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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 2021

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 23.2% to approximately HK\$36.2 million for the six months ended 30 June 2021 as compared with the corresponding period in 2020.
- Gross profit increased by approximately 6.0% to approximately HK\$19.4 million for the six months ended 30 June 2021 as compared with the corresponding period in 2020.
- Gross profit margin decreased by approximately 8.5% to approximately 53.7% for the six months ended 30 June 2021 as compared with the corresponding period in 2020.
- Profit attributable to equity shareholders of the Company increased by approximately 37.8% to approximately HK\$4.2 million for the six months ended 30 June 2021 as compared with the corresponding period in 2020.
- Earnings per share from continuing and discontinued operations increased by approximately 38.1% to approximately HK cents 0.174 for the six months ended 30 June 2021 as compared with the corresponding period in 2020.
- The Board does not recommend payment of any interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: HK\$0.01 per share).

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 2021 (the “**Period**”) together with the comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Re-presented) (Unaudited)
Continuing operations			
Revenue	3	36,188	29,385
Cost of sales		<u>(16,748)</u>	<u>(11,121)</u>
Gross profit		19,440	18,264
Other income	4	3,570	4,070
Other gains and losses, net	5	69	(1,172)
Distribution costs		(292)	(255)
Impairment losses on trade and other receivables		(3,145)	(233)
Administrative expenses		(12,769)	(18,018)
Other operating expenses		<u>(1,061)</u>	<u>(1,301)</u>
Profit from operations		5,812	1,355
Finance costs	6	<u>(493)</u>	<u>(594)</u>
Profit before tax		5,319	761
Income tax expense	7	<u>(1,143)</u>	<u>(784)</u>
Profit/(loss) for the period from continuing operations	8	4,176	(23)
Discontinued operations			
Profit for the period from discontinued operations	9	<u>–</u>	<u>1,514</u>
Profit for the period		<u>4,176</u>	<u>1,491</u>

		Six months ended 30 June	
		2021	2020
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Re-presented) (Unaudited)
Attributable to:			
Equity shareholders of the Company		4,242	3,079
Non-controlling interests		(66)	(1,588)
		<u>4,176</u>	<u>1,491</u>
Earnings/(loss) per share	11		
From continuing and discontinued operations			
Basic (<i>HK cents</i>)		<u>0.174</u>	<u>0.126</u>
Diluted (<i>HK cents</i>)		<u>0.174</u>	<u>0.126</u>
From continuing operations			
Basic (<i>HK cents</i>)		<u>0.174</u>	<u>(0.001)</u>
Diluted (<i>HK cents</i>)		<u>0.174</u>	<u>(0.001)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	<u>4,176</u>	<u>1,491</u>
Other comprehensive income/(loss):		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>6,475</u>	<u>(13,747)</u>
Other comprehensive income/(loss) for the period, net of tax	<u>6,475</u>	<u>(13,747)</u>
Total comprehensive income/(loss) for the period	<u>10,651</u>	<u>(12,256)</u>
Attributable to:		
Equity shareholders of the Company	10,640	(10,162)
Non-controlling interests	<u>11</u>	<u>(2,094)</u>
	<u>10,651</u>	<u>(12,256)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		290,405	296,245
Right-of-use assets		24,637	25,246
Intangible assets		666	780
Other non-current assets		2,919	1,897
Contract assets		22,212	18,152
Deferred tax assets		2,169	1,368
		<hr/>	<hr/>
Total non-current assets		343,008	343,688
		<hr/>	<hr/>
Current assets			
Financial assets at fair value through profit or loss (“FVTPL”)		1,037	1,442
Inventories		24,727	7,692
Trade and other receivables	12	199,821	190,960
Current tax assets		3,200	3,172
Bank and cash balances		310,698	326,060
		<hr/>	<hr/>
Total current assets		539,483	529,326
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	13	15,745	21,290
Contract liabilities		–	115
Lease liabilities		971	1,067
Deferred government grants		282	280
Current tax liabilities		9,991	9,969
		<hr/>	<hr/>
Total current liabilities		26,989	32,721
		<hr/>	<hr/>
Net current assets		512,494	496,605
		<hr/>	<hr/>
Total assets less current liabilities		855,502	840,293
		<hr/>	<hr/>

	At 30 June 2021	At 31 December 2020
<i>Note</i>	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Non-current liabilities		
Lease liabilities	14,543	14,847
Deferred tax liabilities	7,123	6,549
Deferred government grants	5,970	6,055
	<hr/>	<hr/>
Total non-current liabilities	27,636	27,451
	<hr/>	<hr/>
Net assets	827,866	812,842
	<hr/> <hr/>	<hr/> <hr/>
Capital and reserves		
Share capital	6,085	6,085
Reserves	817,397	806,757
	<hr/>	<hr/>
Equity attributable to equity shareholders of the Company	823,482	812,842
Non-controlling interests	4,384	–
	<hr/>	<hr/>
Total equity	827,866	812,842
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 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 2020. 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 2020.

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

The accounting policies applied in these financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2020. In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021 but they do not have a material effect on the Group’s financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 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

The Group’s operations and main revenue streams are those described in the last annual financial statements. The Group’s revenue is derived from contracts with customers.

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 from continuing operations is as follows:

	Six months ended 30 June			
	2021		2020	
	HK\$’000	%	HK\$’000	%
	(Unaudited)		(Unaudited)	
Sales of sub-processing cigarette films	5,659	16%	651	2%
Properties development and related services	343	1%	1,721	6%
Generation of photovoltaic power	30,186	83%	27,013	92%
Cloud-related business	–	–	–	–
Total	<u>36,188</u>	<u>100%</u>	<u>29,385</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		Properties development and related services		Generation of photovoltaic power		Cloud-related business		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Primary geographical market										
Mainland China	<u>5,659</u>	<u>651</u>	<u>343</u>	<u>1,721</u>	<u>30,186</u>	<u>27,013</u>	<u>-</u>	<u>-</u>	<u>36,188</u>	<u>29,385</u>
Timing of revenue recognition										
Products transferred at a point in time	5,659	651	343	1,721	-	-	-	-	6,002	2,372
Products and services transferred over time	-	-	-	-	30,186	27,013	-	-	30,186	27,013
Total	<u>5,659</u>	<u>651</u>	<u>343</u>	<u>1,721</u>	<u>30,186</u>	<u>27,013</u>	<u>-</u>	<u>-</u>	<u>36,188</u>	<u>29,385</u>

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

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Receivables, which are included in "Trade and other receivables"	112,395	98,804
Contract assets	22,212	18,152
Contract liabilities	<u>-</u>	<u>(115)</u>

(b) Segment reporting

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

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

The 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 from continuing operations is as follows:

	Six months ended 30 June (Unaudited)									
	Sales of		Properties		Generation of		Cloud-related		Total	
	sub-processing		development and		photovoltaic power		business			
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
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>5,659</u>	<u>651</u>	<u>343</u>	<u>1,721</u>	<u>30,186</u>	<u>27,013</u>	<u>-</u>	<u>-</u>	<u>36,188</u>	<u>29,385</u>
Reportable segment gross profit/(loss)	<u>247</u>	<u>363</u>	<u>192</u>	<u>212</u>	<u>19,001</u>	<u>17,701</u>	<u>-</u>	<u>(12)</u>	<u>19,440</u>	<u>18,264</u>
Reportable segment profit/(loss) before tax	<u>(2,580)</u>	<u>(773)</u>	<u>(1,543)</u>	<u>1,226</u>	<u>16,257</u>	<u>8,112</u>	<u>(41)</u>	<u>632</u>	<u>12,093</u>	<u>9,197</u>
Interest income from bank deposits	299	34	504	140	7	11	27	6	837	191
Interest expense	-	150	-	-	453	422	-	-	453	572
Depreciation and amortisation	988	1,140	10	31	8,754	8,033	396	173	10,148	9,377
Other material non-cash item: Impairment/(reversal of impairment) on trade and other receivables	-	-	3,145	(38)	-	-	-	-	3,145	(38)
As at 30 June (unaudited)/31 December (audited)										
Reportable segment assets	<u>97,575</u>	<u>65,874</u>	<u>245,508</u>	<u>252,024</u>	<u>438,925</u>	<u>437,786</u>	<u>24,653</u>	<u>24,536</u>	<u>806,661</u>	<u>780,220</u>
Reportable segment liabilities	<u>21,682</u>	<u>22,873</u>	<u>7,495</u>	<u>7,547</u>	<u>21,109</u>	<u>24,675</u>	<u>2,747</u>	<u>2,956</u>	<u>53,033</u>	<u>58,051</u>

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit		
Reportable segment profit before tax	12,093	9,197
Net realised and unrealised loss on investments in equity securities	(405)	(239)
Impairment of unallocated other receivables	–	(271)
Unallocated head office and corporate expenses	(6,369)	(7,926)
	<u>5,319</u>	<u>761</u>
Consolidated profit before tax from continuing operations	<u>5,319</u>	<u>761</u>

4. **OTHER INCOME**

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Government grants (<i>Note</i>)	141	555
Interest income on bank deposits	838	191
Loan interest income	2,555	2,995
Sales of scrap materials	11	6
Sundry income	25	323
	<u>3,570</u>	<u>4,070</u>

Note: During the period, the Group recognised government grants of HK\$Nil (six months ended 30 June 2020: HK\$269,000) in respect of COVID-19 related subsidies relates to Employment Support Scheme provided by the Hong Kong government. Government grants of HK\$141,000 (six months ended 30 June 2020: HK\$286,000) mainly related to the subsidy received from the local government authority for the achievements of the Group.

5. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Continuing operations		
Net foreign exchange gains/(losses)	419	(1,314)
Net realised and unrealised loss on investments in equity securities	(405)	(239)
Write off of property, plant and equipment	(12)	(62)
Gain on disposal of property, plant and equipment	67	78
Others	–	365
	<u>69</u>	<u>(1,172)</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Continuing operations		
Interest expense on lease liabilities	493	453
Interest on bank borrowings	–	141
	<u>493</u>	<u>594</u>

7. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current tax – People's Republic of China Enterprise Income Tax (“ PRC EIT ”)		
Provision for the period	1,481	1,388
Overprovision in prior periods	(126)	(1,049)
	<u>1,355</u>	<u>339</u>
Deferred tax	(212)	445
	<u>1,143</u>	<u>784</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 2020: 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 EIT 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 Group) is subject to PRC EIT at a preferential tax rate of 15% (six months ended 30 June 2020: 15%) for the period ended 30 June 2021.

Entities engaged in qualified power generating projects, are eligible for a enterprise income tax exemption for the first year to the third year, and a 50% reduction for the fourth year to the sixth year starting from the year in which the entities first generate operating income (the “**3+3 tax holiday**”). Xuzhou Sheentai New Energy Power Generation Co., Ltd. (an indirect wholly-owned subsidiary of the Group) obtained the “Notification of EIT 3+3 tax holiday” in 2016 and was entitled to the 3+3 tax holiday retrospectively from 2016 to 2021.

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

- (iv) According to the New Tax Law and its implementation rules, dividends receivable by non-PRC-resident corporate investors from PRC-resident enterprises are subject to withholding tax at 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. Under the tax arrangement between the Mainland of China and Hong Kong Special Administrative Region and the relevant regulations, a qualified Hong Kong tax resident which is the “beneficial owner” and holds a 25% equity interest or more of a PRC enterprise is entitled to a reduced withholding tax rate of 5%. The withholding tax rate applicable to the Group is 5%.
- (v) According to the New Tax Law and its implementation rules, where the research and development expenses incurred by an enterprise in 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/(LOSS) FOR THE PERIOD

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

	2021			2020		
	Continuing operations HK\$'000 (Unaudited)	Discontinued operations HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Continuing operations HK\$'000 (Unaudited)	Discontinued operations HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Amortisation of intangible assets (included in cost of sales)	121	-	121	200	-	200
Depreciation on property, plant and equipment	9,215	-	9,215	11,891	5,441	17,332
Depreciation on right-of-use assets	834	-	834	893	1,189	2,082
Write off of property, plant and equipment	(12)	-	(12)	62	-	62
Gain on disposal of property, plant and equipment	67	-	67	(78)	-	(78)
	<u>121</u>	<u>-</u>	<u>121</u>	<u>200</u>	<u>-</u>	<u>200</u>

9. DISCONTINUED OPERATIONS

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

The unaudited results from discontinued operations for the six months ended 30 June 2020 are as follows:

	HK\$'000 (Unaudited)
Revenue	135,334
Cost of sales	<u>(99,003)</u>
Gross profit	36,331
Other income	1,980
Other gains and losses, net	(815)
Distribution costs	(11,920)
Impairment losses on trade and other receivables	(10,482)
Administrative expenses	<u>(13,229)</u>
Profit from operations	1,865
Finance costs	<u>(1,962)</u>
Loss before tax	(97)
Income tax credit	<u>1,611</u>
Profit for the period	<u><u>1,514</u></u>
Profit/(loss) for the period attributable to:	
Equity shareholders of the Company	3,102
Non-controlling interests	<u>(1,588)</u>
	<u><u>1,514</u></u>

The net cash flows from discontinued operations for the period are as follows:

	<i>HK\$'000</i> (Unaudited)
Cash flows from discontinued operations:	
Net cash inflows from operating activities	54,951
Net cash outflows from investing activities	(2,556)
Net cash outflows from financing activities	<u>(3,717)</u>
Net cash inflows	<u><u>48,678</u></u>

10. DIVIDENDS

No interim dividend has been declared by the Board for the six months ended 30 June 2021 (six months ended 30 June 2020: the Board declared an interim cash dividend at HK\$0.01 per share, totalling approximately HK\$24,341,000).

11. EARNINGS/(LOSS) PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share is based on the following:

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	<u><u>4,242</u></u>	<u><u>3,079</u></u>
	Six months ended 30 June	
	2021	2020
	<i>'000</i>	<i>'000</i>
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	<u><u>2,434,136</u></u>	<u><u>2,434,136</u></u>

From continuing operations

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings/(loss)		
Earnings/(loss) for the purpose of calculating basic and diluted earnings/(loss) per share	<u>4,242</u>	<u>(23)</u>

From discontinued operations

Basic earnings per share from the discontinued operations is HK\$0.00127 per share for the six months ended 30 June 2020 and diluted earnings per share from the discontinued operations is HK\$0.00127 per share, based on the profit for the six months ended 30 June 2020 from discontinued operations attributable to equity shareholders of the Company of approximately HK\$3,102,000 and the denominators used are the same as those detailed above for both basic and diluted earnings per share.

As the Company's share options as at 30 June 2021 and 2020 do not give rise to any dilutive effect to the earnings/(loss) per share. The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted earnings/(loss) per share are the same.

12. TRADE RECEIVABLES

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

	At 30 June	At 31 December
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Unbilled (<i>Note</i>)	106,065	93,451
Less than 30 days	4,768	3,727
31–90 days	574	583
91–180 days	–	64
181–365 days	–	–
Over 365 days	<u>988</u>	<u>979</u>
	<u>112,395</u>	<u>98,804</u>

Note: As at 30 June 2021 and 31 December 2020, the amount represents unbilled tariff adjustment receivables of solar power plants registered in the Renewable Energy Surcharge Tariff Subsidy Catalogue.

13. TRADE PAYABLES

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

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Due within 1 month or on demand	309	668
Due after 1 month but within 3 months	76	10
Due after 3 months but within 6 months	137	62
Due more than 6 months	<u>6,324</u>	<u>11,294</u>
	<u>6,846</u>	<u>12,034</u>

OVERVIEW

During the Period, the Group focused on sale of sub-processing films, development of residential properties and sale of self-generated photovoltaic power.

In relation to the sub-processing film segment, the main products currently include straw film, tissue film, plastic film and other packaging-related products. After the disposal of Qingdao Ener Packaging Technology Co., Ltd last year, the variety of film products was greatly reduced. New product such as deoxidizer packaging has been successfully developed and put into production, which is expected to generate profits for the Group in the coming future.

The operation of the photovoltaic power stations were stable during the Period. Thanks to sufficient sunlight, the total amount of power generation has increased during the Period comparing with the corresponding period of last year, reaching 28.4 million kwh.

In relation to our property development segment, most of our real estate project inventories have been sold. Currently, only storage rooms and parking lots with lower unit prices are being sold. The Board will continue to assess the impact from the implementation of “Three Red Lines” real estate financial control policy and will explore new real estate project prudently. The main task of this segment is to sell the remaining properties in the second half of 2021.

RESULTS OF OPERATION

Revenue

Sales of sub-processing films

Our revenue in this segment mainly represents sales of packaging films sold excluding returns, discounts and value added taxes. Our revenue rose from approximately HK\$0.7 million for the six months ended 30 June 2020 to approximately HK\$5.7 million for the Period. The increase mainly resulted from the steady recovery of economy growth impacted from COVID-19.

Properties development

Our revenue in this segment mainly represents sales of remaining parking lots and storerooms. For the Period, revenue from the property development segment was approximately HK\$0.3 million (for the six months ended 30 June 2020: approximately HK\$1.7 million).

Generation of photovoltaic power

Our operation mainly relies on local weather condition and is secured by a long-term contract. Revenue from generation of photovoltaic power was approximately HK\$30.2 million during the Period (for the six months ended 30 June 2020: approximately HK\$27.0 million). It is expected revenue will remain stable in near future if we do not engage in any new photovoltaic power project.

Gross profit

Gross profit increased by approximately HK\$1.1 million, or 6.0% from approximately HK\$18.3 million for the six months ended 30 June 2020 to approximately HK\$19.4 million for the Period. Gross profit margin decreased by 8.5% from approximately 62.2% for the six months ended 30 June 2020 to approximately 53.7% for the Period.

Administrative expenses

Administrative expenses primarily consist of the administrative staff salaries, office-related expenses, depreciation of office buildings and equipment, travel expenses. The Group continued to adhere to a strict cost discipline regime during the Period, with the aim of creating a low-cost, high-efficiency operational environment. Our administrative expenses decreased by approximately HK\$5.2 million from approximately HK\$18.0 million for the six months ended 30 June 2020 to approximately HK\$12.8 million for the Period.

Finance costs

During the Period, the Group incurred finance costs of approximately HK\$0.5 million (six months ended 30 June 2020: approximately HK\$0.6 million). The decrease was primarily due to the decrease of bank borrowings.

Profit attributed to the shareholders of the company

As a result of the foregoing factors, profit attributed to the shareholders of the Company for the Period was approximately HK\$4.2 million.

ADVANCE TO ENTITY AND/OR PROVISION OF FINANCIAL ASSISTANCE

On 18 June 2021, the Group has entered into a loan agreement with Suining Chuyue Zhiye Company Limited* (the “**Borrower**”) granting a loan of RMB60 million at an interest rate of 0.39% per month to the Borrower which executed, among others, a share charge over the 60% equity interest in the Borrower held by Mr. Sun Chuyue (the “**Guarantor**”) as security in favour of the Group and a personal guarantee provided by the Guarantor. For further details, please refer to the Company’s announcements dated 18 June 2021 and 23 June 2021.

* For identification purposes only

LIQUIDITY AND FINANCIAL RESOURCES

The Group's primary uses of cash are to fund its working capital requirements, purchase of property, plant and equipment and loan repayment and related interest expense. As at the date of this announcement, the Group funded its operations principally with the cash generated from its operations and shareholder contributions. In the future, the Group believes that its liquidity requirements will be satisfied with a combination of cash flows generated from its operating activities, bank loans, other borrowings and other funds raised from the capital markets from time to time. As of 30 June 2021, the Group had cash and cash equivalents in a total of approximately HK\$310.7 million. For the six months ended 30 June 2021, the Group's net cash outflow of operating activities, net cash inflow of investment activities and net inflow of financing activities amounted to approximately HK\$23.2 million, HK\$0.3 million and HK\$3.8 million, respectively.

BANK LOANS AND OTHER BORROWINGS

As at 30 June 2021, we did not have any material bank loans, debt securities, borrowings, guarantees, hire purchase commitments or mortgages (as at 31 December 2020: 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 are not exposed to any currency risk due to the exchange rate movement of RMB. For subsidiaries incorporated outside of the PRC, they have no material financial assets and liabilities denominated in RMB. Accordingly, the Group's exposure to RMB risk is insignificant.

CAPITAL EXPENDITURE

During the Period, the Group's total capital expenditure amounted to approximately HK\$0.7 million.

SUBSEQUENT EVENTS

There were no subsequent events occurred after the Period and up to the date of this announcement.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS

There were no significant investments held by the Company as at 30 June 2021, nor other material acquisitions and disposals of subsidiaries and associated companies by the Group.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened (as at 31 December 2020: nil).

HUMAN RESOURCES

As at 30 June 2021, the Group had 62 employees (as at 30 June 2020: 242 employees). 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 any interim dividend for the Period (for the six months ended 30 June 2020: HK\$0.01 per share).

PROSPECTS

Achieving carbon neutrality will become a main issue in the coming four decades as China plans to deduct its Carbon emission to realize a more sustainable development. Energy consumption structure will gradually shift from traditional fossil energy to clean energy with low carbon emission. This process will greatly impact lots of industries, while we believe investment in Photovoltaic industry will be a long-term profitable chance for our Group. We will focus on these investment chances after prudent evaluation.

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 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 deviations from code provisions A.2.1 of the Code as stated below.

Under code provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the six months ended 30 June 2021, 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 A.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 2021.

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 2021 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 2021 as required under the Listing Rules.

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

Hong Kong, 31 August 2021

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