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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Sino ICT Holdings Limited (the "Company") hereby announces the unaudited consolidated results (the "Results") of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2022 (the "Period"). The Results have not been audited but they have been reviewed by the Company's Audit Committee on 31 August 2022.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**Six months ended 30 June 2022** *HK$'000* **(Unaudited)**	Six months ended 30 June 2021 *HK$'000* (Unaudited)
Revenue and gain on securities investment	*5*	**143,749**	196,127
Cost of sales		**(78,225)**	(101,069)
Gross profit and gain on securities investment		**65,524**	95,058
Other income	*7*	**1,195**	3,607
Other (losses)/gains, net		**(3,225)**	641
Distribution costs		**(25,678)**	(27,798)
Administrative expenses		**(38,995)**	(28,810)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Notes	**Six months ended 30 June 2022**	Six months ended 30 June 2021
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Finance income	*8*	**1,593**	407
Finance costs	*8*	**(2,088)**	(7,620)
Finance costs, net	*8*	**(495)**	(7,213)
Share of results of associates		**—**	2,292
Share of results of joint ventures		**(125)**	—
(Loss)/profit before income tax		**(1,799)**	37,777
Income tax expense	*9*	**(63)**	(4,890)
(Loss)/profit for the Period attributable to equity holders of the Company		**(1,862)**	32,887
Other comprehensive (expense)/income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(6,497)**	79
Other comprehensive (expense)/income for the Period, net of tax		**(6,497)**	79
Total comprehensive (expense)/income attributable to equity holders of the Company		**(8,359)**	32,966
(LOSS)/EARNINGS PER SHARE			
Basic and diluted (loss)/earnings per share	*11*	**(0.13) HK cents**	2.26 HK cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	At **30 June 2022** *HK$'000* **(Unaudited)**	At 31 December 2021 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**71,611**	74,414
Investment property		**26,806**	26,806
Right-of-use assets		**18,192**	19,939
Intangible assets		**24,310**	23,615
Interests in associates		**2,278**	2,278
Interests in joint ventures		**8,537**	9,167
Financial assets at fair value through profit or loss ("FVTPL")		**5,148**	5,143
Deferred income tax assets		**3,575**	3,575
		160,457	164,937
Current assets			
Inventories		**36,934**	48,605
Trade and other receivables	*12*	**291,706**	236,922
Financial assets at FVTPL		**127**	689
Cash and cash equivalents		**269,603**	308,462
		598,370	594,678
TOTAL ASSETS		**758,827**	759,615
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		**145,500**	145,500
Share premium		**95,240**	95,240
Other reserves		**26,769**	33,266
Retained profits		**72,721**	74,583
TOTAL EQUITY		**340,230**	348,589

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Notes	**At 30 June 2022** **HK$'000** **(Unaudited)**	At 31 December 2021 HK$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Long-term borrowing	*14*	**84,934**	—
Lease liabilities		**1,278**	1,757
Deferred income		**902**	1,028
Deferred income tax liabilities		**7,242**	7,249
		94,356	10,034
Current liabilities			
Trade and other payables	*13*	**285,239**	271,863
Contract liabilities		**12,335**	14,437
Short-term borrowing		**7,029**	94,982
Lease liabilities		**9,725**	9,388
Income tax payables		**9,913**	10,322
		324,241	400,992
TOTAL LIABILITIES		**418,597**	411,026
TOTAL EQUITY AND LIABILITIES		**758,827**	759,615
NET CURRENT ASSETS		**274,129**	193,686
TOTAL ASSETS LESS CURRENT LIABILITIES		**434,586**	358,623

Notes:

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and its principal place of business is Unit 02-03, 69/F, ICC-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 Group is principally engaged in surface mount technology ("SMT") equipment manufacturing and securities investment.

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(蘇州園區)資產管理有限責任公司), a company established in the People's Republic of China (the "PRC").

The condensed consolidated interim financial information are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

The condensed consolidated interim financial information were approved for issue by the Board on 31 August 2022.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2022 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable provisions set out in the Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange. The condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2021, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

* For identification purposes only.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information have been prepared on the historical cost basis, except for financial assets at FVTPL and investment properties which are measured at fair value.

Except for the adoption of the following amended HKFRSs issued by the HKICPA, which are effective for the six months ended 30 June 2022, the accounting policies applied in preparing the condensed consolidated interim financial information are consistent with those of the consolidated financial statements for the year ended 31 December 2021.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

The adoption of the above amended HKFRSs did not have any significant impact on the Group's financial performance and position for the six months ended 30 June 2022.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the consolidated financial statements for the year ended 31 December 2021.

5. REVENUE AND GAIN ON SECURITIES INVESTMENT

Revenue and gain on securities investment for the six months ended 30 June 2022 are presented as follows:

	Six months ended 30 June 2022	Six months ended 30 June 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers under HFRS 15		
– Production and sales of industrial products	**142,165**	179,248
– Provision of administrative services	**1,065**	2,841
	143,230	182,089
Revenue from other sources		
– Realised and unrealised gains on listed equity securities classified as financial assets at FVTPL	**519**	14,038
	143,749	196,127
Timing of revenue recognition		
– At a point in time	**142,165**	179,248
– Over time	**1,065**	2,841
	143,230	182,089

6. SEGMENT INFORMATION

The executive directors are the Group's chief decision-makers. Management has determined the operating segments based on the report reviewed by the executive directors for the purposes of allocating resources and assessing performance.

The segment information for the six months ended 30 June 2022 is presented as follows:

	Six months ended 30 June 2022			
	Production and sales of industrial products *HK$'000* (Unaudited)	**Securities investment** *HK$'000* (Unaudited)	**Unalllocated activities** *HK$'000* (Unaudited)	**Total** *HK$'000* (Unaudited)
Revenue from external customers	**142,165**	**519**	**1,065**	**143,749**
Segment gross profit	**63,945**	**514**	**1,065**	**65,524**
Other income	**1,195**	**—**	**—**	**1,195**
Other gains/(losses), net	**2,809**	**—**	**(6,034)**	**(3,225)**
Distribution costs	**(25,678)**	**—**	**—**	**(25,678)**
Administrative expenses	**(26,508)**	**—**	**(12,487)**	**(38,995)**
Finance cost, net	**(1,404)**	**—**	**909**	**(495)**
Share of results of joint ventures	**—**	**—**	**(125)**	**(125)**
Profit/(loss) before income tax	**14,359**	**514**	**(16,672)**	**(1,799)**

6. SEGMENT INFORMATION (CONTINUED)

The segment information for the six months ended 30 June 2021 is presented as follows:

	Six months ended 30 June 2021			
	Production and sales of industrial products *HK$'000* (Unaudited)	Securities investment *HK$'000* (Unaudited)	Unalllocated activities *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Revenue from external customers	179,248	14,038	2,841	196,127
Segment gross profit	78,355	13,862	2,841	95,058
Other income	3,607	—	—	3,607
Other gains/(losses), net	1,050	—	(409)	641
Distribution costs	(27,798)	—	—	(27,798)
Administrative expenses	(13,957)	—	(14,853)	(28,810)
Finance cost, net	(1,894)	(3)	(5,316)	(7,213)
Share of results of associates	—	—	2,292	2,292
Profit/(loss) before income tax	39,363	13,859	(15,445)	37,777

7. OTHER INCOME

	Six months ended 30 June 2022 ***HK$'000*** **(Unaudited)**	Six months ended 30 June 2021 *HK$'000* (Unaudited)
Income from sales of scraps	**64**	21
Government grants	**1,131**	3,586
	1,195	3,607

8. FINANCE COSTS, NET

	Six months ended 30 June 2022 *HK$'000* (Unaudited)	Six months ended 30 June 2021 *HK$'000* (Unaudited)
Finance income:		
– Interest income from bank deposits	**1,593**	407
Finance costs:		
– Interest expenses on bank borrowings	**(2,088)**	(2,187)
– Interest expenses of convertible bonds	**—**	(5,433)
Finance costs, net	**(495)**	(7,213)

9. INCOME TAX EXPENSE

	Six months ended 30 June 2022 *HK$'000* (Unaudited)	Six months ended 30 June 2021 *HK$'000* (Unaudited)
Current income tax:		
– PRC Enterprise Income Tax	**63**	4,890

10. DIVIDENDS

The Board does not recommend the payment of dividend for the six months ended 30 June 2022, nor has any dividend been proposed since the end of the reporting period (for the six months ended 30 June 2021: nil).

11. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to equity holders of the Company is based on the following data:

	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
Earnings		
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share ((loss)/profit for the period attributable to equity holders of the Company) *(HK$'000)*	**(1,862)**	32,887
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share *('000)*	**1,455,000**	1,455,000
Basic and diluted (loss)/earnings per share	**(0.13) HK cents**	2.26 HK cents

12. TRADE AND OTHER RECEIVABLES

At 30 June 2022 and 31 December 2021, the ageing analysis of the trade and bills receivables based on invoice dates is as follows:

	At 30 June 2022 ***HK$'000*** **(Unaudited)**	At 31 December 2021 *HK$'000* (Audited)
0 – 90 days	**42,069**	32,357
91 – 180 days	**24,047**	20,247
Over 180 days	**16,018**	18,066
	82,134	70,670

13. TRADE AND OTHER PAYABLES

At 30 June 2022 and 31 December 2021, the ageing analysis of trade and bills payables based on the invoice dates is as follows:

	At	At
	30 June 2022	31 December 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 90 days	**29,173**	25,458
91 – 120 days	**1,139**	1,619
Over 120 days	**1,453**	7,171
	31,765	34,248

14. BORROWING

	At	At
	30 June 2022	31 December 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Secured bank borrowing due for repayment within one year	**7,029**	94,982
Secured bank borrowing due for repayment after one year	**84,934**	—
	91,963	94,982

The bank borrowing granted is secured by the Group's properties.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Period, the Group was principally engaged in the SMT and semiconductor equipment manufacturing and related businesses, with new businesses in energy storage and bird detection radar, and continued to stay tuned in its securities investment business.

The Group prepares its financial statements in accordance with Hong Kong Financial Reporting Standards. In the first half of the year, the Group recorded a loss attributable to equity holders of approximately HK$1,862,000 and a total comprehensive loss of approximately HK$8,359,000, both of which were slightly lower than the performances in the corresponding period last year. The Group recorded a total revenue and gain on securities investment of approximately HK$143,749,000 for the six months ended 30 June 2022, representing a decrease of 26.7% as compared with the corresponding period last year. Revenue from the SMT and semiconductor equipment manufacturing segment, the Company's principal business, amounted to approximately HK$142,165,000, representing a decrease of 20.7% as compared with the corresponding period last year.

The Group's overall business performance in the first half of the year was less than expected, it was mainly attributable to the establishment of joint ventures and subsidiaries in the first half of this year in line with the Group's strategic plan to expand new businesses. The newly established companies are now in the investment period and therefore the related expenses have increased. Furthermore, exchange rate fluctuations were relatively high during the Period, resulting in an increase in foreign exchange losses; gains from investment in securities decreased; in addition, the pandemic of COVID-19 continued and the domestic outbreak in China spread to many places, which also affected the SMT equipment manufacturing business of the Group. However, as the national situation in epidemic control was turning for the better and the Purchasing Managers' Index of China's manufacturing industry returned to above the threshold in June, the Group expects the economic performance to pick up in the second half of the year.

SMT and semiconductor equipment manufacturing related businesses

During the reporting period, almost all of the Group's revenue was derived from SMT and semiconductor equipment manufacturing related businesses, which contributed over 90% of the Group's gross profit and were the core of the Group's business development.

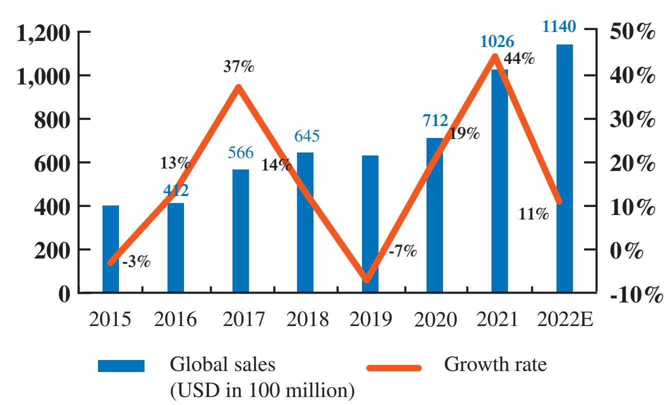
During the Period, the segment's business revenue decreased year-on-year to approximately HK$142,165,000, the segment's gross profit decreased year-on-year to approximately HK$63,945,000, net distribution costs decreased in line with the decline in sales volume, and administrative expenses increased year-on-year but remained manageable. In summary, although the segment's profit before income tax was lower than the corresponding period last year, the Group believes that the segment's business performance was in line with expectations, considering the slow development of the manufacturing industry as a whole during the Period due to the pandemic.

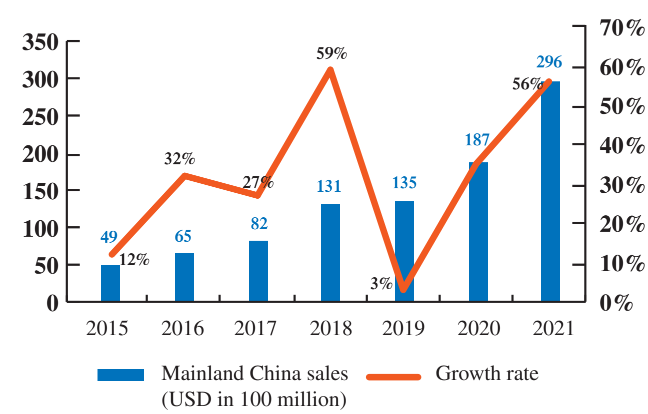
The Group continues to deepen the research and development, and manufacturing of SMT and semiconductor equipment while continuously to upgrading the technology and equipment related to the segment to expand its product applications and customer base.

The Mini LED display market is promising and may open up new incremental markets for LED displays. Mini LED offers the advantages of seamless stitching, wide colour gamut, low energy consumption, long life and high resolution for a wide range of applications, including Mini LED TV products which have seen an increase in demand in recent years. According to Arizton's forecast, the global Mini and Micro LED market will exceed US$1 billion this year. Relying on the extensive experience and proven capability, the Group has developed full nitrogen reflow soldering equipment that can meet the requirements of Mini LED soldering, which was certified by renowned companies in the industry and successfully sold during the Period. We anticipate that with technological optimisation and cost reduction, Mini LED displays will gradually shift from commercial applications to consumer electronics applications. It is believed that through continuous technological research and development, the Group will be able to drive the commercialisation of Mini LED technology and continue to provide quality equipment and professional supporting services to our customers.

The new energy vehicle industry chain is strong, with supply, demand and policy moving in a positive direction, driving incremental demand for charging piles. In the first five months of this year, domestic sales of new energy vehicles accumulated 2,003 thousand units, representing a penetration rate of 21.0%, which reflects that the industry has shifted from policy-oriented to demand-driven. Even though the pandemic led to a month-on-month drop in sales in April, sales in the month were still over 40% higher than the corresponding period last year, reflecting the trend of vehicle companies prioritising the supply of new energy vehicles and actively promoting the transformation of vehicles into electric vehicles. The Company believes that the development of new energy vehicles in China will continue to gain momentum and market expectations will stabilise. According to data from the China Electric Vehicle Charging Infrastructure Promotion Alliance, the total charging capacity in China reached 11.15 billion kilowatt hours last year, representing a year-on-year increase of 58.0%. Due to the high charging efficiency of DC charging piles, we expect the share of DC charging piles to continue to grow and the market prospects are promising.

China's semiconductor market sales reach new highs. The domestic semiconductor industry has accelerated its capacity expansion due to the shortage of chips and industry promotion, with equipment sales of US$29.6 billion in 2021, representing a year-on-year increase of 56.0% and accounting for 29.0% of global semiconductor equipment sales, with a growth rate in the industry much faster than the global average. Semiconductor Equipment and Materials International ("SEMI") estimates that the global semiconductor equipment market will further expand to approximately US$114 billion in 2022 and that the semiconductor equipment market in China will once again become the largest one in 2023. Therefore, the Company believes that China's semiconductor equipment industry will continue to grow at a rapid pace. The Group's self-developed semiconductor reflow soldering machine is an essential equipment in the chip packaging and IC production and manufacturing process of the semiconductor industry. Relying on the industry momentum, it is believed that the Group's reflow soldering machine, wave soldering machine, selective wave soldering machine, vertical curing oven, tunnel oven, IC soldering machine and other related equipment will achieve incremental demand and drive large-scale production, which will be beneficial to the Group in strengthening its brand and generating revenue from its operations.





Source: Wind, SEMI, Great Wall Glory Securities Institute

Note: 2021, 2022E data from SEMI, rest from Wind

Source: Wind, SEMI, Great Wall Glory Securities Institute

Chart: Sales and Growth Rate for Global and Mainland China Semiconductor Equipment

In respect of market promotion, exhibitions the Group planned to participate in, namely in the productronica China 2022, NEPCON CHINA 2022, and the 20th China International Semiconductor Expo were either put off or cancelled by the organisers under the requirements of the local pandemic prevention and control policy. The Group will closely monitor related information concerning the exhibitions in the second half of 2022, so as to seize marketing opportunities.

In summary, the Company is of the view that although the SMT and semiconductor equipment manufacturing related industries have been hampered by the pandemic and other factors with poor periodical business performance, the industry's prosperity will remain high and the market potential to be released in the second half of this year when the economy gradually picks up to facilitate a full recovery of the industry. The Group will also continue to focus on SMT and semiconductor manufacturing related businesses as the core of our businesses to help achieve a better-quality, more efficient enterprise.

Energy Storage Business

In the first half of this year, the management of the Group actively explored potential development opportunities in the relevant industries on the basis of maintaining normal corporate operations, and setting up joint ventures in the energy storage and bird detection radar industries to seek new businesses and develop new strategies for the long-term development of the Company.

In 2020, the central government of China proposed the "Dual Carbon" goal of peaking carbon dioxide emissions by 2030 and achieving carbon neutrality by 2060, and local governments have adopted complementary policies to support their energy industry. Taking the national goal as our responsibility, the Group seized the historical opportunity of the rapid development of the new energy industry and actively expanded into the energy storage market. At the end of 2021, the Group's wholly-owned subsidiary Sino ICT Technology Macao Co. Ltd. ("Sino ICT Technology Macao") and Shenzhen Qianhai Dongfang New Energy Co., Ltd.* (深圳前海東方新能源有限公司) established a joint venture, Sino New Energy Utilisation (Hengqin) Technology Co., Ltd.* (中鑫電聯(珠海橫琴)能源科技有限公司), to enter the trillion-level electricity service market, focusing on the provision of electricity storage and peak regulation solutions as well as project operation and management.

The Group plans to develop and construct independent energy storage stations in Shanxi, Henan and other inland industrial provinces to participate in peak and frequency regulation services on the grid side, and provide storage capacity leasing services for new energy stations in the region to ensure a safe and stable supply of electricity under restricted conditions such as large-scale grid integration and cable repair and expansion. The project is in process at the time and parts of which have already obtained filing certificates from the local development and reform department and energy supervision department, with other related pre-approval work in progress.

* For identification purposes only.

China has a large and complex electricity system. The importance of the energy storage industry is becoming increasingly apparent as the rising share of green electricity increases the instability of electricity supply in the face of the carbon neutrality wave. According to Tianfeng Securities' estimates, in 2025, the installed capacity of energy storage on the domestic electricity generation side is expected to reach 68.4 gigawatt hours, while the demand for independent energy storage on the grid side will reach 13.8 gigawatt hours, totaling the installed capacity of energy storage of 80 gigawatt hours. The Company expects the renewable energy sector to enter a phase of high-quality growth within a few years, and with technological advances and economies of scale driven by markets such as electric vehicles, the energy storage industry will also move steadily into a phase of commercial production. The rapid and flexible deployment of energy supply in the storage industry will benefit utilities, grid operators and end-users etc., resulting in significant market demand.

The Company believes that the favourable policies have created an environment for the energy storage industry to heat up and grow in the market, and that the industry is gaining momentum. The Group's early deployment of the new energy storage industry will benefit it in achieving long-term development and its investors. It is also a strong proof of its integration into the national low-carbon development process and taking of corporate social responsibility.

Radar Business

Early in the year, through Sino ICT Technology Macao, the Group and Meilin DeTect (Beijing) Technology Co., Ltd.* (梅林泰特 (北京) 科技有限公司) established a joint venture, Sino DeTect Technology (Haining) Co., Ltd.* (芯泰智能科技 (海寧) 有限公司) which is principally engaged in the research and development, manufacture and sales of commercial bird detection radar equipment and control systems in the Greater China region.

Since its commencement of operation, the joint venture has been actively promoting the localisation progress of the bird radar operation and the software and hardware systems and plans to launch two prototypes of the radar system by the end of the year with the preliminary ability to sell the products. At the same time, the Company will actively participate in the construction of the national upper-air bird avoidance system by virtue of its technical advantages.

* For identification purposes only.

The Company expects that in 2025, China's airports will build three world-class airport clusters in the Beijing-Tianjin-Hebei, Yangtze River Delta and Pearl River Delta, and the huge throughput will drive incremental demand for bird detection radar products. The Group believes that the addition of the radar business is timely and appropriate which will help the Company achieve strategic transformation and technological advancement.

Securities Investment Business

For the securities investment segment, the Group adopts a low-frequency trading strategy, focusing on upstream and downstream companies that are synergistic with the Company's principal business, SMT equipment manufacturing, and investing in high-tech companies listed on the Stock Exchange, with a particular focus on quality companies in the semiconductor industry. In view of the volatile market conditions and the suppressed investment climate in recent years, the Company also closely monitors market movements and manages its securities investment activities prudently to minimise investment risks. During the six months ended 30 June 2022, the Group revitalised its portfolio of securities on a risk-controlled basis and disposed of its holdings decisively, quickly and accurately to better lock in investment profits and avoid the impact of share price volatility on the Company's profit.

Specifically, the majority of the Group's shares in GUODIAN TECH (stock code: 1296.HK) were sold earlier, taking into account the macroeconomic situation and the performance of the Hong Kong stock market. Subsequently, the listing for GUODIAN TECH on the Stock Exchange was withdrawn with effect from 9:00 a.m. on 30 May at a privatisation price of HK$1.08 per share. The Group's investment in GUODIAN TECH at that time amounted to 1,000,000 shares and the total amount received for the privatisation was approximately HK$1,079,200 (net of transaction costs), representing an investment gain of HK$500,000. As of 30 June 2022, the Company's financial assets measured at fair value through profit or loss totalled approximately HK$127,490, representing less than 1% of its total assets, effectively avoiding possible revenue risk arising from fluctuations in the securities market and protecting the interests of investors.

The Group has put in place a rigorous reporting mechanism for its securities investment business. The management will continue to closely monitor the performance of various investment activities in order to minimise investment risks and protect the safety of investments.

Name of investee	**Total investment gain for the six months ended 30 June 2022** *HK$'000* **(Unaudited)**
GOME FIN TECH (stock code: 628.HK)	**19**
GUODIAN TECH (stock code: 1296.HK)	**500**
	519

The Group's investments in the listed shares were recorded as financial assets at fair value through profit or loss on the consolidated balance sheet, which was approximately HK$127,490 as at 30 June 2022:

Name of investee	**Financial assets at fair value through profit or loss as at 30 June 2022** *HK$'000* **(Unaudited)**	**Approximate percentage of total financial assets at fair value through profit or loss** *%*
GOME FIN TECH	**127**	**100**
	127	**100**

FINANCIAL REVIEW

Income

An analysis of the Group's income by business segments for the Period is as follows:

	Six months ended 30 June 2022	Six months ended 30 June 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
SMT equipment manufacturing and related business	**142,165**	179,248
Securities investment	**519**	14,038
Comprehensive services	**1,065**	2,841
	143,749	196,127

Other gains

During the Period, the Group recorded other gains of approximately HK$1,195,000 mainly attributable to government grants.

Distribution costs

During the Period, the Group recorded distribution costs of approximately HK$25,678,000, representing a decrease of approximately HK$2,120,000 as compared to the six months ended 30 June 2021, mainly due to the decrease in sales.

Administrative expenses

During the Period, the Group recorded administrative expenses of approximately HK$38,995,000, representing an increase of approximately HK$10,185,000 as compared to the six months ended 30 June 2021.

Finance costs, net

During the Period, the net finance costs amounted to approximately HK$495,000, representing a decrease of approximately HK$6,718,000 as compared to the six months ended 30 June 2021, mainly due to the decrease in interest expense.

(Loss)/profit for the Period

Based on the abovementioned, the loss attributable to the equity holders of the Company for the Period was approximately HK$1,862,000.

Earning before interest, tax, depreciation and amortisation

The following table illustrates the Group's earning before interest, tax, depreciation and amortisation for the respective periods. The Group's earning ratio before interest, tax, depreciation and amortisation was approximately 1.31% for the Period.

	Six months ended 30 June 2022 ***HK$'000*** **(Unaudited)**	Six months ended 30 June 2021 *HK$'000* (Unaudited)
(Loss)/profit for the Period attributable to equity holders of the Company	**(1,862)**	32,887
Finance costs, net	**495**	7,213
Income tax expense	**63**	4,890
Depreciation and amortisation	**3,181**	3,020
Earning before interest, tax, depreciation and amortisation	**1,877**	48,010

Gearing ratio

With reference to the borrowing to the total equity attributable to the equity holders of the Company as at 30 June 2022, the gearing ratio of the Group was 27.03%.

Operating capital management

At 30 June 2022, the Group held cash and bank balances of approximately HK$269,603,000, representing a decrease of approximately HK$38,859,000 comparing with approximately HK$308,462,000 as at the beginning of the Period. During the Period, the Group recorded the average debtors turnover days of approximately 185 days (31 December 2021: 95 days), the average creditor turnover days of approximately 152 days (31 December 2021: 82 days), and the average inventory turnover days of approximately 197 days (31 December 2021: 83 days).

Charges on the Group assets

At 30 June 2022, the Group's banking facilities including its import/export loan, letter of credit, documentary credits, trust receipt and bank borrowings were secured by:

(i) a first legal charge on the Group's certain land and properties, which had an aggregate net book value at the reporting date of HK$78,426,000.

Equity and liabilities

At 30 June 2022, the Group's net assets was approximately of HK$340,230,000, compared with the net assets of approximately HK$348,589,000 at 31 December 2021. Decrease in equity during the Period was approximately HK$8,359,000.

Employees

At 30 June 2022, the Group employed approximately 369 staff and workers in Mainland China and approximately 21 staff 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 industry's practice. In Mainland China, the Group provides staff welfare and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, the Group provides employee benefits including retirement scheme and performance bonuses.

PRINCIPAL RISKS AND UNCERTAINTIES

Operational risk

The Group is exposed to operational risk in relation to each business segment of the Group. 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 and seek directions.

The Group emphasises on ethical value and prevention of fraud and bribery, and has established a whistleblower program, including communication with other departments and 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 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.

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 dollar, US dollar and so on. During the Period, 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 LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as a code of conduct securities transactions by directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2022.

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 endeavors 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 to the Listing Rules.

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the Code. The Company was in compliance with the Code for the six months ended 30 June 2022.

Audit Committee

The Company has established the Audit Committee (the "Committee") in accordance with the requirements of the Code, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Committee comprises one non-executive director and two independent non-executive directors of the Company. The Group's interim results for the six months ended 30 June 2022 has been reviewed by the Committee. The Committee is of the opinion that these statements comply with the applicable accounting standards, regulations and the Stock Exchange's requirements, and that adequate disclosures have been made.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE'S WEBSITE

The Company's interim report containing all the information required by the Listing Rules will be published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.sino-ict.com) and be despatched to shareholders in due course.

CAUTION STATEMENT

The Board wishes to remind investors that the above unaudited interim financial results and operational statistics for the six months ended 30 June 2022 and the six months ended 30 June 2021 are based on the Group's internal information. Investors should note that undue reliance on or use of such information may cause investment risks. Investors are advised to exercise caution when dealing in the securities of the Company.

This announcement contains forward-looking statements regarding the objectives and expectations of the Group with respect to its opportunities and business prospects. Such forward-looking statements do not constitute guarantees of future performance of the Group and are subject to factors that could cause the Company's actual results, plans and objectives to differ materially from those expressed in the forward-looking statements. These factors include, but not limited to, general industry and economic conditions, shifts in customer demands, and changes in government policies. The Group undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances.

By Order of the Board of Directors
Sino ICT Holdings Limited
Yuan I-Pei
Chairman

Hong Kong, 31 August 2022

As at the date of this announcement, the directors are Mr. Yuan I-Pei and Mr. Xia Yuan as executive directors; Mr. Li Yongjun and Mr. Li Jinxian as non-executive directors; and Mr. Wang Yanxin, Mr. Cui Yuzhi, Mr. Bao Yi and Mr. Ping Fan as independent nonexecutive directors.