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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 2022

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 265.9% to approximately HK\$132.4 million for the six months ended 30 June 2022 as compared with the corresponding period in 2021.
- Gross profit increased by approximately 10.6% to approximately HK\$21.5 million for the six months ended 30 June 2022 as compared with the corresponding period in 2021.
- Gross profit margin decreased by approximately 37.5% to approximately 16.2% for the six months ended 30 June 2022 as compared with the corresponding period in 2021.
- Profit attributable to equity shareholders of the Company decreased by approximately 69.0% to approximately HK\$1.3 million for the six months ended 30 June 2022 as compared with the corresponding period in 2021.
- Earnings per share decreased by approximately 69.0% to approximately HK cents 0.054 for the six months ended 30 June 2022 as compared with the corresponding period in 2021.
- The Board does not recommend payment of any interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: 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 2022 (the “**Period**”) together with the comparative figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	<i>Note</i>	Six months ended 30 June	
		2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Revenue	3	132,410	36,188
Cost of sales		(110,913)	(16,748)
Gross profit		21,497	19,440
Other income	4	3,052	3,570
Other gains and losses, net	5	(4,802)	69
Distribution costs		(178)	(292)
Impairment losses on trade and other receivables		(137)	(3,145)
Administrative expenses		(14,532)	(12,769)
Other operating expenses		(1,062)	(1,061)
Profit from operations		3,838	5,812
Finance costs	6	(463)	(493)
Profit before tax		3,375	5,319
Income tax expense	7	(2,063)	(1,143)
Profit for the period		1,312	4,176

		Six months ended 30 June	
		2022	2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Attributable to:			
Equity shareholders of the Company		1,314	4,242
Non-controlling interests		(2)	(66)
		<u>1,312</u>	<u>4,176</u>
Earnings per share			
Basic (<i>HK cents</i>)	10	<u>0.054</u>	<u>0.174</u>
Diluted (<i>HK cents</i>)		<u>0.054</u>	<u>0.174</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	<u>1,312</u>	<u>4,176</u>
Other comprehensive (loss)/income:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(31,675)	6,475
Exchange differences reclassified to profit or loss on disposal of foreign operations	<u>(471)</u>	<u>–</u>
Other comprehensive (loss)/income for the period, net of tax	<u>(32,146)</u>	<u>6,475</u>
Total comprehensive (loss)/income for the period	<u><u>(30,834)</u></u>	<u><u>10,651</u></u>
Attributable to:		
Equity shareholders of the Company	(30,833)	10,640
Non-controlling interests	<u>(1)</u>	<u>11</u>
	<u><u>(30,834)</u></u>	<u><u>10,651</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		266,003	287,589
Right-of-use assets		25,081	25,814
Intangible assets		17	608
Other non-current assets		1,556	1,480
Contract assets		28,858	26,191
Deferred tax assets		138	106
Total non-current assets		321,653	341,788
Current assets			
Inventories		5,919	5,990
Trade and other receivables	11	221,707	180,322
Current tax assets		71	8,803
Bank and cash balances		298,243	344,940
Total current assets		525,940	540,055
Current liabilities			
Trade and other payables	12	12,858	15,585
Lease liabilities		994	656
Deferred government grants		274	287
Current tax liabilities		11,269	11,990
Total current liabilities		25,395	28,518
Net current assets		500,545	511,537
Total assets less current liabilities		822,198	853,325

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Non-current liabilities		
Lease liabilities	14,260	14,591
Deferred tax liabilities	7,904	7,472
Deferred government grants	5,539	5,933
	<hr/>	<hr/>
Total non-current liabilities	27,703	27,996
	<hr/>	<hr/>
Net assets	794,495	825,329
	<hr/> <hr/>	<hr/> <hr/>
Capital and reserves		
Share capital	6,085	6,085
Reserves	788,671	819,244
	<hr/>	<hr/>
Equity attributable to equity shareholders of the Company	794,756	825,329
Non-controlling interests	(261)	–
	<hr/>	<hr/>
Total equity	794,495	825,329
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 2021. 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 2021.

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 2021. 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 2022 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 2022 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

3. REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

	Six months ended 30 June			
	2022		2021	
	HK\$’000	%	HK\$’000	%
	(Unaudited)		(Unaudited)	
Revenue from contracts with customers within the scope of HKFRS 15				
Sales of sub-processing cigarette films	1,988	2%	5,659	16%
Sales of semi-conductors	99,062	74%	–	–
Properties development and related services	338	1%	343	1%
Generation of photovoltaic power	31,022	23%	30,186	83%
Total	<u>132,410</u>	<u>100%</u>	<u>36,188</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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	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	-	-	94,120	-	-	-	-	-	94,120	-
Mainland China	1,988	5,659	4,942	-	338	343	31,022	30,186	38,290	36,188
Total	1,988	5,659	99,062	-	338	343	31,022	30,186	132,410	36,188
Timing of revenue recognition										
Products transferred at a point in time	1,988	5,659	99,062	-	338	343	-	-	101,388	6,002
Products and services transferred over time	-	-	-	-	-	-	31,022	30,186	31,022	30,186
Total	1,988	5,659	99,062	-	338	343	31,022	30,186	132,410	36,188

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

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Receivables, which are included in "Trade and other receivables"	155,419	106,507
Contract assets	28,858	26,191

(b) Segment reporting

The Group has four (2021: three) 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.

During the six months ended 30 June 2022, due to the change of strategy of the Group, the segment related to cloud-related business was no longer an operating segment of the Group. The segment information for the six months ended 30 June 2021 has been represented.

(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		Sales of				Properties		Generation of		Total			
	sub-processing		semi-conductors		development		photovoltaic power							
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021		
HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		
Revenue from external customers	<u>1,988</u>	<u>5,659</u>	<u>99,062</u>	<u>-</u>	<u>338</u>	<u>343</u>	<u>31,022</u>	<u>30,186</u>	<u>132,410</u>	<u>36,188</u>				
Reportable segment gross (loss)/profit	<u>(376)</u>	<u>247</u>	<u>1,105</u>	<u>-</u>	<u>140</u>	<u>192</u>	<u>20,628</u>	<u>19,001</u>	<u>21,497</u>	<u>19,440</u>				
Reportable segment (loss)/profit before tax	<u>(3,108)</u>	<u>(2,580)</u>	<u>(1,132)</u>	<u>-</u>	<u>2,154</u>	<u>(1,543)</u>	<u>16,135</u>	<u>16,257</u>	<u>14,049</u>	<u>12,134</u>				
Interest income from bank deposits	326	299	17	-	495	504	43	7	881	810				
Interest expense	-	-	-	-	-	-	448	453	448	453				
Depreciation and amortisation	724	988	207	-	2	10	8,822	8,754	9,755	9,752				
Other material non-cash item: Impairment/(reversal of impairment) on trade and other receivables	-	-	1,311	-	(1,322)	3,145	148	-	137	3,145				
As at 30 June (unaudited)/ 31 December (audited)														
Reportable segment assets	70,500	103,466	62,294	-	226,350	235,919	443,934	448,576	803,078	787,961				
Reportable segment liabilities	21,197	23,454	986	-	6,609	8,313	22,126	21,849	50,918	53,616				

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit		
Reportable segment profit before tax	14,049	12,134
Unrealised loss on investments in equity securities	–	(405)
Loss on disposal of subsidiaries	(4,353)	–
Unallocated head office and corporate expenses	(6,321)	(6,410)
	<u>3,375</u>	<u>5,319</u>
Consolidated profit before tax	<u>3,375</u>	<u>5,319</u>

4. **OTHER INCOME**

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Government grants (<i>Note</i>)	254	141
Interest income on bank deposits	891	838
Loan interest income	1,856	2,555
Rental income	37	–
Sales of scrap materials	–	11
Sundry income	14	25
	<u>3,052</u>	<u>3,570</u>

Note: During the six months ended 30 June 2022, the Group recognised government grants of approximately HK\$80,000 (six months ended 30 June 2021: HK\$Nil) 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\$174,000 (six months ended 30 June 2021: HK\$141,000) 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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Net foreign exchange (losses)/gains	(449)	419
Unrealised loss on investments in equity securities	–	(405)
Write off of property, plant and equipment	–	(12)
Gain on disposal of property, plant and equipment	–	67
Loss on disposal of subsidiaries (<i>Note 13</i>)	(4,353)	–
	<u>(4,802)</u>	<u>69</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest expense on lease liabilities	<u>463</u>	<u>493</u>

7. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current tax – People's Republic of China Enterprise Income Tax (“ PRC EIT ”)		
Provision for the period	1,267	1,481
Under/(over)-provision in prior periods	<u>309</u>	<u>(126)</u>
	1,576	1,355
Deferred tax	<u>487</u>	<u>(212)</u>
	<u>2,063</u>	<u>1,143</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 2021: Nil).
- (iii) On 16 March 2007, the Fifth Plenary Session of the Tenth National People’s Congress passed the Enterprise 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% for the six months ended 30 June 2022 (six months ended 30 June 2021: 15%).

Entities engaged in qualified power generating projects, are eligible for an 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) was entitled to the 3+3 tax holiday.

Entities engaged in software related business are eligible for an 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) 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 research and development activities do not form intangible assets and are included in the current period’s profit or loss, 50% of such research and development expenses shall be deducted from the taxable income amount of the period; where intangible assets are formed, pretax amortisation shall be made based on 150% of the costs of the intangible assets.

8. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation of intangible assets (included in cost of sales)	69	121
Depreciation on property, plant and equipment	9,277	9,215
Depreciation on right-of-use assets	825	834
	<u>9,371</u>	<u>10,170</u>

9. DIVIDENDS

No interim dividend has been declared by the Board for the six months ended 30 June 2022 (six months ended 30 June 2021: 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\$1,314,000 (six months ended 30 June 2021: HK\$4,242,000) and the weighted average number of ordinary shares of approximately 2,434,136,000 (six months ended 30 June 2021: 2,434,136,000) during the period.

Diluted earnings per share

As the Company's share options do not give rise to any dilutive effect to the earnings per share for the six months ended 30 June 2022 and 2021. The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted earnings per share are the same.

11. 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
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Unbilled (<i>Note</i>)	112,037	102,048
Less than 30 days	42,734	3,260
31–90 days	–	416
91–180 days	–	97
Over 365 days	648	686
	<u>155,419</u>	<u>106,507</u>

Note: As at 30 June 2022 and 31 December 2021, 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 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Due within 1 month or on demand	1,121	775
Due more than 6 months	<u>2,792</u>	<u>4,206</u>
	<u>3,913</u>	<u>4,981</u>

13. DISPOSAL OF SUBSIDIARIES

On 17 May 2022, the Group entered into a share purchase agreement to dispose of the entire issued share capital of Treasure Cloud Limited and 100% equity interest in Falcon Wisdom Limited, Sheyang Tengyun Information Technology Co., Ltd., Xuyi Guangcai Information Technology Co., Ltd. and Shenzhen Qianhai Tengzhiyun Network Sci. & Tech. Limited owned by Treasure Cloud Limited at a cash consideration of HK\$21,380,000 to an independent third party resulting in a loss on disposal of subsidiaries of approximately HK\$4,353,000. The disposal was completed on 10 June 2022. Treasure Cloud Limited and its subsidiaries were inactive during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group has reported a substantial increase in turnover for the six months ended 30 June 2022 when compared to the six months ended 30 June 2021. Such increase was mainly due to the new segment, sales of semi-conductors, commenced during the six months ended 30 June 2022.

During the Period, the Group disposed of Treasure Cloud Limited which focused on cloud-related business in previous year. The disposal provided a good opportunity for the Group to withdraw from the cloud-related business and rearrange the resources of the Group's existing and new business.

The new business and segment information disclosed in results of operation. The Group now maintain its business classified into four segments, namely, (i) sales of sub-processing cigarette films; (ii) sales of semi-conductors; (iii) properties development and related services; and (iv) generation of photovoltaic power.

RESULTS OF OPERATION

Revenue

Sales of sub-processing cigarette films

During the Period, the Group recorded revenue amounting to approximately HK\$2.0 million from sales of sub-processing cigarette and non-cigarette films (for the six months ended 30 June 2021: approximately HK\$5.7 million).

Sales of semi-conductors

The Group started the trading business of wafer and micro SD card during the Period. The revenue from sales of semi-conductors was approximately HK\$99.1 million for the Period.

Properties development and related services

The properties development revenue were generated from sales of remaining inventories of previous property project, which contributed approximately HK\$0.3 million to the Group for the Period (for the six months ended 30 June 2021: approximately HK\$0.3 million).

Generation of photovoltaic power

For the Period, the Group had three photovoltaic power stations in operation. The revenue generated from this segment was approximately HK\$31.0 million for the Period (for the six months ended 30 June 2021: approximately HK\$30.2 million).

Gross profit

The gross profit increased by approximately HK\$2.1 million, or approximately 10.6%, from approximately HK\$19.4 million for the six months ended 30 June 2021 to approximately HK\$21.5 million for the Period. The increase is mainly from sales of semi-conductors segment. Our gross profit margin decreased by 37.5% from approximately 53.7% for the six month ended 30 June 2021 to approximately 16.2% for the Period. The decrease is mainly due to the commencement of sales of semi-conductors segment which recorded profit margin of approximately 1.1%.

Distribution Costs

The distribution expenses amounted to approximately HK\$0.2 million for the Period (for the six months ended 30 June 2021: approximately HK\$0.3 million).

Administrative Expenses

The administrative expenses amounted to approximately HK\$14.5 million for the Period (for the six months ended 30 June 2021: approximately HK\$12.8 million).

Finance costs

The finance costs amounted to approximately HK\$0.5 million for the Period (for the six months ended 30 June 2021: approximately HK\$0.5 million).

Profit attributable to the 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\$1.3 million.

ADVANCE TO ENTITY AND/OR PROVISION OF FINANCIAL ASSISTANCE

On 2 June 2022, the Group has entered into a loan agreement with Sunining Chuyue Company Limited (the “**Borrower**”), granting a loan of Renminbi (“**RMB**”) 55 million at an interest rate of 0.5% per month to the Borrower which executed, among others, an equity pledge 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 Mr. Sun Yong, father of the Guarantor. For further details, please refer to the Company’s announcement dated 2 June 2022.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the cash and cash equivalents of the Group amounted to approximately HK\$298.2 million (which were denominated in HK\$, RMB and United States Dollar) as compared with approximately HK\$344.9 million as at 31 December 2021, representing a decrease of approximately HK\$46.7 million. The decrease is the sum of the Group's net cash outflow of operating activities, net cash inflow of investment activities and net cash outflow of financing activities that amounted to approximately HK\$48.9 million, approximately HK\$23.3 million and approximately HK\$0.5 million respectively.

BANK LOANS AND OTHER BORROWINGS

As at 30 June 2022, the Group did not have any material bank loans, debt securities, borrowings, indebtedness, guarantees, hire purchase commitments or mortgages (as at 31 December 2021: 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

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

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS

On 17 May 2022, the Company (the "**Vendor**") entered into a share purchase agreement with Yuko International Investment Limited (the "**Purchaser**"), pursuant to which the Vendor conditionally agreed to sell all issued shares of Treasure Cloud Limited, a wholly-owned subsidiary of the Company, at the consideration of HK\$21.4 million (the "**Disposal**").

For the details of the Disposal, please refer to the announcement of the Company dated 17 May 2022.

Save as disclosed above, there were no significant investments held nor other material acquisitions and disposals of subsidiaries, associated companies and joint ventures during the six months ended 30 June 2022.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any significant contingent liabilities (as at 31 December 2021: Nil).

HUMAN RESOURCES

As at 30 June 2022, the Group employed 61 employees (as compared with 62 employees as at 30 June 2021). 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 2021: Nil).

PROSPECTS

The Group commenced a new business, which is sales of semi-conductors, in the first half year of 2022. The Group looks forward to the future that the economy will recover from the COVID-19 pandemic and expects the demand of semi-conductor products will increase significantly. The Board and management will continue to monitor the changes of the market and focus the resources to expand the existing market.

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

The Company did not sell or repurchase any of the Company's listed securities during the six months ended 30 June 2022.

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 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 2022, there has been no chief executive in the Company. Mr. Guo Yumin acted as the chairman of the Board and is responsible for the overall management and formulation of business strategy of the Group.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the code of conduct and the required standard set out in the Model Code regarding directors' securities transactions during the six months ended 30 June 2022.

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 2022 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 2022 as required under the Listing Rules.

CHANGES IN DIRECTORS’ INFORMATION

There are no changes in the directors’ information required to be disclosed pursuant to 13.51(2) paragraphs (a) to (e) and paragraph (g) of the Listing Rules from the date of last annual report to the date of this announcement.

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

Hong Kong, 31 August 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.