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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 71.2% to approximately HK\$226.7 million for the six months ended 30 June 2023 as compared with the corresponding period in 2022.
- Gross profit decreased by approximately 15.2% to approximately HK\$18.2 million for the six months ended 30 June 2023 as compared with the corresponding period in 2022.
- Gross profit margin decreased by approximately 8.2% to approximately 8.0% for the six months ended 30 June 2023 as compared with the corresponding period in 2022.
- Profit attributable to equity shareholders of the Company increased by approximately 339.6% to approximately HK\$5.8 million for the six months ended 30 June 2023 as compared with the corresponding period in 2022.
- Earnings per share increased by approximately 339.6% to approximately HK cents 0.237 for the six months ended 30 June 2023 as compared with the corresponding period in 2022.
- The Board does not recommend payment of any interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Sheen Tai Holdings Group Company Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2023 (the “**Period**”) together with the comparative figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	3	226,738	132,410
Cost of sales		<u>(208,502)</u>	<u>(110,913)</u>
Gross profit		18,236	21,497
Other income	4	3,879	3,052
Other gains and losses, net	5	(462)	(4,802)
Distribution costs		(97)	(178)
Reversal of impairment losses/(impairment losses) on trade and other receivables		1,355	(137)
Administrative expenses		(13,238)	(14,532)
Other operating expenses		<u>(951)</u>	<u>(1,062)</u>
Profit from operations		8,722	3,838
Finance costs	6	<u>(429)</u>	<u>(463)</u>
Profit before tax		8,293	3,375
Income tax expense	7	<u>(2,517)</u>	<u>(2,063)</u>
Profit for the period		<u>5,776</u>	<u>1,312</u>

	<i>Note</i>	Six months ended 30 June	
		2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Attributable to:			
Equity shareholders of the Company		5,777	1,314
Non-controlling interests		(1)	(2)
		<u>5,776</u>	<u>1,312</u>
Earnings per share	10		
Basic (<i>HK cents</i>)		<u>0.237</u>	<u>0.054</u>
Diluted (<i>HK cents</i>)		<u>0.237</u>	<u>0.054</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	<u>5,776</u>	<u>1,312</u>
Other comprehensive loss:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(29,622)	(31,675)
Exchange differences reclassified to profit or loss on disposal of foreign operations	<u>–</u>	<u>(471)</u>
Other comprehensive loss for the period, net of tax	<u>(29,622)</u>	<u>(32,146)</u>
Total comprehensive loss for the period	<u><u>(23,846)</u></u>	<u><u>(30,834)</u></u>
Attributable to:		
Equity shareholders of the Company	(23,848)	(30,833)
Non-controlling interests	<u>2</u>	<u>(1)</u>
	<u><u>(23,846)</u></u>	<u><u>(30,834)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	<i>Note</i>	At 30 June 2023 <i>HK\$'000</i> (Unaudited)	At 31 December 2022 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		231,753	247,877
Right-of-use assets		21,672	23,421
Intangible assets		10	13
Other non-current assets		1,153	434
Contract assets		–	31,155
Deferred tax assets		112	117
		254,700	303,017
Current assets			
Financial assets at fair value through profit or loss		10,860	5,681
Inventories		4,414	5,107
Trade and other receivables	11	241,136	183,482
Current tax assets		71	71
Bank and cash balances		266,174	330,894
		522,655	525,235
Current liabilities			
Trade and other payables	12	12,151	13,758
Lease liabilities		902	1,002
Deferred government grants		253	264
Current tax liabilities		11,701	11,811
		25,007	26,835
Net current assets		497,648	498,400
Total assets less current liabilities		752,348	801,417

	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Audited)
Non-current liabilities		
Lease liabilities	12,266	13,245
Deferred tax liabilities	8,815	8,363
Deferred government grants	4,847	5,202
	<hr/>	<hr/>
Total non-current liabilities	25,928	26,810
	<hr/>	<hr/>
Net assets	726,420	774,607
	<hr/> <hr/>	<hr/> <hr/>
Capital and reserves		
Share capital	6,085	6,085
Reserves	720,600	768,789
	<hr/>	<hr/>
Equity attributable to equity shareholders of the Company	726,685	774,874
Non-controlling interests	(265)	(267)
	<hr/>	<hr/>
Total equity	726,420	774,607
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. BASIS OF PREPARATION

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

These condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2022. The accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2022.

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

The Group has adopted Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases.

Prior to the adoption of Amendments to HKAS 12, the Group applied the initial recognition exemption under paragraphs 15 and 24 of HKAS 12 for leasing transactions that give rise to equal and offsetting temporary differences, and therefore no deferred tax has been recognised for temporary differences relating to right-of-use assets and lease liabilities at initial recognition, and also over the lease terms under paragraph 22(c) of HKAS 12.

The Group has applied the transitional provisions under paragraphs 98K and 98L of Amendments to HKAS 12 to leasing transactions that occur on or after the beginning of the earliest comparative period presented and also, at the beginning of the earliest comparative period presented by:

- (i) Recognising a deferred tax asset to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, and a deferred tax liability for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities; and
- (ii) Recognising the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits (or other component of equity, as appropriate) at that date.

Based on the management’s assessment, there was immaterial impact on the condensed consolidated statement of financial position as at 1 January 2022, 31 December 2022 and 30 June 2023, because the deferred tax assets and the deferred tax liabilities recognised as a result of the adoption of Amendments to HKAS 12 qualify for offset under paragraph 74 of HKAS 12. There was also immaterial impact on the opening retained profits as at 1 January 2022 as a result of the change. The key impact for the Group relates to disclosure of the deferred tax assets and liabilities recognised. This disclosure will be provided in the annual financial statements.

The change in accounting policy will also be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2023.

In addition to the adoption of the above amendments to standards, in the current period, the Group has adopted all other new and revised Hong Kong Financial Reporting Standards issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. They do not have a material effect on the Group's condensed consolidated interim financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

3. REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

	Six months ended 30 June			
	2023		2022	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)		(Unaudited)	
Revenue from contracts with customers within the scope of HKFRS 15				
Sales of sub-processing cigarette films	1,331	1%	1,988	2%
Sales of semi-conductors	197,327	86%	99,062	74%
Properties development and related services	171	1%	338	1%
Generation of photovoltaic power	27,909	12%	31,022	23%
	<hr/>	<hr/>	<hr/>	<hr/>
Total	226,738	100%	132,410	100%
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

Six months ended 30 June (Unaudited)										
Primary geographical market	Sales of sub-processing cigarette films		Sales of semi-conductors		Properties development and related services		Generation of photovoltaic power		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	-	-	197,327	94,120	-	-	-	-	197,327	94,120
Mainland China	1,331	1,988	-	4,942	171	338	27,909	31,022	29,411	38,290
Total	1,331	1,988	197,327	99,062	171	338	27,909	31,022	226,738	132,410
Timing of revenue recognition										
Products transferred at a point in time	1,331	1,988	197,327	99,062	171	338	-	-	198,829	101,388
Products and services transferred over time	-	-	-	-	-	-	27,909	31,022	27,909	31,022
Total	1,331	1,988	197,327	99,062	171	338	27,909	31,022	226,738	132,410

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

	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Audited)
Receivables, which are included in "Trade and other receivables"	169,068	115,099
Contract assets	-	31,155

(b) Segment reporting

The Group has four operating segments as follows:

- Sales of sub-processing cigarettes films: this segment engages in trading of sub-processing cigarette films;
- Sales of semi-conductors: this segment engages in trading of semi-conductors;
- Properties development and related services: this segment engages in development and sales of properties and providing property management services; and
- Generation of photovoltaic power: this segment engages in generating and sales of electricity.

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

(i) *Segment results, assets and liabilities*

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

	Six months ended 30 June (unaudited)									
	Sales of sub-processing cigarette films		Sales of semi-conductors		Properties development and related services		Generation of photovoltaic power		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>1,331</u>	<u>1,988</u>	<u>197,327</u>	<u>99,062</u>	<u>171</u>	<u>338</u>	<u>27,909</u>	<u>31,022</u>	<u>226,738</u>	<u>132,410</u>
Reportable segment gross (loss)/profit	<u>(454)</u>	<u>(376)</u>	<u>1,859</u>	<u>1,105</u>	<u>8</u>	<u>140</u>	<u>16,823</u>	<u>20,628</u>	<u>18,236</u>	<u>21,497</u>
Reportable segment (loss)/profit before tax	<u>(3,157)</u>	<u>(3,108)</u>	<u>749</u>	<u>(1,132)</u>	<u>2,820</u>	<u>2,154</u>	<u>12,667</u>	<u>16,135</u>	<u>13,079</u>	<u>14,049</u>
Interest income from bank deposits	235	326	30	17	366	495	103	43	734	881
Interest expense	-	-	-	-	-	-	412	448	412	448
Depreciation and amortisation	577	724	193	207	2	2	8,354	8,822	9,126	9,755
Other material non-cash item:										
Impairment losses/ (reversal of impairment losses) on trade and other receivables	-	-	-	1,311	(1,355)	(1,322)	-	148	(1,355)	137
As at 30 June (unaudited)/ 31 December (audited)										
Reportable segment assets	<u>90,874</u>	<u>99,537</u>	<u>72,718</u>	<u>62,933</u>	<u>213,607</u>	<u>221,093</u>	<u>372,606</u>	<u>404,368</u>	<u>749,805</u>	<u>787,931</u>
Reportable segment liabilities	<u>20,812</u>	<u>22,330</u>	<u>1,049</u>	<u>1,249</u>	<u>5,121</u>	<u>5,677</u>	<u>22,431</u>	<u>20,051</u>	<u>49,413</u>	<u>49,307</u>

(ii) *Reconciliations of reportable segment profit or loss*

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit		
Reportable segment profit before tax	13,079	14,049
Loss on disposal of subsidiaries	–	(4,353)
Unallocated head office and corporate expenses	(4,786)	(6,321)
	<u>8,293</u>	<u>3,375</u>
Consolidated profit before tax	<u><u>8,293</u></u>	<u><u>3,375</u></u>

4. **OTHER INCOME**

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Government grants (<i>Note (i)</i>)	–	113
Amortisation of deferred government grants (<i>Note (ii)</i>)	133	141
Interest income on bank deposits	1,221	891
Loan interest income	2,413	1,856
Rental income	–	37
Sales of scrap materials	94	–
Sundry income	18	14
	<u>3,879</u>	<u>3,052</u>

Notes:

- (i) During the six months ended 30 June 2023, the Group recognised government grants of approximately HK\$Nil (six months ended 30 June 2022: HK\$80,000) in respect of COVID-19 relating subsidies relating to Employment Support Scheme provided by the Hong Kong Special Administrative Region Government. Government grants of approximately HK\$Nil (six months ended 30 June 2022: HK\$33,000) mainly related to the subsidy received from the local government authority in the People's Republic of China (“PRC”) for the achievements of the Group.
- (ii) The deferred government grants represented the subsidies granted by the local government authority in the PRC to the Group in respect of acquisition of certain property, plant and equipment and right-of-use assets.

5. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net foreign exchange losses	(799)	(449)
Write off of property, plant and equipment	(40)	–
Gain on disposal of property, plant and equipment	278	–
Loss on disposal of subsidiaries	–	(4,353)
Fair value gain on investments in wealth management products	99	–
	<u>(462)</u>	<u>(4,802)</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	<u>429</u>	<u>463</u>

7. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as follows:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – PRC corporate income tax		
Provision for the period	1,266	1,267
Underprovision in prior periods	<u>799</u>	<u>309</u>
	2,065	1,576
Deferred tax	<u>452</u>	<u>487</u>
	<u>2,517</u>	<u>2,063</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in these jurisdictions.
- (ii) No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the period (six months ended 30 June 2022: 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. (an indirect wholly-owned subsidiary of the Company) is subject to PRC corporate income tax at a preferential tax rate of 15% for the six months ended 30 June 2023 (six months ended 30 June 2022: 15%).

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 Company) was entitled to the 3+3 tax holiday.

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

8. PROFIT FOR THE PERIOD

The Group’s profit for the period is stated after charging the following:

	Six months ended 30 June	
	2023	2022
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Amortisation of intangible assets (included in cost of sales)	3	69
Depreciation on property, plant and equipment	8,675	9,277
Depreciation on right-of-use assets	774	825
	<u> </u>	<u> </u>

9. DIVIDENDS

A final dividend of HK1.0 cent per ordinary share, totalling approximately HK\$24,341,000 in respect of the year ended 31 December 2022 was approved at the Annual General Meeting held on 31 May 2023. The final dividend has been distributed out of the Company’s share premium and paid in cash.

No interim dividend has been declared by the Board for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

10. EARNINGS PER SHARE

Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the period attributable to equity shareholders of the Company of approximately HK\$5,777,000 (six months ended 30 June 2022: HK\$1,314,000) and the weighted average number of ordinary shares of approximately 2,434,136,000 (six months ended 30 June 2022: 2,434,136,000) during the period.

Diluted earnings per share

The computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise price of those share options were higher than the average market price for shares for the six months ended 30 June 2023 and 2022. Diluted earnings per share was the same as the basic loss per share for the six months ended 30 June 2023 and 2022.

11. TRADE AND BILLS RECEIVABLES

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

	At 30 June 2023		At 31 December 2022	
	Trade receivables	Bills receivable	Trade receivables	Bills receivable
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Unbilled (<i>Note</i>)	127,769	–	87,293	–
Less than 30 days	28,329	54	7,440	–
31–90 days	12,215	–	19,731	–
91–180 days	104	–	11	–
Over 365 days	597	–	624	–
	<u>169,014</u>	<u>54</u>	<u>115,099</u>	<u>–</u>

Note: As at 30 June 2023 and 31 December 2022, the amount represents unbilled tariff adjustment receivables of solar power plants registered in the Renewable Energy Tariff Subsidy List.

12. TRADE PAYABLES

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

	At 30 June 2023	At 31 December 2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Due within 1 month or on demand	234	165
Due more than 6 months	<u>1,551</u>	<u>2,181</u>
	<u>1,785</u>	<u>2,346</u>

13. EVENTS AFTER THE REPORTING PERIOD

On 4 August 2023, Shenzhen Shuntai New Energy Science Technology Co., Ltd. (the “**Lender**”), an indirect wholly-owned subsidiary of the Company, entered into a financing loan agreement with Shenzhen Global Greenland New Material Co., Ltd. (the “**Borrower**”), an independent third party. Pursuant to the agreement, the Lender advances a loan of RMB50,000,000, with a fixed interest rate of 4.75% per annum and maturity in 48 months from the drawdown date, to the Borrower. The Lender shall have the right to convert the principal amount into ordinary shares of the Borrower by way of capital injection at a fixed price in the amount of RMB50,000,000 with the period commencing from the first drawdown date to the date falling 48 months from the first drawdown date. Details of the financing loan agreement are set out in the Company's announcement dated 4 August 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In the first half of 2023, the Group maintain its business classified into four segments, namely, (i) sales of sub-processing cigarette films; (ii) sales of semi-conductors; (iii) properties development and related services; and (iv) generation of photovoltaic power.

The Group reported an increase in profit attributable to equity shareholders of the Company to approximately HK\$5.8 million for the Period, representing an increase of approximately 339.6% compared to approximately HK\$1.3 million for the six months ended 30 June 2022. The increase was mainly caused by the loss on disposal of subsidiaries incurred in 2022 and such loss did not repeat for the Period. Meanwhile, the Group implemented the stringent financial budgeting and cost controls to lower the operation expenses for the Period.

RESULTS OF OPERATION

Revenue

The Group has reported an increase in total revenue to approximately HK\$226.7 million for the Period, representing an increase of approximately 71.2% compared to approximately HK\$132.4 million for the six months ended 30 June 2022. The increase was mainly from sales of semi-conductors segment.

Sales of sub-processing cigarette films

During the Period, the Group recorded revenue amounting to approximately HK\$1.3 million from sales of sub-processing cigarette and non-cigarette films (for the six months ended 30 June 2022: approximately HK\$2.0 million).

Sales of semi-conductors

The sales of semi-conductors include trading business of wafer and memory chips. The revenue from sales of semi-conductors was approximately HK\$197.3 million for the Period (for the six months ended 30 June 2022: approximately HK\$99.1 million).

Properties development

The properties development revenue was generated from sales of remaining inventories of previous property project, which contributed approximately HK\$0.2 million to the Group for the Period (for the six months ended 30 June 2022: approximately HK\$0.3 million).

Generation of photovoltaic power

For the Period, the Group had three photovoltaic power stations in operation. The revenue generated from this segment was approximately HK\$27.9 million for the Period (for the six months ended 30 June 2022: approximately HK\$31.0 million).

Gross profit

The gross profit decreased by approximately HK\$3.3 million, or approximately 15.2%, from approximately HK\$21.5 million for the period ended 30 June 2022 to approximately HK\$18.2 million for the Period. The decrease was mainly resulted from the increase in cost of sales and decrease in revenue of the generation of photovoltaic power segment for the Period. Our gross profit margin decreased by approximately 8.2% from approximately 16.2% for the six month ended 30 June 2022 to approximately 8.0% for the Period. The decrease was mainly due to sales of semi-conductors segment which recorded profit margin of approximately 0.9%.

Distribution costs

The distribution expenses amounted to approximately HK\$0.1 million for the Period (for the six months ended 30 June 2022: approximately HK\$0.2 million).

Administrative expenses

The administrative expenses amounted to approximately HK\$13.2 million for the Period (for the six months ended 30 June 2022: approximately HK\$14.5 million).

Impairment loss

The Group recorded reversal of impairment losses of approximately HK\$1.4 million on trade and other receivables for the Period (for the six months ended 30 June 2022: impairment losses on trade and other receivables approximately HK\$0.1 million).

Finance costs

The finance costs amounted to approximately HK\$0.4 million for the Period (for the six months ended 30 June 2022: approximately HK\$0.5 million).

Profit attributable to equity 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\$5.8 million.

ADVANCE TO ENTITY AND/OR PROVISION OF FINANCIAL ASSISTANCE

On 12 June 2023, the Group has entered into a loan agreement with Suining Chuyue Company Limited* (睢寧楚岳置業有限公司) (the “**Borrower**”) granting a loan of RMB40 million at an interest rate of 0.42% per month to the Borrower which executed, among others, a pledge of 60% equity interest in the Borrower held by Mr. Sun Yong, as personal guarantor, as security in favour of the Group. For further details, please refer to the Company’s announcement dated 12 June 2023.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the cash and cash equivalent of the Group amounted to approximately HK\$266.1 million (which were denominated in HK\$, RMB and US\$) as compared with approximately HK\$330.9 million as at 31 December 2022, representing a decrease of approximately HK\$64.8 million. Such decrease was mainly due to the Group’s net cash inflow of operating activities, net cash outflow of investing activities and net cash outflow of financing activities that amounted to approximately HK\$1.9 million, approximately HK\$23.0 million and approximately HK\$24.8 million respectively.

BANK LOANS AND OTHER BORROWINGS

As at 30 June 2023, the Group did not have any material bank loans, debt securities, borrowings, indebtedness, guarantees, hire purchase commitments or mortgages (as at 31 December 2022: Nil).

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 People’s Republic of China (“**PRC**”) are RMB, these subsidiaries were not exposed to any currency risks due to the exchange rate movement of RMB during the Period. 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

The Group did not have any significant capital expenditure during the Period.

SUBSEQUENT EVENTS

On 4 August 2023, the Group entered into a financing loan agreement (the “**Financing Loan Agreement**”) with Shenzhen Global Greenland New Material Co., Ltd.* (深圳市環球綠地新材料有限公司) (the “**Global Greenland New Material**”), as borrower, subject to the terms and conditions of the Financing Loan Agreement, the Group agreed to, among other things, make available to the Global Greenland New Material a loan for an amount of RMB50 million. For further details, please refer to the Company’s announcement dated 4 August 2023.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS

There were no significant investments held by the Company as at 30 June 2023, nor material acquisitions and disposals of subsidiaries and associated companies by the Group.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any significant contingent liabilities (as at 31 December 2022: Nil).

HUMAN RESOURCES

As at 30 June 2023, the Group employed 57 employees (as compared with 62 employees as at 30 June 2022). The remuneration policy and package of the Group's employees are periodically reviewed in accordance with industry practice and results performance of the Group. The Group provides external and internal training programs to its employees. The participates in various employee social security plans for its employees that are administered by local governments, including housing, pension, medical insurance, occupational injury insurance, maternity insurance and unemployment insurance.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the Period (for the six months ended 30 June 2022: Nil).

PROSPECTS

During the period, due to the high inflation and high interest rate environment, the global economic slowdown continues and demand of semi-conductor products remains in the down phase. In the first half of 2023, the global semi-conductor manufacturers reduced their production in order to remain market balance. The Group expected the movement of demand and supply of the memory chips will be stable in the second half of 2023. We will focus on the development of the semi-conductor segment and stay alert to the potential changes in external economic circumstances.

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

The Company did not sell or repurchase any of the Company's listed securities during the six months ended 30 June 2023.

CORPORATE GOVERNANCE CODE

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

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

The Board considered that the Company had complied with the code provisions of the Code during the Period except for the deviation from code provisions C.2.1 of the Code as stated below.

Under code provision C.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the six months ended 30 June 2023, there has been no chief executive in the Company. Mr. Guo Yumin acted as the chairman of the Board and is responsible for the overall management and formulation of business strategy of the Group.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the code of conduct and the required standard set out in the Model Code regarding directors' securities transactions during the six months ended 30 June 2023.

AUDIT COMMITTEE

The Company has an audit committee (the “**Audit Committee**”) with terms of reference aligned with the provisions of the Code for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The Audit Committee comprises three members, all being independent non-executive Directors, namely, Mr. Dai Tin Yau, as its chairman, Ms. Fan Qing and Mr. Chan Yin Lam.

The interim financial results of the Group for the six months ended 30 June 2023 is unaudited but has been reviewed by the Audit Committee.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float during the six months ended 30 June 2023 as required under the Listing Rules.

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

Hong Kong, 31 August 2023

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

* *For identification purpose only*