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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 2021

GROUP FINANCIAL HIGHLIGHT

For the year ended 31 December 2021 (Expressed in Hong Kong dollars)

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue (From continuing operations)	66,113	79,525
Gross profit (From continuing operations)	36,443	43,365
(Loss)/profit before tax (From continuing operations)	(6,129)	14,226
(Loss)/profit (From continuing and discontinued operations) attributable to:		
Equity shareholders of the Company	(6,794)	15,053
(Loss)/earnings per share (From continuing and discontinued operations)		
Basic <i>(HK\$ per share)</i>	(0.003)	0.006
Diluted <i>(HK\$ per share)</i>	(0.003)	0.006
Cash and cash equivalents	344,940	326,060
Net assets	825,329	812,842
Total assets	881,843	873,014

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 2021 (the “Year”), with the comparative figures for the year ended 31 December 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021 (Expressed in Hong Kong dollars)

	Note	2021 HK\$'000	2020 HK\$'000
Continuing operations			
Revenue	4	66,113	79,525
Cost of sales		<u>(29,670)</u>	<u>(36,160)</u>
Gross profit		36,443	43,365
Other income	5	6,979	6,713
Other gains and losses, net	6	(740)	(108)
Distribution costs		(528)	(509)
Impairment losses on trade and other receivables		(14,611)	(622)
Administrative expenses		(30,448)	(31,301)
Other operating expenses		<u>(2,254)</u>	<u>(2,354)</u>
(Loss)/profit from operations		(5,159)	15,184
Finance costs	7	<u>(970)</u>	<u>(958)</u>
(Loss)/profit before tax		(6,129)	14,226
Income tax expense	8	<u>(775)</u>	<u>(4,439)</u>
(Loss)/profit for the year from continuing operations		(6,904)	9,787
Discontinued operations			
Profit for the year from discontinued operations	10	<u>–</u>	<u>6,755</u>
(Loss)/profit for the year	9	<u>(6,904)</u>	<u>16,542</u>

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Attributable to:			
Equity shareholders of the Company		(6,794)	15,053
Non-controlling interests		(110)	1,489
		<u>(6,904)</u>	<u>16,542</u>
(Loss)/earnings per share	12		
From continuing and discontinued operations			
Basic (<i>HK\$ per share</i>)		<u>(0.003)</u>	<u>0.006</u>
Diluted (<i>HK\$ per share</i>)		<u>(0.003)</u>	<u>0.006</u>
From continuing operations			
Basic (<i>HK\$ per share</i>)		<u>(0.003)</u>	<u>0.004</u>
Diluted (<i>HK\$ per share</i>)		<u>(0.003)</u>	<u>0.004</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021 (Expressed in Hong Kong dollars)

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(Loss)/profit for the year	(6,904)	16,542
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	19,858	50,663
Exchange differences reclassified to profit or loss on disposal of foreign operations	(334)	6,425
Release of exchange reserve upon deregistration of a subsidiary	(157)	–
Other comprehensive income for the year, net of tax	19,367	57,088
Total comprehensive income for the year	12,463	73,630
Attributable to:		
Equity shareholders of the Company	12,487	69,953
Non-controlling interests	(24)	3,677
	12,463	73,630

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021 (Expressed in Hong Kong dollars)

	Note	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment		287,589	296,245
Right-of-use assets		25,814	25,246
Goodwill		–	–
Intangible assets		608	780
Other non-current assets		1,480	1,897
Contract assets		26,191	18,152
Deferred tax assets		106	1,368
		<hr/>	<hr/>
Total non-current assets		341,788	343,688
Current assets			
Financial assets at fair value through profit or loss (“FVTPL”)		–	1,442
Inventories		5,990	7,692
Trade and other receivables	13	180,322	190,960
Current tax assets		8,803	3,172
Bank and cash balances		344,940	326,060
		<hr/>	<hr/>
Total current assets		540,055	529,326
Current liabilities			
Trade and other payables	14	15,585	21,290
Contract liabilities		–	115
Lease liabilities		656	1,067
Deferred government grants		287	280
Current tax liabilities		11,990	9,969
		<hr/>	<hr/>
Total current liabilities		28,518	32,721
Net current assets		511,537	496,605
		<hr/>	<hr/>
Total assets less current liabilities		853,325	840,293

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	14,591	14,847
Deferred tax liabilities	7,472	6,549
Deferred government grants	5,933	6,055
	<hr/>	<hr/>
Total non-current liabilities	27,996	27,451
	<hr/>	<hr/>
NET ASSETS	825,329	812,842
	<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES		
Share capital	6,085	6,085
Reserves	819,244	806,757
	<hr/>	<hr/>
Total equity	825,329	812,842
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021 (Expressed in Hong Kong dollars)

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 24 February 2012 and registered as an exempted company with limited liability under Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is Unit 1903, 19/F, Jubilee Centre, 18 Fenwick Street, Wan Chai, Hong Kong. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 July 2012.

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

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

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with the disclosure requirements of the 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 HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2021. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendment to HKFRS 16 Leases – COVID-19 Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to HKFRS 3 Business Combination – Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, plant and equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37 Onerous contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

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

4. REVENUE AND SEGMENT REPORTING

(a) Disaggregation of revenue

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

	2021		2020	
	HK\$'000	%	HK\$'000	%
Revenue from contracts with customers within the scope of HKFRS 15				
Disaggregated by major products or service lines				
Sales of sub-processing cigarette films	8,115	12%	5,127	6%
Properties development and related services	446	1%	21,424	27%
Generation of photovoltaic power	57,552	87%	52,974	67%
Total	<u>66,113</u>	<u>100%</u>	<u>79,525</u>	<u>100%</u>

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

For the year ended 31 December	Sales of sub-processing cigarette films		Properties development and related services		Generation of photovoltaic power		Cloud-related business		Total	
	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	8,115	5,127	446	21,424	57,552	52,974	-	-	66,113	79,525
Timing of revenue recognition										
Products transferred at a point in time	8,115	5,127	446	21,424	-	-	-	-	8,561	26,551
Products and services transferred over time	-	-	-	-	57,552	52,974	-	-	57,552	52,974
Total	<u>8,115</u>	<u>5,127</u>	<u>446</u>	<u>21,424</u>	<u>57,552</u>	<u>52,974</u>	<u>-</u>	<u>-</u>	<u>66,113</u>	<u>79,525</u>

(b) Segment reporting

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

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

The manufacturing and sales of BOPP films operations were discontinued during the year ended 31 December 2020. The segment information reported does not include any amounts for these discontinued operations, which are described in more detail in Note 10.

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

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

(i) *Segment results, assets and liabilities*

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

	Sales of sub-processing cigarette films		Properties development and related services		Generation of photovoltaic power		Cloud-related business		Total	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Year ended 31 December										
Revenue from external customers	8,115	5,127	446	21,424	57,552	52,974	-	-	66,113	79,525
Reportable segment gross (loss)/profit	(262)	1,087	(13)	8,578	36,718	33,700	-	-	36,443	43,365
Reportable segment (loss)/profit before tax	(9,921)	(8,665)	(15,391)	8,850	28,498	26,611	1,783	(235)	4,969	26,561
Interest income from bank deposits	656	218	928	439	23	30	56	33	1,663	720
Interest expense	-	20	-	-	907	858	-	-	907	878
Depreciation and amortisation	1,785	1,982	13	56	17,636	16,396	164	133	19,598	18,567
Other material non-cash items:										
Impairment of trade and other receivables	-	-	14,468	370	143	252	-	-	14,611	622
As at 31 December										
Reportable segment assets	103,466	65,874	235,919	252,024	448,576	437,786	24,000	24,536	811,961	780,220
Additions to non- current segment assets during the year	1,545	415	-	-	1,981	6	-	-	3,526	421
Reportable segment liabilities	23,454	22,873	8,313	7,547	21,849	24,675	242	2,956	53,858	58,051

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(Loss)/profit		
Reportable segment profit before tax	4,969	26,561
Unrealised loss on investment in equity securities	(1,442)	(254)
Unallocated head office and corporate expenses	(9,656)	(12,081)
	<u> </u>	<u> </u>
Consolidated (loss)/profit before tax from continuing operations	<u><u>(6,129)</u></u>	<u><u>14,226</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Assets		
Total assets of reportable segments	811,961	780,220
Equity securities	–	1,442
Unallocated head office and corporate assets	69,882	91,352
	<u> </u>	<u> </u>
Consolidated total assets	<u><u>881,843</u></u>	<u><u>873,014</u></u>
Liabilities		
Total liabilities of reportable segments	53,858	58,051
Unallocated head office and corporate liabilities	2,656	2,121
	<u> </u>	<u> </u>
Consolidated total liabilities	<u><u>56,514</u></u>	<u><u>60,172</u></u>

(iv) *Geographic information*

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

(v) *Revenue from major customers*

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Segment of properties development and related services		
Customer A	–	18,744
	<u> </u>	<u> </u>
Segment of generation of photovoltaic power		
Customer B	57,552	52,974
	<u> </u>	<u> </u>

5. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
Government grants (<i>Note (i)</i>)	100	527
Amortisation of deferred government grants	282	264
Interest income on bank deposits	1,665	720
Loan interest income	4,780	4,743
Rental income	44	–
Sundry income	108	459
	<u>6,979</u>	<u>6,713</u>

Note:

- (i) During the year, the Group recognised government grants of HK\$Nil (2020: HK\$269,000) in respect of COVID-19 related subsidies relates to Employment Support Scheme provided by the Hong Kong Special Administrative Region Government. Government grants of approximately HK\$100,000 (2020: HK\$258,000) mainly related to the subsidy received from the PRC local government authority for the achievements of the Group.

6. OTHER GAINS AND LOSSES, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
Gain on deregistration of a subsidiary	1,953	–
Gain on disposal of property, plant and equipment	67	304
Write off of property, plant and equipment	(25)	(120)
Loss on disposal of a subsidiary	(1,809)	–
Net foreign exchange gains	515	117
Unrealised loss on investment in equity securities	(1,442)	(254)
Others	1	(155)
	<u>(740)</u>	<u>(108)</u>

7. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
Interest expense on lease liabilities	970	942
Interest on bank borrowings	–	16
	<u>970</u>	<u>958</u>

8. INCOME TAX EXPENSE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax – PRC enterprise income tax		
Provision for the year	3,949	3,252
Under/(over)-provision in prior years	111	(375)
	4,060	2,877
PRC land appreciation tax (“LAT”)	(5,454)	957
Deferred tax	2,169	605
	775	4,439

- (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 (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’s statutory Corporate Income Tax rate is 25%.

Pursuant to the rules and regulations applicable to advanced technology enterprises established in the PRC, Jiangsu Sheen Colour Science Technology Co., Ltd. is subject to PRC corporate income tax at a preferential tax rate of 15% for the year ended 31 December 2021.

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

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

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

- (v) According to the New Tax Law and its implementation rules, where the research and development expenses incurred by an enterprise in its research and development activities do not form intangible assets and are included in the current period's profit or loss, 50% of such research and development expenses shall be deducted from the taxable income amount of the year; where intangible assets are formed, pretax amortisation shall be made based on 150% of the costs of the intangible assets.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(Loss)/profit before tax (from continuing operations)	<u>(6,129)</u>	<u>14,226</u>
Notional tax on (loss)/profit before tax, calculated at the rates applicable in the jurisdictions concerned	(383)	4,175
Tax effect of the preferential tax rates	(2,202)	111
Additional deductible allowance for research and development expenses	(151)	(40)
Tax effect of non-deductible expenses	7,217	3,658
PRC dividend withholding tax	947	752
Tax effect of non-taxable income	(70)	(2,836)
Tax effect of tax losses not recognised	2,595	4,041
Tax effect of utilisation of tax losses not previously recognised	(346)	(2,662)
Under/(over)-provision in prior years	111	(375)
LAT	(5,454)	957
Tax effect of unrecognised temporary differences	<u>(1,489)</u>	<u>(3,342)</u>
Income tax expense (relating to continuing operations)	<u>775</u>	<u>4,439</u>

9. (LOSS)/PROFIT FOR THE YEAR

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

	2021			2020		
	Continuing operations <i>HK\$'000</i>	Discontinued operations <i>HK\$'000</i>	Total <i>HK\$'000</i>	Continuing operations <i>HK\$'000</i>	Discontinued operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amortisation of intangible assets (included in cost of sales)	211	-	211	389	-	389
Depreciation on property, plant and equipment	18,391	-	18,391	21,938	9,960	31,898
Depreciation on right-of-use assets	1,698	-	1,698	1,505	2,472	3,977
Auditor's remuneration	930	-	930	1,330	-	1,330
Cost of inventories sold	6,143	-	6,143	13,841	154,793	168,634
Expenses relating to short-term lease	2,632	-	2,632	1,750	177	1,927
Allowance for inventories (included in cost of inventories sold)	387	-	387	-	-	-
Allowance for trade and other receivables, net	14,611	-	14,611	622	10,515	11,137
Research and development expenditure	4,328	-	4,328	1,322	9,012	10,334
Write off of property, plant and equipment	25	-	25	120	62	182
Staff costs	<u>14,377</u>	<u>-</u>	<u>14,377</u>	<u>12,729</u>	<u>20,724</u>	<u>33,453</u>

10. DISCONTINUED OPERATIONS

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

	2020 <i>HK\$'000</i>
Profit for the year from discontinued operations:	
Revenue	270,105
Cost of sales	<u>(209,599)</u>
Gross profit	60,506
Other income	9,241
Other gains and losses, net	(1,561)
Distribution costs	(19,157)
Impairment losses on trade and other receivables, net	(10,515)
Administrative expenses	<u>(25,831)</u>
Profit from operations	12,683
Finance costs	<u>(2,873)</u>
Profit before tax	9,810
Income tax credit	<u>1,444</u>
	<u>11,254</u>
Loss on disposal of operations	(3,666)
Income tax expense	<u>(833)</u>
	<u>(4,499)</u>
Profit for the year from discontinued operations	<u><u>6,755</u></u>
Profit for the year from discontinued operations attributable to:	
Equity shareholders of the Company	5,266
Non-controlling interests	<u>1,489</u>
	<u><u>6,755</u></u>

11. DIVIDEND

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
2020 Interim of HK\$0.01 per ordinary share paid	<u>–</u>	<u>24,341</u>

12. (LOSS)/EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss (2020: earnings) per share is based on the loss (2020: profit) for the year attributable to owners of the Company of approximately HK\$6,794,000 (2020: HK\$15,053,000) and the weighted average number of ordinary shares of approximately 2,434,136,000 (2020: 2,434,136,000).

From continuing operations

The calculation of the basic and diluted loss (2020: earnings) per share is based on the loss (2020: profit) for the year attributable to owners of the Company of approximately HK\$6,794,000 (2020: HK\$9,787,000).

From discontinued operations

Basic and diluted earnings per share is HK\$0.002 per share for the year ended 31 December 2020 based on the profit from discontinued operations attributable to the owners of the Company for the year ended 31 December 2020 of approximately HK\$5,266,000 and the denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

As the Company's share options as at 31 December 2020 and 2021 do not give rise to any dilutive effect to the (loss)/earnings per share. The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted (loss)/earnings per share are the same.

13. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables (<i>Note (a)</i>)	106,927	100,736
Allowance for doubtful debts	<u>(420)</u>	<u>(1,932)</u>
	106,507	98,804
Deposits and other receivables (<i>Note (b)</i>)		
– related parties	–	1,334
– third parties	15,126	19,502
Prepayments		
– third parties	893	1,153
Due from a director and the ultimate controlling party (<i>Note (c)</i>)		
– Mr. Guo Yumin	427	18
Loan receivable (<i>Note (b) & (d)</i>)	<u>57,369</u>	<u>70,149</u>
	<u>180,322</u>	<u>190,960</u>

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Unbilled (<i>Note</i>)	102,048	93,451
Less than 30 days	3,260	3,727
31–90 days	416	583
91–180 days	97	64
Over 365 days	<u>686</u>	<u>979</u>
	<u>106,507</u>	<u>98,804</u>

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

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

- (b) At 31 December 2021, an allowance of approximately HK\$16,142,000 (2020: HK\$2,696,000) was made for loan and other receivables.

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

	Balance at 31 December 2021 HK\$'000	Balance at 31 December 2020 HK\$'000	Maximum amount outstanding during the year HK\$'000
Mr. Guo Yumin	<u>427</u>	<u>18</u>	<u>427</u>

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

As at 31 December 2021, no allowance is made for estimated irrecoverable amount due from a director and the ultimate controlling party.

(d) Loan receivable of HK\$57,369,000 (net of allowance for doubtful debts of HK\$16,101,000) (2020: HK\$70,149,000 (net of allowance for doubtful debts of HK\$1,365,000)) related to a loan agreement entered into by an indirect wholly-owned subsidiary of the Company on 6 December 2021 with Suining Chuyue Zhiye Company Limited (睢寧楚岳置業有限公司) (“Suining Chuyue”), a company established in the PRC with limited liability, and Mr. Sun Chuyue, 70% equity interest owner of Suining Chuyue, and Mr. Sun Yong, the father of Mr. Sun Chuyue. Pursuant to the loan agreement, the Group agreed to provide to Suining Chuyue a loan amount of RMB60,000,000 (equivalent to approximately HK\$73,470,000) (2020: RMB60,000,000 (equivalent to approximately HK\$71,514,000)) for a term of approximately six months (2020: six months), which carries interest at 0.39% (2020: 0.5%) per month and is secured by (1) 60% equity interest in Suining Chuyue which is held by Mr. Sun Chuyue as the share charge in favour of the subsidiary and (2) personal guarantee given by Mr. Sun Yong in favour of the subsidiary.

14. TRADE AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Trade payables	4,981	12,034
Other payables and accruals		
– related parties	140	137
– third parties	10,464	9,119
	<u>15,585</u>	<u>21,290</u>

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

	2021 HK\$'000	2020 HK\$'000
Due within 1 month or on demand	775	668
Due after 1 month but within 3 months	–	10
Due after 3 months but within 6 months	–	62
Due more than 6 months	4,206	11,294
	<u>4,981</u>	<u>12,034</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

During the Year, the Group focused on sales of sub-processing films, development of residential properties and sale of self-generated photovoltaic power. The operation of the power stations were stable during the Year. The total amount of power generation has slightly increased for the Year as compared with the year ended 31 December 2020. In relation to our property development segment, the significant decrease in revenue was caused by the substantial decrease in the revenue of the remaining inventories of properties (which were mainly comprised of storage rooms and parking lots) being sold.

RESULTS OF OPERATION

Sales of sub-processing cigarette films

During the Year, the Group recorded revenue amounting to approximately HK\$8.1 million from sales of sub-processing cigarette and non-cigarette films (for the year ended 31 December 2020: approximately HK\$5.1 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 2020: approximately HK\$21.4 million).

Generation of photovoltaic power

For the Year, the Group had three photovoltaic power stations in operation, with a total grid-connected capacity of 40 megawatts (“MW”). The revenue generated from this segment reached approximately HK\$57.6 million for the Year (for the year ended 31 December 2020: approximately HK\$53.0 million).

GROSS PROFIT

The gross profit decreased by approximately HK\$7.0 million, or approximately 16.1%, from approximately HK\$43.4 million for the year ended 31 December 2020 to approximately HK\$36.4 million for the Year. The decrease is mainly caused by the decrease of the revenue from property development segment. Our gross profit margin increased from approximately 54.5% for the year ended 31 December 2020 to approximately 55.1% for the Year.

SELLING AND DISTRIBUTION COSTS

The selling and distribution expenses amounted to approximately HK\$0.5 million for the Year (for the year ended 31 December 2020: approximately HK\$0.5 million).

ADMINISTRATIVE EXPENSES

The administrative expenses decreased by approximately HK\$0.9 million, or approximately 2.9%, from approximately HK\$31.3 million for the year ended 31 December 2020 to approximately HK\$30.4 million for the Year.

IMPAIRMENT LOSSES

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 impairment losses of approximately HK\$14.6 million on trade and other receivables (for the year ended 31 December 2020: approximately HK\$0.6 million). The increase was mainly due to greater financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the expected loss rates for the Year as there is higher risk that a prolonged pandemic could lead to increased credit default rates.

FINANCE COSTS

The finance costs amounted to approximately HK\$1.0 million for the Year (for the year ended 31 December 2020: approximately HK\$1.0 million).

INCOME TAX

The income tax expense amounted to approximately HK\$0.8 million for the Year (for the year ended 31 December 2020: approximately HK\$4.4 million). The decrease of income tax expense was mainly from refund of PRC land appreciation tax.

LOSS ATTRIBUTABLE TO THE 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\$6.8 million for the Year as compared to a profit attributable to equity shareholders of the Company of approximately HK\$15.1 million for the year ended 31 December 2020.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the cash and cash equivalent of the Group amounted to approximately HK\$344.9 million (which were denominated in HK\$, RMB and United States dollar) as compared with approximately HK\$326.1 million as at 31 December 2020, representing an increase of approximately HK\$18.8 million. The increase is the sum of the Group's net cash outflow of operating activities, net cash inflow of investing activities and net cash inflow of financing activities that amounted to approximately HK\$7.3 million, approximately HK\$11.2 million and approximately HK\$3.3 million respectively. As at 31 December 2021, the Group's current ratio being the rate of total current assets to total current liabilities was 18.9 (as at 31 December 2020: 16.2).

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2021, the Group did not have any material bank loans, debt securities, borrowings, indebtedness, 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 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\$2.0 million.

SUBSEQUENT EVENTS

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

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS

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

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any significant contingent liabilities.

HUMAN RESOURCES

As at 31 December 2021, the Group employed 67 employees (as compared with 74 employees as at 31 December 2020) with total staff cost of approximately HK\$14.4 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 2020: Nil).

ADVANCE TO THE ENTITY

On 6 December 2021 (after trading hours), Xuzhou New Advantage Real Estate Development Co., Ltd.(the “Lender”) , an indirect wholly owned subsidiary of the Company, entered into the loan agreement (the “Loan Agreement”) with Suining Chuyue Zhiye Company Limited* (睢寧楚岳置業有限公司) (the “Borrower”) and Mr. Sun Chuyue (“Mr. Sun”, as one of the guarantors), pursuant to which the Lender agreed to provide to the Borrower a loan amount up to RMB60,000,000 for a term of six months from 6 December 2021 to 2 June 2022, which carries interest at an interest rate of 0.39% per month and is secured by the equity pledge of 60% equity interest in the Borrower provided by Mr. Sun and personal guarantee provided by Mr. Sun Yong (as guarantor).

The Loan as provided under the Loan Agreement constitutes a financial assistance provided by the Lender within the meaning of the Listing Rules. The loan also constitutes an advance to an entity under Rule 13.13 of the Listing Rules. For details, please refer to the announcement of the Company dated 6 December 2021.

PROSPECTS

The Group’s photovoltaic power operation was in good and stable condition during the Year. However, due to the substantial investment cost and no tariff subsidy for the establishment of new photovoltaic power stations, the Group has no investment intention to establish new photovoltaic power stations in this moment.

In order to increase the returns to our shareholders, the Group strives to seek and assess other new development opportunities. The Directors and management will continue to investigate and build up the professional team to focus on the future projects.

TREASURY POLICY

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

CAPITAL COMMITMENTS

As at 31 December 2021, the Group did not have any capital commitments (as at 31 December 2020: Nil).

CORPORATE GOVERNANCE REPORT

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Directors continuously 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 2021 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 Year except for the deviations from code provision A.2.1 (which has been re-numbered as code provision C.2.1 since 1 January 2022), 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, details of the deviation are set out in the section headed "Chairman and Chief Executive Officer".

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

CLOSURE OF THE REGISTER OF MEMBERS

For determining entitlement to attend the forthcoming annual general meeting ("AGM") to be held on 27 May 2022, the register of members of the Company will be closed from 24 May 2022 to 27 May 2022, both days inclusive, during which period no transfer of Shares will be registered. The record date will be on 27 May 2022. In order to qualify for attending the AGM, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on 23 May 2022.

AUDIT COMMITTEE

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PUBLICATION OF FINAL RESULTS

The 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, 31 March 2022

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.