芯成科技
- SINO ICT -

SINO ICT HOLDINGS LIMITED
芯成科技控股有限公司

(Incorporated in Bermuda with limited liability)
Stock Code : 00365.HK

2021
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. DU Yang *(Chairman)*
Mr. YUAN I-Pei
Mr. XIA Yuan *(Chief Executive Officer)*

NON-EXECUTIVE DIRECTORS

Mr. LI Yongjun
Mr. LI Jinxian

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WANG Yanxin (appointed on 4 November 2021)
Mr. CUI Yuzhi
Mr. BAO Yi
Mr. PING Fan

AUDIT COMMITTEE

Mr. CUI Yuzhi *(Chairman)*
Mr. LI Jinxian
Mr. BAO Yi

REMUNERATION COMMITTEE

Mr. BAO Yi *(Chairman)*
Mr. YUAN I-Pei
Mr. PING Fan

NOMINATION COMMITTEE

Mr. DU Yang *(Chairman)*
Mr. CUI Yuzhi
Mr. PING Fan

COMPANY SECRETARY

Mr. LIU Wei

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Unit 02-03, 69/F
International Commerce Centre
1 Austin Road West
Tsim Sha Tsui, Kowloon
Hong Kong

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited
Units 1208-18 Miramar Tower
132-134 Nathan Road
Tsim Sha Tsui, Kowloon
Hong Kong

AUDITORS

Grant Thornton Hong Kong Limited
(appointed on 28 July 2021)
Certified Public Accountants
11th Floor, Lee Garden Two
28 Yun Ping Road, Causeway Bay
Hong Kong

PricewaterhouseCoopers
(resigned on 28 July 2021)
Certified Public Accountants
22nd Floor, Prince's Building, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Dear shareholders:

On behalf of the board of directors (the "Directors") (the "Board") of Sino ICT Holdings Limited (the "Company" or "Sino ICT"), I hereby present the report on the audited results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2021.

Overview

In 2021, under the background of the Sino-US trade war and the repetitive pandemic, the development of the Company still remains positively stable, resulting a significant improvement to 2020. In the first half of the year, the epidemic in the Chinese Mainland was effectively under control and the nation's overall economy was healthy with good performance, consolidating a social and economic development. While the second half of the year, the Covid-19 variants have been spreading rapidly in many countries including China. The repeated epidemic caused economic pressure, but the timely introduction of a series of macro-control policies by the Chinese central government has laid a solid foundation for economic recovery. Based on a continuously consolidated advantage of the SMT equipment manufacturing business, the Group has actively transformed and moved into the field of IC and semiconductor equipment manufacturing, and successfully developed a high-precision mounting die bonder and a general IC bonding machine, both can be applied to chip packaging and have entered the testing stage in many domestic chip packaging companies. In response to the long-term "dual-carbon goal" proposed by the state government, the Group took advantage of the situation and established a joint venture company in the field of the new energy industry to specialize in the development and operation of energy storage power stations.

Business Review

During the reporting period, the Group was mainly engaged in SMT and semiconductor equipment manufacturing and other related businesses, continued its securities investment business and deployed the energy storage business. For the year ended 31 December 2021, the Group's total revenue was approximately HK$322,981,000 with an increase of 19% over the same period last year; the gross profit was approximately HK$141,829,000 with an increase of 5% over the same period last year; profit attributable to owners of the Company accounted for HK$38,282,000, recording a significant increase of 95% over the same period last year.

SMT and Semiconductor Equipment Manufacturing Business

In 2021, the Group continued to provide customers with linear SMT and semiconductor equipment manufacturing solutions. Our key products include high-precision mounting die bonder, selective wave soldering, high-precision high-speed screen printer, reflow oven, selective welding, vertical oven etc. Our customers are mainly from the automotive industry and LCD lighting industry, mobile industry, and security industry. Among them are some leading Chinese enterprises such as BYD Co. Ltd, Sichuan Changhong Electronics Holding Ltd, Konka Group Co. Ltd, Midea Group, Foxconn Technology Group, Daya Bay Guanghong Electronics Co. Ltd, Gree Electric Appliances Inc. of Zhuhai, and TCL Technology. The Group's products have a relatively high market share and a wide range of market coverage. In 2021, the total revenue of this segment was approximately HK$308,837,000 with a year-on-year increase of HK$75,053,000 or 32%; the segment's annual gross profit margin was approximately 41%, flat as the same period last year.

In terms of product research and development, we have witnessed a fluctuating global trade in recent years and the move to the Chinese Mainland market of the semiconductor industry. Therefore, the Group seized the opportunities and strengthened its independent research and development effort, especially in the field of semiconductor assembly.

During the year, the Group developed an high-precision mounting die bonder for specialized use. Different from the SMT placement equipment for PCB pads and the traditional packaging machine, this machine adopts Die Attach technology which can realize high-speed precise positioning control, reaching a placement accuracy to um unit, which is comparable to the advanced level in the world. The machine has obtained several technical patents and could be widely used in the chip manufacturing process of various electronic product modules such as communication, photography, LED, power supply, and others. At present, it has entered the testing stage of state key laboratories and has received product testing requirements from many big Chinese chip packaging companies, and is cooperating with those tests. The Company is also researching and developing other high-tech products including equipment for IC bonding and flip chip, and is optimizing the IC bonding equipment from special-purpose to general-purpose.

High-precision mounting die bonder

General IC bonding machine

In addition, during the year, the Group has also successfully launched a dual-wave selective soldering machine, a semiconductor packaging reflow oven which can efficiently recycle flux, and a modular intelligent multi-channel curing oven. The dual-wave selective soldering machine is the first in China. It has the characteristics of high efficiency and precision, energy saving, and can fully display the welding status. It represents the industry-leading level of technology, and won the Gold Award of the "4th Industrial Design Red Sail Award" and the 8th "SMT China Visionary Award".

The Group is well aware that semiconductor materials and equipment are the cornerstone of the industry chain, and will continue to improve the efficiency of equipment operation through technological innovation, consolidate the Group's business advantages in the field of SMT and semiconductor equipment manufacturing, and enhance production efficiency and market share. The Group will give full play to the functions of resource integration and supporting services to meet the different needs of customers and benefit all investors.

Securities Investment Business

In terms of securities investment business, the Group sold a total of 1,956,000 SMIC shares in the open market on 18 January 2021, with total disposal proceeds of approximately HK$56,914,000 (net of transaction cost), thereby better locking in investment profits amidst the continuing volatile stock market environment, and the gain from the securities investment segment during the year was approximately HK$14,144,000. As the securities investment market has been affected by external factors such as the Sino-US trade war and the Covid-19 epidemic in recent years, the price of the secondary market has fluctuated and the market performance is difficult to predict. The Company will not treat securities investment as the main business sector in the future.

Energy Storage and Related Industries

In addition, with China promoting the national strategy of the "dual carbon" goal, the Group took advantage of the situation to manipulate its business in the new energy industry. During the year, the Group's wholly-owned subsidiary Sino ICT Technology Macau Co. Ltd., entered into a joint venture agreement with Shenzhen Qianhai Dongfang New Energy Co., Ltd. (深圳前海東方新能源有限公司) to establish Sino New Energy Utilization (Hengqin) Technology Co., Ltd. (中鑫電聯(珠海横琴)能源科技有限公司), undertaking the operation of energy storage, peak regulation, and frequency modulation projects. With the national 14th "Five-Year Plan" promoting the expansion of wind and solar installations, and the successive introduction of local energy storage guarantee policies, combining the effort of business promotion and market-oriented mechanisms, it is believed that the development of the energy storage industry is about to usher a new period of scale expansion. The Group has deployed in the energy storage industry ahead of schedule and is expected to lead the market and seize relative development opportunities.

Industry Trends

SMT and semiconductor-related industries

Although the current global economic environment is complicated, the development path is not yet clear, and the industry trends are full of variables, the Group still looks forward to the future with an optimistic attitude and expects the SMT and semiconductor-related industries to develop in 2022. Among the many influencing factors, we believe that the following three trends may have the potential for expansion of downstream market demand and become benign stimuluses for the production of upstream SMT and semiconductor-related equipment. First, the global market of smartphones and smart accessories has increased, driving the continuous expansion of consumer demand; second, the global new energy vehicle industry is developing strongly; third, the global display market is rapidly commercialized, which is expected to drive new market growth.

In 2021, the total global smartphone shipments reached 1.35 billion units. The consumer demand for smart wearable products such as wireless earphones, smartwatch and bracelets has grown synchronously. The product penetration rate and update speed have risen sharply. As a result, the demand for equipment and products in the main business areas of the Group is expected to increase significantly.

Another developing industry is the new energy vehicle industry. The frequent upcoming of car companies and models along with a trend of better quality and lower price have brought considerable market demand. Electric vehicles use 2.9 times more conductor chips than conventional internal combustion engine vehicles. Since the epidemic led to a reduction in the production of automotive chips, semiconductor companies have expanded production, and the automotive semiconductor supply chain may usher a revolution. Plus with the continuous improvement of the construction of new energy vehicle charging and swapping facilities, the automotive power semiconductor market too will grow rapidly, further driving the market demand for the Group's equipment.

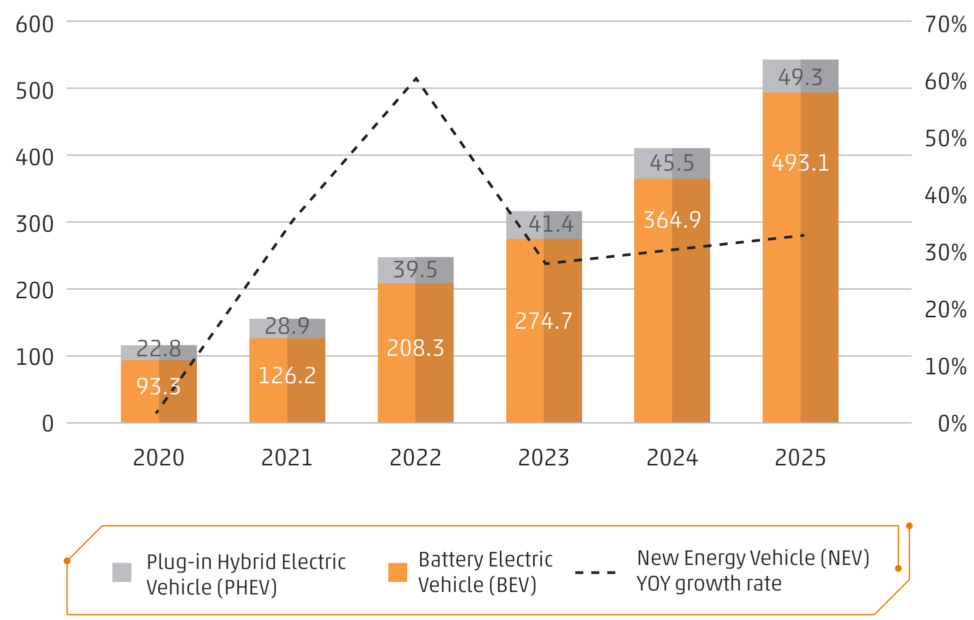
Worldwide smartphone shipments and growth

Canalys Smartphone Market Pulse: full year 2021

Vendor	2021 shipments (million)	2021 Market share	2020 shipments (million)	2020 Market share	Annual growth
Samsung	274.5	20%	255.5	20%	7%
Apple	230.1	17%	207.2	16%	11%
Xiaomi	191.2	14%	149.6	12%	28%
OPPO	145.1	11%	119.4	9%	22%
vivo	129.9	10%	112.6	9%	15%
Others	379.4	28%	420.5	33%	-10%
Total	**1,350.2**	**100%**	**1,264.7**	**100%**	**7%**

Note 1: percentages may not add up to 100% due to rounding
Note 2: OnePlus Is Included In OPPO shipments
Source: Canalys Smartphone Analysis (sell-In shipments), January 2022

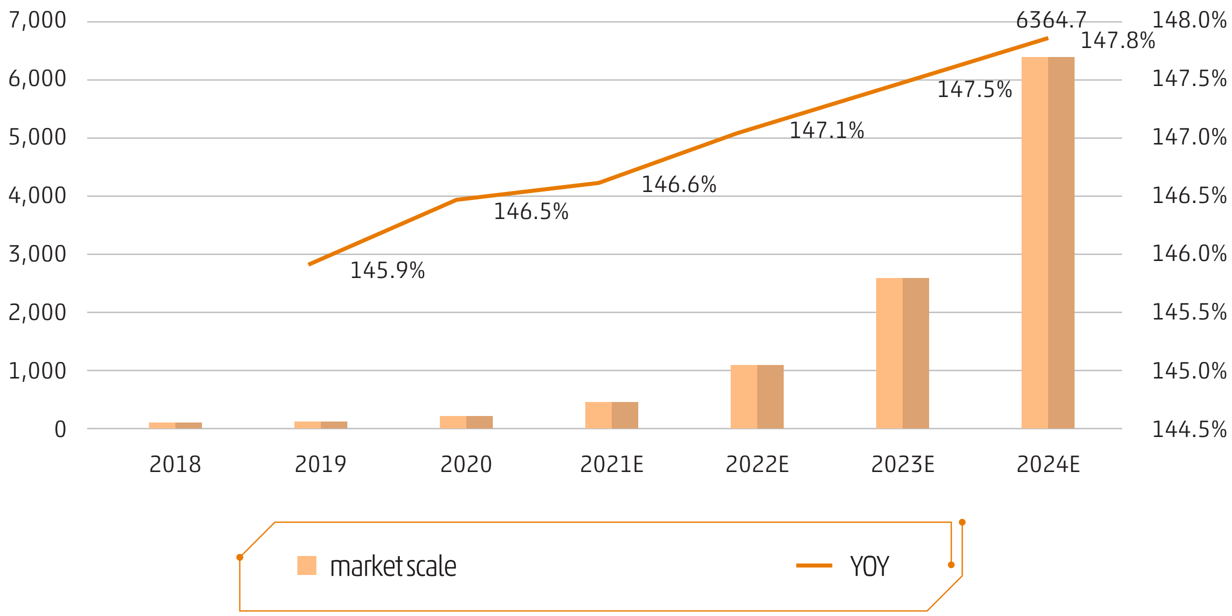
Expectation on China's New Energy Vehicle Sales and YOY Growth Rate 2020-2025



Note 1: New energy (NEV) = plug-in hybrid (PHEV) + pure electric power (BEV)
Note 2: The data forecast takes into account the impact of the Covid-19
Source: International Data Corporation (IDC) China, 2020

During the year, the price of the global display products continued to drop, advanced research and development led to cost reduction and efficiency enhancement, Mini LED displays' production has expanded rapidly, the products are seen from commercial area to consumer electronics area, and are widely used in high-end conference rooms, multi-function halls, e-sports equipment, medical care Imaging machines and so on. It is expected that the strong growth of the Mini LED display market will increase the market demand for the Group's high cleanliness and high precision welding equipment.

Global Mini/Micro LED Market Scale (million USD)



Source: Arizton

According to a report released by the Global Semiconductor Industry Association, global semiconductor sales in 2021 were US$555.9 billion, a year-on-year increase of 26.2%, reaching a record high; sales in the Chinese market were US$192.5 billion, a year-on-year increase of 27.1%, ranking first among all countries for the second consecutive year. To sum up, we believe that driven by policy support and the rapid development of downstream product industries, the demand for upstream manufacturing equipment will increase significantly, thereby driving the global semiconductor industry supply chain to a stable and rapid development path and a broadened market prospect.

Energy storage and related industries

Energy storage refers to the storage of different forms of energy through specific equipment or physical media. The application of energy storage in the power field can be divided into the power generation side, transmission and distribution side (grid side), and power storage side.

For a long time, the power industry has been the single industry with the largest proportion of carbon emissions in Chinese Mainland. To achieve the dual-carbon goal, China will continue to optimize its energy supply structure and increase investment in installed capacity of renewable energy such as wind power and photovoltaic power generation. According to the National Energy Administration, in 2030, the proportion of non-fossil energy in primary energy consumption will reach about 25%, and the total installed capacity of wind power and photovoltaic power generation will reach 2.24 times that of 2020. Renewable energy is known for volatile and intermittent, which brings stability and reliability challenges to the power system. Power storage projects can significantly improve the consumption level of renewable energy, provide various services such as peak regulation and frequency regulation for power supply and grid operation, improve the flexibility, efficiency and safety of traditional power systems, and promote the openness and sharing of energy production and consumption, flexible transactions, achieving multi-energy synergy which have an unanimously optimistic development prospect. The market prospect is broad, the investment recovery period of related projects is short, and the rate of return is high.

In the field of traditional power generation, energy storage also has great market potential. According to the China Electricity Council, from 2016 to 2020, the total capacity of national power generation equipment in Chinese Mainland increased by an average of 7.6% annually, and it is expected to maintain an average annual new installed capacity of more than 120 million kilowatts in the next five years. The combined frequency modulation of energy storage system has fast and accurate power response capability and has been widely used in the automatic generation control frequency modulation market.

National ministries and local governments have issued several policies to support the development of power energy storage especially on the power generation side, with mandatory requirements or preferential policies in terms of approval, grid connection, and subsidies. The National Development and Reform Commission and the Energy Administration have set a clear target to realize the transformation of new energy storage industry from the initial stage of commercialization to large-scale development by 2025, with an installed capacity of more than 30GW, and encouraged enterprises to take more responsibility for grid-connected consumption through self-build or purchase of peak-shaving energy storage capacity. According to Everbright Securities, the annual global demand for energy storage in 2030 will reach 1.25TWh, and the compound annual growth rate of new energy storage from 2020 to 2030 will be about 30%, which is another trillion yuan emerging market.

We expect that the power energy storage peak regulation and frequency regulation power station projects will have a broad development prospect under the influence of the national policy support and sufficient market demand. Energy storage projects have a high return on investment and good development prospects. The Group believes that by virtue of the coordinated development with its joint venture partners, the newly added investment projects in 2021 will play an important role in the Group's strategic transformation, promoting its technological progress and industrial upgrading, and can significantly improve the Company's operational quality and increase the Company's return on investment, which are all in line with the long-term development goal of the Group and the overall interests of shareholders.

Development and Outlook

The Group has decades of development experience in the SMT and semiconductor equipment manufacturing industries and has continued to further study in the field of high-end semiconductor technology. We believe the trend of capacity expansion, demand expansion and substitution of Chinese equipment in the semiconductor industry will continue. Therefore, the Group's semiconductor equipment production will form a new increment, which will help us to expand revenue, increase gross profit margin, and better leverage the functions of resource integration and support services to meet the needs of customers from various backgrounds.

At the same time, the Group actively participated in the development of the domestic energy storage market, deployed in related industries, built, developed and operated power energy storage peak regulation and frequency regulation power station projects nationwide, and plans to further develop other new energy storage projects and smart energy projects in the future to broaden the source of income of the Group with the help of policy support and the operating advantages of joint ventures. The Group believes that with the rapid development of the clean energy industry, the new energy power generation technology will be more mature and stable, and the construction of peak modulation and frequency regulation will gradually improve. The implementation of relevant energy storage projects will help the Group's strategic transformation and promote its technological progress and industrial upgrading, which are important for the enterprise's future.

Looking forward to 2022, the epidemic will still be the key factor that affects economic recovery. The International Monetary Fund lowered its global economic growth forecast to 4.4% at the beginning of this year due to the resurgence of the Covid-19 variant in many countries, which led to rising energy prices and continued pressure on supply chains. Frequent adjustment of economic outlook by authoritative institutions shows that the economic elasticity and the persistence of global inflation have exceeded expectations as well as the imbalance of the world economy in the later stage of the epidemic may continue. However, from the perspective of the manufacturing industry, it has achieved growth for 18 consecutive months since June 2020, and the development momentum is good. It is expected that China's status as a trading power will remain stable, and the performance of exports and industrial production will rebound.

We expect relatively strict epidemic prevention policies in Chinese Mainland in the short term, but believe that the epidemic prevention and control arrangements will be more effective and efficient along the way and will gradually achieve a reasonable balance with economic and social development. Although adhering to the zero-covid policy is not enough to cause major disruptions to the global supply chain, the ever-changing epidemic situation and the constantly adjusted anti-epidemic arrangements will add complexity and variability to economic development. In conclusion, the Group will maintain a cautious and optimistic business attitude in 2022 and will continue to develop SMT equipment manufacturing and related businesses, and engage more in energy storage and relevant industries to seize development opportunities.

On behalf of the entire Board, I would like to take this opportunity to express my heartfelt thanks to the hard-working and diligent management and employees of the Company as well as the business partners and shareholders who have put their trust and support in the Group!

Chairman
Du Yang

Hong Kong
23 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

During the year, the Group was principally engaged in SMT equipment manufacturing and related business, as well as securities investment business.

In 2021, many nations have implemented regular epidemic prevention and control measures, regular production and everyday life are being gradually restored, while the path of economic recovery was still unclear. Despite the gloomy global trade and investment, China's economy rebounded strongly in the first half of 2021. According to a report released by the World Bank on 22 December 2021, China's economy expanded by 9.8% year-on-year in the first three quarters, significantly surpassing other major economies. Despite the triple pressure of demand contraction, supply shocks, and weakening expectations amid an increasingly complicated external environment, China's economy remained stable overall and major economic indicators were within an appropriate range. China's annual GDP increased by 8.1% over the previous year and the average growth rate in two years was 5.1%, resulting in stable prices and supplies, a strong job market, and attractive foreign trade investment, all contributing to a stable economy.

At the same time, industries continued to develop, and high-tech equipment manufacturing achieved rapid growth. In 2021, The total value added of industrial enterprises above the designated size grew 9.6% year-on-year, that of manufacturing was up by 9.8%, and that of the high-tech manufacturing and equipment manufacturing went up by 18.2%, and 12.9% respectively. The Manufacturing Purchasing Managers' Index released by the National Bureau of Statistics in December 2021 was almost identical to the China Caixin Manufacturing PMI released in the same month with the former recorded 50.3 and the latter recorded 50.9, indicating that the production and operational activities of the manufacturing industry in the Chinese Mainland continued to grow steadily and industry expansion and development grew fast.

During the year, the Group followed a prudent management policy, seeking consensus at a suitable juncture and in appropriate circumstances to seize all potential opportunities. For the year ended 31 December 2021, the Group's revenue recorded approximately HK$322,981,000, representing a year-on-year increase of approximately 19%; meanwhile, gross profit recorded approximately HK$141,829,000, representing a year-on-year increase of approximately 5%. The profit for the year attributable to owners of the Company increased significantly to approximately HK$38,282,000.

SMT Equipment Manufacturing and Related Business

Manufacturing is the lifeblood of a country's economy. With 5G, AI (artificial intelligence), and other information technology developing quickly, finding a wide range of applications across various industries and integrating with the real economy, people's living standards as well as consumer, equipment, and communication demands have expanded accordingly. The manufacturing industry is increasingly digitized, and improving its infrastructural level to "intelligent manufacturing in China". Taking this advantage, the Group pays close attention to the market and industry trends and devotes itself to business development.

The Group attaches great importance to professionals, consolidates our existing competitive edges, and strives for innovations. During the year, the Group took the lead in developing the Dual-wave Selective Soldering Machine which met the strict requirements of high cleanliness in the semiconductor industry and managed the difficult soldering in the Mini LED field, solving technical problems while providing effective soldering solutions to our customers. In addition, the Group successfully launched the high-precision die-attach equipment for specialized use, applying micron-level precision technology to complete the PADS bonding of the carrier board, achieving both high speed and high precision pick and place core function. Other key products also include the nitrogen filling reflow soldering machine which has been an industry trend in the past two years.

Meanwhile, the Group actively participates in the national strategy of energy storage under the new development philosophy and its own green transformation. During the year, the Group's wholly-owned subsidiary Sino ICT Technology Macau Co. Ltd., entered into a joint venture agreement with Shenzhen Qianhai Dongfang New Energy Co., Ltd. (深圳前海東方新能源有限公司) to establish Sino New Energy Utilization (Hengqin) Technology Co., Ltd. (中鑫電聯(珠海橫琴)能源科技有限公司), undertaking the operation of energy storage, peak regulation and frequency modulation projects, and will take on other energy storage and smart energy projects in the future to support the nation's "dual-carbon goals" and build a clean, low-carbon, safe and efficient energy system.

SMT Equipment Manufacturing and Related Business (Continued)

In terms of business performance, the Group continued to focus on SMT equipment manufacturing and related business. For the year ended 31 December 2021, the gross profit margin of the segment was flat comparing with last year and recorded 41%. Meanwhile, the segmental revenue increased by HK$75,053,000 to approximately HK$308,837,000 this year.

In terms of product innovation, despite the continuous pressure on global supply chains in 2021, the Group still launched 3 new products, including a die bonder for semiconductor chips, a reflow soldering oven, and a modular intelligent multi-channel curing oven. During the year, the Group obtained 13 patents, including 3 invention patents and 8 utility model patents as it continues to build its expertise in the field.

In terms of market promotion, the Group follows closely the market trend to establish contact with our customers. In 2021, when the epidemic in the Chinese Mainland was under control, the Group seized the opportunity to participate in several exhibitions, including the SEMICON China 2021 and the 30th China International Electronic Production Equipment and Microelectronics Industrial exhibition held in Shanghai, as well as the South China International Industrial Fair (SCIIF) and NEPCON ASIA (Asian Electronic Production Equipment and Microelectronics Industry Exhibition) held in Shenzhen. During the time, we exchanged ideas with all parties, expanded our market scope, and deepened customer connections, meanwhile, we enhanced our front-end service capability from product to consumers, aiming to improve efficiency and benefit our shareholders and investors.

In 2021, the Chinese government put forward the requirement to speed up digitalization so to create new strengths for the digital economy, develop the digital industry and transform traditional industries with digital technology. Ushering a new stage of development and empowering traditional industries with digital technology has become the trend of modern industries. Our senior management believes that while the global technological innovations popping up, the manufacturing industry will evolve towards automation and digitalization in the coming period. The Group will continue to adhere to a prudent business strategy, combining industry with finance, striving for technology and product innovation, actively participating in the international division and cooperation of labour, and optimizing its industrial position to cope with the rapid-changing world with new technologies and ideas.

Strategy and Outlook

The 21st century has witnessed the mushroom of high-tech products and the digitalization of daily life. Meanwhile, our core business of SMT equipment manufacturing has been widely implemented in various fields of life from 3D printing, and mobile phone chips production to auto parts, medical equipment production, and so on. Despite the challenge brought to the centralized operation mode during the last two year's pandemic, the senior management believes that the manufacturing industry has shown a positive trend of development. In the future, the Group will continue to consolidate our advantages in technology, maintain our industry position, expand the market through innovation, reduce costs and improve efficiency to enhance corporate competitiveness. It is our responsibility to meet the needs of the Company's stakeholders and create value for our future and the community.

Securities Investment Business

The Group follows a low-frequency trading strategy and focuses on investing in potential companies with synergies in the SMT equipment manufacturing and semiconductor-related businesses, and conducts tracking and monitoring of their business performance and share price stability indicators, adjusting our investment strategy in a timely manner, mainly targeting qualified high-tech companies listed on the Stock Exchange. For the year ended 31 December 2021, the Group's securities investment segment recorded a gain of approximately HK$14,144,000.

On 18 January 2021, the Group disposed of a total of 1,956,000 shares of SMIC, which were included in financial assets at FVTPL, in the open market. The average disposal price was HK$29.19 per share and the total disposal proceeds amounted to approximately HK$56,914,000 (net of transaction costs), representing an investment income of HK$13,862,000.

The management of the Company will continue to manage this business segment with a cautious attitude, and we will rely on a strict reporting mechanism to monitor every investment activity to secure the safety of the investments.

Securities Investment Business (Continued)

Name of investee	Total investment income/(loss) for the year ended 31 December 2021 HK$'000
SMIC (stock code: 981.HK)	13,862
GOME FIN TECH (stock code: 628.HK)	(104)
GUODIAN TECH (stock code: 1296.HK)	386
	14,144

The Group's investments in the above-mentioned securities were classified as financial assets at FVTPL under current assets on the consolidated balance sheet, which amounted to approximately HK$689,000 as at 31 December 2021.

Name of investee	Financial assets at FVTPL as at 31 December 2021 HK$'000	Percentage of totalfinancial assets at FVTPL %
GOME FIN TECH	109	15.82
GUODIAN TECH	580	84.18
	689	100

FINANCIAL REVIEW

Revenue

In 2021, the Group recorded total revenue of approximately HK$322,981,000. An analysis of the revenue by business segments is as follows:

	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000
SMT equipment manufacturing and related business	308,837	233,784
Securities investment	14,144	36,278
Unallocated activities	–	498
Total	322,981	270,560

Other income

During the year, the Group recorded other income of approximately HK$23,064,000, representing an increase of approximately HK$11,358,000 as compared with that of last year. This was mainly due to an increase in rental income of approximately HK$6,476,000, an increase in government grants of approximately HK$673,000 and an increase in agency and administrative services income of approximately HK$4,300,000.

Distribution costs

During the year, the Group recorded distribution costs of approximately HK$51,102,000, representing an increase of approximately 7% as compared with that of the previous reporting period.

Administrative Expenses

During the year, administrative expenses amounted to approximately HK$76,351,000, representing an increase of approximately 13% as compared with that in the corresponding period of last year.

FINANCIAL REVIEW (Continued)

Finance costs

During the year, net finance costs were approximately HK$8,365,000, representing a decrease of approximately HK$9,789,000 as compared with that of last year, mainly attributable to a reduction in the amortisation of interest accrued on the convertible bonds.

Profit for the year

As a result of the foregoing, the profit for the year attributable to owners of the Company was approximately HK$38,282,000, representing an increase of approximately 95% as compared with approximately HK$19,650,000 in 2020.

Earnings before interest, tax, depreciation and amortisation

The following table illustrates the Group's earnings before interest, tax, depreciation and amortisation for the respective years. The Group's earnings before interest, tax, depreciation and amortisation ratio was approximately 22% for the year.

	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000
Profit for the year attributable to owners of the Company	38,282	19,650
Finance costs, net	8,365	18,154
Income tax expenses	8,134	5,599
Depreciation and amortisation	17,522	16,077
Earnings before interest, tax, depreciation and amortisation	72,303	59,480

Liquidity, financial resources and gearing ratio

The Group has maintained sufficient operating capital. As at 31 December 2021, the total current assets of the Group amounted to approximately HK$594,678,000, and the liquidity ratio of the Group was maintained at about 148%, which was sufficient to support the day-to-day operation of the Group. With reference to borrowing over equity attributable to the owners of the Company as at 31 December 2021, the gearing ratio of the Group was 27%.

As of 31 December 2021, the balance of the borrowing of the Group was approximately HK$94,982,000.

FINANCIAL REVIEW (Continued)

Operating capital management

As at 31 December 2021, the Group held cash and cash equivalents of approximately HK$308,462,000. This represents an increase of approximately HK$191,853,000 as compared with approximately HK$116,609,000 at the beginning of the year. The Group's average inventory turnover days were approximately 83 days, which were the same as compared with those of last year (2020: 83 days); average trade receivable turnover days were approximately 95 days, representing a decrease of 12 days as compared with those of last year (2020: 107 days); and average trade payables turnover days were approximately 82 days, representing a decrease of 30 days as compared with those of last year (2020: 112 days).

Capital expenditure on property, plant and equipment

During the year, the Group's total capital expenditure amounted to approximately HK$3,392,000. Of the capital expenditure, approximately HK$234,000 was spent on the purchase of machinery and equipment, approximately HK$1,301,000 was spent on the purchase of transportation equipment and approximately HK$1,857,000 was spent on the refurbishment and renovation of offices.

Charges on the Group's assets

As at 31 December 2021, the Group's banking facilities including its import/export loan, letter of credit, documentary credits, trust receipt, and bank borrowings were secured by: a first legal charge on certain of the Group's land and properties, which had an aggregate net carrying value at the balance sheet date of approximately HK$81,581,000.

Equity and liabilities

As at 31 December 2021, the Group's net assets amounted to approximately HK$348,589,000. This represents an increase of approximately 13% as compared with the net assets of approximately HK$309,214,000 as at 31 December 2020. The increase in net assets during the year was mainly attributed to the profit for the year.

PRINCIPAL RISKS AND UNCERTAINTIES

Operational risk

The Group is exposed to operational risk in relation to each business segment. To manage operational risk, the management of each business segment is responsible for monitoring the operation and assessing operational risk of their respective business segments. They are responsible for implementing the Group's risk management policies and procedures and shall report any irregularities in connection with the operation of the projects to the Directors for guidance.

The Group emphasises on ethical value and prevention of fraud and bribery, and has established a whistleblower program, including communication with other departments, business segments and units to report any irregularities. In this regard, the Directors consider that the Group's operational risk is effectively mitigated.

Financial risk

The Group is exposed to credit risk, liquidity risk, foreign exchange risk, and price risk, etc.

Credit risk

In order to minimise credit risk, the Directors closely monitor the overall level of credit exposure and the management is responsible for the determination of credit approvals and monitoring the implementation of the collection procedure to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses have been made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk has been significantly reduced.

Liquidity risk

The Directors have built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In this regard, the Directors consider that the Group's liquidity risk has been effectively managed.

PRINCIPAL RISKS AND UNCERTAINTIES (Continued)

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency risks as its certain business, assets and liabilities are denominated in Renminbi, Hong Kong dollars and US dollars. During the year, the Group did not utilise any financial instruments for hedging purposes, and the Group will continue to closely monitor its foreign exchange risk associated to the currencies, and will take appropriate hedging measures when necessary.

Price risk

Since the business of the Group's securities investment segment is derived from the investment in stocks listed on the Main Board of the Stock Exchange, the price fluctuations of the shares held by the Group will affect the Group's after-tax profits. In order to manage the risk of fluctuations of securities price, the Group will diversify its investment portfolio according to the historical fluctuations of the stocks held and the risk control policies of the Company to avoid or reduce the risks arising from stock price fluctuations.

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

The Company or any of its subsidiaries had not purchased, redeemed or sold any of the Company's listed securities during the year.

DIVIDENDS

The Board did not recommend a final dividend for the year ended 31 December 2021 (2020: nil).

HUMAN RESOURCES

As at 31 December 2021, the Group employed approximately 313 full-time employees and workers in Mainland China and employed approximately 21 employees in Hong Kong. The Group continues to maintain and enhance the capability of its employees by providing sufficient regular training to them. The Group remunerates its employees based on the industry's practice. In Mainland China, the Group provides employee benefits and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, the Group provides staff benefits including a retirement scheme and performance-related bonuses.

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent board of directors, sound internal controls, and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavours to ensure that its businesses are conducted in accordance with relevant rules and regulations, and applicable codes and standards. The Company has adopted the Code Provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules.

The Board periodically reviews the corporate governance practices of the Company, during 2021, the Company was in compliance with the provisions and requirements of the Code.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the required standard regarding securities transactions by Directors of the Company. Having made a specific inquiry of all Directors, the Company confirmed that they had complied with the required standard as set out in the Model Code for the year.

Board of Directors

The Board, headed by the Chairman, is responsible for the oversight of the management of the business and affairs of the Company with the objective of enhancing shareholder value. The Board is responsible for the formulation and the approval of the Group's development and business strategies and policies, approval of annual budgets and business plans, recommendation of dividends, and providing oversight of the management in accordance with the governing rules. The management team of the Company is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

During 2021 and up to the date of this report, the Board of the Company comprises a total of nine Directors, with three executive Directors, two non-executive Directors and four independent non-executive Directors. More than one-third of the Board members are independent non-executive Directors and not less than one of them has appropriate professional qualifications in accounting or related financial management expertise. The composition of the Board is shown on page 28 under the section "Attendance Record at Meetings" in this report. Biographies of the Directors are set out on pages 36 to 39 under the section "Directors Profile" in this annual report. Relevant information can also be viewed on the website of HKEX and the Company's website (www.sino-ict.com).

Board of Directors (Continued)

All Directors are subject to retirement by rotation.

Mr. Du Yang was appointed on 5 November 2019 and retired by rotation at the special general meeting on 25 November 2019. Mr. Bao Yi was appointed on 27 September 2016 and retired by rotation at the Annual General Meeting on 30 May 2019. According to their year of service, Mr. Du Yang and Mr. Bao Yi are subject to retirement and re-election by rotation at the Annual General Meeting in 2022. Mr. Wang Yanxin was appointed on 4 November 2021. Pursuant to the provisions of Code A.4.2, Mr. Wang Yanxin is subject to re-election by shareholders at the 2022 Annual General Meeting.

The Company has entered into service agreements with Mr. Du Yang, Mr. Wang Yanxin and Mr. Bao Yi respectively for a term of three years, which may be terminated by either party giving not less than three months' prior written notice to the other party and shall be subject to retirement by rotation and re-elected at the annual general meeting of the Company in accordance with the Company's Articles of Association and the requirements of the Listing Rules.

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive Directors are independent in accordance with the Listing Rules.

Directors are provided with complete adequate explanation and information to enable them to make an informed decision or assessment of the Company's performance, position and prospects and to discharge their duties and responsibilities on a timely basis. The Directors, to properly discharge their duties, are given access to independent professional advisers, when necessary, at the expense of the Company.

The Board regularly holds meetings to review and approve financial statements and operating performance of the Company, review company policies and strategies, and participate in decision-making on major company issues. The Company held 9 board meetings in 2021, approximately twice a quarter, and ensured that all Directors have the opportunity to raise matters for discussion and put them on the meeting agenda. The Chairman, the Chief Executive Officer and other Directors do not have any financial, business, family or other material/relevant relationships with each other.

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in the Code Provision D.3.1 of the Code.

Board of Directors (Continued)

Corporate Governance Functions (Continued)

The Board has reviewed the Company's corporate governance policies and practices, training and continuing professional development of Directors and the senior management personnel, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the Code and disclosure in this report.

Continuing Professional Development

In response to the continuous updating of compliance requirements and new trends in the market, the Company continues to provide various training materials to its Directors and encourages directors, in particular non-executive Directors and independent non-executive Directors, to actively participate in various professional training activities in their areas of work to enhance the standard of governance of the Board. For the year ended 31 December 2021, the Directors have undergone satisfactory training throughout the year and provided the training record to the Company, which are set out as below:

	Corporate Governance/update on laws, rules and regulations	
Directors	Reading Materials	Attend Seminars, Briefings and conferences
Executive Directors		
Mr. DU Yang *(Chairman)*	✓	✓
Mr. YUAN I-Pei	✓	✓
Mr. XIA Yuan *(Chief Executive Officer)*	✓	✓
Non-executive Directors		
Mr. LI Yongjun	✓	✓
Mr. LI Jinxian	✓	✓
Independent Non-executive Directors		
Mr. WANG Yanxin	✓	✓
Mr. CUI Yuzhi	✓	✓
Mr. BAO Yi	✓	✓
Mr. PING Fan	✓	✓

Board of Directors (Continued)

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Chairman and Chief Executive Officer

The Company complies with Code Provision A.2.1 which stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. For the year ended 31 December 2021, the role of Chairman of the Group was served by Mr. Du Yang, and the role of Chief Executive Officer of the Group was served by Mr. Xia Yuan.

Nomination Committee

The Company has established a Nomination Committee in accordance with the requirements of the Code in order to review the structure, size and composition of the Board on an annual basis to ensure that the skills and experience of individual Board members meet its diversity requirements and the members could provide a multi-dimensional view of corporate development and are commensurate with the necessary corporate governance needs; to critically assess the independence of the independent non-executive Directors in accordance with the requirements of the Listing Rules; to make recommendations to the Board on the appointment or re-appointment of Directors; and to regularly review the effectiveness and transparency of the director nomination policy.

The Nomination Committee currently comprises three members, executive Director, Mr. Du Yang (the committee chairman) and independent non-executive Directors, Mr. Cui Yuzhi and Mr. Ping Fan.

For the year ended 31 December 2021, the Nomination Committee held two meetings and the attendance records of each member are set out in the section "Attendance Record at Meetings" in this report. The Nomination Committee has considered and provided the Board with the following proposals:

(a) Review the structure, size and composition of the Board of the Company, to make sure the Board membership is diverse and aligned with current corporate governance needs, and make recommendations on any proposed changes to the Board to complement the corporate strategy;

(b) Identify individuals suitably qualified to become Board members and make recommendations to the Board;

(c) Assess the independence of independent non-executive Directors;

(d) Recommendations to the Board on the appointment or reappointment or succession of directors; and

(e) Review the Board Diversity Policy and the Nomination Policy.

Board of Directors (Continued)

Nomination Committee (Continued)

The Board has developed and implemented the Board Diversity Policy and the Nomination Policy since 2018 to meet the requirements of the Code which came into effect in 2019. For the year 2021, the Nomination Committee has reviewed the Board Diversity Policy and the Nomination Policy and confirmed that the policies were appropriate and effective. Summaries of the policies are set out below and details of the policies are available on the investor relations section of the Company's website (www.sino-ict.com).

Board Diversity Policy

The Company understands and believes that a diverse board of directors is beneficial to the quality of the performance of the Company. For this reason, the Company achieves the board diversity from a wide range of aspects when setting the composition of the board of directors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and any other factors that the Board may consider relevant and applicable from time to time. High emphasis is placed on ensuring a balanced composition of skills and experience at the Board level in order to provide a range of viewpoints and perspectives, insights and challenges that enable the Board to discharge its duties and responsibilities effectively, support good decision making in view of the core businesses and strategy of the Group, and support succession planning and development of the Board.

Nomination Policy

The Nomination Committee advises the Board on the appointment of Directors and the succession plan for the Directors. In assessing the candidates, it will refer to the candidate's reputation, achievements and experience in the industry, the time available and the interests of the relevant sectors, diversity in all aspects of the Board and so on. The appointment of any proposed candidate to the Board or reappointment of any existing member(s) of the Board shall be made in accordance with the Company's Articles of Association and other applicable rules and regulations.

The Nomination Committee reviews the Board Diversity Policy and the Nomination Policy on an annual basis and makes recommendations to the Board for approval regarding any revisions to the Policies as necessary.

Independent directors are obliged to improve the effectiveness of the Board for it to make clear and correct decisions by objective judgment and raising constructive questions to the senior management.

Non-executive Directors' independence is assessed upon appointment, annually, and at any other time where the circumstances warrant reconsideration. For the year 2021, the Nomination Committee has assessed the annual independence confirmation received from each independent non-executive director in accordance with the criteria set out in Rule 3.13 of the Main Board Listing Rules.

Board of Directors (Continued)

Remuneration Committee

The Company has established a Remuneration Committee in accordance with the requirements of the Code to review the remuneration policy and structure of the Directors and senior management and determine the remuneration packages of all Directors and senior management. The Remuneration Committee comprises three members, namely independent non-executive Directors, Mr. Bao Yi (the committee chairman) and Mr. Ping Fan, and executive Director, Mr. Yuan I-Pei.

For the year ended 31 December 2021, the Remuneration Committee has held two meetings and the attendance records of each member are set out in the section "Attendance Record at Meetings" in this report. The Nomination Committee has considered and provided the Board with the following proposals:

(a) Recommendations to the Board on the Company policy and structure for all directors' and senior management remuneration, and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) Review and approval of the senior management's remuneration proposals with reference to the Board's corporate goals and objectives;

(c) Recommendations on the remuneration of the Company Directors and senior management to the Board;

(d) Recommendations on the remuneration of the newly appointed director to the Board; and

(e) Review and approve the annual performance bonus schemes and the granting of performance bonuses to both management and other employees of the Company on a discretionary basis.

The Remuneration Committee is to determine, with responsibility delegated by the Board, the remuneration packages of individual executive Directors. Further details of the Directors' remuneration and the five top-paid employees as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in Notes 15 and 16 to the consolidated financial statements respectively.

Board of Directors (Continued)

Audit Committee

The Audit Committee comprises three members, namely independent non-executive Directors, Mr. Cui Yuzhi (the committee chairman) and Mr. Bao Yi, and non-executive Director, Mr. Li Jinxian.

The main responsibilities of the Audit Committee include reviewing the financial reporting system, risk management and internal control system of the Group and reporting to the Board; reviewing the financial information of the Company, which includes a review of the completeness of the financial statements, annual reports and accounts, interim reports of the Company, as well as the review of the significant advice related to financial reporting as set out in the statements and reports; making recommendations to the Board on the appointment, re-appointment and removal of the external auditors as well as the remuneration and the employment terms of the external auditors; reviewing the Group's annual audit plan; monitoring the work procedures and the independence of the external auditors; reviewing the Company's compliance with the requirements of laws and the Listing Rules, and engaging independent legal or other advisers as it determines necessary.

For the year ended 31 December 2021, the Audit Committee met three times and the attendance records of each member are set out in the section "Attendance Record at Meetings" in this report. The Audit Committee has considered and provided the Board with the following proposals:

(a) Review the draft annual and interim financial statements and the draft results announcements during the year;

(b) Review the remuneration of the external auditors and make recommendations to the Board;

(c) Recommendations to the Board in relation to the re-appointment and change of the external auditors; and

(d) Review the audit plan proposed by the external auditors and make recommendations to the Board.

Board of Directors (Continued)

Attendance Record at Meetings

The attendance records of each Director at the Board meetings, Audit Committee meetings, Remuneration Committee meetings, Nomination Committee meetings and general meetings during the year ended 31 December 2021 are set out in the following table:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Annual General Meeting	Special General Meetings
Number of the meeting held	9	3	2	2	1	2
Executive Directors						
Mr. DU Yang *(Chairman)*	9/9	N/A	N/A	2/2	1/1	2/2
Mr. YUAN I-Pei	9/9	N/A	2/2	N/A	1/1	2/2
Mr. XIA Yuan *(Chief Executive Officer)*	9/9	N/A	N/A	N/A	1/1	2/2
Non-executive Directors						
Mr. LI Yongjun	9/9	N/A	N/A	N/A	1/1	2/2
Mr. LI Jinxian	9/9	3/3	N/A	N/A	1/1	2/2
Independent Non-executive Directors						
Mr. WANG Yanxin	0/0	N/A	N/A	N/A	0/0	0/0
Mr. CUI Yuzhi	9/9	3/3	N/A	2/2	1/1	2/2
Mr. BAO Yi	9/9	3/3	2/2	N/A	1/1	2/2
Mr. PING Fan	9/9	N/A	2/2	2/2	1/1	2/2

Auditors' Remuneration

For the year ended 31 December 2021, the remuneration paid or payable to the Company's auditors, Grant Thornton Hong Kong Limited, and its affiliated firm is set out as follows:

Services rendered	Fee paid/ payable HK$'000
Audit services	1,768
Non-audit services*	92
	1,860

* Performed by Grant Thornton Hong Kong Limited's affiliated firm.

Company Secretary

The Company Secretary, Mr. Liu Wei, is an employee of the Company who has knowledge of the Company's daily operations and businesses.

For the year ended 31 December 2021, the Company Secretary attended not less than fifteen hours of relevant professional training to update his skills and knowledge.

Directors' responsibility statement

The Directors acknowledge their responsibility for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group's results, its financial performance and its cash flows.

The Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and it is appropriate to adopt the going concern basis in preparing the financial statements.

Auditor's responsibility statement

The auditor's responsibilities for the audit of the consolidated financial statements of the Group are set out in the Independent Auditor's Report on pages 68 to 73.

Risk Management and Internal Control

The Board is responsible for ensuring that the Group has appropriate risk management and internal control system in place and reviewing the effectiveness of the system on an annual basis. Although the Group has put in place corresponding risk management and internal control systems for different business segments and management divisions, and finished the relevant review for the year 2021, such systems and management practices are designed to manage rather than eliminate the risk of failure to achieve business objectives due to the uncertainty of risks, therefore, the Board can only give reasonable but not absolute assurance that there will be no material misrepresentation or loss.

The Group is committed to continuously improving its risk management system and continuously enhancing its risk management capability through the established risk management system and risk management procedures to ensure the long-term growth and sustainable development of the Group's business. In terms of ongoing monitoring and management of significant risks, the Group adopts a three-level risk management approach to identify, assess, reduce and deal with risks, from which a top-down and group-wide risk management system is derived. Under the level-1 risk management, the subsidiaries shall identify, assess and monitor risks related to their own businesses or transactions; under the level-2 risk management, the Group shall define the risk management rules, and provide technical and resource support; and under level-3 risk management, the internal audit department shall ensure existence and effectiveness of level-1 and level-2 risk management through continuous inspection and monitoring.

In respect of the internal control, the Group has developed an internal control system with reference to COSO reporting principles, which involves five elements: internal environment, risk assessment, monitoring activities, information and communication, and internal supervision, to ensure that the Group's operations are in compliance with the laws and regulations of the region, that the Group's assets are safe, and that the financial reports and related information are true and complete so that the Group can carry out its business operations safely and effectively.

Risk Management and Internal Control (Continued)

During the year, the senior management of the Group formulated a self-assessment questionnaire for internal control in accordance with the COSO framework and instructed each subsidiary to follow and finish the self-assessment for collection and analysis. Further to the self-assessment, the Group checked the system deficiencies and has made several corrections and improvements to the internal control system. In 2021, the focus of the Group's internal control procedure is on procurement process management and production cost control. The Group selected suppliers with reasonable prices and qualified products through centralized procurement, production process optimization and other methods. Meanwhile, the Group paid special attention to the internal control system of middle and back-office departments such as IT, business, and finance, conducted two assessments on the flow and implementation of their daily operation, gained experience and put forward rectification plans on time to make sure that they can better serve the front-line offices, and so that all departments within the Group run regularly and smoothly.

In 2021, the Group paid special attention to the impact of the COVID-19 epidemic on the resumption of work and production, strictly abided by the epidemic prevention and control policies set by the local government, strengthened the advocacy effort of the epidemic prevention, made sure that sufficient supplies of anti-epidemic materials are provided to ensure normal production and operation while the epidemic was on. During the year, the Group has adopted a series of managerial measurements against regulatory risks, market competition and innovation risks, and social responsibility risks that may be involved in the daily operation, and effectively ensured that the risks faced by the Group were within the controllable level and no significant risk events accrued or need to be disclosed during the year.

The Group also has a dedicated team responsible for handling and disseminating inside information and keeping in view the corresponding internal control measures. The team, comprising Directors, the Company Secretary and other senior management, actively seeks external legal advice on a case-by-case basis to ensure that it complies with the relevant laws and regulations such as the Securities and Futures Ordinance and the Listing Rules. Details of the controls and governance structure of the Directors and management of the Group in relation to the risks of environmental, social and governance ("ESG") matters are set out in the ESG Report on pages 49 to 67.

Risk Management and Internal Control (Continued)

For the year ended 31 December 2021, the Board considers that the Group's risk management and internal control systems are effective and adequate. In addition, the Board is satisfied that the accounting and financial reporting functions of the Company have been performed by sufficient employees with appropriate qualifications and experience and that such employees have received appropriate and adequate training and development. The Board is also satisfied that the internal control functions of the Group are adequately resourced and that the qualifications and experience of its employees, training programmes and budget are adequate.

Shareholders' Rights

Communication with shareholders

The chairman of the Board attends the annual general meeting every year and the chairman of the audit committee, remuneration committee and nomination committee (wherever applicable) will be invited to attend. The senior management of the Company will ensure that the external auditors attend the annual general meeting to answer questions about audit work, preparation of auditor's report, accounting policies and auditors' independence.

Procedures for Shareholders to convene a Special General Meeting ("SGM")

Pursuant to the Company's bye-laws and the Companies Act 1981 of Bermuda ("Company Act"), registered Shareholders holding not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("SGM Requisitionists") can deposit a written request to convene an SGM at the registered office of the Company ("Registered Office"), which is presently situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The SGM Requisitionists must state in their request(s) the purposes of the SGM and such request(s) must be signed by all the SGM Requisitionists and may consist of several documents in like form, each signed by one or more of the SGM Requisitionists.

The Share Registrars will verify the SGM Requisitionists' particulars in the SGM Requisitionists' request. Promptly after confirmation from the Share Registrars that the SGM Requisitionists' request is in order, the Company Secretary will arrange with the Board to convene an SGM by serving sufficient notice to all the registered Shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the SGM Requisitionists' request is verified not in order, the SGM Requisitionists will be advised of the outcome and accordingly, an SGM will not be convened as requested.

Shareholders' Rights (Continued)

Procedures for Shareholders to convene a Special General Meeting ("SGM") (Continued)

The SGM Requisitionists, or any of them requesting more than one-half of the total voting rights of all of them, may themselves convene an SGM if within twenty-one days of the deposit of the SGM Requisitionists' request, the Board does not proceed duly to convene an SGM provided that any SGM so convened is held within three months from the date of the original SGM Requisitionists' request. An SGM so convened by the SGM Requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Company.

Procedures for shareholders to put forward proposals at a general meeting

Pursuant to the Companies Act, either any number of the registered Shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("Requisitionists"), or not less than 100 of such registered Shareholders, can request the Company in writing to (a) give to Shareholders entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to Shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition signed by all the Requisitionists may consist of several documents in like form, each signed by one or more of the Requisitionists; and it must be deposited at the Registered Office with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of other requisition. Provided that if an AGM is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

Procedures for shareholders to propose a person for election as a Director

As regards the procedures for proposing a person for election as a Director, please refer to the session of Investor/Shareholder Enquiry under the column of Investor Relations of the Company's website (www.sino-ict.com).

Shareholders' Rights (Continued)

Procedures for directing shareholders' inquiries to the Board

Shareholders may at any time send their inquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

The Company Secretary
Mr. Liu Wei
Unit 02-03, 69/F,
International Commerce Centre,
1 Austin Road West,
Tsim Sha Tsui,
Kowloon, Hong Kong

Fax: (852) 2343 3120
Email: enquiry@sino-ict.com

Shareholders may also make inquiries with the Board at the general meetings of the company.

Constitutional Documents

The Memorandum and Articles of Association of the Company have already been posted on the session of Bye-laws under the column of Investor Relations of the Company's website (www.sino-ict.com) for investors' review. For the year ended 31 December 2021, the Memorandum and Articles of Association of the Company have been amended. Details of the amendments are set out in the Company's announcement dated 2 September 2021 and circular dated 3 September 2021.

FIVE YEAR FINANCIAL SUMMARY

A Summary of the results and of the assets and liabilities of the Group for the past five years as extracted from the published audited consolidated financial statements and restated/reclassified as appropriate, is set out below. Meanwhile, due to the change in accounting policy for property and plant, the Group has made retrospective adjustments and restatement on the comparative amounts for the previous annual reporting periods in accordance with HKAS 8.

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Restated)	(Restated)	(Restated)
				(note)	(note)
RESULTS					
Revenue and gain on securities investment	**322,981**	270,560	201,163	71,430	246,029
Profit/(loss) before tax	**46,416**	25,249	(6,802)	(139,998)	60,873
Income tax (expense)/credit	**(8,134)**	(5,599)	(4,809)	18,834	(5,448)
Profit/(loss) for the year attributable to the owners of the Company	**38,282**	19,650	(11,611)	(120,484)	57,690

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Restated)	(Restated)	(Restated)
ASSETS AND LIABILITIES					
Total assets	**759,615**	753,206	699,448	634,914	732,942
Total liabilities	**(411,026)**	(443,992)	(410,102)	(331,996)	(297,135)
	348,589	309,214	289,346	302,948	435,807

Note: The results shown in the table represented the results from continuing operation.

Executive Directors

Mr. Du Yang, aged 44, serves as Executive Director, Chairman of the Board and Chairman of the Nomination Committee of the Company. Mr. Du Yang serves as the Legal Representative, Chairman and General Manager of Sino IC Leasing Co., Ltd (芯鑫融資租賃有限責任有限公司), and the Chairman of UNIC Capital Management Co., Ltd. (中青芯鑫(蘇州工業園區)資產管理有限責任公司) which is the actual controlling shareholder of the Company, and Director of Shanghai Semiconductor Equipment and Materials Industry Investment Management Co., Ltd. (上海半導體裝備材料產業投資管理有限公司). In 2014, Mr. Du Yang participated in the founding of the China Integrated Circuit Industry Investment Fund (國家集成電路產業投資基金) and Sino IC Capital Co., Ltd. (華芯投資管理有限責任公司) in which he serves as Director. In 2018, Mr. Du Yang founded Shanghai Semiconductor Equipment and Materials Investment Fund (上海半導體裝備材料基金). Prior to that, Mr. Du Yang has worked for the Bank of China and the China Development Bank. Mr. Du Yang holds a bachelor's degree in Chinese Language & Literature from Fudan University (復旦大學) in China, a master's degree in Business Administration from Nagoya University of Commerce & Business (名古屋商業大學) in Japan, a master's degree in Financial Management from University of Salford, Manchester in the United Kingdom and an EMBA from the PBC School of Finance at Tsinghua University (清華大學五道口金融學院). In 2015, Mr. Du Yang was qualified as a senior economist.

Mr. Yuan I-Pei, aged 50, serves as Executive Director and a member of the Remuneration Committee of the Company. Mr. Yuan is currently the Executive Vice President of Sino IC Leasing Co., Ltd (芯鑫融資租賃有限責任有限公司) and the President of UNIC Capital Management Co., Ltd. (中青芯鑫(蘇州工業園區)資產管理有限責任公司), and concurrently serves as the Director of Sino Xin Ding Limited, the direct controlling shareholder of the Company. Besides, Mr. Yuan also serves as the Director of Shanghai S2C EDA Solutions Co., Limited (上海國微思爾芯技術股份有限公司) and Semiconductor Global Solutions (Shanghai) Co., Limited (盛吉盛 (上海) 半導體科技有限公司). Mr. Yuan began his career in 1996 and worked for various international banks, such as Citibank, CTBC Bank (中國信託銀行) and Barclays Capital. Mr. Yuan was previously Vice President of Temasek's Fullerton Financial Holdings Pte. Ltd. (淡馬錫富登金融控股私人有限公司), Director at Australia and New Zealand Banking Group, and Vice President of Bank of Tianjin (天津銀行). Mr. Yuan holds a bachelor's degree in Economics from Tsinghua University in Taiwan (台灣清華大學), China, and an MBA degree from the University of Wisconsin-Madison in the US.

Executive Directors (Continued)

Mr. Xia Yuan, aged 41, serves as Executive Director and Chief Executive Officer of the Company. Mr. Xia Yuan holds a doctoral degree in Communication Studies from Zhejiang University (浙江大學), an EMBA from the PBC School of Finance at Tsinghua University (清華大學五道口金融學院) and a master's degree in Marketing Communication from Bournemouth University. Mr. Xia Yuan is currently the Executive Vice President of Sino IC Leasing Co., Ltd (芯鑫融資租賃有限責任有限公司), and concurrently serves as the Director and President of Sino Xin Ding Limited, the direct controlling shareholder of the Company. Mr. Xia Yuan served as the Assistant General Manager of Beijing Tong Ren Tang Health Pharmaceutical Co. Ltd. (北京同仁堂健康藥業股份有限公司), the Vice President, and Assistant to President of China Great Wall Computer (H. K.) Holdings Limited (中國長城計算機(香港)控股有限公司), a Sales Engineer and a Sales Manager at Huawei Technologies Co. Ltd. (華為技術有限公司). Mr. Xia Yuan has over 10 years of experiences in strategic planning, marketing and capital operations.

Non-executive Directors

Mr. Li Yongjun, aged 49, serves as Non-executive Director of the Company. Mr. Li Yongjun is currently the Founding Partner, Director and Executive President of Shanghai Pudong Science and Technology Investment Co., Ltd. (上海浦東科技投資有限公司), the Director of Shanghai Wanye Enterprise Co., Ltd. (上海萬業企業股份有限公司), the Director and President of Shanghai Semiconductor Equipment and Materials Industry Investment Management Co., Ltd. (上海半導體裝備材料產業投資管理有限公司), the Director of PhiChem Corporation (上海飛凱材料科技股份有限公司), the Board Chairman of Jiangsu Xinshun Micro Electronic Co., Ltd. (江蘇新順微電子有限公司) and the Director of Kingstone Semiconductor Joint Stock Company Ltd. (上海凱世通半導體股份有限公司). Prior to his current positions, Mr. Li Yongjun worked in Shanghai Pudong New Area Science and Technology Committee (上海市浦東新區科學技術委員會), Shanghai Pudong Productivity Promotion Centre (上海浦東生產力促進中心), Shanghai Pudong Science and Technology Information Centre (上海市浦東科技資訊中心) and Pudong New Area Science & Technology Bureau High-Tech Industrialization Department (浦東新區科技局高新技術產業化處). In addition, he was previously the General Manager of Otsuka (China) Investment Co., Ltd. (大塚 (中國) 投資有限公司), the General Manager of Shanghai Pudong Science and Technology Investment Co., Ltd. (上海浦東科技投資有限公司), the Vice Chairman of Shanghai Wanye Enterprise Co., Ltd. (上海萬業企業股份有限公司), the Chairman of Shanghai Xinmei Real Estate Co., Ltd. (上海新梅置業股份有限公司) successively. Mr. Li Yongjun holds a doctorate postgraduate degree from Shanghai Jiao Tong University (上海交通大學) in the PRC.

Non-executive Directors (Continued)

Mr. Li Jinxian, aged 48, serves as Non-executive Director and member of the Audit Committee of the Company. Mr. Li Jinxian is currently the Executive Vice President of UNIC Capital Management Co., Ltd (中青芯鑫(蘇州工業園區)資產管理有限責任公司). Prior to joining UNIC Capital Management Co., Ltd. (中青芯鑫(蘇州工業園區)資產管理有限責任公司), he worked in China Agriculture, Farming and Fishery International Cooperation Co., Ltd. (中國農牧漁業國際合作公司), China Cinda Asset Management Co., Ltd. (中國信達資產管理公司), Morgan Stanley Asset Services China Co., Ltd. (摩根士丹利資產服務中國有限公司) and Cathay Consulting Beijing Co., Ltd. (CATHAY顧問北京有限公司), which is wholly-owned by Deutsche Bank. Mr. Li Jinxian was also previously the Managing Director of Guokai Ruohua Industry Investment Fund Management Co., Ltd. (國開熔華產業投資基金管理有限責任公司). Mr. Li Jinxian holds a bachelor's degree in Economics from the Capital University of Economics and Business (首都經濟貿易大學) in the PRC and a part-time postgraduate degree with expertise in technical economics from Renmin University of China (中國人民大學) in the PRC.

Independent Non-executive Directors

Mr. Wang Yanxin, aged 64, serves as Independent Non-executive Director of the Company. He held key positions in various organisations in the PRC, including the Chairman of the supervisory board of China Integrated Circuit Industry Investment Fund Co. Ltd. (國家集成電路產業投資基金股份有限公司), Chairman of the supervisory board of Yangtze Memory Technology Co., Ltd. (長江存儲科技有限公司) (National Storage Base), etc. Mr. Wang Yanxin holds a bachelor's degree in Accounting from Renmin University of China (中國人民大學) in the PRC and a master's degree in political economy from the Department of Economics of Renmin University of China (中國人民大學) in the PRC, and is qualified as a senior economist in the PRC.

Mr. Cui Yuzhi, aged 56, serves as Independent Non-executive Director, Chairman of the Audit Committee and member of the Nomination Committee of the Company. Mr. Cui Yuzhi is a seasoned independent investment advisor. He holds a Bachelor of Science degree in Applied Physics from the University of Notre Dame (graduated with highest honour), and an MBA from the University of Chicago Booth School of Business. Mr. Cui Yuzhi has more than 20 years' experience in finance with deep expertise in the international capital market and enterprise operations. Mr. Cui Yuzhi held senior positions at various organisations, including the Executive President of Tendcare Medical Group, the Portfolio Manager at Atlantis Investment Hong Kong, the General Manager of investment and operations at Renhe Commercial (stock code: 1387.HK), the CFO of Zhong An Real Estate (stock code: 672.HK), the CFO of Excellence Group, the CFO of Treasury Holdings China Limited and the Vice President of Shanghai Forte Group. Mr. Cui Yuzhi is currently the Chairman of the Board and Executive Director of Forgame Holdings Limited (stock code: 484.HK).

Independent Non-executive Directors (Continued)

Mr. Bao Yi, aged 46, serves as Independent Non-executive Director, Chairman of the Remuneration Committee and member of the Audit Committee of the Company. Mr. Bao Yi is currently the Chairman of Cedarlake Capital, a cross-border platform of equity investments, and is committed to drive the value creation of synergy among global major industries, economies, and capital markets. Prior to the establishment of Cedarlake Capital, Mr. Bao Yi was an important investment banker and the Managing Director of Morgan Stanley, and served as the main founder, pioneer and Chief Executive Officer of Morgan Stanley Securities (China) Co., Ltd. Mr. Bao Yi also served as the Chairman of Granday Financial Leasing Co., Ltd. Mr. Bao Yi holds an MBA degree from the Wharton School of the University of Pennsylvania. He is granted a financial expert of the Hundred Talents Program of Pudong District, Shanghai.

Mr. Ping Fan, aged 43, serves as Independent Non-executive Director and member of the Remuneration Committee and Nomination Committee of the Company. He holds a bachelor's degree in Management from the Business School of the University of Manchester, and an EMBA from the School of Economics and Management of Tsinghua University. Mr. Ping is currently the Chairman and CEO of Lang Sheng Investment Group Co. Ltd., a Commissioner of the All-China Youth Federation, an Entrepreneurs' Council Member of the Chinese Economists 50 Forum, and a member of CPPCC of Shanghai Huangpu District, and the Chairman of the Shanghai Concord Bilingual School.

The Board hereby present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

Principal Activities

During the year, the principal activity of the Company is investment holding, and the principal activities of its respective subsidiaries cover the business of SMT equipment manufacturing, and securities investment. During the year, there is no major change in the nature of the main business of the Group.

Results and Dividends

The Group's profit for the year ended 31 December 2021 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 74 to 183.

The Board do not recommend the payment of a dividend for the year.

Summary of Financial Information

The published results and a summary of assets and liabilities of the Group for the last five financial years are set out on page 35 of this annual report.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in Note 18 to the consolidated financial statements.

Share Capital

Details of movements in the Company's share capital during the year are set out in Note 27 to the consolidated financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in Note 38 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 December 2021, the Company's distributable reserves, in the amount of HK$108,237,000, may be distributed in the form of fully paid bonus shares.

Bank Borrowing

Details of bank borrowing of the Group during the year are set out in Note 31 to the consolidated financial statements.

Major Customers and Suppliers

During the year, aggregate sales attributable to the Group's five largest customers were approximately 10.5% of the total sales for the year and sales attributable to the largest customer included therein were approximately 3.8%. Purchases from the Group's five largest suppliers accounted for approximately 22.4% of total purchases during this year and purchases from the largest supplier included therein amounted to approximately 5.6%.

None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest suppliers during the year.

Directors

The Directors of the Company are as follows:

Executive Directors

Mr. DU Yang *(Chairman)*
Mr. YUAN I-Pei
Mr. XIA Yuan *(Chief Executive Officer)*

Non-executive Directors

Mr. LI Yongjun
Mr. LI Jinxian

Independent Non-executive Directors

Mr. WANG Yanxin (appointed on 4 November 2021)
Mr. CUI Yuzhi
Mr. BAO Yi
Mr. PING Fan

In accordance with clause 87 and 88 of the Company's bye-laws, Mr. Du Yang, Mr. Wang Yanxin and Mr. Bao Yi will retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting of 2022, as informed to the Board.

In accordance with the Company's bye-laws, the Directors of the Company, including the independent non-executive Directors, are subject to retirement by rotation and re-election at the annual general meeting. Every director is subject to retirement at least once every three years.

The Company has received annual confirmations of independence from all independent non-executive Directors and as the date of this report still considers them to be independent.

Directors' Biographies

Biographies details of the Directors of the Company are set out on pages 36 to 39 of this annual report.

Directors' Service Contracts

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2021.

Related Party Transactions

On 6 May 2021, the Company has entered into a capital increase agreement through Sino ICT (Shaoxing) Co., Ltd.* (芯成科技(紹興)有限公司) ("Sino ICT (Shaoxing)") (an indirect wholly-owned subsidiary of the Company) with Sino IC Leasing Co., Ltd.* (芯鑫融資租賃有限責任公司), UNIC Capital Management Co., Ltd.* (中青芯鑫(蘇州工業園區)資產管理有限公司) ("UNIC Capital"), Shanghai Bangle Industrial Development Co., Ltd.* ("Bangle Industrial") (上海邦樂實業發展有限公司) and Huxin (Shanghai) Industrial Co., Ltd.* ("Huxin Industrial") (滬芯(上海)實業有限公司). Pursuant to which, Sino ICT (Shaoxing) has agreed to subscribe the additional registered capital of RMB7 million (equivalent to approximately

HK$8.38 million) of Huxin Industrial. Upon completion of the capital increase, the Company will indirectly hold approximately 29.58% of the equity interests in Huxin Industrial and Huxin Industrial will become an associate of the Company. As UNIC Capital is the actual controlling shareholder of the Company and it is indirectly interested in approximately 50.1% of equity interests in Sino Xin Ding Limited, which is in turn owns approximately 67.85% of the issued shares of the Company and is the direct controlling shareholder of the Company, UNIC Capital is therefore a connected person under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the capital increase is/are more than 0.1% but all are less than 5%, the capital increase constitutes a connected transaction of the Company and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

In recent years, the Company's business focus is to expand its existing SMT equipment manufacturing and semiconductor business, and also to actively explore business opportunities to the develop, manage and operate science and technology industrial parks in the PRC in order to expand new revenue and profit sources for the Company. The Company will continue to invest its resources in the abovementioned business areas. Considering that (i) Huxin Industrial is principally engaged in the provision of property services including industrial parks operation and management services in the PRC, (ii) Huxin Industrial intends to establish subsidiaries in the PRC to focus on providing human resources and property operation and management services, and (iii) the Group proposes to actively explore the development, management and operation of science and technology industrial parks in the future, the Capital Increase enables the Company to directly obtain human resources and park operation and management support from Huxin Industrial. In light of the above, the Directors believe that the Capital Increase will enable the Company and Huxin Industrial to create synergy and assist the Group to expand into the technology property sector in the PRC. For details of the capital increase agreement, please refer to the announcement of the Company published on 6 May 2021.

Save for the abovementioned connected transaction, the Group had not entered into any non-exempt connected transaction under the Listing Rules during the year ended 31 December 2021. Related party transactions entered into by the Group during the year ended 31 December 2021, which do not constitute non-exempt connected transactions under the Listing Rules, are disclosed in Note 37 to the consolidated financial statements.

* For identification purpose only

Competing Interest

During the year ended 31 December 2021, none of the Directors, the controlling shareholders, and their respective close associates (as defined under the Listing Rules) was interest in any business which competes or may compete with the business of the Group.

Contract of Significance

There was no contract of significance between the Company or any of its subsidiaries, and the controlling shareholders or any of its subsidiaries as at 31 December 2021.

Directors' Interests in Shares and underlying Shares

As at 31 December 2021, none of the Directors had any interest or short position in the share capital of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), that was required to be recorded in the register pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Directors' Rights to Acquire Shares or Debentures

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children by the Company, or were any such rights exercised by them; or was the Company, or any of its subsidiaries as a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Substantial Shareholders' Interest in Shares and Underlying Shares

At 31 December 2021, according to the register required to be kept by the Company under section 336 of the SFO, the following persons (other than the Directors or Chief Executive of the Company) had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position in the Shares

Name of Shareholder	Nature of Interest	Number of The ordinary share held	Approximate percentage of total shareholding %
Sino Xin Ding Limited *(note 1)*	Beneficial owner	987,176,230	67.85
Chen Ping	Beneficial owner	100,000,000	6.87
But Tin Fu *(note 2)*	Beneficial owner/Interest of controlled corporation	87,783,168	6.03
Reach General *(note 3)*	Beneficial owner	84,270,000	5.79

Notes:

1. Sino Xin Ding Limited is wholly owned by Shanghai Qingxin Enterprise Management Consulting Co., Ltd. ("Shanghai Qingxin") (上海青芯企業管理諮詢有限公司), which in turn, is owned as to 50.1% by UNIC Capital Management Co., Ltd. (中青芯鑫(蘇州工業園區)資產管理有限責任公司), 28% owned to Shanghai Semiconductor Equipment and Materials Industry Investment Fund Partnership (Limited Partnership) (上海半導體裝備材料產業投資基金合夥企業(有限合夥)), and 21.9% owned by Henan Zhanxing Industrial Investment Fund (Limited Partnership) (河南戰興產業投資基金(有限合夥)).

2. Mr. But Tin Fu is interested in 87,783,168 shares, comprising(a) 37,525,200 shares directly held by Mr. But Tin Fu, (b) 3,796,000 shares directly held by Sun East Group Limited, which is beneficially owned as to 50% by Mr. But Tin Fu and 50% by Ms. Leung Hau Sum, who is the wife of Mr. But Tin Fu, (c) 2,424,800 shares directly held by Sum Win Management Corp., which is wholly owned by Mr. But Tin Fu, and (d) 44,037,168 shares directly held by Mind Seekers Investment Limited, which is wholly owned by Mr. But Tin Fu.

3. Reach General International Limited ("Reach General") is 100% beneficially owned by Mr. Wu Xin.

Save for the interests disclosed above, the Company had not been notified of any person (other than the Directors or Chief Executive Officer of the Company) who had interests (whether direct or indirect) or short positions in the shares or underlying shares of the Company that were required to be recorded in the register kept by the Company under Section 336 of the SFO as of 31 December 2021.

Purchase, Redemption or Sales of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares preferentially on a pro-rata basis to existing shareholders.

Management Contracts

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

Tax Relief

The Company is not aware of any relief from taxation available to the shareholders of the Company by reason of their holding of the shares of the Company.

Permitted Compensation Provision

The by-laws of the Company provides that each Director or other Officers of the company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate Directors' and Officers' liability insurance in respect of relevant legal actions against the Directors.

Subsequent Event after the Reporting Period

The Group does not have any material subsequent events after the reporting period and up to the date of this annual report.

Segment Information

Details of segment information are set out in Note 6 to the consolidated financial statements.

Environmental Policies Performance

The Group is committed to the maintenance of the long-term sustainability of the environment and communities in which it operates. As a responsible corporation, to the best knowledge of the Directors, the Group has complied with the relevant laws and regulations regarding environmental protection during the year ended 31 December 2021.

Compliance with the Relevant Laws and Regulations

As far as the Board and management of the Company are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the businesses and operations of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Relationship with Suppliers, Customers and Other Stakeholders

The Group understands fully the success of the Group's business depends on the inextricably-linked support from its key stakeholders, including employees, customers, suppliers, banks, regulators, and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Equity-linked Agreement

Save as disclosed in this annual report, the Group has not entered into any equity-linked agreement during the year.

Directors' Remuneration

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group.

Sufficiency of Public Float

Based on the public information that is available to the Company and within the knowledge of the Directors, the Directors confirmed that at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Auditors

On 28 July 2021, PricewaterhouseCoopers ("PwC") has resigned as auditors of the Company with effect from 28 July 2021 as the Company was unable to reach an agreement with PwC on the audit fee for the financial year ended 31 December 2021. The Board, with recommendation from the Audit Committee, has resolved to appoint Grant Thornton Hong Kong Limited as the auditors of the Company with effect from 28 July 2021 to fill the casual vacancy following the resignation of PwC and to hold office until the conclusion of the next annual general meeting of the Company.

Please refer to the announcement of the Company dated 28 July 2021 for more details.

The consolidated financial statements for the year ended 31 December 2021 have been audited by Grant Thornton Hong Kong Limited, who will retire and, being eligible, offer itself for re-appointing at the forthcoming annual general meeting of the Company.

On behalf of the Board
Du Yang
Chairman

Hong Kong
23 March 2022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Dear Shareholders, investors and stakeholders,

On behalf of the board (the "Board") of directors (the "Directors") of Sino ICT Holdings Limited (the "Company" or "Sino ICT"), I hereby present the Environmental, Social and Governance (the "ESG") Report (the "Report") of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2021 to review and illustrate its management approaches, strategies, measures, objectives and achievements in each of the ESG aspects.

Governance policies

The Group fully understands that an enterprise, as a member of the society, should actively take the corresponding social responsibilities to promote the common development and benefits of the enterprise, the natural environment and social stakeholders. In 2021, the Group demonstrated its commitment to sustainable development by strictly implementing various laws and regulations on environmental protection and in-company policies on environmentally friendly operations, and proactively researching and promoting environment-friendly products, for a maximum reduction in the effect that energy consumption, emissions had on the natural environment. In terms of social responsibilities, the Group continued to provide a safe and good working and living environment and constantly broadened the development platform for its employees to facilitate the common development of the enterprise and its employees. In addition, the Group also actively maintained positive cooperative relationships with its suppliers and customers and invested in the community to undertake greater social responsibilities.

The specific environmental, social and governance policies and measures applied and adopted by the Group are disclosed in specific sections of the Report.

Governance Structure

In response to the update of the Environmental Social and Governance Reporting Guide ("ESG Guide") and the relevant provisions of the Listing Rules by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group has set up an ESG task force (the "ESG Task Force") by reference to the guide for board and directors titled *Leadership Role and Accountability in ESG* and released by the Stock Exchange, for effective governance over ESG issues by the Board in a clear and institutionalized manner.

Governance Structure (Continued)

The ESG Task Force consists of the executive directors, senior management and persons in charge of specific operations of the Company, covering various ESG issues related departments including the Board Office, Finance Department, Administrative Department, Human Resources Department and Marketing Department. The members of the ESG Task Force are responsible for: (i) assessing the ESG issues that have a significant impact on the operation and development of the Group based on the communication with stakeholders and the Group's business characteristics, and prioritizing such ESG issues by materiality to determine the reporting scope and focuses. The aforementioned assessment process and results should be reviewed and reported to the Board on a regular basis; (ii) conducting continuous monitoring of the Group's ESG performance, collecting and collating all the data and information about ESG as required for the Report, and making reports and suggestions to the Board regarding the management strategies and the progress of the ESG issues based on the assessment results; and (iii) drafting the Report for the Board's review.

In summary, the Board will be constantly concerned about the ESG-related governance policies and governance structure, review the effectiveness of the Board's governance over ESG issues in due course, and make adjustments when necessary based on the results of all measures adopted, the future business development and the market situation. The Group will make constant efforts to improve its performance in ESG fields for greater contributions to the sustainable development of the society.

Du Yang
Chairman of the Board

Reporting Standards and Scope

This report is prepared in accordance with the requirements of the ESG Guide set out in Appendix 27 of the Listing Rules. This Report covers the ESG information and activities of the Group during the period from 1 January 2021 to 31 December 2021 (the "Reporting Period"). The environmental and social data in the Report mainly cover the Group's production area in Shenzhen, Guangdong Province, Mainland China (the "Site") which bears the Group's major production activities. The Site generates an operating revenue accounting for nearly ninety percent of the Group's total annual income with the number of employees accounting for more than ninety percent of the Group's total number of employees. Therefore, the management believes the ESG data and information of the Site can adequately reflect the Group's ESG performance, and such data were mainly derived from internal records and estimates.

The Report is prepared in accordance with the reporting principles of materiality, quantitative and consistency. The Group records and discloses all environmental and social data based on the fixed quantitative standards and approaches it always adopts, and keeps the consistency of the statistical standards for all key performance indicators. For the purpose of the materiality assessment, the ESG Task Force has teased out the stakeholders that have a significant impact on the operation and development of the Group, and has assessed the materiality of all ESG issues. During the Reporting Period, the participation of the stakeholders and the materiality assessment results of ESG issues are presented as follows.

Participation of Stakeholders

The Group fully understands that the long-term stable development of an enterprise relies on positive interactions with all major stakeholders. We communicate with our major stakeholders including the shareholders, employees, suppliers, customers, governments and communities via multiple communication channels to collect their opinions and suggestions on the ESG issues of the Group and try our best to make improvements to enhance our governance level.

Reporting Standards and Scope (Continued)

Participation of Stakeholders (Continued)

The Group mainly communicates with its major stakeholders in the following ways:

Major stakeholders	Communication channels
Shareholders and investors	Annual general meetings and other general meetings (if any) Interim reports, annual reports, announcements and other published information Company website Circulars
Employees	Regular performance appraisal Job training, team building activities and cultural activities Face-to-face talks
Suppliers	Business meetings and face-to-face talks Invitations for bids and bidding Supplier meetings
Customers	Customer support hotline and e-mail box Exhibitions of products
Governments and Communities	Volunteer activities Interviews (if any) Field tests and inspections Charity activities and social investments

Reporting Standards and Scope (Continued)

ESG Materiality Assessment

The Group has taken into account the practical conditions such as its business characteristics, geographical location and business operations in identifying the ESG issues and assessing their impacts on the Group and its major stakeholders (including the shareholders, employees, customers, suppliers, governments and communities), and ranked the ESG issues by materiality, with reference to the feedback from the relevant stakeholders collected through various communication channels.

The relevant material issues and the subject areas they belong to in the Guide are set out below:

ESG Index	Material ESG issues	Materiality
A. Environmental		
A1. Emissions	Greenhouse gas emission	Medium
	Waste management	Medium
A2. Use of Resources	Energy consumption	Medium
	Water consumption	Medium
	Packing material consumption	Medium
A3. The Environment and Natural Resources	Impact of operating activities on the environment and natural resources	Medium
A4. Climate Change	Impact of extreme weather (such as typhoons and high temperatures) on production and operating activities	Medium

Reporting Standards and Scope (Continued)

ESG Materiality Assessment (Continued)

ESG Index	Material ESG issues	Materiality
B. Social		
B1. Employment	Recruitment, promotion and dismissal	Medium
	Remuneration and benefits	Medium
	Equal opportunity	Medium
B2. Health and Safety	Workplace safety supporting facilities and management system	High
	Safety supporting facilities and management system for employees' living area	High
B3. Development and Training	On-the-job training and diversified development for employees	Medium
B4. Labour Standards	Prevention of child labour and forced labour	High
B5. Supply Chain Management	Fair and clear procurement rules	Medium
	Stable business relationship	Medium
B6. Product Responsibility	Intellectual property After-sales services	High Medium
	Privacy protection	High
B7. Anti-corruption	Anti-corruption and anti-bribery policies and reporting mechanism	Medium
	Anti-corruption training	Medium
B8. Community Investment	Community participation	Medium
	Charity activities	Low

Reporting Standards and Scope (Continued)

A. Environmental

A.1 Emissions

During the Reporting Period, the Group was principally engaged in SMT equipment manufacturing and related business. Different from the production process of general industrial enterprises, it does not emit a significant amount of highly polluting exhaust, wastewater, or solid wastes during our production process. In addition, the Group has outsourced its basic processing procedure, therefore did not generate hazardous waste such as sewage and sludge as defined by national regulations.

During the Reporting Period, the Group strictly complied with national and local laws and regulations, including *the Law of the People's Republic of China for Environmental Protection*, the *Law of the People's Republic of China for Environmental Protection Tax*, the *Law of the People's Republic of China on Appraising of Environment Impacts*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste and the Administrative Measures for the Classification*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, and the *Measures for the Administration of Geological Environment Monitoring and Reduction of Domestic Waste* in Shenzhen.

The emissions generated in the operation and production processes of the Site are mainly from logistics and transportation. During the Reporting Period, the Group generated 3.64kg of nitrogen oxides (NO_X), representing a year-on-year decrease of about 1.59% from 3.83kg and a continuous decrease for the fourth consecutive year; 0.06kg of oxysulfides (SO_X), representing an increase of 5.30% as compared with last year; and 0.28kg of particulate matters (PM) which is flat with that of last year.

As none of the fossil fuel, oil and liquefied petroleum gas was directly purchased as the energy source for the production and operation of the Site, the direct emissions of greenhouse gases are mainly due to the consumption of gasoline and diesel by vehicles. During the Reporting Period, approximately 8.54 tons of greenhouse gases directly generated from the Site were emitted, representing a decrease of about 14% as compared with 9.96 tons last year. Among which, approximately 7.64 tons of carbon dioxide (CO_2) were emitted, representing a 15.52% decrease compared with 9.05 tons last year; approximately 0.01 tons of methane (CH_4) was emitted, almost flat with that of last year, and approximately 0.88 ton of nitrous oxide (N_2O) was emitted, slightly decrease about 1.96% comparing with last year. The greenhouse gases emitted indirectly were mainly produced by the purchased electricity on which the daily operation of the Site relies. During the Reporting Period, the total amount of greenhouse gases indirectly produced by the Site was approximately 1218.05 tons, representing an increase of 38.66% as compared with 878.45 tons last year. Carbon dioxide (CO_2) emissions from such electricity consumption were calculated in accordance with *the Guangdong Province Enterprise (Unit) Carbon Dioxide Emissions Information Reporting Guide (2014)*.

Reporting Standards and Scope (Continued)

A. Environmental (Continued)

A.1 Emissions (Continued)

In general, during the Reporting Period, the Site kept emissions of various gases flat with those of last year with slight fluctuation in some indicators. The Group has set the emissions reduction target to further reduce gas emissions where practicable and to maximize the reduction of the adverse impact of its production and operation on the environment. For the purpose of vehicles management, the Group has formulated well-developed rules on vehicles management and assigned special personnel to record and monitor the use of vehicles and its reasonableness for the avoidance of unnecessary energy consumption. When it comes to the indirect emissions, the Group carries out detailed inspection and maintenance for all vehicles on a regular basis to ensure that the vehicles are in good working condition and the emissions meet the legal and regulatory requirements. Moreover, diesel was used to further reduce the Site's emissions of greenhouse gases for its low greenhouse gas emission coefficient together with lead-free gasoline.

In terms of wastes, no hazardous waste was generated during our production and operation processes of the Site as described above. During the Reporting Period, the Site generated 15 tons of non-hazardous domestic waste, representing a year-on-year decrease of 16.67 % from 18 tons last year. The Group's target is to further reduce the wastes generated where practicable and to maximize the effect of waste recycling. To be more specific, the Group will continue to promote a corporate culture of waste reduction and environmental protection, constantly encourage all employees to reduce the amount of waste generated and enhance the recycling efficiency of domestic waste. The Group has framed a detailed regulation on waste recycling and management and implemented it accordingly to ensure effective recycling and disposal of all kinds of wastes. For example, a specialized garbage collection station has been set up on the Site to sort the wastes from the production workshops, warehouses, offices, dormitories, and other areas of the Site into recyclables, non-recyclables and production tailings. External cleaning companies are also engaged to carry out the collection of harmless treatment of the sorted wastes.

Reporting Standards and Scope (Continued)

A. Environmental (Continued)

A.2 Use of Resources

The Site uses electricity and water in its production and operation areas as well as its employees' living areas. During the Reporting Period, the total electricity consumption of the Site was 1,909,474kWh, representing a year-on-year increase of approximately 38.66% in 2020; water consumption was 23,210 cubic meters, representing a year-on-year increase of approximately 35.63% as compared with last year. The Group has appropriate access to water sources, and all production and living areas have stable water supply to meet daily operational needs.

The Group's target is to further reduce unnecessary resources consumption where practicable while trying its best to improve resource utilization efficiency and maintain the current resources consumption level. With reference to the *Law of the People's Republic of China for Energy Saving*, the Group has formulated internal management policies and relevant instructions on the use of electricity and water. In terms of the use of electricity, the principles are safety and conservation. The Group's engineering and maintenance department is responsible for the regular inspection and maintenance of production, office and living equipment to ensure that all are in the best working condition to reduce unnecessary electricity consumption. At the same time, the Group requires the employees to conserve electricity whenever possible, including switching off or plugging off appliances and devices from the power source after use to reduce standby power consumption, making good use of indoor lighting, etc. In respect of water use, the Group has no issue in sourcing water and has established clear regulations to manage water consumption by conducting monthly analyses and reviews on the Site's water consumption. The Group also encourages the employees to save water.

The Group mainly uses wooden boards, stretch films and cardboard to pack its products for shipment. During the Reporting Period, the total consumption of such materials was 194.80 tons, representing a decrease of 2% as compared with 198.55 tons last year. The consumption of wooden boards, our most-used packaging material, was 190 tons. To minimize the potential harm to the environment along the packaging process, the Group has been eliminating the use of PE plastic bags which are difficult to be degraded for packaging for the second consecutive year, and our procurement standard for packaging materials has always been "simplified" and "recyclable".

Reporting Standards and Scope (Continued)

A. Environmental (Continued)

A.3 The Environment and Natural Resources

The Group's operation has no significant impact on the environment and natural resources. The Group has always adhered to the concept of "going green and low-carbon" and strived to implement the concept in every business segment. The Group strives to minimize its impact on the environment by formulating environmental-related policies and procedures and adopting various actions for energy conservation and emission reduction to achieve higher energy efficiency. The measures in detail are illustrated in the "Emissions" and "Resource Use" sections.

A.4 Climate Change

The Site is located in Shenzhen City, Guangdong Province, the Group's major customers and suppliers are located in South China. After reviewing the business characteristics and scope of the Group and by taking the geographical environment of the Group's supply chain locations into account, the senior management believes that there is a low likelihood that all kinds of extreme weather may have significant impacts on the Group's production and operating activities and supply chain. However, the Group has formulated countermeasures against the emergency risks which may be caused by extreme weather, so to minimize impacts.

Affected area(s)	Extreme weather	Countermeasures
Production and operation	Typhoon	Pay close attention to the early warning signals sent by the government and meteorological agencies, and stop outdoor operations when necessary to ensure that employees stay in indoor safe places.
	High temperature	Avoid outdoor operations under high temperatures set by the local labour laws, and provide drinks to employees when necessary for relieving summer heat and reducing the chance of sunstroke.

Reporting Standards and Scope (Continued)

B. Social

B.1 Employment

Employees are one of the most important sources of enterprise competitiveness. Adhering to the "people-oriented" management philosophy, the Group values the personal development of its employees, safeguards their rights and interests, protects their health and safety, and cares about their life while highlighting the corporate values of "creating, sharing, undertaking and conveying". We believe that the Group can keep making progress in a diversified and harmonious environment. In strict compliance with the *Labour Law of the People's Republic of China*, the *Work Safety Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China*, the *Social Insurance Law of the People's Republic of China*, the Hong Kong *Employment Ordinance* and other laws and regulations, the Group enhances the rights and interests of the employees regarding their remuneration, benefits, rest time and other aspects by continuously improving its systems and mechanisms, and strives to create the best internal environment for the development of all employees.

The Group treats all the candidates equal when dealing with dismissal, recruitment and promotion of its employees, and provides an equal and diversified platform for all employees. The Group implements a flexible remuneration system, in which factors such as employee qualifications, personal capabilities, market wage levels and corporate profits are considered. The Group treats all employees equally while values the individuality of each. The Group cares about the employees in difficulties and offers assistance through different working policies to safeguard their legal rights and interests. Moreover, the Group provides the employees with various welfare benefits, including festivals benefits, birthday benefits, occupational health check and physical examinations, as well as subsidies on meals, transportation, telephone charges, etc. In addition, the Group attributes its success to its employees and offers bonuses as incentives to the individuals and teams who have made prominent contributions to the development of the Company.

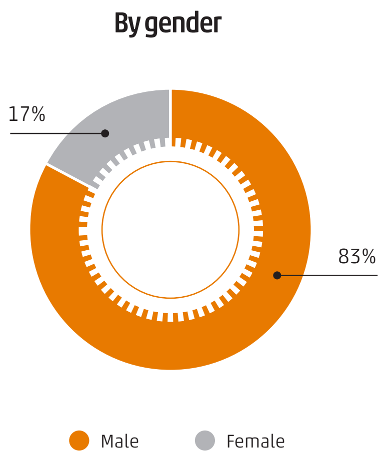
The Group strictly complies with relevant laws and regulations, and standardizes the management of working hours, rest time and leaves through system requirements and contract terms, with a view to protecting the legal rights and interests of the employees in respect of labour remuneration, working hours, rest time and leaves, etc. During the Reporting Period, the Group did not violate any local governmental policies on employees' salaries.

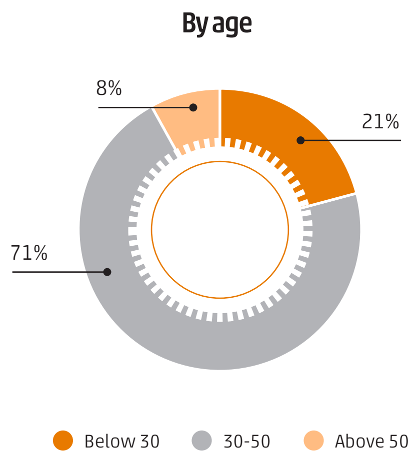
Reporting Standards and Scope (Continued)

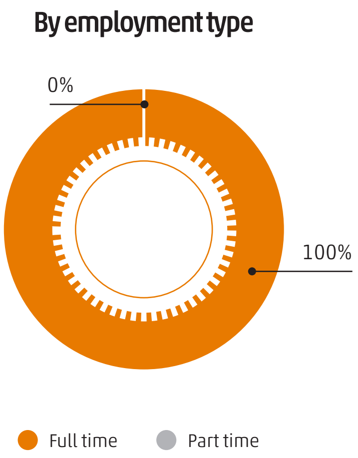
B. Social (Continued)

B.1 Employment (Continued)

In respect of employee recruitment and promotion, the Group treats all the candidates fairly and does not discriminate any person based on age, sex, race, marital status, religion, nationality, physical disability, sexual orientation or political background. During the Reporting Period, the Site had 329 employees in total, which may be grouped by gender, employment type and age as follows:





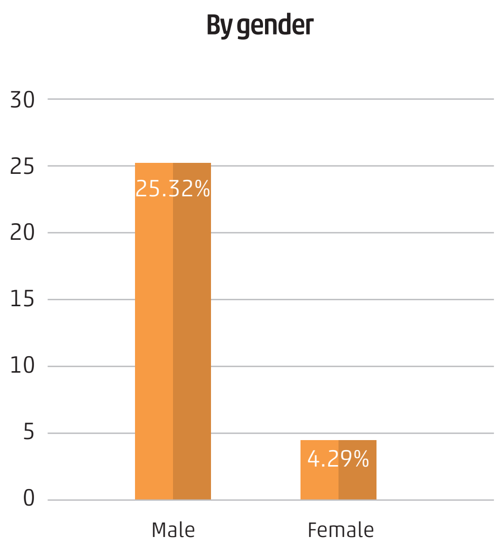


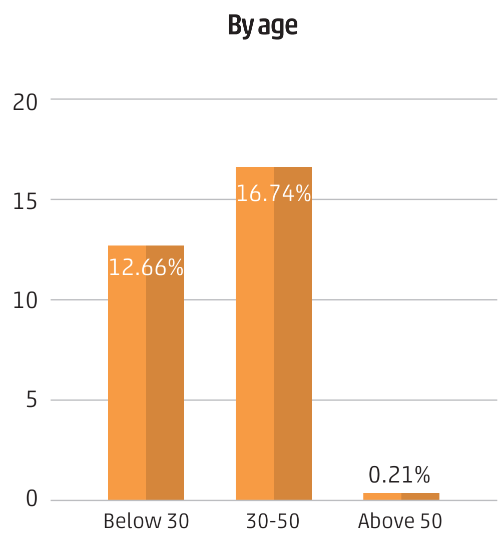
Reporting Standards and Scope (Continued)

B. Social (Continued)

B.1 Employment (Continued)

A stable working environment helps to lower the employee turnover rate, which is of some importance to the stable development of an enterprise and the maintenance and improvement of its productivity. The Group offers competitive remuneration and benefits to its employees. Meanwhile, it also provides sufficient on-the-job training to its employees, solicits opinions on the relevant policies or jobs from its employees on a regular basis, and provides them with better growth and development opportunities to further lower the employee turnover rate. During the Reporting Period, the Group's employee turnover rates grouped by gender and age are as follows:





Since the Report covers only the Group's production site in Shenzhen where all employee turnovers occurred, the employee turnover rate was not grouped by geographical region.

Reporting Standards and Scope (Continued)

B. Social (Continued)

B.2 Health and Safety

The Group strictly abides by the *Labour Law of the People's Republic of China*, cares about the physical and mental health of the employees, actively provides them with a safe and comfortable working environment, and encourages them to achieve work-life balance.

The Group has formulated the *Safety Management System* and the *Comprehensive Contingency Plan* to systematically manage production safety and established the *Safe Operation Procedures* based on features of all positions to provide clear guidance for the safety of every production procedure. In addition, the Group has also developed the *Equipment Upkeep and Maintenance Standards*, under which the employees are required to perform daily inspections of the equipment. For the canteen in the Site, the Group regularly conducts careful inspection on the food hygiene and safety of the food provided by our contractors to create a safe and sound dining environment and ensure the food quality for the employees. For the staff accommodation area in the Site, the Group regularly evaluates the hygiene and safety conditions of the dormitory, conducts safety check and replaces indoor supplies in a timely manner, providing a clean and safe living environment for the employees.

The Group adheres to the principle of safety and risk prevention in the production process management. The Group has systematically implemented various safety management policies and strives to reduce the risk of accidents in production and operation with a more rigorous attitude. In the past three years, there was neither work-related fatalities nor work-related injury recorded, and the number of working day(s) lost due to work-related injury was 0.

Reporting Standards and Scope (Continued)

B. Social (Continued)

B.3 Development and Training

The Group is committed to continuously improving the quality of its employees and establishing a learning enterprise. The Group provides internal and external training for its employees, covering intermediate and advanced management courses and practical courses such as supply chain management, quality control, research and development innovation, cost reduction and efficiency improvement, performance management and warehouse practices. Meanwhile, the Group reinforces on-the-job training for front-line positions and steps up further to improve inter-departmental skills of all employees through knowledge sharing activities to enhance employees' understanding of corporate culture, strategy, management system, patent and technology, etc. The Group values "training" as the greatest benefit for its employees, and encourages all employees to keep "continuous learning and improving" in mind as part of their daily life. In 2021, all employees of the Group have received one or more job-related training sessions, representing a 100% training rate for the employees categorised by both gender and employment type.

In terms of training hours, the total number of hours of training received by the Group's employees during the Reporting Period was 1,186. The average number of hours of training completed per employee by gender and employee category is as follows:

Gender	Total number of training hours	Number of employees	The average number of training hours
Male	1,074	273	3.93
Female	112	56	2.00

Employment type	Total number of training hours	Number of employees	The average number of training hours
Manager and above	39	32	1.22
Technical and operational staff	1,147	297	3.86

Reporting Standards and Scope (Continued)

B. Social (Continued)

B.4 Labour Standards

The use of child labour and forced labour violates basic human rights and international labour conventions and poses a threat to sustainable social and economic development. The Group prohibits the use of child labour and forced labour in any workplace, and has developed relevant internal human resources policies and guidelines. During the Reporting Period, the Group strictly complied with the *Law of the People's Republic of China on the Protection of Minors*, and the *Provisions on the Prohibition of Using Child Labour*, and did not employ any child labourers. The employment and dismissal of the Group's employees are handled in accordance with the procedures stipulated by the Human Resources Department, any changes in the working hours and positions of employees during their employment are subject to the consent of the employees. The Group also has an internal monitoring mechanism and accepts reports on irregularities and violations, and will deal with any irregularities in real-time once they are found out. During the Reporting Period, the Group did not use any forced labour.

B.5 Supply Chain Management

The Group enhances the quality of its products and operations through strict supply chain management. The Group has developed a sound management mechanism to engage suppliers, including establishing specific and target-oriented procurement selection standards, and pays attention to the supplier's reputation, product quality, price, and the environmental and social risks along its supply chain. The Group also takes a reference to their past working experience in the use of environmentally preferable products and services when selecting suppliers, and conducts the procurement fairly and openly during selecting, evaluating, and accessing processes. Supplier assessment of the Group covers the capability to deliver products and services, the technical standards of supplied materials, quality assurance capability and the trial of material samples. In terms of some particular materials, we also require suppliers to sign an environmental guarantee agreement to ensure that the materials fulfil the relevant environmental management requirements for substances and the labelling requirements and do not contain any hazardous chemical substances specified by the Group. We implement this practice as a way to identify whether the suppliers have awareness of environmental protection and social risk prevention.

The Group also continuously conducts regular assessments on existing suppliers by comparing their supply prices, delivery conditions, quality of materials, percentage of environmentally friendly products used and services with the prevailing market levels, to ensure the continuous supply of quality products and services at reasonable prices. Many of the Group's departments, including procurement, research and development, quality control and production, are involved in the assessment of relevant suppliers to ensure that the procedures are carried out in an equal, reasonable and transparent manner.

Reporting Standards and Scope (Continued)

B. Social (Continued)

B.5 Supply Chain Management (Continued)

The number of suppliers of the Group by region is as follows:

Region	Number of suppliers
South China	426
North China	6
East China	8
Central China	0
Overseas	4

B.6 Product Responsibility

Adhering to the quality-first philosophy and emphasizing customer experience, the Group is committed to providing customers with a good service experience and high-quality products. In order to ensure product quality and service level, the Group has formulated a series of internal management regulations based on the characteristics of major products, covering such procedures as product design, incoming inspection, product production, finished product inspection, product packaging, shipment, installation, and aftersales service, to meet customer requirements and ensure compliance with relevant local and international standards as well as relevant laws and regulations. The Group has detailed product inspection and control procedures to ensure that the materials and semi-finished and finished products in the production process meet the required quality requirements. The inspection process includes the first piece of inspection, that is: (1) in the case of the first mass production of new products, (2) the start of production of each batch; and (3) when there are technical changes in the product structure, the R&D Department or the Production Department will provide the first piece of the product for inspection purposes. In addition, there are also procedures for self-inspection, mutual inspection, and roving inspection among departments, and if any quality problems are found, they will be handled in real-time according to the Unqualified Products Control Procedures. For some items that cannot be inspected by the quality department, the quality department will notify the purchasing department in a timely manner and ask the supplier to attach relevant quality assurance-related certificates with the products. If the sold products are proved to have quality problems, the Group will also arrange for a recall timely. During the Reporting Period, none of the shipped or sold products by the Group was subject to recall for safety or health reasons. During the Reporting Period, the Group received a total of 5 complaints about the products and services. The Group has an after-sales service team to respond to customers' inquiries, feedback, and complaints. All complaints will be specifically recorded in the internal system so that the status and progress of handling complaints can be monitored at any time.

Reporting Standards and Scope (Continued)

B. Social (Continued)

B.6 Product Responsibility (Continued)

The Group has an intellectual property management policy and uses various knowledge databases and patent databases to store information, and has built a list of related structures with corresponding user rights. The intellectual assets of the Group, such as intellectual property and goodwill, are collected, organized, and maintained by the Public Relations Officer. The Group has also formulated stipulations on confidentiality, under which the customer information obtained in the course of business is kept strictly confidential and used in accordance with relevant laws and regulations, and confidentiality clauses are included in customer contracts to prevent the leakage of confidential or private information. All employees of the Group who have access to customer data are subject to the confidentiality agreement.

B.7 Anti-corruption

The Group highly values professional conduct and integrity, and all businesses comply with the *Prevention of Bribery Ordinance* in Hong Kong and relevant laws and regulations related to the prevention of corruption, bribery, extortion, fraud, money laundering, and fraud in Chinese Mainland, such as the *Regulations on the Executives of State-owned Enterprises for Performing Management Duties with Integrity*, the *Anti-Money Laundering Law of the People's Republic of China* and the *Anti-Unfair Competition Law of the People's Republic of China*. The Group also provides anti-corruption training to its directors and employees regularly to enhance their awareness of anti-corruption. Employees must report any instances of corruption, bribery, extortion, or money laundering to the Board who will investigate the matter in conjunction with the relevant authorities, depending on the specific incident.

The Group believes that the above measures are necessary for the long-term sustainable development of the Company, and hence can win the trust of the employees, customers, suppliers and shareholders under open standards. During the Reporting Period, there were no corruption lawsuits filed and concluded against the Company or its employees.

Reporting Standards and Scope (Continued)

B. Social (Continued)

B.8 Community Investment

The development of an enterprise is dependent on the harmony and stability of society. The Group, as an enterprise that values social responsibilities, has been actively participating in community engagement, learning the needs of the nearby region, and taking the interests of the community into account in our daily operations to live in harmony with the community. Affected by the COVID-19 pandemics, fewer volunteer activities were carried out during the Reporting Period than in previous years, but the Group still participated in community charity activities as much as possible, including extending warm regards to the front-line staff in the quarantine hotel, participating in traffic safety improvement inspections in the district, visiting enterprises resuming work and production, and other local social activities. During the Reporting Period, the Group endeavoured to assume social responsibilities, making charitable donations of approximately RMB130,641 and devoting approximately 100 hours.

Looking to the future, while striving to help improve community wellbeing, the Group will encourage the employees to take part in volunteer activities for the common development of the enterprise and the public welfare of the community.

Grant Thornton
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To the members of Sino ICT Holdings Limited
(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Sino ICT Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 74 to 183, which comprise the consolidated balance sheet as at 31 December 2021, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Expected credit losses allowance of trade and bills receivables

Refer to notes 2.12, 4.1 and 25 to the consolidated financial statements.

Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2021, the carrying amount of the Group's trade and bills receivables was HK$65,532,000, net of the expected credit losses ("ECL") allowance of trade and bills receivables of HK$5,138,000. In assessing the ECL allowance of trade and bills receivables under the ECL model, the Group has applied significant judgements and estimations in the grouping of the debtors under common credit risk characteristics, past repayment history of the debtors, the ageing of the debtors' balance, existing market conditions and forward-looking information. We identified the ECL allowance of trade and bills receivables as a key audit matter due to its significance to the consolidated financial statements and judgements and estimations have been applied in the ECL model.	Our audit procedures in relation to the ECL allowance of trade and bills receivables included the following: • obtained an understanding of the process and control over risk assessment and how management estimates the ECL allowance of trade and bills receivables; • assessed the ECL model and methodology used by management in calculating the ECL allowance of trade and bills receivables with the assistance from the auditor's expert; • assessed the reasonableness of the grouping of the debtors with common credit risk characteristics; • reviewed the past repayment history of the debtors; • reviewed the ageing of trade and bills receivables in estimating the ECL calculation; • involved the auditor's expert to assess the reasonableness of the ECL rate, taking into consideration of the credit history of the debtors, existing market conditions and forward-looking information with reference to the available market information; • checked, on a sample basis, the accuracy of the ECL allowance of trade and bills receivables in accordance with the ECL rate applied by the Group; and • evaluated the appropriateness of the disclosures regarding the ECL allowance of trade and bills receivables in the consolidated financial statements.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditors who expressed an unmodified opinion on those statements on 31 March 2021.

Other Information

The directors are responsible for the other information. The other information comprises all the information in the 2021 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

23 March 2022

Lam Wai Ping
Practising Certificate No.: P07826

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000
Revenue and gain on securities investment	5	322,981	270,560
Cost of sales		(181,152)	(136,078)
Gross profit and gain on securities investment		141,829	134,482
Other income	7	23,064	11,706
Other gains, net	8	5,097	3,724
Distribution costs		(51,102)	(47,559)
Administrative expenses		(76,351)	(67,657)
Reversal of expected credit loss ("ECL")/(ECL) on trade and bills receivables		703	(910)
Operating profit		43,240	33,786
Finance income	9	2,280	463
Finance costs	9	(10,645)	(18,617)
Finance costs, net	9	(8,365)	(18,154)
Share of results of associates	17(b)	2,285	9,617
Share of result of a joint venture	17(c)	588	–
Gain on disposal of an associate	17(b)	8,668	–
Profit before income tax	10	46,416	25,249
Income tax expenses	11	(8,134)	(5,599)
Profit for the year attributable to owners of the Company		38,282	19,650

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		1,093	218
Total comprehensive income for the year attributable to owners of the Company		39,375	19,868
Earnings per share	12		
Basic and diluted earnings per share		2.63 HK cents	1.35 HK cents

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

	Notes	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	74,414	73,146
Investment properties	19	26,806	26,943
Right-of-use assets	20	19,939	27,290
Intangible assets	21	23,615	22,281
Interests in associates	17(b)	2,278	247,684
Interest in a joint venture	17(c)	9,167	–
Financial assets at fair value through profit or loss ("FVTPL")	24	5,143	–
Deferred income tax assets	33	3,575	9,578
Other non-current assets	25	–	4,904
		164,937	411,826
Current assets			
Inventories	22	48,605	35,227
Trade and other receivables	25	236,922	145,909
Financial assets at FVTPL	24	689	43,635
Cash and cash equivalents	26	308,462	116,609
		594,678	341,380
Total assets		759,615	753,206
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	27	145,500	145,500
Share premium		95,240	95,240
Other reserves	28	33,266	610,114
Retained profits/(Accumulated losses)		74,583	(541,640)
Total equity		348,589	309,214

	Notes	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
LIABILITIES			
Non-current liabilities			
Long-term borrowing	31	–	92,103
Lease liabilities	20	1,757	8,357
Deferred income	34	1,028	1,163
Deferred income tax liabilities	33	7,249	6,966
		10,034	108,589
Current liabilities			
Trade and other payables	29	271,863	111,316
Contract liabilities	30	14,437	56,097
Short-term borrowing	31	94,982	1,899
Lease liabilities	20	9,388	10,360
Income tax payables		10,322	13,164
Convertible bonds	32	–	142,567
		400,992	335,403
Total liabilities		411,026	443,992
Total equity and liabilities		759,615	753,206
Net current assets		193,686	5,977
Total assets less current liabilities		358,623	417,803

DU Yang
Director

XIA Yuan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company				
	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000 (Note 28)	(Accumulated Losses)/ Retained Profits HK$'000	Total equity HK$'000
As at 1 January 2020	145,500	95,240	609,896	(561,290)	289,346
Profit for the year	–	–	–	19,650	19,650
Other comprehensive income:					
Item that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	–	–	218	–	218
Total comprehensive income	–	–	218	19,650	19,868
As at 31 December 2020 and 1 January 2021	145,500	95,240	610,114	(541,640)	309,214
Repayment of convertible bonds (note 32)	–	–	(577,941)	577,941	–
Transaction with owners of the Company	–	–	(577,941)	577,941	–
Profit for the year	–	–	–	38,282	38,282
Other comprehensive income:					
Item that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	–	–	1,093	–	1,093
Total comprehensive income	–	–	1,093	38,282	39,375
As at 31 December 2021	145,500	95,240	33,266	74,583	348,589

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000 (Restated)
Cash flows from operating activities			
Cash generated from operations	35(a)	121,554	127,748
Interest received		2,280	463
Interest paid		(5,212)	(6,028)
Income tax paid		(5,072)	(26,535)
Net cash generated from operating activities		113,550	95,648
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,392)	(545)
Payment for additions of intangible assets		(2,723)	(8,452)
Proceeds from disposal of property, plant and equipment		30	547
Net proceeds from disposal of an associate	17(b)	251,305	–
Capital contribution to a joint venture	17(c)	(8,579)	–
Decrease in security and restricted deposits		–	1,571
Net cash generated from/(used in) investing activities		236,641	(6,879)
Cash flows from financing activities			
New borrowing raised	35(b)	–	94,002
Repayment of borrowing	35(b)	(1,920)	(100,958)
Repayment of convertible bonds	32,35(b)	(148,000)	–
Repayment to lease liabilities	35(b)	(11,441)	(8,689)
Net cash used in financing activities		(161,361)	(15,645)
Net increase in cash and cash equivalents		188,830	73,124
Cash and cash equivalents as at 1 January		116,609	43,408
Effect of foreign exchange rate changes		3,023	77
Cash and cash equivalents as at 31 December		308,462	116,609

1. GENERAL INFORMATION

Sino ICT Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and its address of the principal place of business is Unit 02-03, 69/F, International Commerce Centre, 1 Austin Road West, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in Surface Mount Technology ("SMT") equipment manufacturing and securities investment. The principal activities of the subsidiaries of the Company are set out in note 17(a).

In the opinion of the directors of the Company, the immediate holding company of the Company is Sino Xin Ding Limited, a company incorporated in Hong Kong, and the ultimate holding company of the Company is UNIC Capital Management Co., Ltd. (中青芯鑫(蘇州工業園區)資產管理有限責任公司) ("UNIC Capital Management"), a company established in the People's Republic of China (the "PRC").

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

These consolidated financial statements were approved for issue by the board of directors of the Company on 23 March 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the accounting principles generally accepted in Hong Kong.

These consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets at FVTPL and investment properties, which are carried at fair value. The measurement bases are fully described in the accounting policies below.

The adoption of new or amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 2.1(a).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The preparation of these financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates and assumptions. Although these estimates and assumptions are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

Adoption of new and amended HKFRSs

(a) Amended HKFRSs that are effective for annual periods beginning on 1 January 2021

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2021:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The adoption of the above amended HKFRSs had no material impact on how the consolidated results and consolidated financial position of the Group for the current and prior periods have been prepared and presented.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Adoption of new and amended HKFRSs (Continued)

(b) Issued and amended HKFRSs not yet effective for the current period

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective for the current period, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts and related amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[5]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[1]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[4]

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Adoption of new and amended HKFRSs (Continued)

(b) Issued and amended HKFRSs not yet effective for the current period (Continued)

[1] Effective for annual periods beginning on or after 1 January 2022
[2] Effective for annual periods beginning on or after 1 January 2023
[3] Effective date not yet determined
[4] Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual periods beginning on or after 1 January 2022
[5] Effective for annual periods beginning on or after 1 April 2021

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

The amendments to HKAS 1 require entities to disclose material accounting policy information instead of significant accounting policies in its financial statements. The amendments also provide some guidance on how material policy information are being identified and provide some examples of when accounting policy information is likely to be material.

In March 2021, the HKICPA issued HKFRS Practice Statement 2 *Making Materiality Judgements* to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRSs. HKFRS Practice Statement 2 was subsequently revised to provide guidance and examples on how to apply the concept of materiality to accounting policy disclosures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Adoption of new and amended HKFRSs (Continued)

(b) Issued and amended HKFRSs not yet effective for the current period (Continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies* (Continued)

The amendments to HKAS 1 are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted.

Except for the disclosures of accounting policies in note 2 to consolidated financial statements may need to be revised to cope with the above changes, the directors of the Company expect that the amendments have no other material impact on the consolidated financial statements.

2.2 Subsidiaries

2.2.1 Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

A subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable at the end of the reporting period. All dividends whether received out of the investee's pre- or post-acquisition profits are recognised in the Company's profit or loss.

2.3 Associates and joint ventures

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions relating about relevant activities require the unanimous consent of the parties sharing control.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates and joint ventures (Continued)

In consolidated financial statements, an investment in an associate or a joint venture is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the associate or joint venture is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate or joint venture's net assets less any identified impairment loss. The profit or loss for the year includes the Group's share of the post-acquisition, post-tax results of the associate or joint venture for the year, including any impairment loss on the investment in associate or joint venture recognised for the year, if any.

Unrealised gains on transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the associates or joint venture. Where unrealised losses on assets sales between the Group and its associate or joint venture are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate or joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate or joint venture's accounting policies to those of the Group when the associate or joint venture's financial statements are used by the Group in applying the equity method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates and joint ventures (Continued)

When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. For this purpose, the Group's interest in the associate or joint venture is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or joint venture.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate or joint venture. At the end of each reporting period, the Group determines whether there is any objective evidence that the investment in associate or joint venture is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (i.e. higher of value in use and fair value less costs of disposal) of the associate or joint venture and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including cash flows arising from the operations of the associate or joint venture and the proceeds on ultimate disposal of the investment.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate or joint control over a joint venture. If the retained interest in that former associate or joint venture is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with HKFRS 9 Financial Instruments ("HKFRS 9"). The difference between (i) the fair value of any retained interest and any proceeds from disposing of partial interest in the associate or joint venture; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in the profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors of the Company, being the chief operating decision makers, for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors of the Company are determined following the Group's major products and service lines.

The Group has identified the following reporting segments:

- Production and sales of industrial products – SMT equipment manufacturing; and
- Securities investment – investment in listed equity securities.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All intersegment transfers are carried out at arm's length prices.

The measurement polices of the Group used for reporting segment results under HKFRS 8 *Operating Segments* are the same as those under in its financial statements prepared under HKFRSs, except that the following items are not included in arriving at the operating results of the reporting segment:

- share of results of associates and a joint venture;
- gain on disposal of an associate;
- income tax expenses; and
- corporate income and expenses which are not directly attributable to the business activities of any reporting segment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is also the Company's functional currency. The functional currency of the subsidiaries of the Company includes Renminbi ("RMB") and HK$.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Translation differences on non-monetary financial assets and liabilities measured at FVTPL are recognised in profit or loss as part of the fair value gain or loss.

(c) Group companies

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and costs for each statement of comprehensive income are translated at average exchange rates; and
- all resulting currency translation differences are recognised in other comprehensive income and accumulated separately in the foreign currency translation reserve in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

(c) Group companies (Continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Resulting currency translation differences are recorded in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment loss. Historical costs include expenses directly related to the acquisition of assets. Post-period costs are included in the carrying amount of asset or recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation is calculated using the straight-line method based on costs of assets less residual values over their estimated useful lives, as follows:

– Properties	21-50 years
– Machinery and equipment	5-10 years
– Furniture, fixtures and property decoration	5-10 years
– Computer software	3-10 years
– Motor vehicles	3-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Investment properties

Investment properties comprise leasehold properties that is held for long-term rental income or for capital appreciation or both. Investment properties are initially measured at cost, including expenditure that is directly attributable to the acquisition of the investment properties and borrowing costs, if any. After initial recognition, investment properties are carried at fair value, representing open market value determined by external valuers at the end of each reporting period. Fair value is based on active market prices, and adjusted for any difference in nature, location or condition of the specific asset, if necessary. If the information is not available, the Group adopts alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated statement of comprehensive income under "other gains, net".

2.8 Land use rights

Land use rights (which meet the definition of right-of-use assets and classified as right-of-use assets) represent up-front payments to acquire long-term interest in the usage of the land, and are stated at cost less accumulated amortisation and any impairment loss. Amortisation is calculated on straight-line method to write off the up-front payments over the lease terms of fifty years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Intangible assets

Research and development costs

Expenses associated with research activities are recognised as expense as incurred. Costs that are directly attributable to development activities are recognised as intangible assets provided they meet all of the following recognition requirements:

- It is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell;
- the Group has the ability to use or sell the intangible asset;
- It can be confirmed that how can such intangible assets generate future economic benefits, which are likely to occur;
- the Group has adequate technical, financial and other resources to complete and use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Costs that can be directly capitalised include the employee costs, material costs and appropriate part of management costs developed from intangible assets. Capitalised development costs are recorded as intangible assets, and from the time the asset is ready for use, it is amortised on the straight-line basis over its estimated useful lives (not more than 10 years). Other development expenditures that do not meet these criteria are recognised as expense as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Leases

(a) Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Leases (Continued)

(a) Definition of a lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Leases (Continued)

(a) Definition of a lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee (Continued)

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

Right-of-use assets are presented as separate line item in the consolidated balance sheet.

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Leases (Continued)

(b) The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-leases as two separate contracts. The sub-leases are classified as a finance or operating lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If the head lease is a short-term lease to which the Group applies the short-term lease exemption, then the Group classifies the sub-lease as an operating lease.

The Group sub-leases some of its properties and the sub-lease contracts are classified as operating leases.

The Group also earns rental income from operating leases of its, property, plant and equipment, investment properties and right-of-use assets. Rental income is recognised on a straight-line basis over the term of the lease.

2.11 Impairment of non-financial assets

The following assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable:

- Property, plant and equipment;
- Right-of-use assets;
- Intangible assets; and
- The Company's investments in subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Impairment of non-financial assets (Continued)

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are allocated to individual cash generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Impairment loss recognised for cash-generating units is charged pro rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments

(a) Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

(b) Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15"), all financial assets are initially measured at fair value, in case of a financial asset not at FVTPL, plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets at FVTPL are expensed in profit or loss.

Financial assets are classified into the following categories:

- amortised cost; or
- FVTPL.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

(b) Financial assets (Continued)

Classification and initial measurement of financial assets (Continued)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for the ECL on trade and bills receivables which is presented as a separate item in profit or loss.

Subsequent measurement of financial assets

Debt investments at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group elects to designate the investment at fair value through other comprehensive income ("FVOCI") (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but only be made if the investment meets the definition of equity from the issuer's perspective.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established Dividends are included in the "other income" in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

(b) Financial assets (Continued)

Impairment of financial assets

HKFRS 9's impairment requirements use forward-looking information to recognise ECL – the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and trade receivables recognised and measured under HKFRS 15.

The Group considers a broader range of information when assessing credit risk and measuring the ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the end of the reporting period.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

(b) Financial assets (Continued)

Impairment of financial assets (Continued)

Trade receivables

For trade receivables, the Group applies a simplified approach in calculating the ECL and recognises a loss allowance based on lifetime expected credit loss at the end of each reporting period. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade receivables have been grouped based on the common credit risk characteristics and ageing.

Other financial assets measured at amortised cost

The Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood of risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the end of the reporting period with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

(b) Financial assets (Continued)

Impairment of financial assets (Continued)

Other financial assets measured at amortised cost (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and
- an actual or expected significant deterioration in the operating results of the debtor.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

(b) Financial assets (Continued)

Impairment of financial assets (Continued)

Other financial assets measured at amortised cost (Continued)

For internal credit risk management, the Group considers an event of default occurs when (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group); or (ii) the financial asset is 90 days past due.

Detailed analysis of the ECL assessment of trade and bills receivables and other financial assets measured at amortised cost are set out in note 3.1(b).

(c) Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include trade and other payables, short-term and long-term borrowing, leases liabilities and convertible bonds.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in finance costs.

Accounting policies of lease liabilities are set out in note 2.10.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

(c) Financial liabilities (Continued)

Classification and measurement of financial liabilities (Continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Convertible bonds

Convertible bonds that can be converted to share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible bond issued by the Group that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the call option for conversion of the bonds into equity, is included in equity as convertible bonds equity reserve.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

(c) Financial liabilities (Continued)

Classification and measurement of financial liabilities (Continued)

Convertible bonds (Continued)

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the convertible bonds.

When the convertible bonds are converted, the equity component of convertible bonds and the carrying value of the liability component at the time of conversion are transferred to share capital as consideration for the shares issued. If the bond is redeemed, the convertible bonds equity reserve is released directly to retained profits.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is calculated by using weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overhead (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.15 Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Revenue recognition

Revenue mainly arises from the production and sales of industrial products.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer;

2. Identifying the performance obligations;

3. Determining the transaction price;

4. Allocating the transaction price to the performance obligations; and

5. Recognising revenue when/as performance obligation(s) are satisfied.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Revenue recognition (Continued)

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Revenue recognition (Continued)

Principal versus agent (Continued)

Further details of the Group's revenue and other income recognition policies are as follows:

Production and sales of industrial products

The Group manufactures and sells a series of industrial products. When control of product has been transferred, that is when the entity of the Group has delivered the goods to the customer, the Group confirms the revenue if there are no unfulfilled obligations that may affect the customer's acceptance of the product. Delivery conditions are not satisfied until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products in accordance with the sales contract, the acceptance provisions have expired, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Securities investment income

Gains or losses arising from changes in the fair value of the "listed equity securities classified as financial assets at FVTPL" are presented under "revenue and gain on securities investment" of the year in accordance with HKFRS 9.

Rental income

Accounting policies for rental income are set out in note 2.10.

Dividend income

Dividend income is recognised when the right to receive payment is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Revenue recognition (Continued)

Principal versus agent (Continued)

Interest income

Interest income shown in "finance income" is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

Agency fee income

Agency fee income is recognised at the date of the transfer of control of the goods or services to customer and the customer has present obligation to pay.

Income from provision of administrative services

Income from provision of administrative services is recognised over time on a straight-line basis as the customer simultaneously receives and consumes the benefits provided by the Group.

2.18 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the profit or loss on a straight-line basis over the expected lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.20 Employee benefits

(a) Defined contribution plan

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme"), for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of the payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

(b) Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(c) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises costs for any related restructuring.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Accounting for income taxes

Income tax comprises current income tax and deferred income tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the end of the reporting period between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and a joint venture, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Accounting for income taxes (Continued)

For investment property measured using the fair value model in accordance with the accounting policy above, the measurement of the related deferred tax liability or asset reflects the tax consequences of recovering the carrying amount of the investment property entirely through sale, unless the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of the reporting period.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse; and (ii) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

- income or loss excluding reversals of temporary differences; and

- reversals of existing temporary differences.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

(i) the entity and the Group are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) the entity and the Group are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Related parties (Continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. FINANCIAL RISK MANAGEMENT, CAPITAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

3.1 Financial risk management

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is conducted by senior management of the Group and approved by the board of directors of the Company.

(a) Market risk

Foreign exchange risk

The Group mainly operates in the PRC and Hong Kong, and the primary foreign exchange risk arises from financial instruments measured by currencies other than the functional currency of the Company and its subsidiaries. The functional currency of the Group's subsidiaries in the PRC is RMB, and the functional currency of the Company and the Group's subsidiaries in Hong Kong and other regions is HK$. The foreign exchange risk of the Group arises from the financial instruments denominated in currencies other than the functional currency of respective subsidiaries and the Company.

Currently, there are no hedging policies for the Group on transactions, assets and liabilities denominated in foreign currencies. The Group closely monitors and controls foreign exchange risk and considers engaging in hedging activities if there is significant foreign exchange risk.

As at 31 December 2021 and 2020, the amount of currencies held by the Group, other than the functional currencies of the respective subsidiaries and the Company, are not significant, and no sensitivity analysis has been presented.

3. FINANCIAL RISK MANAGEMENT, CAPITAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Financial risk management (Continued)

(a) Market risk (Continued)

Price risk

The Group is exposed to price risk because of change in market price from the listed equity securities held by the Group and classified as financial assets at FVTPL. To manage its price risk arising from investments in listed equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's investments in listed equity securities are stocks publicly traded in the stock market. As at 31 December 2021, the listed equity securities of the Group consist of stocks that are traded on the Main Board of the Stock Exchange. Therefore, the Group's profit would be affected by the change of the share price of the listed equity securities held by the Group. If the share price of the listed equity securities had increased/decreased by 5%, with all other factors held constant, the Group's after-tax profit and equity would have been increased/decreased by HK$29,000 (2020: HK$1,822,000).

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash at banks and other cash balances included in cash and cash equivalents, borrowings, lease liabilities and convertible bonds. Cash at banks and other cash balances included in cash and cash equivalents and borrowings, which are bearing variable interest rates, expose the Group to cash flows interest rate risk, while lease liabilities and convertible bonds, which are bearing fixed interest rates, expose the Group to fair value interest rate risk. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's cash flows interest rate risk from its borrowing is mainly concentrated on the fluctuation of Loan Prime Rate in the PRC arising from the Group's RMB denominated borrowings.

3. FINANCIAL RISK MANAGEMENT, CAPITAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Financial risk management (Continued)

(a) Market risk (Continued)

Interest rate risk (Continued)

The sensitivity analysis is prepared assuming the borrowing with variable interest rate outstanding at the end of the reporting period were outstanding for the whole year. A 50 (2020: 50) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If the interest rate had been 50 (2020: 50) basis points increase or decrease and all other variables were held constant, the post-tax profit and equity would decrease/increase by HK$404,000 (2020: HK$400,000).

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities.

The Group's maximum exposure to credit risk for the components of the consolidated balance sheet at 31 December 2021 and 2020 is the carrying amount of the financial assets as disclosed in note 23.

3. FINANCIAL RISK MANAGEMENT, CAPITAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Financial risk management (Continued)

(b) Credit risk (Continued)

The credit risk on cash and cash equivalents are considered to be insignificant because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

In order to manage credit risk arising from trade and bills receivables, other receivables and other non-current assets, the Group assesses the debtors' financial position on a periodical basis in accordance with note 2.12.

For trade and bills receivables, certain of the Group's sales are on letter of credit or documents against payment and the remaining balances are with credit terms of 30 - 90 days (2020: 30 - 90 days). The Group provides ECL in a simplified manner in accordance with HKFRS 9 and note 2.12, which allows all trade and bills receivables to use the provision matrix for the entire credit loss period.

For other receivables and other non-current assets, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been significant increase in credit risk, the Group will measure the ECL allowance based on lifetime rather than 12-month ECL.

3. FINANCIAL RISK MANAGEMENT, CAPITAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Financial risk management (Continued)

(b) Credit risk (Continued)

To measure the ECL of trade and bills receivables, trade and bills receivables are grouped according to the common credit risk characteristics and ageing. As at 31 December 2021 and 2020, the ECL rate is as follows. The following ECL considered the factors of forward-looking information:

	As at 31 December 2021			As at 31 December 2020		
	Overall ECL rate	Gross amount HK$'000	ECL allowance HK$'000	Overall ECL rate	Gross amount HK$'000	ECL allowance HK$'000
Not due	0.4%	34,807	133	0.4%	71,413	271
Overdue for 1 year or less	0.9%	31,128	270	1.6%	23,466	367
Overdue for 1 year to 2 years	100%	372	372	99.9%	923	922
Overdue more than 2 years	100%	4,363	4,363	99.2%	4,188	4,155
		70,670	5,138		99,990	5,715

The Group concentration of credit risk by geographical locations are all in the PRC as at 31 December 2021 and 2020.

As at 31 December 2021 and 2020, the ECL allowance of the other receivables and non-current assets are close to zero.

3. FINANCIAL RISK MANAGEMENT, CAPITAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Financial risk management (Continued)

(c) Liquidity risk

The Group manages the liquidity risk through holding of sufficient cash and bank balances. The Group further mitigates the liquidity risk by maintaining cash reserve and utilising bank financing. The directors of the Company consider the Group is not exposed to significant liquidity risk.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on current rates at the end of the reporting period).

	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Total undiscounted amount HK$'000	Carrying amount HK$'000
As at 31 December 2021				
Trade and other payables	252,356	–	252,356	252,356
Borrowing	96,135	–	96,135	94,982
Lease liabilities	9,661	1,847	11,508	11,145
	358,152	1,847	359,999	358,483
As at 31 December 2020				
Trade and other payables	88,891	–	88,891	88,891
Borrowing	6,381	93,221	99,602	94,002
Lease liabilities	10,993	8,531	19,524	18,717
Convertible bonds	148,000	–	148,000	142,567
	254,265	101,752	356,017	344,177

3. FINANCIAL RISK MANAGEMENT, CAPITAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly review its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the gearing ratio. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The gearing ratio were as follows:

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Total liabilities	**411,026**	443,992
Total assets	**759,615**	753,206
Gearing ratio	**54.11%**	58.95%

3. FINANCIAL RISK MANAGEMENT, CAPITAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.3 Fair value measurements of financial instruments

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2021 and 2020 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels are defined based on the observability and significance of inputs within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) and not using significant unobservable inputs (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, significant unobservable inputs) (Level 3).

(a) Financial instruments measured at fair value

Financial instruments at fair value as at 31 December 2021 were as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at FVTPL				
Listed equity securities	689	–	–	689
Unlisted equity securities	–	–	5,143	5,143
	689	–	5,143	5,832

3. FINANCIAL RISK MANAGEMENT, CAPITAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.3 Fair value measurements of financial instruments (Continued)

(a) Financial instruments measured at fair value (Continued)

Financial instruments at fair value as at 31 December 2020 were as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at FVTPL				
Listed equity securities	43,635	–	–	43,635

There was no transfers between Levels 1, 2 and 3 during the year ended 31 December 2021 (2020: nil). Financial assets at FVTPL is disclosed in note 24.

The valuation technique and inputs used in the fair value measurement of the financial instrument categorised under Level 3 fair value hierarchy on a recurring basis are set out below:

Financial instruments	Fair value hierarchy	Fair value as at 31 December 2021 HK$'000	Valuation technique	Unobservable inputs	Range (Weighted average)
Unlisted equity securities	Level 3	5,143 (2020: nil)	Market approach	Earnings multiple	59 times
				Discount on lack of marketability	30%

The most significant inputs, all of which are unobservable, are earnings multiple and discount on lack of marketability. The estimated fair value increases if the earnings multiple increases or the discount on lack of marketability decreases, or vice versa. The valuation is sensitive to all two assumptions. Management of the Group considers the range of reasonably possible alternative assumptions is greatest for earnings multiple.

3. FINANCIAL RISK MANAGEMENT, CAPITAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.3 Fair value measurements of financial instruments (Continued)

(a) Financial instruments measured at fair value (Continued)

The reconciliation of the carrying amount of the Group's financial instruments classified within Level 3 of the fair value hierarchy is as follows:

	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000
Unlisted equity securities		
At 1 January	–	–
Retained investment through disposal of an associate (note 17(b))	5,054	–
Fair value gain recognised in profit or loss (note 8)	89	–
At 31 December	5,143	–

(b) Financial instruments that are not measured at fair value on a recurring basis

As at 31 December 2021 and 2020, the carrying amounts of other financial assets and financial liabilities carried at amortised cost in the consolidated financial statements approximate their fair values.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Estimation uncertainties

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within next financial year are addressed below.

(a) Estimated useful life of property, plant and equipment and intangible assets

At the end of each reporting period, the management of the Group reviews the estimated useful lives of property, plant and equipment and intangible assets with finite useful life. The determination of the useful lives and residual values involve management's estimation of the expected usage of each category of property, plant and equipment and intangible assets and the industry practice. The management of the Group assesses the residual values and the useful lives annually and if the expectation differs from original estimates, such differences may impact the depreciation in the future year.

As at 31 December 2021, the carrying amounts of property, plant and equipment and intangible assets with finite useful life are HK$74,414,000 (2020: HK$73,146,000) and HK$23,615,000 (2020: HK$22,281,000) respectively. There were no changes in the useful lives and residual value of the property, plant and equipment and intangible assets during the years ended 31 December 2021 and 2020.

(b) Estimation of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar properties in the same location and condition and subject to the same lease or other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making this judgement, the Group, with reference to the valuation performed by independent professional valuer, considers market information from the construction costs of comparable properties.

As at 31 December 2021, the carrying amount of the Group's investment properties carried at fair value is HK$26,806,000 (2020: HK$26,943,000). Details of the fair value measurement of the investment properties are disclosed in note 19.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Estimation uncertainties (Continued)

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less anticipated costs to completion and applicable variable selling expenses. These estimates are made based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitors' actions in response to adverse market condition. Management of the Group reassesses the estimations at the end of each reporting period to ensure inventories are stated at the lower of cost and net realisable value.

As at 31 December 2021, the carrying amount of inventories are HK$48,605,000 (2020: HK$35,227,000). Write-down of inventories of HK$271,000 (2020: HK$841,000) has been recognised during the year ended 31 December 2021.

(d) ECL allowance of trade and bills receivables

The management of the Group regularly reviews and determines the ECL allowance of trade and bills receivables on a regular basis. This estimation is based on the credit risk characteristics of the debtors, past repayment history of the debtors, the ageing of the debtors' balances, existing market conditions and forward-looking information. Details of the ECL allowance of trade and bills receivables are set out in note 3.1(b).

As at 31 December 2021, the carrying amount of trade and bills receivables are HK$65,532,000 (2020: HK$94,275,000), net of ECL allowance of trade and bills receivables of HK$5,138,000 (2020: HK$5,715,000).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Estimation uncertainties (Continued)

(e) Income taxes

As disclosed in note 33, no deferred income tax asset has been recognised in respect of the certain unused tax losses due to the unpredictability of future profit streams as at 31 December 2021. In addition, no deferred income tax liabilities has been recognised in respect of taxable temporary differences associated with the PRC subsidiaries' undistributed earnings because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such temporary differences will not be reversed in the foreseeable futures. In case where the actual outcome differs from the management's assessment above, a material recognition of deferred income tax assets and liabilities may arise, which would be recognised in profit or loss for the year.

4.2 Critical accounting judgements

(a) Development cost capitalisation

When the recognition standard in accordance with note 2.9 are met, the development costs are capitalised as intangible assets. Based on the historical experience of existing products and market prospects, the management of the Group determines whether the research and development will bring future economic benefits to the Group through professional judgements. Any significant changes in market performance and technology development will affect the capitalisation of development costs.

(b) Joint control over Huxin (Shanghai) Industrial Co., Ltd. (滬芯(上海)實業有限公司) ("Huxin Industrial")*

As disclosed in note 17(c), the Group acquired 29.58% equity interest in Huxin Industrial through capital contribution during the year ended 31 December 2021. In accordance with the capital contribution agreement signed between the Group and other shareholders of Huxin Industrial and the Articles of Association of Huxin Industrial, the board of directors of Huxin Industrial consists of four directors, which each shareholder of Huxin Industrial appointed one director, and unanimous consent of the directors and shareholders is required for any resolution to be passed.

Huxin Industrial is a limited liability company which provides the Group and other shareholders with rights to the net assets of Huxin Industrial. Therefore, Huxin Industrial is classified as a joint venture of the Group, details of which are set out in note 17(c).

* *The English name is for identification purpose only*

5. REVENUE AND GAIN ON SECURITIES INVESTMENT

The Group's principal activities are disclosed in note 1.

The Group's revenue recognised during the year is as follows:

	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000
Revenue from contracts with customers		
– Production and sales of industrial products	308,837	233,784
– Provision of administrative services	–	498
	308,837	234,282
Revenue from other sources		
– Realised and unrealised gains on listed equity securities classified as financial assets at FVTPL	14,144	36,278
	322,981	270,560
Timing of revenue recognition		
– At a point in time	308,837	233,784
– Over time	–	498
	308,837	234,282
Geographical markets		
– The PRC, excluding Hong Kong	304,418	227,944
– Hong Kong of the PRC	4,419	6,338
	308,837	234,282

6. SEGMENT INFORMATION

The executive directors of the Company, being the chief operating decision makers, have identified the operating segments around differences in products and services as further described in note 2.4.

The segment information for the year ended 31 December 2021 is presented as follows:

	Year ended 31 December 2021			
	Production and sales of industrial products HK$'000	Securities investment HK$'000	Unallocated activities HK$'000	Total HK$'000
Revenue from external customers	308,837	14,144	–	322,981
Segment gross profit	127,861	13,968	–	141,829
Other income	18,690	–	4,374	23,064
Other gains, net	2,458	–	2,639	5,097
Distribution costs	(51,102)	–	–	(51,102)
Administrative expenses	(60,728)	(11,114)	(4,509)	(76,351)
Reversal of ECL on trade and bills receivables	703	–	–	703
Finance income	1,694	–	586	2,280
Finance costs	(4,586)	–	(6,059)	(10,645)
Share of results of associates	–	–	2,285	2,285
Share of result of a joint venture	–	–	588	588
Gain on disposal of an associate	–	–	8,668	8,668
Profit before income tax	34,990	2,854	8,572	46,416

6. SEGMENT INFORMATION (Continued)

	Year ended 31 December 2021			
	Production and sales of industrial products HK$'000	Securities investment HK$'000	Unallocated activities HK$'000	Total HK$'000
Reportable segment profit/ results				
– Depreciation and amortisation	12,317	5,039	166	17,522
– Write-down of inventories	271	–	–	271
– Government grants	(7,246)	–	–	(7,246)
– Unrealised gain on unlisted equity securities classified as financial assets at FVTPL	–	–	(89)	(89)
– Fair value losses on investment properties	960	–	–	960
– Loss on disposal of property, plant and equipment	1	–	–	1
– Income tax expenses/(credit)	2,155	6,057	(78)	8,134

	As at 31 December 2021			
	Production and sales of industrial products HK$'000	Securities investment HK$'000	Unallocated activities HK$'000	Total HK$'000
Reporting segment assets	540,398	4,141	215,076	759,615
– Interests in associates	–	–	2,278	2,278
– Interest in a joint venture	–	–	9,167	9,167
– Additions to non-current segment assets (other than financial instruments and deferred income tax assets) during the year	8,796	–	1,188	9,984
Reporting segment liabilities	398,955	40	12,031	411,026

6. SEGMENT INFORMATION (Continued)

The segment information for the year ended 31 December 2020 is presented as follows:

	Year ended 31 December 2020			
	Production and sales of industrial products HK$'000	Securities investment HK$'000	Unallocated activities HK$'000	Total HK$'000
Revenue from external customers	233,784	36,278	498	270,560
Segment gross profit	98,386	35,598	498	134,482
Other income	11,004	–	702	11,706
Other gains/(losses), net	3,759	–	(35)	3,724
Distribution costs	(47,559)	–	–	(47,559)
Administrative expenses	(49,271)	(12,050)	(6,336)	(67,657)
ECL on trade and bills receivables	(910)	–	–	(910)
Finance income	286	–	177	463
Finance costs	(5,755)	(5)	(12,857)	(18,617)
Share of results of associates	–	–	9,617	9,617
Profit/(Loss) before income tax	9,940	23,543	(8,234)	25,249
Reportable segment profit/results				
– Depreciation and amortisation	10,861	5,056	160	16,077
– Write-down of inventories	841	–	–	841
– Government grants	(5,871)	–	(702)	(6,573)
– Fair value gain on investment properties	(264)	–	–	(264)
– Loss on disposal of property, plant and equipment	237	–	–	237
– Income tax expenses/(credit)	2,154	3,885	(440)	5,599

6. SEGMENT INFORMATION (Continued)

	As at 31 December 2020			
	Production and sales of industrial products HK$'000 (Restated)	Securities investment HK$'000 (Restated)	Unallocated activities HK$'000	Total HK$'000
Reporting segment assets	382,607	53,234	317,365	753,206
– Interests in associates	–	–	247,684	247,684
– Additions to non-current segment assets (other than financial instruments and deferred income tax assets) during the year	8,997	–	–	8,997
Reporting segment liabilities	277,900	40	166,052	443,992

All assets are allocated to operating segments other than (i) certain property, plant and equipment, certain right-of-use assets, certain other receivables and certain cash and cash equivalents for administrative purposes; (ii) interests in associates; (iii) interest in a joint venture; (iv) financial assets at FVTPL classified under non-current assets; and (v) other non-current assets; and

all liabilities are allocated to operating segments other than certain lease liabilities, certain income tax payables, convertible bonds and certain other payables for administrative purposes.

6. SEGMENT INFORMATION (Continued)

The Group's revenue from external customers are divided into the following geographical areas:

	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000
The PRC, excluding Hong Kong	304,418	227,944
Hong Kong of the PRC	18,563	42,616
	322,981	270,560

The geographical location of customers is based on the location at which the goods delivered or the services were provided.

The Group's non-current assets (other than financial instruments and deferred income tax assets) are divided into the following geographical areas:

	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000
The PRC, excluding Hong Kong	106,687	102,245
Hong Kong of the PRC	38,087	47,415
	144,774	149,660

The geographical location of the non-current assets is based on the physical location of the assets.

No revenue from customers contributed over 10% of the total revenue of the Group during the years ended 31 December 2021 and 2020.

7. OTHER INCOME

	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000
Rental income from		
– investment properties (note 19(a))	7,409	4,620
– motor vehicle included in property, plant and equipment (note 18)	240	276
– right-of-use assets (note 20(a))	3,723	–
	11,372	4,896
Government grants (note (a))	7,246	6,573
Agency fee income (note (b))	3,649	–
Income from provision of administrative services (note (c))	651	–
Income from sales of scraps	146	237
	23,064	11,706

Notes:

(a) The government grants mainly related to the grants from the PRC local government authority in respect of subsidising the Group's research and development activities, which either (i) immediately recognised as other income upon fulfilment of all the relevant granting criteria; or (ii) were recognised as deferred income (note 34) and was amortised.

In addition, during the year ended 31 December 2020, the Group received funding support amounting to HK$702,000 (2021: nil) from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Special Administrative Region Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

(b) Included in agency fee income are the amount of HK$1,062,000 (2020: nil) and HK$1,031,000 (2020: nil) received from Sino Leasing Co., Ltd.* (芯鑫融資租賃有限責任公司) ("Sino Leasing"), the substantial shareholder of UNIC Capital Management, and Sino Leasing (Beijing) Co., Ltd.* (芯鑫融資租賃(北京)有限責任公司) ("Sino Leasing BJ"), an indirectly owned subsidiary of Sino IC Leasing, respectively.

(c) Included in income from provision of administrative services is the amount of HK$651,000 (2020: nil) received from CFIG Holdings Limited ("CFIG"), a fellow subsidiary of the Group.

* *The English name is for identification purpose only.*

8. OTHER GAINS/(LOSSES), NET

	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000
Exchange gains	4,972	3,173
Compensation income	92	126
Unrealised gain on unlisted equity securities classified as financial asset at FVTPL	89	–
Fair value (losses)/gains on investment properties (note 19)	(960)	264
Loss on disposal of property, plant and equipment	(1)	(237)
Others	905	398
	5,097	3,724

9. FINANCE COSTS, NET

	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000
Finance income:		
– Interest income from bank deposits	2,280	463
Finance costs:		
– Interest expenses on bank borrowing	4,480	4,941
– Interest expenses on convertible bonds (note 32)	5,433	12,589
– Finance charges on lease liabilities	732	1,087
	10,645	18,617
Finance costs, net	8,365	18,154

10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000
Directors' emoluments (note 15)	755	732
Other staff:		
– salaries, wages, allowances and other benefits	76,692	72,031
– retirement benefit scheme contributions	4,109	1,034
– termination benefits	–	413
	81,556	74,210
Auditors' remuneration	1,768	2,287
Amortisation of intangible assets (note 21)	2,098	1,155
Depreciation of property, plant and equipment (note 18)	3,898	4,191
Depreciation of right-of-use assets (note 20(c))	11,526	10,731
Write-down of inventories (note 22)	271	841
Cost of inventories recognised as an expenses	178,202	132,239
Short-term leases charges	1,497	2,000

11. INCOME TAX EXPENSES

	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000
Current tax		
– PRC Enterprise Income Tax ("EIT")	3,407	3,111
– Over-provision in respect of prior years	(1,524)	–
	1,883	3,111
Deferred income tax (note 33)	6,251	2,488
	8,134	5,599

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2021 and 2020 as the assessable profits has been fully absorbed by the tax losses brought forward.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards, except for Suneast Intelligent Equipment Technology (Shenzhen) Co., Ltd.* (日東智能裝備科技(深圳)有限公司) ("Suneast Intelligent"), which the preferential tax rate is 15% (2020: 15%) based on the relevant PRC tax laws and regulations.

The Group is not subject to income tax in other tax jurisdictions during the years ended 31 December 2021 and 2020.

11. INCOME TAX EXPENSES (Continued)

The income tax expenses can be reconciled to the profit before income tax per the consolidated statement of comprehensive income as follows:

	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000
Profit before income tax	46,416	25,249
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	8,333	4,914
Tax effect of income not taxable for tax purposes	(2,274)	(474)
Tax effect of expense not deductible for tax purposes	4,663	3,099
Tax effect of share of results of associates	(377)	(1,587)
Tax effect of share of result of a joint venture	(147)	–
Tax effect of tax losses not recognised	2,220	2,077
Utilisation of tax losses previously not recognised	(2,417)	(1,616)
Super deduction on research and development expenses	(343)	(814)
Over-provision in respect of prior years	(1,524)	–
Income tax expenses	8,134	5,599

Details of the deferred income tax are set out in note 33.

* *The English name is for the identification purpose only.*

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	38,282	19,650
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per shares ('000)	1,455,000	1,455,000

The computation of diluted earnings per share for the years ended 31 December 2021 and 2020 does not assume the conversion of the Company's outstanding convertible bonds since their assumed exercise would result into an anti-dilutive effect.

13. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

14. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000
Salaries, wages, allowances and other benefits	77,447	72,763
Retirement benefit scheme contributions (note (a))	4,109	1,034
Termination benefits (note (b))	–	413
	81,556	74,210

Notes:

(a) Retirement benefit scheme contributions

The Group operates the MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% (2020: 5%) of relevant payroll costs, capped at HK$1,500 (2020: HK$1,500) per month, to the MPF Scheme, in which the contribution is matched by employees. Contributions to the plan vested immediately.

As stipulated by rules and regulations in the PRC, subsidiaries in the PRC are required to contribute to a state-managed retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The central pension scheme is responsible for the entire pension obligations payable to all retired employees. Under the central pension scheme, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions. Contributions to the plan vested immediately.

During the year ended 31 December 2021, the total expense charged to consolidated statement of comprehensive income of HK$4,109,000 (2020: HK$1,034,000) represents contributions payable to these schemes by the Group in respect of the current year.

Due to the impact of COVID-19, a number of policies including the relief of the social insurance have been promulgated by the government from February to December 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions to retirement benefit scheme contributions during the year ended 31 December 2020 (2021: nil).

(b) Termination benefits

For the year ended 31 December 2020, provision made for employee termination benefits amounted to HK$413,000 (2021: nil) due to continuing business restructure and business transformation carried out in the Group's subsidiaries located in the PRC.

As at 31 December 2021, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2020: nil).

15. DIRECTORS AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

For the year ended 31 December 2021:

Name	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors:				
Mr. DU Yang	–	–	–	–
Mr. YUAN I-Pei	–	–	–	–
Mr. XIA Yuan (note (b))	–	300	–	300
Non-executive directors:				
Mr. LI Yongjun	–	–	–	–
Mr. LI Jinxian	–	–	–	–
Independent non-executive directors:				
Mr. WANG Yanxin (note (a))	23	–	–	23
Mr. CUI Yuzhi	144	–	–	144
Mr. BAO Yi	144	–	–	144
Mr. PING Fan	144	–	–	144
	455	300	–	755

15. DIRECTORS AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

For the year ended 31 December 2020:

Name	Fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:				
Mr. DU Yang	–	–	–	–
Mr. YUAN I-Pei	–	–	–	–
Mr. XIA Yuan (note (b))	–	300	–	300
Non-executive directors:				
Mr. LI Yongjun	–	–	–	–
Mr. LI Jinxian	–	–	–	–
Independent non-executive directors:			–	
Mr. CUI Yuzhi	144	–	–	144
Mr. BAO Yi	144	–	–	144
Mr. PING Fan	144	–	–	144
	432	300	–	732

Notes:

(a) Mr. WANG Yanxin was appointed as independent non-executive director of the Company on 4 November 2021.

(b) Mr. XIA Yuan is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

No emoluments were paid by the Group to any directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2021 and 2020.

15. DIRECTORS AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

There were no arrangements under which a director of the Company waived or agreed to waive any remuneration during the years ended 31 December 2021 and 2020.

16. FIVE HIGHEST PAID INDIVIDUAL'S EMOLUMENTS

No director, whose emoluments are reflected in the analysis presented above, is the five individuals whose emoluments were the highest in the Group for the years ended 31 December 2021 and 2020. The emoluments payable to five (2020: five) highest paid individuals during the year ended 31 December 2021 are as follows:

	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000
Salaries, wages, allowances and other benefits	12,464	8,561
Retirement benefit scheme contributions	172	69
	12,636	8,630

The emoluments fell within the following bands:

	Number of individuals	
	Year ended 31 December 2021	Year ended 31 December 2020
Emolument bands		
Nil - HK$1,000,000	–	1
HK$1,000,001 - HK$2,000,000	2	2
HK$2,000,001 - HK$3,000,000	2	2
HK$4,000,001 - HK$5,000,000	1	–

17. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE

(a) Subsidiaries

Particulars of the principal subsidiaries as at 31 December 2021 and 2020 are as follows:

Name of companies	Place of incorporation/ establishment and business	Type of legal entity	Particulars of issued and paid up capital	Percentage of ownership directly held by parent (%)	Percentage of ownership held by the Group (%)	Principal activities
I-System Investment Company Limited	British Virgin Islands ("BVI")	Limited liability company	US$2,000	100% (2020: 100%)	100% (2020: 100%)	Investment holding
Rightrade Corporation	BVI	Limited liability company	US$10	– (2020: nil)	100% (2020: 100%)	Inactive
Sun East Tech Development Limited	Hong Kong	Limited liability company	HK$10,000	– (2020: nil)	100% (2020: 100%)	Sales of industrial products
Sun East Electronic Equipment Company Limited	Hong Kong	Limited liability company	HK$5,000,000	– (2020: nil)	100% (2020: 100%)	Sales of industrial products
Xincheng Technology (Shaoxing) Co., Ltd.* (芯成科技(紹興)有限公司)	The PRC	Wholly foreign-owned enterprise	US$3,000,000	– (2020: nil)	100% (2020: 100%)	Trading of industrial products
Sino ICT Investment Holdings Co. Limited (formerly known as Unisplendour Investment Holding Co. Limited)	Hong Kong	Limited liability company	HK$1	– (2020: nil)	100% (2020: 100%)	Investment holding
Suneast Intelligent	The PRC	Wholly foreign-owned enterprise	HK$25,000,000	– (2020: nil)	100% (2020: 100%)	Production and sales of industrial products
Suneast Electronics Development (Shenzhen) Co., Ltd. (日東電子發展(深圳)有限公司)	The PRC	Wholly foreign-owned enterprise	HK$81,000,000	– (2020: nil)	100% (2020: 100%)	Production and sales of industrial products

* *The English name is for identification purpose only*

17. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(a) Subsidiaries (Continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year ended 31 December 2021 or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries of the Company would, in the opinion of the directors of the Company, result in particulars of excessive length.

(b) Interests in associates

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
At the beginning of the year	247,684	238,067
Share of results of associates	2,285	9,617
Disposal of an associate (note)	(247,691)	–
At the end of the year	2,278	247,684

17. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(b) Interests in associates (Continued)

The following list contains the particular of associates of the Group, all of which are unlisted corporate entities whose quoted market prices are not available.

Name of associate	Type of legal entity	Place of establishment/ Incorporation and business	Particulars of issued and paid up capital	Ownership interest held	Principal activities
Sino IC Leasing (Shenzhen) Limited Company* (芯鑫融資租賃(深圳)有限責任公司) ("Sino Leasing Shenzhen")	Limited liability company	The PRC	(note) (2020: RMB 405,440,816)	(note) (2020: 49%)	Leasing business
Sino IC Capital Limited (formerly known as Unisplendour Capital Limited) ("Sino IC Capital")	Limited liability company	BVI	US$50,000 (2020: US$50,000)	33% (2020: 33%)	Investment holding

* *The English name is for identification purpose only*

Note: During the year ended 31 December 2021, the Group entered into a share transfer agreement with Sino Leasing for the disposal of 48% equity interest in Sino Leasing Shenzhen at a cash consideration of RMB211,110,000, equivalent to HK$253,438,000. Such disposal was to increase the available financial resources of the Group and was completed on 10 August 2021, the date which the Group ceased the application of equity accounted for the interest in Sino Leasing Shenzhen. Immediately after the disposal, the Group has retained the remaining 1% equity interest in Sino Leasing Shenzhen and classified such investment as financial asset at FVTPL whose fair value at the date of the transfer was HK$5,054,000. The transaction has resulted in the recognition of gain on disposal of an associate in profit or loss, and calculated as follows:

	HK$'000
Cash consideration for the disposal, net of dividend withholding tax paid of HK$2,133,000	251,305
Plus: fair value of the financial asset at FVTPL retained	5,054
Less: carrying amount of 49% equity interest on the date of loss of significant influence	(247,691)
Gain on disposal of an associate	8,668

17. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(b) Interests in associates (Continued)

Set out below are the summarised financial information of Sino Leasing Shenzhen which are accounted for using the equity method.

	As at 10 August 2021 (date of disposal) HK$'000	As at 31 December 2020 HK$'000
Current assets	848,243	1,355,223
Non-current assets	171,690	150,213
Current liabilities	60,172	767,281
Non-current liabilities	454,270	237,347
Net assets	505,491	500,808

	From 1 January 2021 to 10 August 2021 (date of disposal) HK$'000	Year ended 31 December 2020 HK$'000
Revenue	39,179	61,939
Total expenses	(34,496)	(42,300)
Net profit	4,683	19,639

17. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(b) Interests in associates (Continued)

A reconciliation of the above summarised financial information to the carrying amount of the interest in Sino Leasing Shenzhen is set out below:

	As at 10 August 2021 (date of disposal) HK$'000	As at 31 December 2020 HK$'000
Net assets of Sino Leasing Shenzhen	505,491	500,808
Proportion of ownership interests held by the Group	49%	49%
Carrying amount of the interest in Sino Leasing Shenzhen	247,691	245,396

Set out below are the summarised financial information of Sino IC Capital which are accounted for using the equity method.

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Current assets	14	21
Non-current assets	6,933	6,929
Current liabilities	44	17
Net assets	6,903	6,933

17. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(b) Interests in associates (Continued)

	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000
Revenue	–	–
Total expenses	(30)	(18)
Net loss	(30)	(18)

A reconciliation of the above summarised financial information to the carrying amount of the interest in Sino IC Capital is set out below:

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Net assets of Sino IC Capital	6,903	6,933
Proportion of ownership interests held by the Group	33%	33%
Carrying amount of the interest in Sino IC Capital in the consolidated financial statements	2,278	2,288

The Group has not incurred any contingent liabilities or other commitments relating to its interests in associates (2020: nil).

17. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(c) Interest in a joint venture

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
At the beginning of the year	–	–
Acquisition of a joint venture upon capital injection (note)	8,579	–
Share of result of a joint venture	588	–
At the end of the year	9,167	–

Note: During the year ended 31 December 2021, the Group entered into a capital contribution agreement (the "Agreement") with the existing shareholders of Huxin Industrial for the capital contribution of RMB7,000,000, equivalent to approximately HK$8,579,000, for the acquisition of 29.58% equity interest in Huxin Industrial. The principal activities of Huxin Industrial are provision of property and management services in the PRC. Such capital injection was completed on 9 June 2021. Immediately after the capital injection, the 29.58% equity interest in Huxin Industrial are classified as a joint venture of the Group and accounted for using the equity method.

The following list contains the particulars of the joint venture of the Group, which is unlisted corporate entity whose quoted market prices are not available.

Name of joint venture	Type of legal entity	Place of establishment and business	Particulars of issued and paid up capital	Ownership interest held	Principal activities
Huxin Industrial	Limited liability company	The PRC	RMB 23,665,000 (2020: N/A)	29.58% (2020: N/A) (note)	Provision of property and management services

Note: The Group classified the interest in Huxin Industrial as joint venture because unanimous consents in the board of directors' meeting and shareholders' meeting are required in accordance with the Agreement and the Articles of Association of Huxin Industrial, and therefore, all shareholders shared the control.

17. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(c) Interest in a joint venture (Continued)

Set out below are the summarised financial information of Huxin Industrial which are accounted for using the equity method.

	As at 31 December 2021 HK$'000
Current assets	35,721
Non-current assets	12,650
Current liabilities	16,121
Non-controlling interests	2,453
Net assets attributable to owners of Huxin Industrial	29,797
Included in the amounts disclosed above are:	
Cash and cash equivalents	16,535

17. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(c) Interest in a joint venture (Continued)

	From 9 June 2021 (date of acquisition) to 31 December 2021 HK$'000
Revenue	30,803
Total expenses	(28,805)
Net profit	1,998
Profit attributable to owners of Huxin Industrial	1,987
Profit attributable to non-controlling interests of Huxin Industrial	11
Included in the amounts disclosed above are:	
Depreciation	1,087
Interest income	(23)
Income tax expense	175

17. SUBSIDIARIES, INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

(c) Interest in a joint venture (Continued)

A reconciliation of the above summarised financial information to the carrying amount of the interest in Huxin Industrial is set out below:

	As at 31 December 2021 HK$'000
Net assets of Huxin Industrial attributable to owners of Huxin Industrial	29,797
Proportion of ownership interests held by the Group	29.58%
Goodwill	353
Carrying amount of the interest in Huxin Industrial in the consolidated financial statements	9,167

The Group has not incurred any contingent liabilities or other commitments relating to its interest in a joint venture (2020: nil).

18. PROPERTY, PLANT AND EQUIPMENT

	Properties HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and property decoration HK$'000	Computer software HK$'000	Motor vehicles HK$'000	Total HK$'000
As at 1 January 2020						
Cost	90,226	22,097	35,270	1,378	6,049	155,020
Accumulated depreciation	(34,734)	(17,461)	(25,812)	(231)	(2,843)	(81,081)
Net book amount	55,492	4,636	9,458	1,147	3,206	73,939
Year ended 31 December 2020						
Opening net book amount	55,492	4,636	9,458	1,147	3,206	73,939
Additions	–	407	138	–	–	545
Disposals	–	(748)	(36)	–	–	(784)
Depreciation	(1,631)	(395)	(1,473)	(125)	(567)	(4,191)
Exchange adjustments	3,473	11	62	66	25	3,637
Closing net book amount	57,334	3,911	8,149	1,088	2,664	73,146
As at 31 December 2020 and 1 January 2021						
Cost	95,875	22,120	35,440	1,467	6,094	160,996
Accumulated depreciation	(38,541)	(18,209)	(27,291)	(379)	(3,430)	(87,850)
Net book amount	57,334	3,911	8,149	1,088	2,664	73,146
Year ended 31 December 2021						
Opening net book amount	57,334	3,911	8,149	1,088	2,664	73,146
Additions	–	234	1,857	–	1,301	3,392
Disposals	–	(13)	(3)	–	(15)	(31)
Depreciation	(1,132)	(464)	(1,655)	(133)	(514)	(3,898)
Exchange adjustments	1,261	155	345	33	11	1,805
Closing net book amount	57,463	3,823	8,693	988	3,447	74,414
As at 31 December 2021						
Cost	100,014	22,607	37,846	1,513	7,272	169,252
Accumulated depreciation	(42,551)	(18,784)	(29,153)	(525)	(3,825)	(94,838)
Closing net book amount	57,463	3,823	8,693	988	3,447	74,414

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2021, the bank borrowing of the Group were secured by the Group's properties with the net book amount of HK$54,775,000 (2020: HK$54,746,000). Details of the secured bank borrowing are set out in note 31.

During the year ended 31 December 2020, the Group entered into an arrangement to lease a motor vehicle to CFIG. The Group considered that the lease arrangement is an operating lease and the movement of the motor vehicle is detailed as below:

	Motor vehicle	
	2021 **HK$'000**	2020 HK$'000
As at 1 January		
Cost	**722**	722
Accumulated depreciation	**(206)**	(76)
Net book amount	**516**	646
Year ended 31 December		
Opening net book amount	**516**	646
Depreciation	**(130)**	(130)
Closing net book amount	**386**	516
As at 31 December		
Cost	**722**	722
Accumulated depreciation	**(336)**	(206)
Closing net book amount	**386**	516

19. INVESTMENT PROPERTIES

	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000
As at 1 January	26,943	25,049
Fair value (losses)/gains (note 8)	(960)	264
Exchange adjustments	823	1,630
As at 31 December	26,806	26,943

As at 31 December 2021, the bank borrowing of the Group were secured by the Group's investment properties with the carrying amount of HK$26,806,000 (2020: HK$26,943,000). Details of the secured bank borrowing are set out in note 31.

(a) The amount of investment properties recognised in profit or loss

	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000
Rental income	7,409	4,620

No outgoing expenses in respect of investment properties have been incurred during the years ended 31 December 2021 and 2020.

19. INVESTMENT PROPERTIES (Continued)

(b) Fair value measurement of investment properties

The investment properties are revalued at 31 December 2021 and 2020 by independent professional qualified valuer, RHL Appraisal Limited, who have recent experience in the locations and categories of properties being valued. The Group's finance team performs valuations of the investment properties for financial reporting purposes in consultation of the independent professional qualified valuer for complex valuations. Valuation technique are selected based on the characteristics of each property, with the overall objective of maximising the use of market-based information. The Group's finance team reports directly to the chief financial officer and to the audit committee. Valuation processes and fair value changes are discussed among the audit committee and the valuation team at the end of each reporting period.

The following table shows the Group's investment properties measured at fair value in the consolidated balance sheet on a recurring basis, categorised under Level 3 of a fair value hierarchy. The levels are based on the observability and significance of inputs to the measurements, as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) and not using significant unobservable inputs (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, significant unobservable inputs) (Level 3).

19. INVESTMENT PROPERTIES (Continued)

(b) Fair value measurement of investment properties (Continued)

Set out below are information about the fair value of the investment properties categorised under Level 3 fair value hierarchy:

Investment properties	Fair value as at 31 December 2021 HK$'000	Valuation technique	Unobservable input	Range (Weighted average)
Factory and dormitory in the PRC	26,806	Depreciation replacement cost approach	Unit construction cost	RMB1,344 per square meter

Investment properties	Fair value as at 31 December 2020 HK$'000	Valuation technique	Unobservable input	Range (Weighted average)
Factory and dormitory in the PRC	26,943	Depreciation replacement cost approach	Unit construction cost	RMB1,394 per square meter

The estimated fair value increases if the unobservable input, unit construction cost, increases, and vice versa.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

There were no transfers between fair value hierarchy during the years ended 31 December 2021 and 2020.

20. LEASES

(a) Right-of-use assets

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Leasehold land	**8,954**	8,994
Buildings	**10,985**	18,296
	19,939	27,290

As at 31 December 2021, right-of-use assets of HK$8,954,000 (2020: HK$8,994,000) represents land use rights located in the PRC.

The Group has lease arrangements for buildings for office premises. The lease terms ranged from one to three years (2020: one to three years).

During the year ended 31 December 2021, the Group entered into lease agreement with Huxin Industrial, the joint venture of the Group, for the lease of an office premise with addition to the right-of-use assets of HK$696,000 (2020: nil).

During the year ended 31 December 2021, the Group has sublease part of the rented building. The Group has classified the sublease as operating lease. During the year ended 31 December 2021, the Group recognised rental income from subleasing right-of-use assets of HK$3,723,000 (2020: nil) (note 7) from CFIG.

Additions to the right-of-use assets for the year ended 31 December 2021 amounted to HK$3,869,000 (2020: nil).

20. LEASES (Continued)

(b) Lease liabilities

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Current	9,388	10,360
Non-current	1,757	8,357
	11,145	18,717

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Total minimum lease payments		
– Due within one year	9,661	10,993
– Due in second to fifth years	1,847	8,531
	11,508	19,524
Less: Future finance charges on lease liabilities	(363)	(807)
Present value of lease liabilities	11,145	18,717

20. LEASES (Continued)

(b) Lease liabilities (Continued)

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Present value of minimum lease payments		
– Due within one year	9,388	10,360
– Due in second to fifth years	1,757	8,357
	11,145	18,717
Less: Portion due within one year included under current liabilities	(9,388)	(10,360)
Portion due after one year included under non-current liabilities	1,757	8,357

(c) Amounts recognised in profit or loss

	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000
Depreciation expense for right-of-use assets		
– Leasehold land	315	301
– Buildings	11,211	10,430
	11,526	10,731
Finance charge on lease liabilities	732	1,087
Short-term leases charges	1,497	2,000

For the year ended 31 December 2021, cash outflows arising from the above leases amounted to HK$13,670,000 (2020: HK$11,776,000).

21. INTANGIBLE ASSETS

	Development costs HK$'000
As at 1 January 2020	
Cost	14,706
Accumulated amortisation	(572)
Net book amount	14,134
Year ended 31 December 2020	
Opening net book amount	14,134
Additions	8,452
Amortisation	(1,155)
Exchange adjustments	850
Closing net book amount	22,281
As at 31 December 2020 and 1 January 2021	
Cost	24,106
Accumulated amortisation	(1,825)
Net book amount	22,281
Year ended 31 December 2021	
Opening net book amount	22,281
Additions	2,723
Amortisation	(2,098)
Exchange adjustments	709
Closing net book amount	23,615
As at 31 December 2021	
Costs	27,637
Accumulated amortisation	(4,022)
Closing net book amount	23,615

22. INVENTORIES

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Raw materials	20,595	13,115
Work in progress	10,127	7,955
Finished goods	17,883	14,157
	48,605	35,227

Movement in allowance for inventories is as follows:

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
At the beginning of the year	1,194	1,859
Write-down	271	841
Reversal of write-down	(428)	(1,670)
Exchange adjustments	35	164
At the end of the year	1,072	1,194

For the year ended 31 December 2021, write-down of inventories of HK$271,000 (2020: HK$841,000) was recognised in the cost of sales and due to the long aged unsold inventories.

During the year ended 31 December 2021, reversal of write-down of inventories of HK$428,000 (2020: HK$1,670,000) was recognised upon disposal of inventories as scrap and included in other income.

23. FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortised cost HK$'000	Financial assets at FVTPL HK$'000	Total HK$'000
Financial assets			
As at 31 December 2021			
Trade and other receivables	234,199	–	234,199
Financial assets at FVTPL			
– Listed equity securities	–	689	689
– Unlisted equity securities	–	5,143	5,143
Cash and cash equivalents	308,462	–	308,462
	542,661	5,832	548,493

	Financial liabilities at amortised cost HK$'000
Financial liabilities	
As at 31 December 2021	
Trade and other payables	252,356
Borrowing	94,982
Lease Liabilities	11,145
	358,483

23. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	Financial assets at amortised cost HK$'000	Financial assets at FVTPL HK$'000	Total HK$'000
Financial assets			
As at 31 December 2020			
Other non-current assets	4,904	–	4,904
Trade and other receivables	95,670	–	95,670
Financial assets at FVTPL			
– Listed equity securities	–	43,635	43,635
Cash and cash equivalents	116,609	–	116,609
	217,183	43,635	260,818

	Financial liabilities at amortised cost HK$'000
Financial liabilities	
As at 31 December 2020	
Trade and other payables	88,891
Borrowing	94,002
Lease Liabilities	18,717
Convertible bonds	142,567
	344,177

24. FINANCIAL ASSETS AT FVTPL

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Listed securities classified under current assets:		
– Equity securities – Hong Kong	689	43,635
Unlisted securities classified under non-current assets:		
– Equity securities – the PRC	5,143	–
	5,832	43,635

The fair value of the Group's investment in listed securities in Hong Kong is determined based on their closing price in active market, which is group into fair value hierarchy Level 1.

The fair value of the Group's investment in unlisted securities has been measured as described in note 3.3.

25. TRADE AND OTHER RECEIVABLES

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Non-current portion		
Other non-current assets		
– Deposits	–	4,904
Current portion		
Trade receivables	61,847	92,363
Bills receivables	8,823	7,627
Trade and bills receivables, gross	70,670	99,990
Less: ECL allowance of trade and bills receivables	(5,138)	(5,715)
Trade and bills receivables, net	65,532	94,275
Prepayments	2,723	50,239
Deposits and other receivables	168,667	1,395
	236,922	145,909

The directors of the Company consider that the fair values of trade and other receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

25. TRADE AND OTHER RECEIVABLES (Continued)

The Group allows an average credit period of 30 – 90 days (2020: 30 – 90 days) to its customers, unless certain trade receivables are on acceptance bills or documents against payment. Based on the invoice dates (or date of revenue recognition if earlier), the ageing analysis of the trade and bills receivables was as follows:

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
0 – 90 days	32,357	37,027
91 – 180 days	20,247	28,561
Over 180 days	18,066	34,402
	70,670	99,990

The Group applies the HKFRS 9 simplified approach to measure ECL and makes ECL allowance on trade and bills receivables based on the ECL. As at 31 December 2021, the ECL allowance of trade and bills receivables was HK$5,138,000 (2020: HK$5,715,000) (Note 3.1(b)).

The movement in the Group's ECL allowance on trade and bills receivables are as follows:

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
At the beginning of the year	5,715	13,397
(Reversal of ECL)/ECL recognised	(703)	910
Write-off	–	(9,419)
Exchange adjustments	126	827
At the end of the year	5,138	5,715

During the year ended 31 December 2020, the Group writes off trade receivables since there is information indicating that the balance is no realistic prospect of recovery.

There is no significant ECL allowance of other receivables as at 31 December 2021 and 2020.

26. CASH AND CASH EQUIVALENTS

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Cash at banks and on hand	307,576	115,632
Other cash balances (note)	886	977
	308,462	116,609

Note: Other cash balances are cash balance deposited in securities brokers.

27. SHARE CAPITAL

	Number of shares	Nominal value of shares HK$'000
Authorised:		
Ordinary shares of HK$0.1 each		
As at 1 January 2020, 31 December 2020,		
1 January 2021 and 31 December 2021	2,000,000,000	200,000

	Number of shares	Share capital HK$'000
Issued and full paid:		
As at 1 January 2020, 31 December 2020,		
1 January 2021 and 31 December 2021	1,455,000,000	145,500

The share capital of the Company comprises of fully paid ordinary shares. All fully paid ordinary shares are equally eligible to receive dividends and to the repayment of capital and represent one vote at shareholders' meetings of the Company.

28. OTHER RESERVES

	Contributed surplus HK$'000	Convertible bonds equity reserve HK$'000	Statutory reserve HK$'000	Asset revaluation reserve HK$'000	Foreign currency translation reserve HK$'000	Total HK$'000
As at 1 January 2020	4,800	577,941	11,829	(773)	16,099	609,896
Exchange difference on translation of foreign currencies	–	–	–	–	218	218
As at 31 December 2020 and 1 January 2021	4,800	577,941	11,829	(773)	16,317	610,114
Repayment of convertible bonds (note 32)	–	(577,941)	–	–	–	(577,941)
Exchange difference on translation of foreign currencies	–	–	–	–	1,093	1,093
As at 31 December 2021	4,800	–	11,829	(773)	17,410	33,266

29. TRADE AND OTHER PAYABLES

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Trade payables	34,248	48,181
Salaries payables	38,517	35,112
Other taxes payables	19,507	22,425
Accruals and other payables	179,591	5,598
	271,863	111,316

29. TRADE AND OTHER PAYABLES (Continued)

The Group was granted by its suppliers credit periods ranging from 30 – 60 days (2020: 30 – 60 days). Based on the invoice dates, the ageing analysis of the trade payables were as follows:

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
0 – 90 days	25,458	38,593
91 – 120 days	1,619	908
Over 120 days	7,171	8,680
	34,248	48,181

30. CONTRACT LIABILITIES

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Related parties	–	43,392
Others	14,437	12,705
	14,437	56,097

Contract liabilities outstanding at the beginning of the year amounting to HK$12,705,000 (2020: HK$7,901,000) have been recognised as revenue during the year.

As at 31 December 2020, the contract liabilities due to related parties mainly represented the prepayments paid by Sino Leasing BJ for the sales of materials and equipment from the Group. Prepayments of HK$43,392,000 (2021: nil) has been made for the purchase of requested materials and equipment as at 31 December 2020. The Group was only responsible of arranging logistics and invoicing services during the years ended 31 December 2021 and 2020 and agency fee income (note 7) has been recognised during the years ended 31 December 2021 and 2020.

31. BORROWING

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Non-current		
Secured bank borrowing	–	92,103
Current		
Secured bank borrowing	94,982	1,899
	94,982	94,002

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Carrying amount repayable, based on scheduled repayment dates set out in the loan agreements		
– Within one year	94,982	1,899
– in the second year	–	92,103
	94,982	94,002
Less:		
– amount due within one year	(94,982)	(1,899)
Carrying amount shown under non-current liabilities	–	92,103

As at 31 December 2021, the borrowing carried effective interest rate of 4.75% (2020: 4.75%).

As at 31 December 2021, the bank borrowing is secured by the properties included in the property, plant and equipment (note 18) and investment properties (note 19) of the Group with aggregate net book amount of HK$81,581,000 (2020: HK$81,689,000).

32. CONVERTIBLE BONDS

On 30 May 2016, the Company issued zero coupon convertible bonds with face value of HK$148,000,000 to Unis Technology Strategy Investment Limited ("Unis Technology"), the controlling shareholder of the Company at the date of issue. The convertible bonds are convertible into ordinary shares of the Company at the discretion of the bondholders at any time between the date of issue of the bonds and up to their maturity date on 30 May 2021. The bonds can be converted into 370,000,000 ordinary shares at the conversion price of HK$0.4 per convertible bonds. At the date of issue of the convertible bonds, the above-mentioned convertible bonds are classified as financial liabilities at FVTPL.

On 30 May 2017, the special general meeting has been resolved for the supplementary agreement for the convertible bonds signed between the Company and Unis Technology for the removal of the relevant terms in relation to the conversion price adjustments under the original agreement. Accordingly, the above-mentioned removal has been considered as significant modification resulting in the extinguishment of the original convertible bonds and the recognition of the new convertible bonds.

The new convertible bonds were recognised as compound financial instruments. As at 30 March 2017, the effective date of renewal of the convertible bonds, the original convertible bonds recognised as financial liabilities at FVTPL of HK$678,487,000 was derecognised. At the same date, (i) liability component of the new convertible bonds of HK$100,546,000 has been recognised at financial liabilities at amortised cost; and (ii) the equity component of the new convertible bonds of HK$577,941,000 have been recognised under the convertible bonds equity reserve. The effective interest rate of the liability component of the new convertible bonds are 9.72% (2020: 9.72%).

On 30 May 2021, the Group has fully repaid the new convertible bonds by cash. Upon the repayment of the new convertible bonds, the convertible bonds equity reserve of HK$577,941,000 has been reclassified to accumulated losses.

From the issue of the original convertible bonds and up to the date of the maturity of the new convertible bonds, no conversion to the ordinary shares of the Company has been made by the bondholder.

32. CONVERTIBLE BONDS (Continued)

The movement of the liability and equity component of the new convertible bonds are set out below:

	Liability component of the new convertible bonds HK$'000	Equity component of the new convertible bonds HK$'000	Total HK$'000
As at 1 January 2020	129,978	577,941	707,919
Effective interest charge for the year (note 9)	12,589	–	12,589
As at 31 December 2020 and 1 January 2021	142,567	577,941	720,508
Effective interest charge for the year (note 9)	5,433	–	5,433
Repayment of the convertible bonds	(148,000)	–	(148,000)
Reclassification of the equity component of the new convertible bonds upon repayment	–	(577,941)	(577,941)
As at 31 December 2021	–	–	–

33. DEFERRED INCOME TAX

The following is the analysis of the deferred income tax assets/(liabilities), after set off certain deferred income tax assets/(liabilities) of the same taxable entity, for financial reporting purposes:

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Deferred income tax assets	3,575	9,578
Deferred income tax liabilities	(7,249)	(6,966)
	(3,674)	2,612

The following are the major deferred income tax assets/(liabilities) recognised and movements thereon during the current and prior years:

	Tax losses HK$'000	Properties HK$'000	Investment properties HK$'000	Total HK$'000
As at 1 January 2020	11,947	(3,109)	(3,392)	5,446
(Charged)/Credited to profit or loss (note 11)	(2,446)	74	(116)	(2,488)
Exchange adjustments	77	(134)	(289)	(346)
As at 31 December 2020 and 1 January 2021	9,578	(3,169)	(3,797)	2,612
(Charged)/Credited to profit or loss (note 11)	(6,083)	(681)	513	(6,251)
Exchange adjustments	80	(6)	(109)	(35)
As at 31 December 2021	3,575	(3,856)	(3,393)	(3,674)

33. DEFERRED INCOME TAX (Continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profit is probable. As at 31 December 2021, the Group has not recognised deferred tax assets of HK$81,001,000 (2020: HK$82,958,000) in respect of tax losses of HK$476,985,000 (2020: HK$480,371,000). Among the tax losses of HK$476,985,000 (2020: HK$480,371,000) not recognised, tax losses of HK$449,940,000 (2020: HK$436,866,000) does not expire under current legislation. The remaining tax losses of HK$27,045,000 (2020: HK$43,505,000) will be expired in the following years:

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Year		
2021	–	16,460
2022	26,511	26,511
2023	307	307
2024	51	51
2025	176	176
	27,045	43,505

As at 31 December 2021, the aggregate amount of taxable temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

34. DEFERRED INCOME

Deferred income represented the government grants received for the research and development project. The amount is amortised and transferred to other income (note 7) over the useful lives of the machinery and equipment purchased under such project.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation between profit before income tax and cash generated from operations:

	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000 (Restated)
Profit before income tax	46,416	25,249
Adjustments for:		
Amortisation of intangible assets	2,098	1,155
Depreciation of property, plant and equipment	3,898	4,191
Depreciation of right-of-use assets	11,526	10,731
Loss on disposal of property, plant and equipment	1	237
Amortisation of deferred income	(168)	(158)
Unrealised gain on listed equity securities classified as financial assets at FVTPL under current assets	(282)	(19,767)
Unrealised gain on unlisted equity securities classified as financial asset at FVTPL under non-current assets	(89)	–
Fair value losses/(gains) on investment properties	960	(264)
Write-down of inventories	271	841
(Reversal of ECL)/ECL on trade and bills receivables	(703)	910
Finance income	(2,280)	(463)
Finance costs	10,645	18,617
Shares of results of associates	(2,285)	(9,617)
Share of result of a joint venture	(588)	–
Gain on disposal of an associate	(8,668)	–
Operating cash flows before working capital changes:	60,752	31,662
Increase in inventories	(12,310)	(6,776)
Increase in trade and other receivables	(79,314)	(91,993)
Decrease in financial assets at FVTPL	43,228	133,705
Increase in trade and other payables	151,771	10,022
(Decrease)/Increase in contract liabilities	(42,573)	51,128
Cash generated from operations	121,554	127,748

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation in the Group's liabilities arising from financing activities can be classified as follows:

	Borrowing HK$'000	Lease liabilities HK$'000 (Restated)	Convertible bonds HK$'000	Total HK$'000
As at 1 January 2020	100,958	27,406	129,978	258,342
Cash flows:				
– Proceeds	94,002	–	–	94,002
– Repayment	(100,958)	–	–	(100,958)
– Capital element of lease rentals paid	–	(8,689)	–	(8,689)
– Interest element of lease rentals paid	–	(1,087)	–	(1,087)
Non-cash:				
– Interest expenses	–	1,087	12,589	13,676
As at 31 December 2020 and 1 January 2021	94,002	18,717	142,567	255,286
Cash flows:				
– Repayment	(1,920)	–	(148,000)	(149,920)
– Capital element of lease rentals paid	–	(11,441)	–	(11,441)
– Interest element of lease rentals paid	–	(732)	–	(732)
Non-cash:				
– Interest expenses	–	732	5,433	6,165
– New lease arrangements	–	3,869	–	3,869
– Exchange adjustments	2,900	–	–	2,900
As at 31 December 2021	94,982	11,145	–	106,127

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Non-cash transactions

During the year ended 31 December 2021, the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to HK$3,869,000 (2020: nil) (note 20) was recognised at the lease commencement date.

36. COMMITMENTS

The Group as lessee

At the end of the reporting period, the lease commitments for short-term leases are as follows:

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Within one year	96	70

The Group as lessor

At the end of the reporting period, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of the investment properties as follows:

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Within one year	8,143	6,315
More than one year but not more than five years	26,564	33,654
	34,707	39,969

37. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had no other material balances with related transactions and balances with related parties during the years ended 31 December 2021 and 2020.

Key management personnel compensation

Key management of the Group includes the executive directors, non-executive directors of the Company, company secretary of the Company and executives of the Group. The remuneration paid or payable to key management personnel for employee services is shown below:

	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000
Short-term employees benefits	9,783	7,220
Post-employment benefits	86	–
	9,869	7,220

38. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000 (Restated)
ASSETS		
Non-current assets		
Property, plant and equipment	33	83
Right-of-use assets	7,943	17,972
Investments in subsidiaries	30,337	30,337
Other non-current assets	–	4,904
	38,313	53,296
Current assets		
Amounts due from subsidiaries	42,112	323,722
Trade and other receivables	5,555	574
Cash and cash equivalents	181,864	45,709
	229,531	370,005
Total assets	267,844	423,301
Equity attributable to owners of the Company		
Share capital	145,500	145,500
Share premium	95,240	95,240
Convertible bonds equity reserve (note)	–	577,941
Retained profits/(Accumulated losses) (note)	12,997	(562,532)
Total equity	253,737	256,149

38. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(Continued)

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000 (Restated)
Current liabilities		
Amounts due to subsidiaries	2,366	1,140
Trade and other payables	3,405	5,005
Lease liabilities	8,336	10,104
Convertible bonds	–	142,567
	14,107	158,816
Non-current liability		
Lease liabilities	–	8,336
Total liabilities	14,107	167,152
Total equity and liabilities	267,844	423,301
Net current assets	215,424	211,189
Total assets less current liabilities	253,737	264,485

38. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note: Movements in Convertible bonds equity reserve and retained profits/(accumulated losses) of the Company

	Convertible bonds equity reserve HK$'000	(Accumulated losses)/ Retained profits HK$'000 (Restated)
As at 1 January 2020 (restated)	577,941	(544,219)
Loss for the year (restated)	–	(18,313)
As at 31 December 2020 and 1 January 2021 (restated)	577,941	(562,532)
Repayment of convertible bonds (note 32)	(577,941)	577,941
Loss for the year	–	(2,412)
As at 31 December 2021	–	12,997

39. COMPARATIVE FIGURES

Certain comparative figures in (i) consolidated statement of cash flows and the notes to consolidated statement of cash flows in note 35; (ii) the segment information as disclosed in note 6; and (iii) the balance sheet of the Company as disclosed in note 38 have been adjusted to conform with current year's presentation.