses

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

Finance cost

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

Management Discussion and Analysis

Income tax

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

Profit attributable to equity shareholders of the Company

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

Borrowings and gearing ratio

Total interest-bearing borrowings of the Group as at 30 June 2012 was HK\$300.6 million denominated in RMB. The Group's gearing ratio, measured by net debt divided by shareholders' equity as at the end of the periods and multiplied by 100%, increased from 99% as at 31 December 2011 to 114% as at 30 June 2012.

Capital expenditure

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

Charge on assets

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

Management Discussion and Analysis

Significant investment and acquisitions

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

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

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

Contingent liabilities

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

HUMAN RESOURCES

As at 30 June 2012, the Group employed 408 employees (as compared with 393 employees as at 30 June 2011) with total staff cost of HK\$19.0 million incurred for the six months ended 30 June 2012 (as compared with HK\$14.0 million for the same period of 2011). The Group's remuneration packages are generally structured with reference to market terms and individual merits. The Company has also adopted a pre-IPO share option scheme and a share option scheme to provide incentive or reward to high-calibre employees and attract human resources that are valuable to the Group.

PROSPECTS

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

INTERIM DIVIDEND

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

Corporate Governance and Other Information

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(a) As at 13 July 2012, being the date (the "Listing Date") on which the Shares were first listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

(i) Long Position in the Shares and in the Shares

Name of Director	Capacity/Nature	Number of Shares held/ interested	Percentage of interest
Guo Yumin ("Mr. Guo")	Interest of a controlled corporation (Note 1)	300,000,000	75%
	Beneficial owner (Note 2)	500,000	0.125%
	Interest of Spouse (Notes 3 and 4)	500,000	0.125%
Xia Yu ("Madam Xia")	Interest of spouse (Note 5)	300,500,000	75.125%
	Beneficial owner (Note 3)	500,000	0.125%
Huang Bo	Beneficial owner (Note 6)	500,000	0.125%
Bau Siu Fung	Beneficial owner (Note 7)	500,000	0.125%

Corporate Governance and Other Information

(ii) Long Position in the Ordinary Shares of Associated Corporation

Name of Director	Name of associated corporation	Capacity/Nature	Number of share held/ interested	Percentage of interest
Mr. Guo	Sheen Tai Group Holding Limited (順泰集團控股有限公司) ("Sheentai BVI")	Beneficial owner	1	100%
Madam Xia (Note 4)	Sheentai BVI	Interest of spouse	1	100%

Notes:

- Mr. Guo beneficially owns the entire issued share capital of Sheentai BVI. Therefore, Mr. Guo is deemed, or taken to be, interested in all 300,000,000 Shares held by Sheentai BVI for the purposes of the SFO. Mr. Guo is the sole director of Sheentai BVI.
- This represents the number of Shares which may be allotted and issued to Mr. Guo upon exercise of the options granted to him under the pre-IPO share option scheme adopted by the Company on 22 June 2012 (the "Pre-IPO Share Options").
- This represents the number of Shares which may be allotted and issued to Madam Xia upon exercise of the Pre-IPO Share Options granted to her.
- Mr. Guo is the spouse of Madam Xia. Accordingly, Mr. Guo is deemed, or taken to be, interested in all Shares in which Madam Xia is interested.
- Madam Xia is the spouse of Mr. Guo. Accordingly, Madam Xia is deemed, or taken to be, interested in all Shares in which Mr. Guo is interested in for the purpose of the SFO.
- This represents the number of Shares which may be allotted and issued to Mr. Huang Bo upon exercise of the Pre-IPO Share Options granted to him.
- This represents the number of Shares which may be allotted and issued to Mr. Bau Siu Fung upon exercise of the Pre-IPO Share Options granted to him.

Corporate Governance and Other Information

- (b) So far as is known to the Directors, as at the Listing Date, the following persons (not being a Director or chief executive of the Company as disclosed in paragraph (a) above) had interests or short positions in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

The Company

Name	Capacity/Nature of interest	Number of Shares held/ interested	Percentage of shareholding
Sheentai BVI	Beneficial owner	300,000,000	75%

Other Members of the Group

Name of subsidiary	Name of shareholder	Capacity/Nature of interest	Percentage of shareholding
Jiangsu Shuntai Packaging & Printing Science Technology Co., Ltd. (江蘇順泰包裝印刷科技有限公司) ("Jiangsu Shuntai")	Huai An Tian Cai Investment Co., Ltd. (淮安天彩投資有限公司) ("Huai An Tian Cai") (Note)	Beneficial owner	49%
Jiangsu Shuntai	Hu Yanhong (胡豔紅) (Note)	Interest of a controlled corporation	49%

Note: Huai An Tian Cai was wholly owned by Ms. Hu Yanhong.

Save as disclosed above, as at the Listing Date, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Corporate Governance and Other Information

SHARE OPTION SCHEMES

(a) Pre-IPO Share Option Scheme

Pursuant to the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") adopted on 22 June 2012, the Company had granted options to subscribe for 10,000,000 Shares to employees, directors, consultants and advisers of our Group.

Set out below are details of the outstanding options granted under the Pre-IPO Share Option Scheme as at the date of this report:

Name of grantee	Number of options granted on 22 June 2012	Exercised since date of grant	Cancelled since date of grant	Lapsed since date of grant	Outstanding as at the date of this report
<i>Director</i>					
Mr. Guo	500,000	–	–	–	500,000
Madam Xia	500,000	–	–	–	500,000
Huang Bo	500,000	–	–	–	500,000
Bau Siu Fung	500,000	–	–	–	500,000
<i>Employees and advisers</i>					
	8,000,000	–	–	–	8,000,000
Total	10,000,000	–	–	–	10,000,000

Note:

The subscription price for Shares under the Pre-IPO Share Option Scheme is HK\$0.6029 per Share. Options granted under the Pre-IPO Share Option Scheme shall vest in 5 tranches in the proportion of 10%, 15%, 20%, 25% and 30% on 14 July 2013, 14 July 2014, 14 July 2015, 14 July 2016 and 14 July 2017, and shall expire on 13 July 2018, being the sixth anniversary of the date of initial listing of the Shares on the Stock Exchange.

A summary of the principal terms and conditions of the Pre-IPO Share Option Scheme is set out in Appendix V to the prospectus.

(b) Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") on 22 June 2012. No options were granted under the Share Option Scheme from the date of its adoption to the date of this report. A summary of the principal terms and conditions of the Share Option Scheme is set out in Appendix V to the prospectus.

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

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

Corporate Governance and Other Information

CORPORATE GOVERNANCE CODE

As the Company was listed on 13 July 2012, the Company was not required to comply with the requirements under the code provisions set out in Appendix 14 – Corporate Governance Code (the “Code”) to the Listing Rules or the continuing obligations requirements of a listed issuer pursuant to the Listing Rules for the six months ended 30 June 2012. Nevertheless, the Directors consider that since the Listing Date and up to the date of this report, the Company has applied the principles and complied with all the applicable code provisions set out in the Code, except for the deviation from code provision A.2.1 of the Code as described below.

Under code provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not have any officer with the title of “chief executive”. This is deviated from the code provision A.2.1 of the Code.

Mr. Guo, who acts as the chairman of the Board and the executive Director, is also responsible for overall management and formulation of business strategy of the Group. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. The roles of the respective executive Directors and senior management who are in charge of different functions complement the role of the chairman and chief executive. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

AUDIT COMMITTEE

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

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float since the Listing Date as required under the Listing Rules.

Independent Review Report

(Incorporated in the Cayman Islands with limited liability)



To the board of directors of

Sheen Tai Holdings Group Company Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 15 to 40 which comprises the consolidated statement of financial position of Sheen Tai Holdings Group Company Limited as of 30 June 2012 and the related consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of change in equity and the condensed consolidated cash flow statement for the six months then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2012 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, Interim Financial Reporting.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

30 August 2012

Consolidated Income Statement (Unaudited)

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

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

The notes on pages 22 to 40 form part of this interim financial report.

Consolidated Statement of Comprehensive Income (Unaudited)

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

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

The notes on pages 22 to 40 form part of this interim financial report.

Consolidated Statement of Financial Position (Unaudited)

At 30 June 2012 – (Expressed in Hong Kong dollars)

	<i>Note</i>	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Non-current assets			
Fixed assets	8		
– Property, plant and equipment		344,186	340,790
– Interests in leasehold land held for own use under operating lease		44,686	45,420
Intangible assets		197	222
Deferred tax assets		2,299	1,900
		391,368	388,332
Current assets			
Inventories	9	91,088	120,254
Trade and other receivables	10	146,677	257,718
Cash and cash equivalents	11	114,554	63,013
		352,319	440,985
Current liabilities			
Trade and other payables	12	189,210	113,103
Bank loans	13	190,199	154,188
Current taxation		15,926	18,938
		395,335	286,229
Net current (liabilities)/assets		(43,016)	154,756
Total assets less current liabilities		348,352	543,088

Consolidated Statement of Financial Position (Unaudited)

At 30 June 2012 – (Expressed in Hong Kong dollars)

	<i>Note</i>	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Non-current liabilities			
Bank loans	13	110,402	146,787
Deferred tax liabilities		2,094	5,498
Deferred government grant		232	–
		112,728	152,285
NET ASSETS			
		235,624	390,803
CAPITAL AND RESERVES			
Capital	14	3,000	69,318
Reserves	14	160,775	171,858
Total equity attributable to equity shareholders of the Company			
		163,775	241,176
Non-controlling interests			
		71,849	149,627
NET ASSETS			
		235,624	390,803

Approved and authorised for issue by the Directors of Sheen Tai Holdings Group Company Limited on 30 August 2012.

Guo Yumin)	
)	
)	Directors
Bau Siu Fung)	
)	
)	

The notes on pages 22 to 40 form part of this interim financial report.

Consolidated Statement of Changes in Equity (Unaudited)

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

	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
	Capital	Other reserve	Statutory reserve	Exchange reserve	Retained profits	Sub total		
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011	69,318	3,900	17,822	(1,686)	67,927	157,281	118,054	275,335
Changes in equity for the six months ended 30 June 2011								
Profit for the period	-	-	-	-	31,620	31,620	24,151	55,771
Other comprehensive income	-	-	-	901	-	901	5,388	6,289
Total comprehensive income	-	-	-	901	31,620	32,521	29,539	62,060
Dividends to shareholders	-	-	-	-	-	-	(40,845)	(40,845)
Appropriation to reserves	14(c)(iii)	-	2,532	-	(2,532)	-	-	-
At 30 June 2011 and 1 July 2011	69,318	3,900	20,354	(785)	97,015	189,802	106,748	296,550
Changes in equity for the six months ended 31 December 2011								
Profit for the period	-	-	-	-	49,806	49,806	35,179	84,985
Other comprehensive income	-	-	-	1,568	-	1,568	7,700	9,268
Total comprehensive income	-	-	-	1,568	49,806	51,374	42,879	94,253
Appropriations statutory reserve	14(c)(iii)	-	11,051	-	(11,051)	-	-	-
At 31 December 2011 and 1 January 2012	69,318	3,900	31,405	783	135,770	241,176	149,627	390,803

Consolidated Statement of Changes in Equity (Unaudited)

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

	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
	Capital	Other reserve	Statutory reserve	Exchange reserve	Retained profits	Sub total		
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2011 and 1 January 2012	69,318	3,900	31,405	783	135,770	241,176	149,627	390,803
Changes in equity for the six months ended 30 June 2012								
Profit for the period	-	-	-	-	38,019	38,019	24,844	62,863
Other comprehensive income	-	-	-	(144)	-	(144)	(37)	(181)
Total comprehensive income	-	-	-	(144)	38,019	37,875	24,807	62,682
Dividends to shareholders	-	-	-	-	(103,987)	(103,987)	(61,575)	(165,562)
Appropriation to reserves	14(c)(ii)	-	1,669	-	(1,669)	-	-	-
Arising from Reorganisation	14(c)(i)	(66,318)	62,533	-	-	(3,785)	-	(3,785)
Acquisition of non-controlling interests in a subsidiary	14(c)(i)	-	(7,504)	-	-	(7,504)	(41,010)	(48,514)
At 30 June 2012	3,000	58,929	33,074	639	68,133	163,775	71,849	235,624

The notes on pages 22 to 40 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement (Unaudited)

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

		Six months ended 30 June	
	Note	2012 HK\$'000	2011 HK\$'000
Operating activities			
Cash generated from operations		179,270	88,467
Income taxes paid		(28,748)	(25,823)
Net cash generated from operating activities		150,522	62,644
Net cash used in investing activities		(18,004)	(34,094)
Net cash used in financing activities		(80,657)	(28,074)
Net increase in cash and cash equivalents		51,861	476
Cash and cash equivalents at beginning of the period		63,013	63,778
Effect of foreign exchange rate changes		(320)	1,428
Cash and cash equivalents at end of the period	11	114,554	65,682

The notes on pages 22 to 40 form part of this interim financial report.

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 REPORTING ENTITY AND BASIS OF PREPARATION

(a) Reporting entity

Sheen Tai Holdings Group Company Limited (the "Company") was incorporated in the Cayman Islands on 24 February 2012 and registered as an exempted company with limited liability under Companies law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. This interim financial report of the Company as at and for the six months ended 30 June 2012 comprises the Company and its subsidiaries (collectively referred to as the "Group"). The Group is principally engaged in manufacturing and supply of cigarette paper boxes, cigarette films and other marketing films.

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

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

The interim financial report relating to the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement of the Group as set out in this interim financial report includes the results of operations of the companies now comprising the Group as if the current group structure had been in existence throughout the six months periods presented. The consolidated statement of financial position of the Group as at 31 December 2011 as set out in this interim financial report have been prepared to present the state of affairs of the companies now comprising the Group as at that date as if the current group structure had been in existence as at that date.

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

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 REPORTING ENTITY AND BASIS OF PREPARATION (Continued)

(a) Reporting entity (Continued)

After the Reorganisation, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies or, if incorporated/established outside Hong Kong, have substantially the same characteristics as a Hong Kong private company. The particulars of these subsidiaries are set out below:

Name of company	Date and place of incorporation/establishment	Issued and paid up capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Ling Xian Fei Yu Import and Export (Shenzhen) Co., Ltd. ("LXFY") 領先飛宇進出口(深圳)有限公司 (Note 1)	10 September 2007/ The PRC	HKD 8,180,000	100%	–	100%	Trading of cigarette films
Jiangsu Sheen Colour Science Technology Co., Ltd. ("JSST") 江蘇金格潤科技有限公司 (Note 1)	6 March 2002/ The PRC	USD 2,176,400	68.15%	–	100%	Printing of cigarette films
Jiangsu Shuntai Packaging & Printing Science Technology Co., Ltd. ("JSST") 江蘇順泰包裝印刷科技有限公司 (Note 1)	20 December 2008/ The PRC	USD 5,500,000	51%	–	51%	Printing of cigarette packages
Qingdao Ener Packaging Technology Co., Ltd. ("QD Ener") (青島英諾包裝科技有限公司) (Note 1)	27 June 2007/ The PRC	USD 12,000,000	100% (Note 2)	–	100% (Note 2)	Manufacturing of cigarette and BOPP films
Century Leader Asia Limited ("CLAL") 領先亞洲有限公司	2 April 2007/ Hong Kong	HKD 10,000	100%	–	100%	Investment holding
Sheen China Group Holdings Inc. ("SCGHI") (順華集團控股有限公司)	27 November 2008/ British Virgin Islands ("BVI")	USD 10	100%	100%	–	Investment holding
Sheen China Group Holdings Limited ("SCGHL") (順華集團控股有限公司)	5 September 2008/ Hong Kong	HKD 1	100%	–	100%	Trading of cigarette films
Sheen China (Hong Kong) Limited ("HKSC") (順華(香港)有限公司)	20 August 1997/ Hong Kong	HKD 12,600,000	100%	–	100%	Trading of cigarette films

Note 1: The English translation of the names is for reference only. The official names of these entities are in Chinese.

Note 2: For the year ended 31 December 2011, the Group owned 70% equity interest of QD Ener. On 13 March 2012, the Group purchased the remaining 30% equity interest of QD Ener from a third party. Since then, QD Ener became a wholly-owned subsidiary of the Group.

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

1 REPORTING ENTITY AND BASIS OF PREPARATION *(Continued)*

(b) Basis of preparation

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

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

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

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

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

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

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

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

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

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

3 TURNOVER AND SEGMENT RESULTS

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

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

For the six months ended 30 June 2012 and 2011, there are 2 and 1 customers respectively with whom transactions have exceeded 10% of the Group's revenues. Revenues from sales of cigarette packages and films to these customers, including sales to entities which are known to the Group to be under common control with these customers (i.e. the sales to different customers are viewed as a single customer if the relevant sales were made to various customers under common control), amounted to approximately \$239,526,000 and \$150,779,000 for the six months ended 30 June 2012 and 2011 respectively.

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

3 TURNOVER AND SEGMENT RESULTS *(Continued)*

(b) Segment results

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

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

4 OTHER REVENUE AND NET INCOME

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

Note: During the six months ended 30 June 2012 and 2011, various government grants were received by certain subsidiaries of the Group which operate in the PRC in accordance with the subsidy policies of the local government authorities.

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

4 OTHER REVENUE AND NET INCOME (Continued)

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

5 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
(a) Finance costs		
Interest on bank borrowings wholly within five years	10,625	8,867
(b) Staff costs		
Contributions to defined contributions retirement plans	1,721	1,265
Salaries, wages and other benefits	17,246	12,726
	18,967	13,991
(c) Other items		
Amortisation of intangible assets	23	32
Auditors' remuneration	89	18
Cost of inventories	222,293	172,170
Depreciation and amortisation of fixed assets	15,452	13,780
Net foreign exchange gain	(362)	(76)
Operating lease charges	492	229
Net loss on disposal of fixed assets	843	–

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENTS

Taxation in the consolidated income statements represents:

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

- (i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in these jurisdictions.
- (ii) The provision for Hong Kong Profits Tax for the six months 2012 and 2011 is calculated at 16.5%. The payments of dividends by the Group companies incorporated in Hong Kong are not subject to withholding tax.
- (iii) On 16 March, 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("New Tax Law") which became effective on 1 January 2008 and the PRC's statutory Corporate Income Tax rate is 25%.

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

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENTS *(Continued)*

Taxation in the consolidated income statements represents: *(Continued)*

- (iv) The Group's PRC subsidiaries are subject to income tax at 25%, except for Jiangsu Sheen Colour Science Technology Co., Ltd. and Ling Xian Fei Yu Import & Export (Shenzhen) Co., Ltd. which are subject to income tax at 20%, 22%, 24% and 25% for 2009, 2010, 2011 and 2012 onwards, respectively.
- (v) According to the New Tax Law and its implementation rules, dividends receivable by non-PRC-resident corporate investors from PRC-resident enterprises are subject to withholding tax at 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. Under the tax arrangement between the Mainland of China and Hong Kong Special Administrative Region and the relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds a 25% equity interest or more of a PRC enterprise is entitled to a reduced withholding tax rate of 5%.

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

7 EARNINGS PER SHARE

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

8 FIXED ASSETS

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

9 INVENTORIES

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

10 TRADE AND OTHER RECEIVABLES

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

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

10 TRADE AND OTHER RECEIVABLES (Continued)

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

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

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

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

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

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	At 30 June 2012 HK\$'000	At 31 December 2011 HK\$'000
Cash at bank and in hand	114,554	63,013

12 TRADE AND OTHER PAYABLES

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

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

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

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

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

13 BANK LOANS

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

	At 30 June 2012 HK\$'000	At 31 December 2011 HK\$'000
Within 1 year or on demand	190,199	154,188
After 1 year but within 2 years	110,402	–
After 2 years but within 5 years	–	146,787
	110,402	146,787
	300,601	300,975
Representing:		
Secured	245,400	276,304
Unsecured	55,201	24,671
	300,601	300,975

At 30 June 2012 and 31 December 2011, the banking facilities of the Group totalling HK\$398,736,000 and HK\$ 300,975,000 respectively were utilised to the extent of HK\$ 300,601,000 and HK\$ 300,975,000 respectively. Certain bank loans were secured by assets of the Group as set out below:

	At 30 June 2012 HK\$'000	At 31 December 2011 HK\$'000
Fixed assets	259,568	275,182

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

14 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

Dividends for the period ended 30 June 2012 and for the year ended 31 December 2011 represented dividends declared by SCGHI, QD Ener and JSST.

(b) Capital

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

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

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

On 13 July 2012, the Company was listed on the Stock Exchange following the completion of its initial public offering of 100,000,000 shares to the investors.

For the purpose of this report, capital in the consolidated statement of financial position as at 31 December 2011 represented an aggregate amount of the Group's share of the nominal value of the paid-in capital of the companies comprising the Group as at that date. The capital as at 30 June 2012 was HK\$3,000,000 represented the aggregate amount of capital of the companies now comprising the Group, after elimination of investments in subsidiaries.

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

14 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Nature and purpose of reserves

(i) *Other reserve*

The other reserve mainly comprises the following:

- the contribution made by the Controlling Shareholder before the Reorganisation by waiving the right to receive an amount payable by SCGHI;
- the equity shareholders of the Company acquired the non-controlling interests of QD Ener at RMB39,600,000 pursuant to a share transfer agreement dated 13 March 2012; and
- the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of the shares issued by the Company in exchange under the Reorganisation of the Group.

(ii) *Statutory reserve*

General reserve fund

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

(iii) *Exchange reserve*

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

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

15 COMMITMENTS

- (a) Capital commitments outstanding as at 31 December 2011 and 30 June 2012 not provided for in the Financial Information were as follows:

	At 30 June 2012 HK\$'000	At 31 December 2011 HK\$'000
Contracted for	–	3,676
Authorised but not contracted for	1,165	1,974
	1,165	5,650

- (b) At 31 December 2011 and 30 June 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2012 HK\$'000	At 31 December 2011 HK\$'000
Within 1 year	926	1,229
After 1 year and within 5 years	606	413
	1,532	1,642

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

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

16 MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2012 and 2011, transactions with the following parties are considered to be related party transactions:

Name of related party	Relationship with the Group
Mr Guo Yumin	Director and the Controlling Shareholder of the Group
Xuzhou Long Chuan Co., Ltd. (徐州龍川商貿有限公司) (Note)	Owned by Mr Guo Yumin, the director and the Controlling Shareholder until 13 June 2011
Xuzhou Dinuo Printing Co., Ltd. (徐州帝諾印刷有限公司) (Note)	Mr Guo Yumin, the director and the Controlling Shareholder the director of the Group, is the legal representative
Qingdao Xurui Investment Guarantee Co., Ltd. (青島旭瑞投資擔保有限公司) (Note)	Owned by Qingdao Beizhou Group Co., Ltd. (青島北洲集團有限公司), the Shareholder of Qingdao Ener holding 30% of the registered capital of Qingdao Ener until 12 March 2012
Qingdao Xurui Industry and Trade Co., Ltd. (青島旭瑞工貿有限公司) (Note)	Owned by Qingdao Beizhou Group Co., Ltd. (青島北洲集團有限公司), the Shareholder of Qingdao Ener holding 30% of the registered capital of Qingdao Ener until 12 March 2012
Qingdao Justo Packaging Co., Ltd. (青島嘉澤包裝有限公司)	Owned as to 30% by Mr. Guo Yumin, the director and Controlling Shareholder of the Group until 23 March 2011

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 is as follows:

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Short-term employee benefits	1,778	924
Post-employment benefits	146	85
	1,924	1,009

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

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

16 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Sales of goods to:		
– Qingdao Justo Packaging Co., Ltd.	–	7,576
– Xuzhou Long Chuan Co., Ltd.	–	1,064
	–	8,640
Other revenue and net income (Note 1):		
– Qingdao Justo Packaging Co., Ltd.	–	369
Purchase of goods from:		
– Qingdao Justo Packaging Co., Ltd.	–	1,337
Commission fee paid to (Note 2):		
– Xuzhou Long Chuan Co., Ltd.	–	6,335
– Xuzhou Dinuo Printing Co., Ltd.	–	244
	–	6,579
Guarantee service fee paid to		
– Qingdao Xurui Investment Guarantee Co., Ltd.	92	121

Note 1: the amount represents net gain arising from sales of raw materials.

Note 2: the amount represents the commission fee paid for arranging import of goods of the Group.

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

16 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

At 31 December 2011 and 30 June 2012, the Group had the following balances with related parties:

	At 30 June 2012 HK\$'000	At 31 December 2011 HK\$'000
Amounts due from related companies		
– Qingdao Xurui Investment Guarantee Co., Ltd.	–	2,467
Amount due from the Controlling Shareholder		
– Mr Guo Yumin	–	29,012
	–	31,479
Amount due to the Controlling Shareholder and director		
– Mr Guo Yumin	–	12,586

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

(d) Guarantees provided to the Group in respect of banking facilities

	At 30 June 2012 HK\$'000	At 31 December 2011 HK\$'000
Qingdao Xurui Investment Guarantee Co., Ltd.	–	12,335
Qingdao Xurui Industry and Trade Co., Ltd.	–	18,503
	–	30,838

Notes to the Interim Financial Report (Unaudited)

(Expressed in Hong Kong dollars unless otherwise indicated)

17 SUBSEQUENT EVENTS

(a) Pre-IPO share options scheme

Pursuant to an ordinary resolution of the sole shareholder passed on 22 June 2012, a pre-IPO share option scheme (the "Scheme") was approved and adopted to provide grantees with the opportunity to acquire proprietary interest in the Company and to recognize the contribution of certain members of the senior management and employees of the Group.

The exercise of the pre-IPO share options is conditional on:

- (i) the listing committee granting approval for the listing of and permission to deal in the shares of the Company which may fall to be issued pursuant to the exercise of the options granted under the Scheme; and
- (ii) the commencement of the dealings in the shares of the Company on the Stock Exchange, and is subject to the vesting conditions set out below.

Details of the principal terms of the Pre-IPO Share Option Scheme is summarised in the paragraph headed "Share Option Schemes" as set out in Appendix V in the prospectus.

(b) Listed on the Stock Exchange

On 13 July 2012, the shares of the Company were listed on the Stock Exchange following the completion of its initial public offering. 100,000,000 ordinary shares of HK\$0.01 each were issued at a price of HK\$1.2 per share under the initial public offering. On 3 August 2012, the Over-allotment Option has been exercised in full to cover over-allocations in the Placing. Under the Over-allotment Option, an aggregate of 15,000,000 Shares have been allotted and issued by the Company at HK\$1.20 per Share. The net proceeds of the share offer was HK\$ 110,557,000.

(c) Transfer of equity interest in JSSC

JSST and LXFY entered into an equity transfer agreement dated 28 August 2012, pursuant to which LXFY agreed to acquire, in aggregate, the entire equity interest in JSSC for cash consideration of RMB17,209,700 (equivalent to approximately HK\$20,987,000). JSSC becomes the wholly-owned subsidiary of the Group after the transaction.