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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 2024

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 53.1% to approximately HK\$106.4 million for the six months ended 30 June 2024 as compared with the corresponding period in 2023.
- Gross profit decreased by approximately 5.7% to approximately HK\$17.2 million for the six months ended 30 June 2024 as compared with the corresponding period in 2023.
- Gross profit margin increased by approximately 8.2% to approximately 16.2% for the six months ended 30 June 2024 as compared with the corresponding period in 2023.
- Profit attributable to equity shareholders of the Company decreased by approximately 67.5% to approximately HK\$1.9 million for the six months ended 30 June 2024 as compared with the corresponding period in 2023.
- Earnings per share decreased by approximately 67.5% to approximately HK cents 0.077 for the six months ended 30 June 2024 as compared with the corresponding period in 2023.
- The Board does not recommend payment of any interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: 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 2024 (the “**Period**”) together with the comparative figures for the corresponding period in 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Note	Six months ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue	3	106,377	226,738
Cost of sales		<u>(89,185)</u>	<u>(208,502)</u>
Gross profit		17,192	18,236
Other income	4	4,384	3,879
Other gains and losses, net	5	(321)	(462)
Distribution costs		(102)	(97)
(Impairment losses)/reversal of impairment losses on trade and other receivables		(146)	1,355
Administrative expenses		(16,103)	(13,238)
Other operating expenses		<u>(920)</u>	<u>(951)</u>
Profit from operations		3,984	8,722
Finance costs	6	<u>(388)</u>	<u>(429)</u>
Profit before tax		3,596	8,293
Income tax expense	7	<u>(1,717)</u>	<u>(2,517)</u>
Profit for the period		<u>1,879</u>	<u>5,776</u>

		Six months ended 30 June	
	<i>Note</i>	2024	2023
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Attributable to:			
Equity shareholders of the Company		1,879	5,777
Non-controlling interests		<u>—</u>	<u>(1)</u>
		<u>1,879</u>	<u>5,776</u>
Earnings per share			
	<i>10</i>		
Basic (<i>HK cents</i>)		<u>0.077</u>	<u>0.237</u>
Diluted (<i>HK cents</i>)		<u>0.077</u>	<u>0.237</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	<u>1,879</u>	<u>5,776</u>
Other comprehensive loss:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>(15,099)</u>	<u>(29,622)</u>
Other comprehensive loss for the period, net of tax	<u>(15,099)</u>	<u>(29,622)</u>
Total comprehensive loss for the period	<u><u>(13,220)</u></u>	<u><u>(23,846)</u></u>
Attributable to:		
Equity shareholders of the Company	(13,220)	(23,848)
Non-controlling interests	<u>–</u>	<u>2</u>
	<u><u>(13,220)</u></u>	<u><u>(23,846)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	<i>Note</i>	At 30 June 2024 <i>HK\$'000</i> (Unaudited)	At 31 December 2023 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		213,434	227,220
Right-of-use assets		21,378	21,263
Intangible assets		6	8
Other non-current assets		102	1,393
Financial assets at fair value through profit or loss ("FVTPL")		<u>31,965</u>	<u>32,749</u>
Total non-current assets		<u>266,885</u>	<u>282,633</u>
Current assets			
Inventories		4,457	4,692
Trade and other receivables	<i>11</i>	269,751	244,957
Current tax assets		71	71
Bank and cash balances		<u>211,466</u>	<u>237,340</u>
Total current assets		<u>485,745</u>	<u>487,060</u>
Current liabilities			
Trade and other payables	<i>12</i>	9,836	12,554
Lease liabilities		409	615
Deferred government grants		251	257
Current tax liabilities		<u>12,104</u>	<u>12,274</u>
Total current liabilities		<u>22,600</u>	<u>25,700</u>
Net current assets		<u>463,145</u>	<u>461,360</u>
Total assets less current liabilities		<u>730,030</u>	<u>743,993</u>

	<i>Note</i>	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Non-current liabilities			
Lease liabilities		11,760	12,262
Deferred tax liabilities		8,356	8,357
Deferred government grants		<u>4,558</u>	<u>4,798</u>
Total non-current liabilities		<u>24,674</u>	<u>25,417</u>
Net assets		<u><u>705,356</u></u>	<u><u>718,576</u></u>
Capital and reserves			
Share capital		6,085	6,085
Reserves		<u>699,271</u>	<u>712,491</u>
Total equity		<u><u>705,356</u></u>	<u><u>718,576</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 2023. Except as described below, 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 2023.

2. NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

A. New and amended standards adopted by the Group

The Group has applied the following amendments for the first time from 1 January 2024:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to HKAS 1;
- Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause – HK Int 5 (Revised);
- Lease Liability in Sale and Leaseback – Amendments to HKFRS 16; and
- Supplier Finance Arrangements – Amendments to HKAS 7 and HKFRS 7.

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting amended standards or revised interpretation.

B. Impact of new and amended standards issued but not yet adopted by the Group

In September 2023, HKICPA amended HKAS 21 to help entities to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not. These new requirements will apply for annual reporting periods beginning on or after 1 January 2025. The management does not expect the amendment to have a material impact on the consolidated financial statements.

In July 2024, HKICPA issued HKFRS 18 which is effective for annual reporting periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit or loss, which will affect how the Group present and disclose financial performance in the financial statements. The key changes introduced in HKFRS 18 relate to (i) the structure of the statement of profit or loss, (ii) required disclosures for management-defined performance measures (which are referred to alternative or non-GAAP performance measures), and (iii) enhanced requirements for aggregation and disaggregation of information. The management is currently assessing the impact of applying HKFRS 18 on the presentation and the disclosures of the consolidated 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			
	2024		2023	
	HK\$'000	%	HK\$'000	%
	(Unaudited)		(Unaudited)	
Revenue from contracts with customers within the scope of HKFRS15				
Sales of sub-processing cigarette films	913	1%	1,331	1%
Sales of semi-conductors	79,029	73%	197,327	86%
Properties development and related services	57	1%	171	1%
Generation of photovoltaic power	26,378	25%	27,909	12%
Total	<u>106,377</u>	<u>100%</u>	<u>226,738</u>	<u>100%</u>

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

For the 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	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Primary geographical market										
Hong Kong	-	-	79,029	197,327	-	-	-	-	79,029	197,327
Mainland China	913	1,331	-	-	57	171	26,378	27,909	27,348	29,411
Total	<u>913</u>	<u>1,331</u>	<u>79,029</u>	<u>197,327</u>	<u>57</u>	<u>171</u>	<u>26,378</u>	<u>27,909</u>	<u>106,377</u>	<u>226,738</u>
Timing of revenue recognition										
Products transferred at a point in time	913	1,331	79,029	197,327	57	171	-	-	79,999	198,829
Products and services transferred over time	-	-	-	-	-	-	26,378	27,909	26,378	27,909
Total	<u>913</u>	<u>1,331</u>	<u>79,029</u>	<u>197,327</u>	<u>57</u>	<u>171</u>	<u>26,378</u>	<u>27,909</u>	<u>106,377</u>	<u>226,738</u>

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

	At 30 June 2024 <i>HK\$'000</i> (Unaudited)	At 31 December 2023 <i>HK\$'000</i> (Audited)
Receivables, which are included in “Trade and other receivables”	<u>176,123</u>	<u>166,623</u>

(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				Properties development		Generation of		Total	
	cigarette films		Sales of semi-conductors		and related services		photovoltaic power			
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
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>913</u>	<u>1,331</u>	<u>79,029</u>	<u>197,327</u>	<u>57</u>	<u>171</u>	<u>26,378</u>	<u>27,909</u>	<u>106,377</u>	<u>226,738</u>
Reportable segment gross (loss)/profit	<u>(532)</u>	<u>(454)</u>	<u>745</u>	<u>1,859</u>	<u>18</u>	<u>8</u>	<u>16,961</u>	<u>16,823</u>	<u>17,192</u>	<u>18,236</u>
Reportable segment (loss)/profit before tax	<u>(2,583)</u>	<u>(3,157)</u>	<u>47</u>	<u>749</u>	<u>1,770</u>	<u>2,820</u>	<u>13,395</u>	<u>12,667</u>	<u>12,629</u>	<u>13,079</u>
Interest income on bank deposits	53	235	93	30	335	366	11	103	492	734
Interest expense	-	-	-	-	-	-	386	412	386	412
Depreciation and amortisation	202	577	582	193	-	2	8,121	8,354	8,905	9,126
Other material non-cash item: Impairment losses/(reversal of impairment losses) on trade and other receivables	-	-	65	-	413	(1,355)	-	-	478	(1,355)
As at 30 June (unaudited)/ 31 December (audited)										
Reportable segment assets	33,260	44,167	75,112	76,176	160,313	217,108	365,875	378,279	634,560	715,730
Reportable segment liabilities	<u>19,705</u>	<u>20,757</u>	<u>943</u>	<u>2,219</u>	<u>5,172</u>	<u>5,089</u>	<u>19,938</u>	<u>19,354</u>	<u>45,758</u>	<u>47,419</u>

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit		
Reportable segment profit before tax	12,629	13,079
Reversal of impairment of unallocated loan receivable	332	-
Unallocated head office and corporate expenses	<u>(9,365)</u>	<u>(4,786)</u>
Consolidated profit before tax	<u>3,596</u>	<u>8,293</u>

4. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation of deferred government grants (<i>Note</i>)	127	133
Interest income on bank deposits	1,216	1,221
Loan interest income	2,833	2,413
Rental income	38	–
Sales of scrap materials	88	94
Sundry income	82	18
	<u>4,384</u>	<u>3,879</u>

Note: The deferred government grants represented the subsidies granted by the local government authority in the People's Republic of China (“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	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net foreign exchange losses	(341)	(799)
Write off of property, plant and equipment	–	(40)
Gain on disposal of property, plant and equipment	–	278
Fair value gain on investments in wealth management products	20	99
	<u>(321)</u>	<u>(462)</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	<u>388</u>	<u>429</u>

7. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – PRC corporate income tax		
Provision for the period	1,258	1,266
Underprovision in prior periods	460	799
	1,718	2,065
Deferred tax	(1)	452
	1,717	2,517

- (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 2023: 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 Company) is subject to PRC corporate income tax at a preferential tax rate of 15% (six months ended 30 June 2023: 15%) for the six months ended 30 June 2024.

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. 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.

8. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2024	2023
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Amortisation of intangible assets (included in cost of sales)	2	3
Depreciation on property, plant and equipment	8,456	8,675
Depreciation on right-of-use assets	<u>666</u>	<u>774</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 was distributed out of the Company’s share premium and paid in cash during the year ended 31 December 2023.

No interim dividend has been declared by the Board for the six months ended 30 June 2024 (six months ended 30 June 2023: 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\$1,879,000 (six months ended 30 June 2023: HK\$5,777,000) and the weighted average number of ordinary shares of approximately 2,434,136,000 (six months ended 30 June 2023: 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 2024 and 2023. Diluted earnings per share was the same as the basic earnings per share for the six months ended 30 June 2024 and 2023.

11. TRADE RECEIVABLES

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

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Unbilled (<i>Note</i>)	140,902	126,655
Less than 30 days	35,008	22,235
31 – 90 days	46	17,717
91 – 180 days	–	6
181 – 365 days	157	–
Over 365 days	10	10
	<u>176,123</u>	<u>166,623</u>

Note: As at 30 June 2024 and 31 December 2023, 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 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Due within 1 month or on demand	223	1,402
Due more than 6 months	1,526	1,553
	<u>1,749</u>	<u>2,955</u>

13. EVENTS AFTER THE REPORTING PERIOD

- (a) The board (the “**Board**”) of directors (the “**Director(s)**”) of the Company has been informed by Sheen Tai Group Holding Limited (the “**Vendor**”), a controlling shareholder (as defined under the Listing Rules) of the Company, that on 15 June 2024, it entered into a sale and purchase agreement relating to the transfer of the shares of the Company (the “**Shares**”) with Polly Power Group Company Limited (the “**Purchaser**”), pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase a total of 608,500,000 Shares (the “**Sale Shares**”), representing approximately 25.0% of the total issued share capital of the Company as at 17 June 2024, at the total consideration of HK\$152,125,000 (the “**Share Transfer**”). The Share Transfer is expected to be completed on or before 30 September 2024.

Immediately after completion of the Share Transfer, the Vendor, Mr. Guo Yumin (the Chairman of the Board) and Ms. Xia Yu (the spouse of Mr. Guo Yumin and an executive Director) will hold approximately 37.1% of the entire issued share capital of the Company, while the Purchaser will hold 25.0% of the entire issued share capital of the Company. As a result, the Vendor, Mr. Guo Yumin and Ms. Xia Yu will remain as controlling shareholders (as defined under the Listing Rules) of the Company and the Purchaser will become a substantial shareholder (as defined under the Listing Rules) of the Company upon the completion of the Share Transfer. Details of the transaction are set out in the Company’s announcement dated 17 June 2024.

- (b) On 20 August 2024, Century Leader Science and Technology (Shenzhen) Co., Ltd., an indirect wholly-owned subsidiary of the Company (“**Century Leader**”) entered into a sale and purchase agreement in relation to the disposal of 100% equity interest in Jiangsu Sheen Colour Science Technology Co., Ltd., a subsidiary of Century Leader, at the consideration of RMB50,000,000 to an independent third party. The disposal was completed on 20 August 2024. Details of the transaction are set out in the Company’s announcements dated on 20 August 2024 and 26 August 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In the first half of 2024, the Group maintained its business operation 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 profit attributable to equity shareholders of the Company was approximately HK\$1.9 million for the Period, representing a decrease of approximately 67.5% compared to approximately HK\$5.8 million for the six months ended 30 June 2023. The decrease was mainly caused by the decrease in revenue and the increase in administrative expenses for the Period.

RESULTS OF OPERATION

Revenue

The total revenue of the Company was approximately HK\$106.4 million for the Period, representing a decrease of approximately 53.1% compared to approximately HK\$226.7 million for the six months ended 30 June 2023. The decrease 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\$0.9 million from sales of sub-processing cigarette and non-cigarette films (for the six months ended 30 June 2023: approximately HK\$1.3 million).

Sales of semi-conductors

The sales of semi-conductors included the trading business of wafer and memory chips. The revenue from sales of semi-conductors was approximately HK\$79.0 million for the Period (for the six months ended 30 June 2023: approximately HK\$197.3 million).

Properties development

The properties development revenue were generated from sales of remaining inventories of previous property project, which contributed approximately HK\$0.1 million to the Group for the Period (for the six months ended 30 June 2023: approximately HK\$0.2 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\$26.4 million for the Period (for the six months ended 30 June 2023: approximately HK\$27.9 million).

Gross profit

The gross profit decreased by approximately HK\$1.0 million, or approximately 5.7%, from approximately HK\$18.2 million for the six months ended 30 June 2023 to approximately HK\$17.2 million for the Period. The decrease was mainly from the decrease in revenue of sales of semi-conductors segment for the Period. Our gross profit margin increased by 8.2% from approximately 8.0% for the six month ended 30 June 2023 to approximately 16.2% for the Period. The increase was mainly due to the decrease in revenue of sales of semi-conductors segment which recorded lower profit margin than other segments.

Distribution costs

The distribution expenses amounted to approximately HK\$0.1 million for the Period (for the six months ended 30 June 2023: approximately HK\$0.1 million).

Administrative expenses

The administrative expenses amounted to approximately HK\$16.1 million for the Period (for the six months ended 30 June 2023: approximately HK\$13.2 million).

Impairment loss

The Group recorded impairment losses of approximately HK\$0.1 million on trade and other receivables for the Period (for the six months ended 30 June 2023: reversal of impairment losses on trade and other receivables approximately HK\$1.4 million).

Finance costs

The finance costs amounted to approximately HK\$0.4 million for the Period (for the six months ended 30 June 2023: approximately HK\$0.4 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\$1.9 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2024, the cash and cash equivalent of the Group amounted to approximately HK\$211.5 million (which were denominated in HK\$, RMB and US\$) as compared with approximately HK\$237.3 million as at 31 December 2023, representing a decrease of approximately HK\$25.8 million. Such decrease was mainly due to the Group's net cash outflow of operating activities, net cash inflow of investing activities and net cash outflow of financing activities that amounted to approximately HK\$20.8 million, approximately HK\$4.3 million and approximately HK\$0.4 million respectively.

BANK LOANS AND OTHER BORROWINGS

As at 30 June 2024, the Group did not have any material bank loans, debt securities, borrowings, indebtedness, guarantees, hire purchase commitments or mortgages (as at 31 December 2023: 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 AFTER THE REPORTING PERIOD

Please refer to note 13 to the condensed consolidated financial statements in this announcement for details.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies by the Group during the Period.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any significant contingent liabilities (as at 31 December 2023: Nil).

CHANGE OF DIRECTORS' AND SENIOR MANAGEMENT'S INFORMATION

Reference is made to the announcement of the Company dated 26 July 2024.

Mr. Bai Chaoshun (白朝順) was appointed as an executive Director with effect from 1 August 2024.

Save as disclosed above, the Directors confirmed that no other information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

HUMAN RESOURCES

As at 30 June 2024, the Group employed 53 employees (as compared with 57 employees as at 30 June 2023). 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 Group 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 2023: Nil).

PROSPECTS

In the first half of 2024, demand in the memory chips market increased significantly, and the overall market supply was insufficient, resulting in a sharp increase in memory chips prices. It is expected that there will be uncertainty in the supply of memory chips in the second half of 2024, and the Group's sales of semi-conductors segment will continue to be affected by market fluctuations. We will carefully observe market changes and look for opportunities to develop other businesses.

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 Period.

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 set out in the Corporate Governance Code Part 2 – Principles of good corporate governance, code provisions and recommended best practices (the “**Code**”) in Appendix C1 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 deviations 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 2024, 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 C3 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 2024.

AUDIT COMMITTEE

The Company established the audit committee (the “**Audit Committee**”) on 22 June 2012 with written 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 2024 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 2024 as required under the Listing Rules.

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

Hong Kong, 30 August 2024

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