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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 2023

GROUP FINANCIAL HIGHLIGHT

For the year ended 31 December 2023 (Expressed in Hong Kong dollars)

	2023	2022
	HK\$'000	HK\$'000
Revenue	423,708	315,701
Gross profit	37,688	38,540
(Loss)/profit before tax	(9,340)	12,089
(Loss)/profit attributable to:		
Equity shareholders of the Company	(13,389)	7,313
(Loss)/earnings per share		
Basic <i>(HK\$ per share)</i>	(0.006)	0.003
Diluted <i>(HK\$ per share)</i>	(0.006)	0.003
Cash and cash equivalents	237,340	330,894
Net assets	718,576	774,607
Total assets	769,693	828,252

RESULTS

The board (the “Board”) of directors (the “Directors”) of Sheen Tai Holdings Group Company Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2023 (the “Year”), with the comparative figures for the year ended 31 December 2022, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023 (Expressed in Hong Kong dollars)

	Note	2023 HK\$'000	2022 HK\$'000
Revenue	4	423,708	315,701
Cost of sales		<u>(386,020)</u>	<u>(277,161)</u>
Gross profit		37,688	38,540
Other income	5	7,527	6,204
Other gains and losses, net	6	(22,867)	(5,229)
Distribution costs		(295)	(288)
Reversal of impairment losses on trade and other receivables		1,006	2,773
Administrative expenses		(28,645)	(26,999)
Other operating expenses		<u>(2,926)</u>	<u>(2,011)</u>
(Loss)/profit from operations		(8,512)	12,990
Finance costs	7	<u>(828)</u>	<u>(901)</u>
(Loss)/profit before tax		(9,340)	12,089
Income tax expense	8	<u>(4,059)</u>	<u>(4,785)</u>
(Loss)/profit for the year	9	<u>(13,399)</u>	<u>7,304</u>

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Attributable to:			
Equity shareholders of the Company		(13,389)	7,313
Non-controlling interests		<u>(10)</u>	<u>(9)</u>
		<u>(13,399)</u>	<u>7,304</u>
(Loss)/earnings per share			
	<i>11</i>		
Basic (HK\$ per share)		<u>(0.006)</u>	<u>0.003</u>
Diluted (HK\$ per share)		<u>(0.006)</u>	<u>0.003</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023 (Expressed in Hong Kong dollars)

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss)/profit for the year	<u>(13,399)</u>	<u>7,304</u>
Other comprehensive (loss)/income:		
<i>Items that reclassified or may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(18,291)	(58,497)
Exchange differences reclassified to profit or loss on disposal of foreign operations	<u>—</u>	<u>471</u>
Other comprehensive loss for the year, net of tax	<u>(18,291)</u>	<u>(58,026)</u>
Total comprehensive loss for the year	<u><u>(31,690)</u></u>	<u><u>(50,722)</u></u>
Attributable to:		
Equity shareholders of the Company	(31,682)	(50,715)
Non-controlling interests	<u>(8)</u>	<u>(7)</u>
	<u><u>(31,690)</u></u>	<u><u>(50,722)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023 (Expressed in Hong Kong dollars)

	Note	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property, plant and equipment		227,220	247,877
Right-of-use assets		21,263	23,421
Intangible assets		8	13
Other non-current assets		1,393	434
Contract assets		–	31,155
Financial assets at fair value through profit or loss (“FVTPL”)		32,749	–
Deferred tax assets		–	117
Total non-current assets		282,633	303,017
Current assets			
Financial assets at FVTPL		–	5,681
Inventories		4,692	5,107
Trade and other receivables	12	244,957	183,482
Current tax assets		71	71
Bank and cash balances		237,340	330,894
Total current assets		487,060	525,235
Current liabilities			
Trade and other payables	13	12,554	13,758
Lease liabilities		615	1,002
Deferred government grants		257	264
Current tax liabilities		12,274	11,811
Total current liabilities		25,700	26,835
Net current assets		461,360	498,400
Total assets less current liabilities		743,993	801,417

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	12,262	13,245
Deferred tax liabilities	8,357	8,363
Deferred government grants	<u>4,798</u>	<u>5,202</u>
Total non-current liabilities	<u>25,417</u>	<u>26,810</u>
NET ASSETS	<u><u>718,576</u></u>	<u><u>774,607</u></u>
CAPITAL AND RESERVES		
Share capital	6,085	6,085
Reserves	<u>712,491</u>	<u>768,789</u>
Equity attributable to equity shareholders of the Company	718,576	774,874
Non-controlling interests	<u>–</u>	<u>(267)</u>
Total equity	<u><u>718,576</u></u>	<u><u>774,607</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023 (Expressed in Hong Kong dollars)

1. GENERAL INFORMATION

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. 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, sales of semi-conductors, properties development and related services and generation of photovoltaic power.

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 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 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 2023 for the preparation of the consolidated financial statements:

Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the amendments to HKFRSs in the current year has 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.

Impact on application of Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Group has adopted Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” for the first time in the current year. 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 consolidated statements of financial position as at 1 January 2022, 31 December 2022 and 31 December 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. The change primarily impacts disclosures of components of deferred tax assets and liabilities, but does not impact the overall deferred tax balances presented on the consolidated statement of financial position as the related deferred tax balances qualify for offset under HKAS 12.

(b) Revised HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to standards and interpretation that have been issued but not yet effective:

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16 – Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7 – Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21 – Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

The directors of the Group anticipate that the application of all amendments to HKFRSs will not have material impact on the consolidated financial statements in the foreseeable future.

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 is as follows:

	2023		2022	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Revenue from contracts with customers within the scope of HKFRS 15				
Disaggregated by major products or service lines				
Sales of sub-processing cigarette films	3,272	1%	3,728	1%
Sales of semi-conductors	366,970	86%	255,344	80%
Properties development and related services	430	1%	415	1%
Generation of photovoltaic power	<u>53,036</u>	<u>12%</u>	<u>56,214</u>	<u>18%</u>
Total	<u><u>423,708</u></u>	<u><u>100%</u></u>	<u><u>315,701</u></u>	<u><u>100%</u></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		Sales of semi- conductors		Properties development and related services		Generation of photovoltaic power		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Primary geographical markets										
Hong Kong	–	–	357,588	240,219	–	–	–	–	357,588	240,219
Mainland China	<u>3,272</u>	<u>3,728</u>	<u>9,382</u>	<u>15,125</u>	<u>430</u>	<u>415</u>	<u>53,036</u>	<u>56,214</u>	<u>66,120</u>	<u>75,482</u>
Total	<u>3,272</u>	<u>3,728</u>	<u>366,970</u>	<u>255,344</u>	<u>430</u>	<u>415</u>	<u>53,036</u>	<u>56,214</u>	<u>423,708</u>	<u>315,701</u>
Timing of revenue recognition										
Products transferred at a point in time	3,272	3,728	366,970	255,344	430	415	–	–	370,672	259,487
Products and services transferred over time	–	–	–	–	–	–	53,036	56,214	53,036	56,214
Total	<u>3,272</u>	<u>3,728</u>	<u>366,970</u>	<u>255,344</u>	<u>430</u>	<u>415</u>	<u>53,036</u>	<u>56,214</u>	<u>423,708</u>	<u>315,701</u>

(b) Segment reporting

The Group has four operating segments as follows:

- Sales of sub-processing cigarette 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.

Segment profits or losses do not include unallocated head office and corporate expenses, fair value loss on an investment in convertible loan and impairment of unallocated loan receivable. Segment assets do not include convertible loan, 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:

	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
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
Year ended 31 December										
Revenue from external customers	<u>3,272</u>	<u>3,728</u>	<u>366,970</u>	<u>255,344</u>	<u>430</u>	<u>415</u>	<u>53,036</u>	<u>56,214</u>	<u>423,708</u>	<u>315,701</u>
Reportable segment gross (loss)/profit	<u>(500)</u>	<u>(495)</u>	<u>3,521</u>	<u>2,733</u>	<u>246</u>	<u>122</u>	<u>34,421</u>	<u>36,180</u>	<u>37,688</u>	<u>38,540</u>
Reportable segment (loss)/profit before tax	<u>(5,893)</u>	<u>(5,046)</u>	<u>(822)</u>	<u>(803)</u>	<u>2,748</u>	<u>6,131</u>	<u>26,781</u>	<u>28,571</u>	<u>22,814</u>	<u>28,853</u>
Interest income on bank deposits	358	662	79	30	769	997	22	93	1,228	1,782
Interest expense	-	-	-	-	-	-	802	862	802	862
Depreciation and amortisation	1,128	1,178	393	400	4	4	16,466	17,028	17,991	18,610
Other material non-cash items:										
(Reversal of impairment losses)/ impairment losses on trade and other receivables	66	-	(767)	768	(181)	(3,621)	(456)	80	(1,338)	(2,773)
As at 31 December										
Reportable segment assets	<u>44,167</u>	<u>99,537</u>	<u>76,176</u>	<u>62,933</u>	<u>217,108</u>	<u>221,093</u>	<u>378,279</u>	<u>404,368</u>	<u>715,730</u>	<u>787,931</u>
Additions to non-current segment assets during the year	-	-	1,137	3	-	-	2,823	160	3,960	163
Reportable segment liabilities	<u>20,757</u>	<u>22,330</u>	<u>2,219</u>	<u>1,249</u>	<u>5,089</u>	<u>5,677</u>	<u>19,354</u>	<u>20,051</u>	<u>47,419</u>	<u>49,307</u>

(ii) Reconciliations of segment profit or loss:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss)/profit		
Reportable segment profit before tax	22,814	28,853
Fair value loss on an investment in convertible loan	(22,244)	–
Impairment of unallocated loan receivable	(332)	–
Unallocated head office and corporate expenses	<u>(9,578)</u>	<u>(16,764)</u>
Consolidated (loss)/profit before tax	<u><u>(9,340)</u></u>	<u><u>12,089</u></u>

(iii) Reconciliations of segment assets and liabilities:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Assets		
Total assets of reportable segments	715,730	787,931
Convertible loan	32,749	–
Unallocated head office and corporate assets	<u>21,214</u>	<u>40,321</u>
Consolidated total assets	<u><u>769,693</u></u>	<u><u>828,252</u></u>
Liabilities		
Total liabilities of reportable segments	47,419	49,307
Unallocated head office and corporate liabilities	<u>3,698</u>	<u>4,338</u>
Consolidated total liabilities	<u><u>51,117</u></u>	<u><u>53,645</u></u>

(iv) Geographic information

No geographic information 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 People's Republic of China ("PRC") including Hong Kong.

(v) *Revenue from major customers*

Revenue from major customers who have individually contributed to 10% or more of the total revenue of the Group are disclosed as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Segment of sales of semi-conductors		
Customer A	<u>356,620</u>	<u>240,219</u>
Segment of generation of photovoltaic power		
Customer B	<u>53,036</u>	<u>56,214</u>

5. **OTHER INCOME**

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Government grants (<i>Note</i>)	50	235
Amortisation of deferred government grants	259	273
Interest income on bank deposits	1,746	1,979
Loan interest income	5,150	3,544
Rental income	190	71
Sundry income	<u>132</u>	<u>102</u>
	<u>7,527</u>	<u>6,204</u>

Note: Government grants of approximately HK\$50,000 (2022: HK\$19,000) mainly related to the subsidy received from the PRC local government authority for the achievements of the Group. During the year ended 31 December 2022, the Group recognised government grants of HK\$216,000 in respect of COVID-19 related subsidies relating to Employment Support Scheme provided by the Hong Kong Special Administrative Region Government. The Group had complied all attached conditions before 31 December 2022.

6. OTHER GAINS AND LOSSES, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Gain on disposal of property, plant and equipment	283	–
Write off of property, plant and equipment	(40)	(37)
Write back of trade payables	–	490
Loss on disposal of subsidiaries	–	(4,353)
Net foreign exchange losses	(1,001)	(1,371)
Fair value gain on investments in wealth management products	135	42
Fair value loss on an investment in convertible loan	(22,244)	–
	<u>(22,867)</u>	<u>(5,229)</u>

7. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest expense on lease liabilities	<u>828</u>	<u>901</u>

8. INCOME TAX EXPENSE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax – PRC corporate income tax		
Provision for the year	3,070	3,548
Underprovision in prior years	880	274
	<u>3,950</u>	<u>3,822</u>
Deferred tax	<u>109</u>	<u>963</u>
	<u>4,059</u>	<u>4,785</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 (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, Xuzhou Sheentai New Energy Power Generation Co., Ltd. ("XZNE") (an indirect wholly-owned subsidiary of the Group) is subject to PRC corporate income tax at a preferential tax rate of 15% (2022: 15%) for the year ended 31 December 2023.

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"). XZNE 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) The State Administration of Taxation of the PRC announced in March 2021 that enterprises engaging in research and development activities would entitle to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits ("Super Deduction") until December 2023. The State Administration of Taxation of the PRC further announced in September 2022 and March 2023 to increase the Super Deduction rate to 200% of their research and development expenses from 1 October 2022 to 31 December 2022 and from 1 January 2023 onwards respectively. The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the year.

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit before tax	<u>(9,340)</u>	<u>12,089</u>
Notional tax on (loss)/profit before tax, calculated at the rates applicable in the jurisdictions concerned	(1,424)	4,398
Tax effect of the preferential tax rates	(2,081)	(2,167)
Additional deductible allowance for research and development expenses	(600)	(586)
Tax effect of non-deductible expenses	6,204	2,587
PRC dividend withholding tax	–	995
Tax effect of non-taxable income	(230)	(780)
Tax effect of tax losses not recognised	1,698	932
Tax effect of utilisation of tax losses not previously recognised	(644)	(698)
Underprovision in prior years	880	274
Tax effect of unrecognised temporary differences	<u>256</u>	<u>(170)</u>
Income tax expense	<u>4,059</u>	<u>4,785</u>

The weighted average applicable tax rate is 15.2% (2022: 36.4%). The decrease is caused by the effect of change in the profitability of the Group's subsidiaries in respective jurisdictions.

9. (LOSS)/PROFIT FOR THE YEAR

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Amortisation of intangible assets (included in cost of sales)	5	73
Depreciation on property, plant and equipment	17,115	17,685
Depreciation on right-of-use assets	1,526	1,595
Gain on disposal of property, plant and equipment	(283)	–
Auditor's remuneration		
– Audit service	960	950
– Non-audit services	18	50
Cost of inventories sold	365,264	254,766
Expenses relating to short-term lease	1,615	1,372
Allowance/(reversal of allowance) for inventories (included in cost of inventories sold)	211	(22)
Reversal of allowance for trade and other receivables, net	(1,006)	(2,773)
Research and development expenditure	2,400	2,418
Write off of property, plant and equipment	40	37
Staff costs	<u>12,614</u>	<u>12,093</u>

10. DIVIDEND

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 was distributed out of the Company's share premium and paid in cash during the year ended 31 December 2023.

No dividend was proposed by the Company during the year ended 31 December 2023, nor has any dividend been proposed since the end of the reporting period.

11. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of the basic and diluted loss (2022: earnings) per share is based on the loss (2022: profit) for the year attributable to owners of the Company of approximately HK\$13,389,000 (2022: HK\$7,313,000) and the weighted average number of ordinary shares of approximately 2,434,136,000 (2022: 2,434,136,000).

Diluted (loss)/earnings per share

The computation of diluted loss (2022: 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 years ended 31 December 2023 and 2022. Diluted loss (2022: earnings) per share was the same as the basic loss (2022: earnings) per share for the years ended 31 December 2023 and 2022.

12. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables (<i>Note (a)</i>)	167,296	116,332
Allowance for doubtful debts	<u>(673)</u>	<u>(1,233)</u>
	166,623	115,099
Deposits and other receivables		
– third parties	11,745	14,348
Prepayments		
– third parties	870	14,330
Due from a director and the ultimate controlling party (<i>Note (b)</i>)		
– Mr. Guo Yumin	973	238
Loan and interest receivables (<i>Note (c)</i>)	<u>64,746</u>	<u>39,467</u>
	<u><u>244,957</u></u>	<u><u>183,482</u></u>

Notes:

- (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 receivables, based on the invoice date, and net of allowance, is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Unbilled (<i>Note (i)</i>)	126,655	87,293
Less than 30 days	22,235	7,440
31 – 90 days	17,717	19,731
91 – 180 days	6	11
Over 365 days	<u>10</u>	<u>624</u>
	<u><u>166,623</u></u>	<u><u>115,099</u></u>

Note:

- (i) As at 31 December 2022 and 2023, the amount represents unbilled tariff adjustment receivables of solar power plants registered in the Renewable Energy Tariff Subsidiary List.

The carrying amounts of the Group’s trade receivables are denominated in the following currencies:

	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
United States Dollars (“US\$”)	38,012	24,719
Renminbi (“RMB”)	128,611	90,380
	<u>166,623</u>	<u>115,099</u>

(b) Details of amount due from a director and the ultimate controlling party are as follows:

Name	Balance at 31 December 2023 <i>HK\$’000</i>	Balance at 31 December 2022 <i>HK\$’000</i>	Maximum amount outstanding during the year <i>HK\$’000</i>
Mr. Guo Yumin	<u>973</u>	<u>238</u>	<u>1,627</u>

The amount due is unsecured, interest free and repayable on demand.

As at 31 December 2023, no allowance is made for estimated irrecoverable amount due from a director and the ultimate controlling party (2022: Nil).

- (c) (i) The loan and interest receivables with aggregate carrying amount of approximately HK\$29,588,000 (net of allowance for doubtful debts of approximately HK\$764,000) (2022: HK\$Nil (net of allowance for doubtful debts of HK\$Nil)) are unsecured, carry interest at rates ranging from 3% to 6 % per annum and repayable within one year.
- (ii) The loan and interest receivables with carrying amount of approximately HK\$35,158,000 (net of allowance for doubtful debts of approximately HK\$9,799,000) (2022: HK\$39,467,000 (net of allowance for doubtful debts of approximately HK\$11,297,000)) related to a loan agreement entered into by an indirect wholly-owned subsidiary of the Company on 12 June 2023 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 Yong, 99% equity interest owner of Suining Chuyue. Pursuant to the loan agreement, the Group agreed to provide to Suining Chuyue a loan amount of RMB40,000,000 (equivalent to approximately HK\$43,848,000) (2022: RMB45,000,000 (equivalent to approximately HK\$50,764,000)) for a term of approximately nine months (2022: seven months), which carries interest at 0.42% (2022: 0.58%) per month and is secured by (1) 60% equity interest in Suining Chuyue which is held by Mr. Sun Yong as the share charge in favour of the subsidiary and (2) personal guarantee given by Mr. Sun Yong in favour of the subsidiary.

13. TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	2,955	2,346
Other payables and accruals	<u>9,599</u>	<u>11,412</u>
	<u><u>12,554</u></u>	<u><u>13,758</u></u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Due within 1 month or on demand	1,402	165
Due more than 6 months	<u>1,553</u>	<u>2,181</u>
	<u><u>2,955</u></u>	<u><u>2,346</u></u>

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

14. EVENTS AFTER THE REPORTING PERIOD

On 21 March 2024, the Group entered into an agreement with Suining Chuyue to extend the due date of a loan of RMB40,000,000 (equivalent to approximately HK\$43,848,000) originally due on 20 March 2024. The loan is now repayable on 30 November 2024, bears interest at 1% per month and additionally secured by 70 carpark spaces located in PRC owned by Mr. Sun Yong.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the Year, the Group maintains 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 total revenue for the Year was approximately HK\$423.7 million, representing an increase of 34.2% compared to approximately HK\$315.7 million for the year ended 2022. The increase in total revenue was mainly from the sales of semi-conductors segment. Revenue from other segments were no significant change during the year.

The Group recorded a loss attributable to equity shareholders of the Company of approximately HK\$13.4 million for the Year as compared to a profit attributable to equity shareholders of the Company of approximately HK\$7.3 million for the year ended 31 December 2022. The increase of loss for the year was mainly caused by the fair loss on an investment in convertible loan approximately HK\$22.2 million.

RESULTS OF OPERATION

Revenue

Sales of sub-processing cigarette films

During the Year, the Group recorded revenue amounting to approximately HK\$3.3 million from sales of sub-processing cigarette and non- cigarette films (for the year ended 31 December 2022: approximately HK\$3.7 million).

Sales of semi-conductors

Revenue from sales of semi-conductors were generated from trading business of wafer and memory chips, which contributed approximately HK\$367.0 million for the Year (for the year ended 31 December 2022: approximately HK\$255.3 million).

Properties development

The properties development revenue were generated from sales of remaining inventories of previous property project, which contributed approximately HK\$0.4 million to the Group for the Year (for the year ended 31 December 2022: approximately HK\$0.4 million).

Generation of photovoltaic power

For the Year, the Group had three photovoltaic power stations in operation. The revenue generated from this segment reached approximately HK\$53.0 million for the Year (for the year ended 31 December 2022: approximately HK\$56.2 million).

Gross Profit

The gross profit decreased by approximately HK\$0.8 million, or approximately 2.2%, from approximately HK\$38.5 million for the year ended 31 December 2022 to approximately HK\$37.7 million for the Year. Our gross profit margin decreased from approximately 12.2% for the year ended 31 December 2022 to approximately 8.9% for the Year. The decrease was mainly from sales of semi-conductors segment which was in lower gross profit margin than other segments.

Selling and Distribution Costs

The selling and distribution expenses amounted to approximately HK\$0.3 million for the Year (for the year ended 31 December 2022: approximately HK\$0.3 million).

Administrative Expenses

The administrative expenses increased by approximately HK\$1.6 million, or approximately 6.1%, from approximately HK\$27.0 million for the year ended 31 December 2022 to approximately HK\$28.6 million for the Year.

Impairment Loss

The Group has engaged an independent valuer to perform impairment assessment and calculated the expected credit loss in accordance with Hong Kong Accounting Standards.

During the Year, the Group recorded reversal of impairment losses of approximately HK\$1.0 million on trade and other receivables (for the year ended 31 December 2022: approximately HK\$2.8 million).

Finance Costs

The finance costs amounted to approximately HK\$0.8 million for the Year (for the year ended 31 December 2022: approximately HK\$0.9 million).

Income Tax

The income tax expense amounted to approximately HK\$4.1 million for the Year (for the year ended 31 December 2022: income tax expenses approximately HK\$4.8 million).

Loss Attributable to the Equity Shareholders of the Company

As a result of the foregoing factors, the Group recorded a loss attributable to equity shareholders of the Company of approximately HK\$13.4 million for the Year as compared to a profit attributable to equity shareholders of the Company of approximately HK\$7.3 million for the year ended 31 December 2022.

Liquidity and Financial Resources

As at 31 December 2023, the cash and cash equivalent of the Group amounted to approximately HK\$237.3 million (which were denominated in HK\$, RMB and US\$) as compared with approximately HK\$330.9 million as at 31 December 2022, representing an decrease of approximately HK\$93.6 million. Such decrease was mainly due to the Group's net cash inflow of operating activities, net cash outflow of investment activities and net cash outflow of financing activities that amounted to approximately HK\$14.8 million, approximately HK\$71.8 million and approximately HK\$25.3 million respectively. As at 31 December 2023, the Group's current ratio being the rate of total current assets to total current liabilities was 19.0 (as at 31 December 2022: 19.6).

Bank Loans and Other Borrowings

As at 31 December 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 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\$4.0 million.

SUBSEQUENT EVENTS

Save as disclosed in note 14 of the consolidated financial statements, there is no significant event after the Year and up to the date of this announcement.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS

There was no significant investment, material acquisitions and disposals by the Group during the Year.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any significant contingent liabilities.

HUMAN RESOURCES

As at 31 December 2023, the Group employed 57 employees (as compared with 57 employees as at 31 December 2022) with total staff cost of approximately HK\$12.6 million for the Year. 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 2022: HK\$1.0 cent per share).

PROSPECTS

Looking forward, global and domestic economic growth is expected to accelerate compared with 2023. The Group predicts the demand of semi-conductor products will increase in the future. At the same time, the demand of new energy continues to grow due to the worldwide trend of carbon reduction. The Group will focus on the development of sales of semi-conductor and generation of photovoltaic power segments in 2024.

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 2023, the Group did not have any capital commitments (as at 31 December 2022: Nil).

COMPLIANCE WITH THE 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 abide by 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 for the Year are based on the principles and the code provisions in the Corporate Governance Code (the "Code") version up to 31 December 2023 as set out in Part 2 of Appendix C1 to the Listing Rules.

The Board considered that the Company had complied with the code provisions of the Code during the Year except for the deviations from code provision 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 Year, there was no chief executive in the Company, Mr. Guo Yumin acted as the Chairman of the Board, and 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 officer of the Company at present and believes that the absence of the chief executive officer 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 DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 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 31 May 2024, the register of members of the Company will be closed from 28 May 2024 to 31 May 2024, both days inclusive, during which period no transfer of Shares will be registered. The record date will be on 31 May 2024. 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on 27 May 2024.

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.

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 figures in respect of the Group’s consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, and the related notes thereto for the Year as set forth in this announcement have been agreed by the Company’s auditor, RSM Hong Kong, Certified Public Accountants. 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, 28 March 2024

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.