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

(incorporated in the Cayman Islands with limited liability)

(Stock code: 01335)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

- Turnover decreased by approximately 15.0% to approximately HK$261.1 million for the six months ended 30 June 2014 as compared with the same period of previous year.

- Gross profit decreased by approximately 10.7% to approximately HK$98.9 million for the six months ended 30 June 2014 as compared with the same period of previous year.

- Gross profit margin increased by approximately 1.8% to approximately 37.9% for the six months ended 30 June 2014 as compared with the same period of previous year.

- Profit attributable to equity shareholders of the Company decreased by approximately 22.8% from approximately HK$34.2 million to approximately HK$26.4 million for the six months ended 30 June 2014 as compared with the same period of previous year.

- Average trade and bill receivables turnover days increased from approximately 101.2 days for the year ended 31 December 2013 to approximately 132.7 days for the six months ended 30 June 2014.

- Average inventory turnover days increased from approximately 86.4 days for the year ended 31 December 2013 to approximately 136.6 days for packaging materials for the six months ended 30 June 2014.

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 2014 together with the comparative figures for the corresponding period in 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2014 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2014	2013
	Note	***$'000***	*$'000*
Turnover	*3*	**261,106**	307,125
Cost of sales		**(162,210)**	(196,340)
Gross profit		**98,896**	110,785
Other revenue and net income	*4*	**8,033**	6,745
Distribution costs		**(6,858)**	(6,241)
Administrative expenses		**(36,182)**	(28,181)
Other operating expenses		**(181)**	(417)
Profit from operations		**63,708**	82,691
Finance costs	*5(a)*	**(6,788)**	(10,380)
Profit before taxation	*5*	**56,920**	72,311
Income tax	*6*	**(16,532)**	(18,816)
Profit for the period		**40,388**	53,495
Attributable to:			
Equity shareholders of the Company		**26,440**	34,219
Non-controlling interests		**13,948**	19,276
Profit for the period		**40,388**	53,495
Earnings per share	*7*		
Basic (HK$)		**0.06**	0.08
Diluted (HK$)		**0.06**	0.08

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the six months ended 30 June 2014 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2014	2013
	Note	***$'000***	*$'000*
Profit for the period		**40,388**	53,495
Other comprehensive income for the period, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries		**(7,624)**	4,519
Available-for-sale financial assets: net movement in the fair value reserve	*9*	**4,592**	–
Other comprehensive income for the period		**(3,032)**	4,519
Total comprehensive income for the period		**37,356**	58,014
Attributable to:			
Equity shareholders of the Company		**24,080**	37,663
Non-controlling interests		**13,276**	20,351
Total comprehensive income for the period		**37,356**	58,014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2014 – unaudited

(Expressed in Hong Kong dollars)

	Note	At 30 June 2014 $'000 (unaudited)	At 31 December 2013 $'000 (audited)
Non-current assets			
Fixed assets			
– Property, plant and equipment	8	**302,069**	318,069
– Interests in leasehold land held for own use under operating lease		**43,905**	44,830
Intangible assets		**470**	544
Available-for-sale financial assets	9	**28,294**	23,702
Deferred tax assets		**4,302**	4,242
		379,040	391,387
Current assets			
Inventories	10	**359,138**	102,578
Trade and other receivables	11	**162,500**	256,782
Restricted cash		**15,119**	49,704
Cash and cash equivalents	12	**59,785**	61,179
		596,542	470,243
Current liabilities			
Trade and other payables	13	**170,340**	88,089
Financial liabilities at fair value through profit or loss	14	**3,811**	–
Bank loans		**193,136**	271,091
Current taxation		**14,139**	24,195
		381,426	383,375
Net current assets		**215,116**	86,868
Total assets less current liabilities		**594,156**	478,255

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2014 – unaudited

(Expressed in Hong Kong dollars)

	Note	**At 30 June 2014** **\$'000** ***(unaudited)***	At 31 December 2013 *\$'000* *(audited)*
Non-current liabilities			
Bank loans		**982**	1,083
Convertible bond	*14*	**161,189**	–
Deferred tax liabilities		**7,586**	4,303
Deferred government grants		**435**	639
		170,192	6,025
NET ASSETS		**423,964**	472,230
CAPITAL AND RESERVES			
Share capital	*16(b)*	**4,157**	4,150
Reserves	*16(c)*	**370,149**	378,339
Total equity attributable to equity shareholders of the Company		**374,306**	382,489
Non-controlling interests		**49,658**	89,741
TOTAL EQUITY		**423,964**	472,230

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Basis of preparation

(a) 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 2014 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, and development of properties. The Company's shares were listed on Stock Exchange of Hong Kong Limited on 13 July 2012.

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 27 August 2014.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for 1) New accounting policies applied by the Company as set out in note 1(b) and 1(c); and 2) The accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

The interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statement. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in conformity with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial information 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 HKICPA.

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial information as being previously reported information does not constitute the Company's statutory financial statements and the consolidated financial statements for that financial year are derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the Company's registered office. The auditor has expressed an unqualified opinion on these financial statements in their report dated 26 March 2014.

(b) Convertible bond

Convertible bond can be converted to equity share capital at the option of the holder.

At initial recognition the embedded derivative component of the convertible bond is measured at fair value. Any excess of proceeds over the amount initially recognised as the embedded derivative component is recognised as the liability component. All of the transaction costs that relate to the issue of the convertible bond are recognised initially as part of the liability component.

At the end of each reporting period, the embedded derivative component is remeasured, the gain or loss on remeasurement to fair value is recognised immediately in profit or loss. The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the bond is converted, the carrying amounts of the embedded derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(c) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value.

Cost and net realisable values are determined as follows:

– *Property under development for sale*

  The cost of properties under development for sale comprises specifically identified cost, including: the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– *Completed property held for sale*

  In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

  The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

2 Changes in accounting policies

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

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

3 Turnover and segment reporting

(a) Turnover

The principal activities of the Group are manufacturing and supply of cigarette paper boxes, cigarette films and other marketing films, and development of properties in the People's Republic of China (the "PRC").

Turnover represents the sales value of goods sold less returns, discounts and value added taxes and other sales taxes. The amount of each significant category of revenue recognised in turnover during the six months ended 30 June 2014 and 2013 is as follows:

	Six months ended 30 June			
	2014		2013	
	$'000	*%*	*$'000*	*%*
Manufacturing and sales of cigarette related packaging materials				
– Cigarette paper boxes	94,992	37%	118,332	39%
– Anti-counterfeiting films	41,886	16%	30,771	10%
– Other cigarette films	65,859	25%	67,120	22%
Sub-total	202,737	78%	216,223	71%
Trading of imported films	15,176	6%	32,157	10%
Manufacturing and sale of non-cigarette-related packaging materials	43,193	16%	58,745	19%
Sub-total	58,369	22%	90,902	29%
Development of properties	–	–	–	–
Total	261,106	100%	307,125	100%

For the six months ended 30 June 2014, there are 2 customers (six months ended 30 June 2013: 2) with whom transactions have exceeded 10% of the Group's revenues. Revenues from sales of cigarette packages and films to these customers, including sales to entities which are known to the Group to be under common control with these customers (i.e. the sales to different customers are viewed as a single customer if the relevant sales were made to various customers under common control), amounted to approximately HK$174,888,000 and HK$225,362,000 for the six months ended 30 June 2014 and 2013 respectively.

(b) ***Segment results***

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

	Six months ended 30 June							
	Cigarette related packaging materials		Non-cigarette related packaging materials		Development of properties		Total	
For the six months ended	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	217,913	248,380	43,193	58,745	–	–	261,106	307,125
Reportable segment revenue	217,913	248,380	43,193	58,745	–	–	261,106	307,125
Reportable segment gross profit	95,444	102,734	3,452	8,051	–	–	98,896	110,785
Reportable segment profit before taxation	56,442	70,664	478	1,647	–	–	56,920	72,311
Interest income from bank deposits	1,942	203	13	28	–	–	1,955	231
Interest expense	5,947	7,302	841	3,078	–	–	6,788	10,380
Depreciation and amortisation for the period	13,171	12,109	2,979	3,984	–	–	16,150	16,093
As at 30 June/31 December								
Reportable segment assets	600,498	684,691	141,756	175,510	230,073	–	972,327	860,201
Reportable segment liabilities	239,244	284,409	83,865	104,129	228,012	–	551,121	388,538

4 Other revenue and net income

	Six months ended 30 June	
	2014	2013
	$'000	*$'000*
(a) Other revenue		
Interest income	**1,955**	231
Government grants	**199**	272
	2,154	503

	Six months ended 30 June	
	2014	2013
	$'000	*$'000*
(b) Other net income		
Net foreign exchange (loss)/gain	**(301)**	429
Sales of scrap materials	**5,843**	5,283
Others	**337**	530
	5,879	6,242

5 Profit before taxation

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

	Six months ended 30 June	
	2014	2013
	$'000	*$'000*
(a) Finance costs		
Interest on bank borrowings	**6,788**	10,380
(b) Staff costs		
Contributions to defined contributions retirement plans	**2,068**	1,809
Equity-settled share-based payment expenses	**584**	389
Salaries, wages and other benefits	**23,958**	20,687
	26,610	22,885
(c) Other items		
Amortisation of intangible assets	**70**	29
Cost of inventories	**162,210**	196,340
Depreciation and amortisation of fixed assets	**16,080**	16,064
Net foreign exchange loss/(gain)	**301**	(429)
Operating lease charges	**3,841**	599
Net loss on disposal of fixed assets	**93**	377

6 Income tax in the consolidated income statement

(a) Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2014	2013
	$'000	*$'000*
Current tax – Hong Kong Profits Tax		
Provision for the period	**3,512**	2,313
Current tax – PRC Income Tax		
Provision for the period	**11,396**	15,955
Deferred tax		
Origination and reversal of temporary differences	**1,624**	548
	16,532	18,816

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in these jurisdictions.

(ii) The provision for Hong Kong profits tax for the six months ended 30 June 2014 and 2013 is calculated at 16.5%. The payments of dividends by the Group companies incorporated in Hong Kong are not subject to withholding tax.

(iii) The provision for PRC income tax has been calculated at the applicable tax rates on the estimated assessable profits of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The income tax rate applicable to the Group's subsidiaries located in the PRC is 25% (2013: 25%).

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

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2014 is based on the consolidated profit attributable to equity shareholders of the Company of HK$26,440,000 (six months ended 30 June 2013: HK$34,219,000) and weighted average of 415,544,000 shares in issue during the six months ended 30 June 2014 (six months ended 30 June 2013: 415,000,000 shares).

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company of HK$26,440,000 (six months ended 30 June 2013: HK$34,219,000) divided by the weighted average number of ordinary shares of 418,474,000 shares (six months ended 30 June 2013: 417,106,000 shares) after adjusting for the effects of deemed issue of shares under the Company's Pre-IPO Share Option Scheme (note 15) and the effect of conversion of convertible bond (note 14).

8 Fixed assets

During the six months ended 30 June 2014, the Group's additions to fixed assets amounted to HK$2,609,000 (six months ended 30 June 2013: HK$1,107,000). Items of equipment with a net book value of HK$93,000 were disposed of during the six months ended 30 June 2014 (six months ended 30 June 2013: HK$439,000), resulting in a loss on disposal of HK$93,000 (six months ended 30 June 2013: HK$377,000).

9 Available-for-sale financial assets

	At 30 June 2014	At 31 December 2013
	$'000	*$'000*
Equity securities:		
– Listed in Hong Kong	**28,294**	23,702

10 Inventories

Inventories in the consolidated statement of financial position comprise:

	At 30 June 2014	At 31 December 2013
	$'000	*$'000*
Packaging materials manufacturing and trading:		
Raw materials	**91,509**	66,680
Work in progress	**8,040**	9,689
Finished goods	**40,105**	26,209
	139,654	102,578
Property development:		
Land held for future development for sales	**219,484**	–
	359,138	102,578

During six months ended 30 June 2014, HK$899,000 (2013: HK$810,000) has been recognised as a reduction in the amount of inventories recognised as an expense in profit or loss during the period.

11 Trade and other receivables

	At 30 June 2014	At 31 December 2013
	$'000	*$'000*
Trade and bills receivable	**138,676**	241,024
Less: allowance from doubtful debts	**(758)**	(728)
	137,918	240,296
Deposits, prepayments and other receivables	**24,582**	16,486
	162,500	256,782

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

(a) Ageing analysis:

As at 30 June 2014 and 31 December 2013, the ageing analysis of trade and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2014		At 31 December 2013	
	Trade receivable	**Bills receivable**	Trade receivable	Bills receivable
	$'000	***$'000***	*$'000*	*$'000*
Within 1 month	**60,567**	**2,987**	123,485	3,419
1 to 3 months	**54,965**	**1,656**	82,953	16,128
3 to 6 months	**13,596**	**50**	5,536	–
6 to 12 months	**1,291**	**–**	6,976	–
Over 1 year	**2,806**	**–**	1,799	–
	133,225	**4,693**	220,749	19,547

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

(b) Impairment of trade debtors and bills receivable:

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

As of 30 June 2014, an impairment loss of HK$758,000 (31 December 2013: HK$728,000) was recognised and provided for as a result from the assessment of the Group's trade receivables due from third parties of HK$758,000 (31 December 2013: HK$728,000) that individually determined to be impaired. The individually impaired trade receivables mainly relate to customers who are in financial difficulties and the likelihood of recoverability is expected to be in doubt. The Group does not hold any collateral over these balances.

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

12 Cash and cash equivalents

	At 30 June 2014 **$'000**	At 31 December 2013 $'000
Cash at bank and in hand	**59,785**	61,179

13 Trade and other payables

	At 30 June 2014 **$'000**	At 31 December 2013 $'000
Trade and bills payable	**59,174**	51,340
Other payables and accruals	**17,701**	36,213
Dividend payable	**26,210**	–
Amount due to the Controlling Shareholder		
– Mr. Guo Yumin	**18,754**	536
Amount due to a director		
– Ms. Xia Yu	**46,611**	–
Amount due to a related company	**1,890**	–
	170,340	88,089

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

Included in trade and other payables are trade creditors with the following ageing analysis as at 30 June 2014 and 31 December 2013:

	At 30 June 2014		At 31 December 2013	
	Trade payable **$'000**	**Bills payable** **$'000**	Trade payable $'000	Bills payable $'000
Within 1 month or on demand	**20,261**	**24,473**	20,458	20,967
1 to 3 months	**12,005**	**–**	7,301	–
Over 3 months but within 6 months	**622**	**–**	681	–
Over 6 months	**1,813**	**–**	1,933	–
	34,701	**24,473**	30,373	20,967

14 Convertible bond

On 30 June 2014, the Company issued convertible bond in the principal amount of HK$165,000,000 to the Controlling Shareholder and director, Mr Guo Yumin. The maturity date of the convertible bond is on the third anniversary of the date of issuance (i.e. 30 June 2017). The convertible bond bears interest at 3% per annum. No security or guarantee is granted in respect of the convertible bond. The convertible bond can be converted into 99,517,490 shares at the initial conversion price HK$1.658 (subject to adjustment pursuant to the terms of the convertible bond).

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

At 30 June 2014, the outstanding principal amount of the convertible bond is HK$165,000,000.

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

	Host liability component *$'000*	Derivative component *$'000*	Total *$'000*
Initial fair value of convertible bond issued, the convertible bond at 30 June 2014	161,189	3,811	165,000

No convertible bond was converted as at 30 June 2014.

In July 2014, the Company early redeemed part of the convertible bond with an aggregate principal amount of HK$95 million (together with the accrued interests) in accordance with its terms. Such early redemption was financed by 3 parts: (1) loans amounting to RMB 65 million (equivalent to approximately HK$82 million) from a third party, Huai An Tian Cai Co,. Ltd. ("Huai An Tian Cai"); (2) cash payment of approximately HK$8 million; and (3) amount due to Mr. Guo Yumin of approximately HK$5 million.

Key terms of the loans from Huai An Tian Cai are as below:

Name of borrowers	Principal balance *RMB'000*	Drawdown date	Maturity date	Interest rate per annum
Ling Xian Fei Yu Import and Export (Shenzhen) Co., Ltd.*	25,000	28/07/2014	27/07/2015	6%
Qingdao Ener Packaging Technology Co., Ltd.*	40,000	17/07/2014	16/07/2015	6%

* Subsidiaries of the Company

No security or guarantee is granted in respect of the above loans.

15 Equity-settled share-based transactions

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

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

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

			Options granted to		
Date granted	**Vesting date**	**Expiry date**	**Directors**	**Employees**	**Total**
22 June 2012	14 July 2013	13 July 2018	200,000	800,000	1,000,000
22 June 2012	14 July 2014	13 July 2018	300,000	1,200,000	1,500,000
22 June 2012	14 July 2015	13 July 2018	400,000	1,600,000	2,000,000
22 June 2012	14 July 2016	13 July 2018	500,000	2,000,000	2,500,000
22 June 2012	14 July 2017	13 July 2018	600,000	2,400,000	3,000,000
			2,000,000	8,000,000	10,000,000

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

		2014
	Exercise price	***No. of options***
Outstanding at the beginning of the period	HK$0.6029	**10,000,000**
Exercised during the period	HK$0.6029	**672,500**
Outstanding at the end of the period	HK$0.6029	**9,327,500**
Exercisable at the end of the period	HK$0.6029	**327,500**

The options outstanding at 30 June 2014 had an exercise price of HK$0.6029 and a weighted average remaining contractual life of 1.75 years.

In July 2014, options under the share option scheme were exercised for 1,663,750 ordinary shares of the Company at a consideration of HK$1,003,074, of which HK$16,638 was credited to share capital and the balance of HK$986,436 was credited to the share premium account.

16 Capital, reserves and dividends

(a) Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

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

	Six months ended 30 June	
	2014	2013
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK$ 0.08 per ordinary share (six months ended 30 June 2013: HK$0.1 per ordinary share)	**33,253**	41,500

(b) Share capital

Authorised and issued share capital

		2014		2013	
	Note	**Number of shares *('000)***	**Amount *$'000***	Number of shares *('000)*	Amount *$'000*
Authorised:					
Ordinary shares of HK$0.01 each		**2,000,000**	**20,000**	2,000,000	20,000
Ordinary shares, issued and fully paid:					
At 1 January		**415,000**	**4,150**	415,000	4,150
Shares issued under share option scheme	*(i)*	**672**	**7**	–	–
At 30 June/31 December		**415,672**	**4,157**	415,000	4,150

(i) On 24 January 2014, options under the share option scheme were exercised for 672,500 ordinary shares of the Company at a consideration of HK$405,450, of which HK$6,725 were credited to share capital and the balance of HK$398,725 was credited to the share premium account in accordance with the accounting policy adopted by share-based payment.

(c) Nature and purpose of reserves

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Statutory reserve

General reserve fund

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

(iii) Share-based compensation reserve

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

(iv) Exchange reserve

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

(v) Fair value reserve

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

17 Commitments

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

	At 30 June 2014	At 31 December 2013
	$'000	*$'000*
Contracted for	**5,079**	4,783

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

	At 30 June 2014	At 31 December 2013
	$'000	*$'000*
Within 1 year	**6,299**	6,360

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

18 Material related party transactions

During the six months ended 30 June 2014 and 2013, 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
Ms. Xia Yu	Director of the Group, spouse of Mr. Guo
Xuzhou Ruilong Real Estate Development Co., Ltd. (徐州瑞龍房地產開發有限公司) *(Note)*	Owned by Mr. Guo Yumin, a director and the Controlling Shareholder

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

(a) ***Remuneration of key management personnel***

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

	Six months ended 30 June	
	2014	2013
	$'000	*$'000*
Short-term employee benefits	**3,370**	3,389
Post-employment benefits	**218**	183
Equity-settled share-based payment expenses	**272**	228
	3,860	3,800

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

(b) ***Other related party transactions***

Pursuant to the Sale and Purchase Agreement dated 4 April 2014 as supplemented by a supplemental deed dated 16 May 2014, the Company purchased the entire issued share capital of Sheen Tai International Investment Ltd, a company wholly owned by the Controlling Shareholder and director, Mr. Guo Yumin for HK$165,000,000. The acquisition was settled by issuing a convertible bond in the principal amount of HK$165,000,000 to Mr. Guo Yumin.

Upon completion of the acquisition which took place on 30 June 2014, Sheen Tai International Investment Ltd. became a wholly-owned subsidiary of the Company and all the profit and loss and assets and liabilities of the Sheen Tai International Investment Ltd. were consolidated to the financial statements of the Company.

From the post acquisition date to 30 June 2014, Sheen Tai International Investment Ltd. contributed nil revenue and profit to the Group's result. The acquisition had the following effects on the Group's assets and liabilities:

	Pre-acquisition carrying amounts	**Fair value adjustments**	**Recognised values on acquisition**
	$'000	*$'000*	*$'000*
Property, plant and equipment	165	–	165
Inventories – property development *(i)*	200,169	19,314	219,483
Trade and other receivables	48,370	–	48,370
Cash and cash equivalents	830	–	830
Deferred tax liabilities	–	(4,828)	(4,828)
Trade and other payables	(99,020)	–	(99,020)
Total identifiable net assets	150,514	14,486	165,000
Consideration, satisfied by			
– convertible bond *(Note 14)*			165,000

(i) Inventories – property development mainly represented the land use right held by a PRC subsidiary of Sheen Tai International Investment Ltd.

The land located in the Economic Technology Development District in Xuzhou, Jiangsu, the PRC (the "Land") with a site area of approximately 49,329 square meters for commercial services use and for residential township uses. The total maximum gross floor area permitted to be constructed on the Land is approximately 108,523.8 square meters, with a plot ratio of not more than 2.2 and not less than 1, a site coverage of not more than 30%, a height restriction of 75 meters and a greenery ratio of not less than 30%.

(c) Balances with related parties

As at 30 June 2014 and 31 December 2013, the Group had the following balances with related parties:

	Note	**At 30 June 2014 *$'000***	At 31 December 2013 *$'000*
Amount due to the Controlling Shareholder and director			
– Mr. Guo Yumin	*(i)*	**7,416**	536
– Mr. Guo Yumin	*(ii)*	**11,338**	–
Amount due to a director			
– Ms. Xia Yu	*(ii)*	**46,611**	–
Amount due to a related company			
– Xuzhou Ruilong Real Estate Development Co., Ltd.	*(iii)*	**1,890**	–
Convertible bond due to the Controlling Shareholder and director			
– Mr. Guo Yumin	*(iv)*	**165,000**	–
		232,255	536

(i) The amount due to the Controlling Shareholder and director is unsecured, interest free and repayable on demand.

(ii) Pursuant to the agreement dated 2 April 2014, Mr. Guo Yumin and his spouse (Ms. Xia) had advanced a loan of RMB9,000,000 (equivalent to approximately HK$11,338,000) and RMB37,000,000 (equivalent to approximately HK$46,611,000), respectively to the Group, both at an interest rate 2.8% per semi-annual period. The term of each of the loans is from 3 April 2014 to 3 October 2014. No security or guarantee is granted in respect of the loans.

(iii) Pursuant to the agreement dated 13 May 2014, Xuzhou Ruilong Real Estate Development Co., Ltd. had advanced two loans of RMB500,000 (equivalent to approximately HK$630,000) and RMB1,000,000 (equivalent to approximately HK$1,260,000), respectively to the Group, both at an interest rate 6% per annual period. The terms of the loans are from 13 May 2014 to 13 May 2015 and from 25 June 2014 to 25 June 2015. No security or guarantee is granted in respect of the loans.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For 2014, the PRC government is still expecting a growth of its annual GDP of 7.5%. On the other hand, U.S. economy keeps improving and interest rate would be expected to be kept at lower level. With such similar factors as per 2013, the PRC's economy is expected to stay on the same trail in the remaining months of 2014.

Sheen Tai Holdings Group Company Limited (the "Company") and together with its subsidiaries (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 the development, promotion and sales of the Group's imported films, self-manufactured films and cigarette paper boxes. Since 30 June 2014, Sheen Tai has also engaged into the property development business. Our products can be broadly classified into three categories, namely, (i) cigarette-related packaging materials (comprising cigarette paper boxes, anti-counterfeiting films and other cigarette films manufactured by the Group); (ii) non-cigarette-related packaging materials (being films for packaging non-cigarette-related products manufactured by the Group) and (iii) development of properties. The Group has made sales to (i) cigarette manufacturers; (ii) other customers of cigarette films; and (iii) customers of non-cigarette-related packaging materials. No sale has been recorded for sales of properties for the period under review. The Group has two factories located in (i) Huai'an City in Jiangsu Province, accommodating production facilities for the printing and manufacturing of cigarette paper boxes; and anti-counterfeiting films: and (ii) Qingdao City in Shandong Province, accommodating production facilities for the manufacturing of BOPP films. The site for property development is located in Xuzhou, Jiangsu, the PRC.

While engaging in the business of the development and sales of films and cigarette paper boxes, the management of the Group has been seeking for diversification of business and investment in the development and sales of property business. In April 2014, the Group entered into an agreement for the acquisition of Sheen Tai International Investment Ltd. (a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Guo Yumin, the controlling shareholder, the chairman and an executive director of the Company). Sheen Tai International Investment Ltd. is an investment holding company and it directly wholly-owned Hong Kong Sheen Tai Investment Limited (an investment holding company incorporated in Hong Kong) and indirectly wholly-owned Xuzhou New Advantage Real Estate Development Company Limited (a wholly foreign-owned enterprise established in the PRC). Xuzhou New Advantage Real Estate Development Company Limited is engaged in the development and sales of property in Xuzhou, Jiangsu, the PRC. The acquisition has been completed on 30 June 2014 and the acquisition represented an opportunity to diversify the business and investment of the Group. It would also provide an opportunity to better utilize and manage the Group's regular and steady cash inflow from its packaging business. Upon completion of the above acquisition, Sheen Tai International Investment Ltd. (with its subsidiaries) has became wholly-owned subsidiary of the Company and all of its profit and loss and assets and liabilities has been consolidated to the financial statements of the Group. The management team of the acquired group companies has relevant experiences in the operation of property development business in Xuzhou, PRC. To oversee the operation of the new business, the Group has reviewed and enhanced the existing human resources by employing personnel with relevant experiences.

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, decreased by approximately HK$46.0 million, or approximately 15.0%, from approximately HK$307.1 million for the six months ended 30 June 2013 to approximately HK$261.1 million for the six months ended 30 June 2014, primarily as a result of the decrease in turnover from cigarette-related packaging materials and non-cigarette-related packaging materials.

Cigarette-related packaging materials

The decrease in turnover from cigarette-related packaging materials was mainly due to (i) the decline in sales of our cigarette paper boxes by approximately 19.7%, from approximately HK$118.3 million for the six months ended 30 June 2013 to approximately HK$95.0 million for the six months ended 30 June 2014, primarily as a result of the delay of purchase orders from the Group's sole customer of cigarette boxes; the demand of the cigarette paper boxes is expected to be recovered in the second half year of 2014 and the total sales volume for 2014 is expected to stay at a similar level as that for 2013; (ii) the decrease in sales of the Group's trading of imported films by approximately 52.8%, from approximately HK$32.2 million for the six months ended 30 June 2013 to approximately HK$15.2 million for the six months ended 30 June 2014, primarily due to a shortage of supply from the sole supplier. The decrease in sales of imported films was partially offset by the increase in the sales of the Group's anti-counterfeiting films by approximately 36.5%, from approximately HK$30.7 million for the six months ended 30 June 2013 to approximately HK$41.9 million for the six months ended 30 June 2014, primarily due to an increase in demand from the Group's sole customer of anti-counterfeiting film.

Non-cigarette-related packaging materials

Revenue from the Group's manufacturing and sale of non-cigarette-related packaging materials decreased by approximately HK$15.5 million, or approximately 26.4%, from approximately HK$58.7 million for the six months ended 30 June 2013 to approximately HK$43.2 million for the six months ended 30 June 2014. The decrease was primarily due to utilization of production volume of Qingdao factory from non-cigarette-related packaging materials to other cigarette films with higher profit margin.

Development of properties

No sales has been recorded for sale of properties during the six months ended 30 June 2014.

Cost of Sales

The Group's cost of sales decreased by approximately HK$34.1 million, or approximately 17.4% from approximately HK$196.3 million for the six months ended 30 June 2013 to approximately HK$162.2 million for the six months ended 30 June 2014, which is generally in pace with the decrease of the Group's revenue.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK$11.9 million, or approximately 10.7%, from approximately HK$110.8 million for the six months ended 30 June 2013 to approximately HK$98.9 million for the six months ended 30 June 2014. The Group's gross profit margin increased from approximately 36.1% for the six months ended 30 June 2013 to approximately 37.9% for the six months ended 30 June 2014. The increase was mainly due to the improvement of the gross profit margin of anti-counterfeiting films and other cigarette films from approximately 28.4% and 19.9% for the six months ended 30 June 2013 to approximately 36.4% and 35.5% for the six months ended 30 June 2014.

Other revenue and net income

The Group's other revenue for the six months ended 30 June 2014 recorded an increase of approximately HK$1.3 million, or approximately 19.4%, when compared with the same period in 2013. The increase was mainly caused by the interest income generated from the pledged cash in 2014.

Distribution costs

The Group's selling and distribution expenses increased by approximately HK$0.7 million, or approximately 11.3%, from approximately HK$6.2 million for the six months ended 30 June 2013 to approximately HK$6.9 million for the six months ended 30 June 2014. The increase was mainly due to the increase of transportation expenses by further extension of the Group's distant sales in southern china region.

Administrative expenses

The Group's administrative expenses increased by approximately HK$8.0 million, or approximately 28.4%, from approximately HK$28.2 million for the six months ended 30 June 2013 to approximately HK$36.2 million for the six months ended 30 June 2014, primarily attributable to the general increase in staff cost, rental expense for machinery in Qingdao factory and professional fee.

Finance cost

The Group's finance costs decreased by approximately 34.6% from approximately HK$10.4 million for the six month ended 30 June 2013 to approximately HK$6.8 million for the six months ended 30 June 2014, primarily due to the decease of bank loan interest expenses.

Income tax

The Group's income tax decreased by approximately HK$2.3 million from approximately HK$18.8 million for the six months ended 30 June 2013 to approximately HK$16.5 million for the six months ended 30 June 2014, primarily as a result of the decrease in the Group's profit before taxation.

Profit attributable to equity holders of the Company

As a result of the foregoing factors, profit attributable to equity holders of the Company for the six months ended 30 June 2014 decreased by approximately 22.8% from approximately HK$34.2 million to approximately HK$26.4 million. The decrease was due to the reasons set out above.

Liquidity and financial resources

As at 30 June 2014, the cash and cash equivalent of the Group amounted to approximately HK$59.8 million (which was denominated in Hong Kong dollars, Renminbi and United States dollars) as compared with approximately HK$61.2 million as at 31 December 2013.

For the six months ended 30 June 2014, the Group's net cash inflow of operating activities, net cash outflow of investment activities and net cash outflow of financing activities amounted to approximately HK$106.7 million, HK$5.5 million and HK$102.1 million respectively. The net cash outflow of financing activities mainly comprised dividend amounting to approximately HK$60.4 million and repayment of a dividend loan amounting to approximately HK$41.5 million. The Group primarily uses cash inflow of operating activities to satisfy the requirement of working capital.

Borrowings and gearing ratio

Total interest-bearing borrowings of the Group as at 30 June 2014 was approximately HK$418.9 million (31 December 2013: approximately HK$272.2 million), which were all variable rate borrowings, of which approximately HK$189.2 million (31 December 2013: approximately HK$190.8 million) was denominated in RMB. The Group's gearing ratio, measured by net debt divided by shareholders' equity as at 30 June 2014 and multiplied by 100%, increased from approximately 45% as at 31 December 2013 to approximately 85% as at 30 June 2014.

Capital expenditure

During the six months ended 30 June 2014, the Group's total capital expenditure amounted to approximately HK$8.4 million, which was used in the acquisition of property, plant and equipment.

Charge on assets

As at 30 June 2014, the Group had pledged its lease prepayments, machinery and building held for own use with net book value of approximately HK$286.9 million (31 December 2013: approximately HK$280.6 million) and its cash amounting to approximately HK$3.8 million (31 December 2013: approximately HK$43.9 million) for the purpose of securing loans with carrying value of approximately HK$168.9 million (31 December 2013: approximately HK$246.7 million). No trade receivables has been pledged as at 30 June 2014 (31 December 2013: approximately HK$48.4 million).

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 receivable, payables, cash balances and bank loans that are denominated in US dollars. Presently, the Group has no hedging policy with respect to the foreign exchange exposure.

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

Significant investment and material acquisitions

On 4 April 2014, the Company has entered into an agreement (as supplemented by a supplemental deed dated 16 May 2014) with Mr. Guo Yumin (the chairman, an executive director and a controlling shareholder of the Company) for the acquisition of the entire issued share capital of Sheen Tai International Investment Ltd. at a consideration of HK$165,000,000. The consideration was satisfied by the Company issuing a convertible bond, which can be converted into 99,517,490 ordinary shares of the Company at the initial conversion price of HK$1.658. The acquisition was completed on 30 June 2014. The acquisition constitutes a major transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Besides, as Mr. Guo Yumin is the chairman, an executive director and a controlling shareholder of the Company, he is a connected person of the Company and the acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The acquisition was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 12 June 2014, and has completed on 30 June 2014. For further details, please refer to the announcements of the Company dated 4 April 2014, 29 April 2014, 16 May 2014, 12 June 2014 and 30 June 2014 and the circular of the Company dated 21 May 2014 (the "Circular").

The Company early repaid an aggregate principal amount of HK$95,000,000, and as at the date of this announcement, the aggregate outstanding principal amount is HK$70,000,000. As set out in the Circular, it is planned that building, with an area of approximately 90,595m^2, of which approximately 60,783m^2 shall be apartments and approximately 29,812m^2 shall be houses, will be constructed on the Land. The Group endeavours to obtain necessary licences for the development of the Land (including the Construction Works Planning Permit and the Construction Works Commencement Permit) at the earliest time possible.

Contingent liabilities

As at 30 June 2014, the Group did not have any significant contingent liabilities (31 December 2013: Nil).

Continuing connected transaction

On 19 March 2014, Qingdao Ener Packaging Technology Co., Ltd. ("Qingdao Ener") (an indirect wholly-owned subsidiary of the Company) and Qingdao Justo Packaging Co., Ltd. ("Qingdao Justo") entered into the an agreement (the "2014 Agreement") in respect of the sale of cigarette films by Qingdao Ener to Qingdao Justo, pursuant to which Qingdao Justo purchased approximately 660.57 tonnes of cigarette films from Qingdao Ener with a total consideration of RMB13,434,175.67.

Qingdao Justo is an associate of Shenzhen Jingjia and thus a connected person of the Company for the purpose of the Listing Rules. Accordingly, the 2014 Agreement and the transactions contemplated thereunder constitute continuing connected transaction of the Company under Chapter 14A of the Listing Rules. The Directors (including the independent non-executive Directors) considered that the 2014 Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and are on normal commercial terms after arm's length negotiation. The Directors (including the independent non-executive Directors) consider that the 2014 Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and its shareholders as a whole.

As the applicable percentage ratios under the Listing Rules (other than the profit ratio) for the transaction amount contemplated under the 2014 Agreement, when aggregated with the past transaction amount for the sale of cigarette films by Qingdao Ener to Qingdao Justo from 1 January 2014, will exceed 1% but will be less than 5%, the 2014 Agreement and the transactions contemplated thereunder are only subject to reporting, announcement and annual review requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules in effect at the relevant time.

For further details, please refer to the announcement of the Company dated 19 March 2014.

Human resources

As at 30 June 2014, the Group employed 445 employees (as compared with 397 employees as at 30 June 2013) with total staff cost of approximately HK$26.6 million incurred for the six months ended 30 June 2014 (as compared with approximately HK$22.9 million for the same period of 2013). The Group's remuneration packages are generally structured with reference to market terms and individual merits. The Company has also adopted a pre-IPO share option scheme and a share option scheme to provide incentive or reward to high-calibre employees and attract human resources that are valuable to the Group.

Interim dividend

The Directors do not recommend payment of any interim dividend for the six months ended 30 June 2014.

Exercise of Pre-IPO Share Options

The Company has adopted a pre-IPO share option scheme (the "Scheme") on 22 June 2012. On 24 January 2014, a total of 672,500 pre-IPO share options under the Scheme had been exercised at the exercise price of HK$0.6029 by certain employees of the Group, resulting in allotment of 672,500 Shares, and on 18 July 2014, a total of 1,663,750 pre-IPO share options under the Scheme had been exercised at the exercise price of HK$0.6029 by executive Directors and certain employees of the Group resulting in allotment of 1,633,750 Shares.

Prospects

The Directors are of the view that the acquisition of the new property development business will offer an opportunity for the Group, as enlarged by the acquisition of Sheen Tai International Investment Ltd. to broaden its income sources by expanding into the property development business. As a listed company, the enlarged Group has access to international capital markets which can provide substantial capital for the further business development. Going forward, the enlarged Group will continue to capture the growth potential and promote the packaging products and property development business, and it will keep exploring new business opportunities for existing and new products in the PRC market.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Purchase, Sales or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

Corporate Governance Code

The Company has complied with the requirements under the code provisions set out in Appendix 14 - Corporate Governance Code (the "Code") to the Listing Rules or the continuing obligations requirements of a listed issuer pursuant to the Listing Rules for the six months ended 30 June 2014, except for the deviation from code provision A.1.8 of the Code as described below.

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

While the Company is committed to achieving high standards of corporate governance and to complying with the code provisions under the Code, as it took time to solicit suitable insurer at reasonable commercial terms and conditions, the Company decided to delay compliance with arranging for the insurance cover in respect of legal action against its Directors arising out of the Company's corporate activities.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the code of conduct and the required standard set out in the Model Code regarding directors' securities transactions during the six months ended 30 June 2014.

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 Group. The interim financial results of the Group for the six months ended 30 June 2014 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, the Company has maintained sufficient public float during the six months ended 30 June 2014 as required under the Listing Rules.

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

Hong Kong, 27 August 2014

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