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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

GROUP FINANCIAL HIGHLIGHT

For the year ended 31 December 2020 (Expressed in Hong Kong dollars)

	2020	2019
	HK\$'000	HK\$'000
		(Re-presented)
Revenue (From continuing operations)	79,525	75,259
Gross profit (From continuing operations)	43,365	36,036
Profit/(loss) before tax (From continuing operations)	14,226	(36,904)
Profit/(loss) (From continuing and discontinued operations) attributable to:		
Equity shareholders of the Company	15,053	(47,873)
Earnings/(loss) per share (From continuing and discontinued operations)		
Basic <i>(HK\$ per share)</i>	0.006	(0.020)
Diluted <i>(HK\$ per share)</i>	0.006	(0.020)
Cash and cash equivalents	326,060	165,438
Net assets	812,842	765,651
Total assets	873,014	983,641

RESULTS

The board (the “Board”) of directors (the “Directors”) of Sheen Tai Holdings Group Company Limited (the “Company”) hereby announces the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2020 (the “Year”), with the comparative figures for the year ended 31 December 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020 (Expressed in Hong Kong dollars)

	<i>Note</i>	2020 HK\$'000	2019 <i>HK\$'000</i> (Re-presented)
Continuing operations			
Revenue	4	79,525	75,259
Cost of sales		(36,160)	(39,223)
Gross profit		43,365	36,036
Other income	5	6,713	16,318
Other gains and losses, net	6	(108)	(19,282)
Distribution costs		(509)	(938)
Impairment losses on trade and other receivables		(622)	(6,266)
Administrative expenses		(31,301)	(42,733)
Other operating expenses		(2,354)	(2,944)
Profit/(loss) from operations		15,184	(19,809)
Finance costs	7	(958)	(2,176)
Impairment of goodwill		–	(2,830)
Impairment of property, plant and equipment		–	(12,089)
Profit/(loss) before tax		14,226	(36,904)
Income tax expense	8	(4,439)	(1,815)
Profit/(loss) for the year from continuing operations		9,787	(38,719)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	10	6,755	(9,154)
Profit/(loss) for the year	9	16,542	(47,873)

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000 (Re-presented)
Attributable to:			
Equity shareholders of the Company		15,053	(47,873)
Non-controlling interests		1,489	–
		<u>16,542</u>	<u>(47,873)</u>
Earnings/(loss) per share			
	12		
From continuing and discontinued operations			
Basic (<i>HK\$ per share</i>)		<u>0.006</u>	<u>(0.020)</u>
Diluted (<i>HK\$ per share</i>)		<u>0.006</u>	<u>(0.020)</u>
From continuing operations			
Basic (<i>HK\$ per share</i>)		<u>0.004</u>	<u>(0.016)</u>
Diluted (<i>HK\$ per share</i>)		<u>0.004</u>	<u>(0.016)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020 (Expressed in Hong Kong dollars)

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Re-presented)
Profit/(loss) for the year	<u>16,542</u>	<u>(47,873)</u>
Other comprehensive income/(loss):		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	50,663	(14,329)
Exchange differences reclassified to profit or loss on disposal of foreign operations	<u>6,425</u>	<u>–</u>
Other comprehensive income/(loss) for the year, net of tax	<u>57,088</u>	<u>(14,329)</u>
Total comprehensive income/(loss) for the year	<u><u>73,630</u></u>	<u><u>(62,202)</u></u>
Attributable to:		
Equity shareholders of the Company	69,953	(62,202)
Non-controlling interests	<u>3,677</u>	<u>–</u>
	<u><u>73,630</u></u>	<u><u>(62,202)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020 (Expressed in Hong Kong dollars)

	Note	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment		296,245	401,534
Right-of-use assets		25,246	46,069
Goodwill		–	–
Intangible assets		780	1,121
Other non-current assets		1,897	2,050
Contract assets		18,152	59,398
Deferred tax assets		1,368	2,183
		<hr/>	<hr/>
Total non-current assets		343,688	512,355
Current assets			
Financial assets at fair value through profit or loss ("FVTPL")		1,442	1,696
Inventories		7,692	62,863
Trade and other receivables	13	190,960	238,312
Current tax assets		3,172	2,977
Bank and cash balances		326,060	165,438
		<hr/>	<hr/>
Total current assets		529,326	471,286
Current liabilities			
Trade and other payables	15	21,290	107,311
Contract liabilities		115	1,950
Lease liabilities		1,067	2,708
Bank borrowings	14	–	69,902
Deferred government grants		280	262
Current tax liabilities		9,969	7,926
		<hr/>	<hr/>
Total current liabilities		32,721	190,059
		<hr/>	<hr/>
Net current assets		496,605	281,227
		<hr/>	<hr/>
Total assets less current liabilities		840,293	793,582

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	14,847	16,203
Deferred tax liabilities	6,549	5,790
Deferred government grants	6,055	5,938
	<hr/>	<hr/>
Total non-current liabilities	27,451	27,931
	<hr/>	<hr/>
NET ASSETS	812,842	765,651
	<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES		
Share capital	6,085	6,085
Reserves	806,757	759,566
	<hr/>	<hr/>
Total equity	812,842	765,651
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020 (Expressed in Hong Kong dollars)

1. GENERAL INFORMATION

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. The address of its registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is Unit 1903, 19/F, Jubilee Centre, 18 Fenwick Street, Wan Chai, Hong Kong. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 July 2012.

The Company is an investment holding company. The principal activities of its subsidiaries are sales of sub-processing cigarette films, properties development and related services, generation of photovoltaic power and cloud-related business.

In the opinion of the directors of the Company, Sheen Tai Group Holding Limited, a company incorporated in the British Virgin Islands (the "BVI"), is the immediate and ultimate parent and Mr. Guo Yumin, a director of the Company, is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

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

(a) Application of new and revised HKFRSs

The Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments had no impact on the consolidated financial statements.

Amendments to HKFRS 3 Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020. The application of the amendments had no impact on the consolidated financial statements as similar conclusion would have been reached without applying the optional concentration test.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2020. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKFRS 16 COVID-19 Related Rent Concessions	1 June 2020
Amendments to HKFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37 Onerous contracts – cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of liabilities as current or non-current	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. REVENUE AND SEGMENT REPORTING

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service line for the year from continuing operations is as follows:

	2020		2019	
	HK\$'000	%	HK\$'000	%
Revenue from contracts with customers within the scope of HKFRS 15				
Disaggregated by major products or service lines				
Sales of sub-processing cigarette films	5,127	6%	7,508	10%
Properties development and related services	21,424	27%	8,778	12%
Generation of photovoltaic power	52,974	67%	54,695	73%
Cloud-related business	–	–	4,278	5%
Total	<u>79,525</u>	<u>100%</u>	<u>75,259</u>	<u>100%</u>

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

For the year ended 31 December	Sales of sub-processing cigarette films		Properties development and related services		Generation of photovoltaic power		Cloud-related business		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Primary geographical market										
Mainland China	<u>5,127</u>	<u>7,508</u>	<u>21,424</u>	<u>8,778</u>	<u>52,974</u>	<u>54,695</u>	<u>–</u>	<u>4,278</u>	<u>79,525</u>	<u>75,259</u>
Timing of revenue recognition										
Products transferred at a point in time	<u>5,127</u>	<u>7,508</u>	<u>21,424</u>	<u>8,778</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>26,551</u>	<u>16,286</u>
Products and services transferred over time	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>52,974</u>	<u>54,695</u>	<u>–</u>	<u>4,278</u>	<u>52,974</u>	<u>58,973</u>
Total	<u>5,127</u>	<u>7,508</u>	<u>21,424</u>	<u>8,778</u>	<u>52,974</u>	<u>54,695</u>	<u>–</u>	<u>4,278</u>	<u>79,525</u>	<u>75,259</u>

(b) Segment reporting

The Group has four operating segments together formed the continuing operations as follows:

- Sales of sub-processing cigarette films: this segment engages in trading of sub-processing cigarette films;
- Properties development and related services: this segment engages in development and sales of properties and providing property management services;
- Generation of photovoltaic power: this segment engages in generating and sales of electricity; and
- Cloud-related business: this segment engaged in provision of development of cloud computing related software, outsourcing cloud platforms and providing cloud computing solutions and related services.

The manufacturing and sales of BOPP films operations were discontinued in the current year. The segment information reported does not include any amounts for these discontinued operations, which are described in more detail in Note 10.

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

Segment profits or losses do not include unallocated head office and corporate expenses, net realised and unrealised loss on investment in equity securities, dividend income from equity securities and impairment of unallocated other receivables. Segment assets do not include equity securities and unallocated head office and corporate assets. Segment liabilities do not include unallocated head office and corporate liabilities.

(i) *Segment results, assets and liabilities*

Information about operating segment profit or loss, assets and liabilities from continuing operations:

	Sales of sub-processing cigarette films		Properties development and related services		Generation of photovoltaic power		Cloud-related business		Total	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Year ended 31 December										
Revenue from external customers	<u>5,127</u>	<u>7,508</u>	<u>21,424</u>	<u>8,778</u>	<u>52,974</u>	<u>54,695</u>	<u>-</u>	<u>4,278</u>	<u>79,525</u>	<u>75,259</u>
Reportable segment gross profit/(loss)	<u>1,087</u>	<u>2,087</u>	<u>8,578</u>	<u>(1,090)</u>	<u>33,700</u>	<u>33,356</u>	<u>-</u>	<u>1,683</u>	<u>43,365</u>	<u>36,036</u>
Reportable segment profit/(loss) before tax	<u>(8,665)</u>	<u>(14,303)</u>	<u>8,850</u>	<u>(5,217)</u>	<u>26,611</u>	<u>17,297</u>	<u>(235)</u>	<u>(12,629)</u>	<u>26,561</u>	<u>(14,852)</u>
Interest income from bank deposits	218	54	439	250	30	13	33	27	720	344
Interest expense	20	1,299	-	-	858	877	-	-	878	2,176
Depreciation and amortisation	1,982	3,035	56	206	16,396	16,528	133	1,420	18,567	21,189
Other material non-cash items:										
Impairment of trade and other receivables	-	-	370	3,534	252	-	-	1,432	622	4,966
Impairment of goodwill	-	-	-	-	-	-	-	2,830	-	2,830
Impairment of property, plant and equipment	-	5,015	-	-	-	-	-	7,074	-	12,089
As at 31 December										
Reportable segment assets	65,874	73,120	252,024	190,751	437,786	401,567	24,536	9,092	780,220	674,530
Additions to non-current segment assets during the year	415	1,848	-	-	6	3,896	-	-	421	5,744
Reportable segment liabilities	22,873	35,334	7,547	10,370	24,675	23,391	2,956	4,484	58,051	73,579

(ii) *Reconciliations of segment profit or loss from continuing operations:*

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit/(loss)		
Reportable segment profit/(loss) before tax	26,561	(14,852)
Net realised and unrealised loss on investment in equity securities	(254)	(18,566)
Dividend income from equity securities	–	13,617
Impairment of unallocated other receivables	–	(1,300)
Unallocated head office and corporate expenses	<u>(12,081)</u>	<u>(15,803)</u>
Consolidated profit/(loss) before tax from continuing operations	<u><u>14,226</u></u>	<u><u>(36,904)</u></u>

(iii) *Reconciliations of segment assets and liabilities:*

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Assets		
Total assets of reportable segments	780,220	674,530
Assets relating to discontinued operations	–	291,897
Equity securities	1,442	1,696
Unallocated head office and corporate assets	<u>91,352</u>	<u>15,518</u>
Consolidated total assets	<u><u>873,014</u></u>	<u><u>983,641</u></u>
Liabilities		
Total liabilities of reportable segments	58,051	73,579
Liabilities relating to discontinued operations	–	144,259
Unallocated head office and corporate liabilities	<u>2,121</u>	<u>152</u>
Consolidated total liabilities	<u><u>60,172</u></u>	<u><u>217,990</u></u>

(iv) *Geographic information*

No geographic information from continuing operations is presented as the revenue, contribution to operating results, assets and liabilities of the Group are attributable to operating activities which are carried out or originated principally in the PRC including Hong Kong.

(v) *Revenue from major customers*

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Segment of properties development and related services Customer A	<u>18,744</u>	<u>–</u>
Segment of generation of photovoltaic power Customer B	<u>52,974</u>	<u>54,695</u>

5. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations		
Dividend income from equity securities	–	13,617
Government grants (<i>Note (i)</i>)	527	87
Amortisation of deferred government grants	264	213
Interest income on bank deposits	720	347
Loan interest income	4,743	1,665
Rental income	–	5
Sales of scrap materials	–	3
Sundry income	459	381
	<u>6,713</u>	<u>16,318</u>

Note:

- (i) During the year, the Group recognised government grants of HK\$269,000 (2019: HK\$Nil) in respect of COVID-19 related subsidies relates to Employment Support Scheme provided by the Hong Kong government. Government grants of HK\$258,000 (2019: HK\$87,000) mainly related to the subsidy received from the local government authority for the achievements of the Group.

6. OTHER GAINS AND LOSSES, NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations		
Gain on disposal of property, plant and equipment	304	–
Write off of property, plant and equipment	(120)	(88)
Net foreign exchange gains/(losses)	117	(628)
Net realised and unrealised loss on investment in equity securities	(254)	(18,566)
Others	(155)	–
	<u>(108)</u>	<u>(19,282)</u>

7. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations		
Interest expense on lease liabilities	942	959
Interest on bank borrowings	16	1,217
	<u> </u>	<u> </u>
Total borrowing costs	958	2,176
	<u> </u>	<u> </u>

8. INCOME TAX EXPENSE

Income tax relating to continuing operations has been recognised in profit or loss as following:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax – PRC enterprise income tax		
Provision for the year	3,252	3,745
Overprovision in prior years	(375)	(1,493)
	<u> </u>	<u> </u>
	2,877	2,252
	<u> </u>	<u> </u>
PRC Land appreciation tax (“LAT”)	957	118
	<u> </u>	<u> </u>
Deferred tax	605	(555)
	<u> </u>	<u> </u>
	4,439	1,815
	<u> </u>	<u> </u>

- (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) No provision for Hong Kong Profits Tax is required since the Group has no assessable profit derived in Hong Kong during the year (2019: Nil).
- (iii) On 16 March 2007, the Fifth Plenary Session of the Tenth National People’s Congress passed the Corporate Income Tax Law of the PRC (“New Tax Law”) which became effective on 1 January 2008 and the PRC’s statutory Corporate Income Tax rate is 25%.

Pursuant to the rules and regulations applicable to advanced technology enterprises established in the PRC, Jiangsu Sheen Colour Science Technology Co., Ltd. is subject to PRC corporate income tax at a preferential tax rate of 15% for the year ended 31 December 2020.

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

Entities engaged in software related business are eligible for a corporate income tax exemption for the first year to second year, and a 50% reduction for the third year to the fifth year starting from the year in which the entities first generate operating income (the “2+3 tax holiday”). Xuyi Guangcai Information Technology Co., Ltd. (an indirect wholly-owned subsidiary of the Group) obtained the “Notification of CIT 2+3 tax holiday” in 2018 and was entitled to 2+3 tax holiday retrospectively from 2016 to 2020.

- (iv) According to the New Tax Law and its implementation rules, dividends receivable by non-PRC-resident corporate investors from PRC-resident enterprises are subject to withholding tax at 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. Under the tax arrangement between the Mainland of China and Hong Kong Special Administrative Region and the relevant regulations, a qualified Hong Kong tax resident which is the “beneficial owner” and holds a 25% equity interest or more of a PRC enterprise is entitled to a reduced withholding tax rate of 5%. The withholding tax rate applicable to the Group is 5%.
- (v) According to the New Tax Law and its implementation rules, where the research and development expenses incurred by an enterprise in its research and development activities do not form intangible assets and are included in the current period’s profit or loss, 50% of such research and development expenses shall be deducted from the taxable income amount of the year; where intangible assets are formed, pretax amortisation shall be made based on 150% of the costs of the intangible assets.

The reconciliation between income tax expense and product of profit/(loss) before tax multiplied by the applicable tax rates is as follows:

	2020	2019
	HK\$’000	HK\$’000
Profit/(loss) before tax (from continuing operations)	<u>14,226</u>	<u>(36,904)</u>
Notional tax on profit/(loss) before tax, calculated at the rates applicable in the jurisdictions concerned	4,175	(8,655)
Tax effect of the preferential tax rates	111	(840)
Additional deductible allowance for research and development expenses	(40)	(65)
Tax effect of non-deductible expenses	3,658	10,043
PRC dividend withholding tax	752	14
Tax effect of non-taxable income	(2,836)	(2,260)
Tax effect of tax losses not recognised	4,041	3,207
Tax effect of utilisation of tax losses not previously recognised	(2,662)	(723)
Overprovision in prior years	(375)	(1,493)
LAT	957	118
Tax effect of unrecognised temporary differences	<u>(3,342)</u>	<u>2,469</u>
Income tax expense (relating to continuing operations)	<u><u>4,439</u></u>	<u><u>1,815</u></u>

9. PROFIT/(LOSS) FOR THE YEAR

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

	2020			2019		
	Continuing operations HK\$'000	Discontinued operations HK\$'000	Total HK\$'000	Continuing operations HK\$'000	Discontinued operations HK\$'000	Total HK\$'000
Amortisation of intangible assets (included in cost of sales)	389	-	389	550	-	550
Depreciation on property, plant and equipment	21,938	9,960	31,898	26,048	14,842	40,890
Depreciation on right-of-use assets	1,505	2,472	3,977	1,822	2,445	4,267
Auditor's remuneration	1,330	-	1,330	1,330	-	1,330
Cost of inventories sold	13,841	154,793	168,634	12,034	194,265	206,299
Expenses relating to short-term lease	1,750	177	1,927	1,284	-	1,284
Allowance for inventories	-	-	-	-	319	319
Allowance for trade and other receivables, net	622	10,515	11,137	6,266	(355)	5,911
Research and development expenditure	1,322	9,012	10,334	2,312	10,247	12,559
Write off of property, plant and equipment	120	62	182	88	573	661
Impairment of property, plant and equipment	-	-	-	12,089	-	12,089
Staff costs	12,729	20,724	33,453	21,074	24,341	45,415

10. DISCONTINUED OPERATIONS

On 30 May 2020, the Group entered into a share purchase agreement to dispose of the entire issued share capital of Sheen China (Hong Kong) Limited ("Sheen China") and 70% equity interest in Qingdao Ener Packaging Technology Co. Ltd. ("Qingdao Ener") owned by Sheen China at a cash consideration of RMB67,000,000 (equivalents to approximately HK\$79,183,000) to an independent third party and the disposal was completed on 10 December 2020, which carried out all of the Group's manufacturing and sales of BOPP films operations.

	2020 HK\$'000	2019 HK\$'000
Profit/(loss) for the year from discontinued operations:		
Revenue	270,105	300,949
Cost of sales	(209,599)	(256,525)
Gross profit	60,506	44,424
Other income	9,241	7,599
Other gains and losses, net	(1,561)	(1,720)
Distribution costs	(19,157)	(21,985)
(Impairment losses)/reversal of impairment losses on trade and other receivables, net	(10,515)	355
Administrative expenses	(25,831)	(30,807)
Other operating expenses	-	(1)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit/(loss) from operations	12,683	(2,135)
Finance costs	(2,873)	(5,053)
	<hr/>	<hr/>
Profit/(loss) before tax	9,810	(7,188)
Income tax credit/(expense)	1,444	(1,966)
	<hr/>	<hr/>
	11,254	(9,154)
	<hr/>	<hr/>
Loss on disposal of operations	(3,666)	–
Income tax expense	(833)	–
	<hr/>	<hr/>
	(4,499)	–
	<hr/>	<hr/>
Profit/(loss) for the year from discontinued operations	6,755	(9,154)
	<hr/> <hr/>	<hr/> <hr/>
Profit/(loss) for the year from discontinued operations attributable to:		
Equity shareholders of the Company	5,266	(9,154)
Non-controlling interests	1,489	–
	<hr/>	<hr/>
	6,755	(9,154)
	<hr/> <hr/>	<hr/> <hr/>

11. DIVIDEND

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
2020 Interim of HK\$0.01 (2019: HK\$Nil) per ordinary share paid	24,341	–
	<hr/> <hr/>	<hr/> <hr/>

12. EARNINGS/(LOSS) PER SHARE

From continuing and discontinued operations

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings/(loss)		
Earnings/(loss) for the purpose of calculating basic and diluted earnings/(loss) per share	<u>15,053</u>	<u>(47,873)</u>

	2020 <i>'000</i>	2019 <i>'000</i>
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Number of shares

Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings/(loss) per share	<u>2,434,136</u>	<u>2,437,838</u>
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From continuing operations

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings/(loss)		
Earnings/(loss) for the purpose of calculating basic and diluted earnings/(loss) per share	<u>9,787</u>	<u>(38,719)</u>

From discontinued operations

Basic earnings/(loss) per share from the discontinued operations is HK\$0.002 per share (2019: HK\$(0.004) per share) and diluted earnings/(loss) per share from the discontinued operations is HK\$0.002 per share (2019: HK\$(0.004) per share), based on the profit/(loss) for the year from discontinued operations attributable to the owners of the Company of approximately HK\$5,266,000 (2019: loss of HK\$9,154,000) and the denominators used are the same as those detailed above for both basic and diluted earnings/(loss) per share.

As the Company's share options as at 31 December 2019 and 2020 do not give rise to any dilutive effect to the earnings/(loss) per share. The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted earnings/(loss) per share are the same.

13. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade and bills receivables (<i>Note (a)</i>)	100,736	159,617
Allowance for doubtful debts	<u>(1,932)</u>	<u>(2,178)</u>
	98,804	157,439
Deposits and other receivables (<i>Note (b)</i>)		
– related parties	1,334	544
– third parties	19,502	32,340
Prepayments		
– third parties	1,153	3,499
Due from a director and the ultimate controlling party (<i>Note (c)</i>)		
– Mr. Guo Yumin	18	572
Due from a director (<i>Note (c)</i>)		
– Ms. Xia Yu	–	80
Loan receivable (<i>Note (d)</i>)	<u>70,149</u>	<u>43,838</u>
	<u>190,960</u>	<u>238,312</u>

- (a) The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 180 days from the invoice date. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	2020		2019	
	Trade receivables <i>HK\$'000</i>	Bills receivables <i>HK\$'000</i>	Trade receivables <i>HK\$'000</i>	Bills receivables <i>HK\$'000</i>
Unbilled (<i>Note</i>)	93,451	–	27,540	–
Less than 30 days	3,727	–	54,699	32,654
31–90 days	583	–	34,016	–
91–180 days	64	–	6,415	–
181–365 days	–	–	1,196	–
Over 365 days	979	–	919	–
	<u>98,804</u>	<u>–</u>	<u>124,785</u>	<u>32,654</u>

Note:

As at 31 December 2020 and 2019, the amount represents unbilled tariff adjustment receivables of solar power plants registered in the Catalogue.

As at 31 December 2019, trade receivables of approximately HK\$36,878,000 were pledged to a bank to secure bank borrowings as set out in Note 14. As at 31 December 2020, no trade receivables were pledged subsequent to the settlement of the related bank borrowings.

The carrying amounts of the Group's trade receivables are denominated in RMB.

- (b) At 31 December 2020, an allowance of approximately HK\$2,696,000 (2019: HK\$3,548,000) was made for other receivables.
- (c) Details of amounts due from directors and the ultimate controlling party are as follows:

Name	Balance at 31 December 2020 HK\$'000	Balance at 31 December 2019 HK\$'000	Maximum amount outstanding during the year HK\$'000
Mr. Guo Yumin	18	572	572
Ms. Xia Yu	–	80	80
	<u> </u>	<u> </u>	<u> </u>

The amounts due are unsecured, interest free and repayable on demand.

As at 31 December 2020, no allowance is made for estimated irrecoverable amounts due from directors and the ultimate controlling party.

- (d) Loan receivable of HK\$70,149,000 (net of allowance for doubtful debts of HK\$1,365,000) (2019: HK\$43,838,000 (net of allowance for doubtful debts of HK\$862,000)) related a loan agreement entered into by an indirect wholly-owned subsidiary of the Company on 18 December 2020 with Suining Chuyue Zhiye Company Limited (睢寧楚岳置業有限公司) (“Suining Chuyue”), a company established in the PRC with limited liability, and Mr. Sun Chuyue, 70% equity interest owner of Suining Chuyue, and Mr. Sun Yong, the father of Mr. Sun Chuyue. Pursuant to the loan agreement, the Group agreed to provide to Suining Chuyue a loan amount of RMB60,000,000 (equivalent to approximately HK\$71,514,000) (2019: RMB40,000,000 (equivalent to approximately HK\$44,700,000)) for a term of six months, which carries interest at 0.5% (2019: 1%) per month and is secured by (1) 40% equity interest in Suining Chuyue which is held by Mr. Sun Chuyue as the share charge in favour of the subsidiary and (2) personal guarantee given by Mr. Sun Yong in favour of the subsidiary.

14. BANK BORROWINGS

	2020 HK\$'000	2019 HK\$'000
Bank loans	–	69,902
	<u> </u>	<u> </u>

The bank borrowings are repayable within one year or on demand.

The carrying amounts of the Group’s bank borrowings are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK\$	–	10,000
United States dollars (“US\$”)	–	4,027
RMB	–	55,875
	<u> </u>	<u> </u>
	–	69,902
	<u> </u>	<u> </u>

As at 31 December 2020, all bank borrowings had either been fully settled or derecognised upon disposal of subsidiaries during the year.

As at 31 December 2019, the average interest rate of bank borrowings was 5.06% per annum.

As at 31 December 2019, bank borrowings of HK\$55,875,000 are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Other bank borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

As at 31 December 2019, bank loans of HK\$69,902,000 are secured by a charge over the Group's leasehold land, buildings and machinery, trade receivables (Note 13) and corporate guarantees executed by the Company and two subsidiaries.

Breaches in meeting the financial covenants would permit the banks to immediately call borrowings. There have been no breaches in the financial covenants of any bank borrowings for the years ended 31 December 2020 and 2019.

15. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade and bills payables	12,034	60,854
Other payables and accruals		
– related parties	137	128
– third parties	9,119	46,329
	21,290	107,311

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

	2020		2019	
	Trade payables <i>HK\$'000</i>	Bills payables <i>HK\$'000</i>	Trade payables <i>HK\$'000</i>	Bills payables <i>HK\$'000</i>
Due within 1 month or on demand	668	–	12,642	22,350
Due after 1 month but within 3 months	10	–	7,740	–
Due after 3 months but within 6 months	62	–	4,699	–
Due more than 6 months	11,294	–	13,423	–
	12,034	–	38,504	22,350

The carrying amounts of the Group's trade and bills payables are denominated in RMB.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Year, the Group focused on sale of sub-processing films, development of residential properties, sale of self-generated photovoltaic power and sale of cloud-related services. The Group disposed of a subsidiary, Qingdao Ener Packaging Technology Co., Ltd (“Qingdao Ener”) which was mainly manufacturing and sales of BOPP films during the second half of the Year and the completion took place on 10 December 2020. Accordingly, the Group’s manufacturing and sales of BOPP films business is classified as discontinued operations.

DISCONTINUED OPERATIONS

Manufacturing and sales of BOPP films

In 2007, Qingdao Ener was established to engage in the sales and manufacturing of films (including cigarette films and non-cigarette films). In 2012, we acquired 30% equity interest in Qingdao Ener from Qingdao Beizhou Group Co., Ltd so that our control in Qingdao Ener was consolidated. Qingdao Ener’s scope of business is the manufacturing of labels films, film-type additives, film-typed deep-processed products (aluminised, transfer film); the development and manufacturing of agricultural film new technology and photolysis film, multifunctional film and agricultural film new products.

In 2020, the Board noted that the financial performance of Qingdao Ener has been deteriorating, being loss-making for the last two financial years ended 31 December 2019, has deteriorated in the past two years. Although Qingdao Ener made a positive net profit in early 2020, the Board believes that the profit made by Qingdao Ener will not be sustainable. The Board is of the view that the disposal of Qingdao Ener is an exit opportunity for the Group to realise its investment, and thereby will improve the Group’s asset turnover rate and generate additional cash inflow, which would enhance the Group’s ability to grasp other potential investment opportunities in the future.

CONTINUING OPERATIONS

As a result of the disposal of Qingdao Ener, the Group has reclassified its operation into four classes of business namely, (i) sales of sub-processing cigarette films, (ii) properties development, (iii) generation of photovoltaic power and (iv) cloud-related business.

Sales of sub-processing cigarette films

During the Year, the Group recorded revenue amounting to approximately HK\$5.1 million from sales of sub-processing cigarette and non-cigarette films (for the year ended 31 December 2019: approximately HK\$7.5 million).

Properties development

During the Year, the Group recorded a substantial increase in revenue generated from the sales of remaining inventories as compared to the year ended 31 December 2019. The revenue increased from approximately HK\$8.8 million for the year ended 31 December 2019 to approximately HK\$21.4 million for the Year.

Generation of photovoltaic power

During the Year, the Group had three photovoltaic power stations in operation, with a total grid-connected capacity of 40 megawatts (“MW”). The revenue generated from this segment reached approximately HK\$53.0 million for the Year (for the year ended 31 December 2019: approximately HK\$54.7 million).

GROSS PROFIT

Our gross profit increased by approximately HK\$7.4 million, or approximately 20.3%, from approximately HK\$36.0 million for the year ended 31 December 2019 to approximately HK\$43.4 million for the Year. The increase is mainly due to the decrease of cost of sales. Our gross profit margin increased from approximately 47.9% for the year ended 31 December 2019 to approximately 54.5% for the Year.

SELLING AND DISTRIBUTION COSTS

Our selling and distribution expenses decreased by approximately HK\$0.4 million, or approximately 45.7%, from approximately HK\$0.9 million for the year ended 31 December 2019 to approximately HK\$0.5 million for the Year.

ADMINISTRATIVE EXPENSES

Our administrative expenses decreased by approximately HK\$11.4 million, or approximately 26.8%, from approximately HK\$42.7 million for the year ended 31 December 2019 to approximately HK\$31.3 million for the Year due to our stringent cost management measures.

FINANCE COSTS

The finance costs decreased by approximately HK\$1.2 million from approximately HK\$2.2 million for the year ended 31 December 2019 to approximately HK\$1.0 million for the Year. It was mainly due to decrease of financial interest incurred from bank borrowing.

INCOME TAX

Our income tax increased from approximately HK\$1.8 million for the year ended 31 December 2019 to approximately HK\$4.4 million for the Year.

PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY

As a result of the foregoing factors, the Group recorded a profit attributable to equity shareholders of the Company of approximately HK\$15.1 million for the Year as compared to a loss attributable to equity shareholders of the Company of approximately HK\$47.9 million for the year ended 31 December 2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the cash and cash equivalents of the Group amounted to approximately HK\$326.1 million (which were denominated in HK\$, RMB and US\$) as compared with approximately HK\$165.4 million as at 31 December 2019, representing an increase of approximately HK\$160.7 million. As at 31 December 2020, the Group's current ratio being the rate of total current assets to total current liabilities was 16.2 (2019: 2.5).

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2020, we did not have any material bank loans, debt securities, borrowings, guarantees, hire purchase commitments or mortgages (as at 31 December 2019: approximately HK\$69.9 million).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

Currently, the Group has no hedging policy with respect to the foreign exchange exposure. As the functional currency for all subsidiaries in the PRC are RMB, these subsidiaries were not exposed to any currency risks due to the exchange rate movement of RMB during the Year. For subsidiaries established outside the PRC, they had no material financial assets and liabilities denominated in RMB. Accordingly, the Group's exposure to RMB risk is insignificant.

CAPITAL EXPENDITURE

During the Year, the Group's total capital expenditure amounted to approximately HK\$4.8 million.

SUBSEQUENT EVENTS

Save as disclosed above, there is no significant event after the Year and up to the date of this announcement.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS

Very substantial disposal of the entire issued share capital of Sheen China (Hong Kong) Limited and Qingdao Ener

On 28 April 2020, Sheen China (Hong Kong) Limited (“Sheen China”), a wholly-owned subsidiary of the Company, entered into the equity transfer agreement with Holotek Technology (Zhuhai) Co. Ltd. (the “Purchaser A”), pursuant to which Sheen China conditionally agreed to sell, and the Purchaser A conditionally agreed to purchase 30% equity interest in Qingdao Ener at the consideration of RMB27 million. For details, please refer to the announcement of the Company dated 28 April 2020 (hereinafter “the Disposal A”).

On 30 May 2020, Sheen China Group Holdings Inc (the “Vendor”), a wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement (which was further supplemented on 16 July, 22 July and 30 September 2020) with WF Sinco Limited (the “Purchaser B”), pursuant to which the Vendor conditionally agreed to sell all issued shares of Sheen China (which mainly held 70% equity interest in Qingdao Ener) at the consideration of RMB67 million. (hereinafter the “Disposal B”)

Each of the Purchaser A and Purchaser B is independent third parties of the Company.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal B exceeds 75%, the Disposal B constitutes a very substantial disposal for the Company pursuant to Chapter 14 of the Listing Rules and is subject to the reporting, announcement and the Shareholders’ approval requirements.

The Disposal B had been approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 17 November 2020 and the completion took place on 10 December 2020.

Upon the completion of the Disposal A&B, the Company did not hold any interest in Sheen China and Qingdao Ener and both Sheen China and Qingdao Ener ceased to be the subsidiaries of the Company.

For details of the Disposal B, please refer to the announcements of the Company dated 29 July, 30 September, 17 November and 10 December 2020 and the circular of the Company dated 26 October 2020.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any significant contingent liabilities.

HUMAN RESOURCES

As at 31 December 2020, the Group employed 74 employees (as compared with 245 employees as at 31 December 2019) with total staff cost of approximately HK\$12.7 million for the Year. The decrease mainly resulted from the disposal of Qingdao Ener. 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.

FINAL DIVIDEND

The Board does not recommend payment of any final dividend for the Year (for the year ended 31 December 2019: Nil).

PROSPECTS

The Company's Directors and management will dedicate their best effort to lead the Group to strive for the best interests for its shareholders. The Group has utilised its resources to expand the Group's service capacity. And the Group will continue to improve our operation efficiency and profitability of our business.

We are now planning to expand our team of professionals, which will enhance the basis of our technical capability to bid for future projects. The Group will also proactively seek opportunities to expand our customer base and our market share and undertake more projects.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Year. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group did not have any capital commitments (as at 31 December 2019: Nil).

CORPORATE GOVERNANCE REPORT

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

The Group's corporate governance practices are based on the principles and the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Director's securities transactions for the Year and up to the date of this announcement.

CLOSURE OF THE REGISTER OF MEMBERS

For determining entitlement to attend the forthcoming annual general meeting (“AGM”) to be held on 28 May 2021, the register of members of the Company will be closed from 25 May 2021 to 28 May 2021, both days inclusive, during which period no transfer of Shares will be registered. The record date will be on 28 May 2021. In order to qualify for attending the AGM, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong before 4:30 p.m. on 24 May 2021.

AUDIT COMMITTEE

The Company established the audit committee (the “Audit Committee”) on 22 June 2012 with written terms of reference which are in compliance with the code provisions of the Code. The Audit Committee currently has three members comprising Mr. Dai Tin Yau (being the chairman of the Audit Committee), Ms. Fan Qing and Mr. Chan Yin Lam, all being independent non-executive Directors. The Group’s final results for the Year had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee had also reviewed this announcement, and confirmed that this announcement has complied with the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company’s listed securities by the Company or any of its subsidiaries during the Year.

PUBLICATION OF FINAL RESULTS

The financial figures as set forth in this announcement have been compared by the Company’s auditor, RSM Hong Kong, Certified Public Accountants, to the amounts set out in the Group’s draft consolidated financial statements for the Year and the amounts were found to be consistent. The work performed by RSM Hong Kong in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong.

This announcement will be published on the websites of the Stock Exchange and the Company website at www.sheentai.com. The annual report for the Year containing all the information required by the Listing Rules will be despatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 31 March 2021

As at the date of this announcement, the executive Directors are Mr. Guo Yumin, Ms. Xia Yu and Mr. Zeng Xiangyang and the independent non-executive Directors are Ms. Fan Qing, Mr. Dai Tin Yau and Mr. Chan Yin Lam.