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SINO ICT HOLDINGS LIMITED

芯成科技控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00365)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Sino ICT Holdings Limited (the “Company”) hereby announces the audited annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

	<i>Notes</i>	Year ended 31 December 2022 HK\$'000	Year ended 31 December 2021 HK\$'000
Revenue and gain on securities investment	4	231,616	322,981
Cost of sales		(136,626)	(181,152)
Gross profit and gain on securities investment		94,990	141,829
Other income	6	20,664	23,064
Other (losses)/gains, net	7	(3,291)	5,097
Distribution costs		(45,193)	(51,102)
Administrative expenses		(97,228)	(76,351)
Reversal of expected credit losses (“ECL”) allowance of trade and bills receivables		7	703
Operating (loss)/profit		(30,051)	43,240

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		Year ended 31 December 2022 <i>HK\$'000</i>	Year ended 31 December 2021 <i>HK\$'000</i>
	<i>Notes</i>		
Finance income	8	2,550	2,280
Finance costs	8	<u>(7,081)</u>	<u>(10,645)</u>
Finance costs, net	8	<u>(4,531)</u>	<u>(8,365)</u>
Share of results of associates		54	2,285
Share of result of a joint venture		887	588
Gain on disposal of an associate		<u>—</u>	<u>8,668</u>
(Loss)/Profit before income tax		(33,641)	46,416
Income tax credit/(expenses)	9	<u>549</u>	<u>(8,134)</u>
(Loss)/Profit for the year		<u>(33,092)</u>	<u>38,282</u>
Other comprehensive income/(expense) for the year			
<i>Items that will not be reclassified subsequently to profit or loss :</i>			
Revaluation of property, plant and equipment upon transfer to investment properties		3,614	—
Deferred income tax on revaluation of property, plant and equipment upon transfer to investment properties		<u>(903)</u>	<u>—</u>
		2,711	—
<i>Items that will be reclassified subsequently to profit or loss :</i>			
Exchange differences on translation of foreign operations		<u>(11,219)</u>	<u>1,093</u>
Other comprehensive (expense)/income for the year, net of tax		<u>(8,508)</u>	<u>1,093</u>
Total comprehensive (expense)/income for the year		<u><u>(41,600)</u></u>	<u><u>39,375</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		Year ended 31 December 2022 <i>HK\$'000</i>	Year ended 31 December 2021 <i>HK\$'000</i>
(Loss)/Profit for the year attributable to:			
Owners of the Company		(24,504)	38,282
Non-controlling interests		(8,588)	—
		(33,092)	38,282
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		(31,625)	39,375
Non-controlling interests		(9,975)	—
		(41,600)	39,375
		HK cents	HK cents
(Loss)/Earnings per share for (loss)/profit attributable to owners of the Company			
Basic and diluted	<i>10</i>	(1.68)	2.63

CONSOLIDATED BALANCE SHEET

as at 31 December 2022

	<i>Notes</i>	As at 31 December 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		449,446	74,414
Investment properties		29,768	26,806
Right-of-use assets		35,375	19,939
Intangible assets		27,811	23,615
Interests in associates		12,735	2,278
Interest in a joint venture		9,346	9,167
Financial assets at fair value through profit or loss (“FVTPL”)		18,765	5,143
Deferred income tax assets		3,705	3,575
Trade and other receivables	12	7,054	—
		<u>594,005</u>	<u>164,937</u>
Current assets			
Inventories		23,450	48,605
Trade and other receivables	12	266,755	236,922
Financial assets at FVTPL		85	689
Cash and cash equivalents		273,446	308,462
		<u>563,736</u>	<u>594,678</u>
Total assets		<u><u>1,157,741</u></u>	<u><u>759,615</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		145,500	145,500
Share premium		95,240	95,240
Other reserves		26,145	33,266
Retained profits		50,079	74,583
		<u>316,964</u>	<u>348,589</u>
Equity attributable to owners of the Company		<u>316,964</u>	<u>348,589</u>
Non-controlling interests		36,553	—
		<u>353,517</u>	<u>348,589</u>
Total equity		<u><u>353,517</u></u>	<u><u>348,589</u></u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
Non-current liabilities			
Bank and other borrowings		442,290	—
Lease liabilities		12,230	1,757
Deferred income		783	1,028
Deferred income tax liabilities		7,994	7,249
		<u>463,297</u>	<u>10,034</u>
Current liabilities			
Trade and other payables	13	294,017	271,863
Contract liabilities		6,177	14,437
Bank and other borrowings		28,631	94,982
Lease liabilities		9,819	9,388
Income tax payables		2,283	10,322
		<u>340,927</u>	<u>400,992</u>
Total liabilities		<u>804,224</u>	<u>411,026</u>
Total equity and liabilities		<u>1,157,741</u>	<u>759,615</u>
Net current assets		<u>222,809</u>	<u>193,686</u>
Total assets less current liabilities		<u>816,814</u>	<u>358,623</u>

Notes:

1. GENERAL INFORMATION

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. 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 Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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), a company established in the People's Republic of China (the "PRC").

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in (i) Surface Mount Technology ("SMT") equipment manufacturing; (ii) securities investment; (iii) sales and storage of new energy; and (iv) sales, research and development of bird detection radar equipment and customised integrated solutions for bird detection and dispersal.

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

The consolidated financial statements for the year ended 31 December 2022 were approved for issue by the Board on 29 March 2023.

2. BASIS OF PREPARATION

The 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 ("HKICPA") and the accounting principles generally accepted in Hong Kong.

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

3. ADOPTION OF NEW AND AMENDED HKFRSs

(a) Amended HKFRSs that are effective for annual periods beginning on 1 January 2022

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2022:

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 HKFRSs 2018-2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

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

(b) Issued but not yet effective HKFRSs

At the date of authorisation of the 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 ¹
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ Effective date not yet determined

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. The new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

4. 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 2022 <i>HK\$'000</i>	Year ended 31 December 2021 <i>HK\$'000</i>
Revenue from contracts with customers		
Production and sales of industrial products	<u>231,140</u>	<u>308,837</u>
Revenue from other sources		
Realised and unrealised gains on listed equity securities	<u>476</u>	<u>14,144</u>
	<u>231,616</u>	<u>322,981</u>
Timing of revenue recognition		
At a point in time	<u>231,140</u>	<u>308,837</u>
Geographical markets		
The PRC, excluding Hong Kong	<u>227,265</u>	<u>304,418</u>
Hong Kong of the PRC	<u>3,875</u>	<u>4,419</u>
	<u>231,140</u>	<u>308,837</u>

5. SEGMENT INFORMATION

The chief operating decision maker has identified the operating segments around differences in products and services.

For the year ended 31 December 2022, the Group has identified the following reporting segments:

- (1) Production and sales of industrial products – manufacturing and sales of SMT equipment;
- (2) Securities investment – investment in listed equity securities;
- (3) Energy storage business – sales and storage of new energy; and
- (4) Radar business – sales, research and development of bird detection radar equipment and customised integrated solutions for bird detection and dispersal.

5. SEGMENT INFORMATION (CONTINUED)

The segment information for the year ended 31 December 2022 is presented as follows:

	Production and sales of industrial products	Securities investment	Energy storage business	Radar business	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 December 2022						
Reportable segment revenue						
Revenue from external customers	<u>231,140</u>	<u>476</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>231,616</u>
Segment gross profit	94,514	476	—	—	—	94,990
Other income	15,679	—	14	—	4,971	20,664
Other gains/(losses), net	7,491	—	—	(1)	(10,781)	(3,291)
Distribution costs	(45,193)	—	—	—	—	(45,193)
Administrative expenses	(61,862)	(7)	(9,697)	(9,320)	(16,342)	(97,228)
Reversal of ECL allowance of trade and bills receivables	7	—	—	—	—	7
Finance income	959	1	129	78	1,383	2,550
Finance costs	(4,419)	—	(2,082)	(72)	(508)	(7,081)
Share of results of associates	—	—	—	—	54	54
Share of result of a joint venture	—	—	—	—	887	887
Profit/(Loss) before income tax	<u>7,176</u>	<u>470</u>	<u>(11,636)</u>	<u>(9,315)</u>	<u>(20,336)</u>	<u>(33,641)</u>
As at 31 December 2022						
Reporting segment assets	596,453	4,413	404,943	34,819	117,113	1,157,741
Interests in associates	—	—	—	—	12,735	12,735
Interest in a joint venture	—	—	—	—	9,346	9,346
Additions to non-current segment assets (other than financial instruments and deferred income tax assets) during the year	<u>6,012</u>	<u>—</u>	<u>377,235</u>	<u>31,646</u>	<u>840</u>	<u>415,733</u>
Reporting segment liabilities	454,865	40	322,163	5,618	21,538	804,224

5. SEGMENT INFORMATION (CONTINUED)

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

	Production and sales of industrial products	Securities investment	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2021				
Reportable segment revenue				
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 allowance of 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
As at 31 December 2021				
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. OTHER INCOME

	Year ended 31 December 2022 <i>HK\$'000</i>	Year ended 31 December 2021 <i>HK\$'000</i>
Rental income from		
– investment properties	8,616	7,409
– motor vehicle included in property, plant and equipment	240	240
– right-of-use assets	4,257	3,723
	<hr/>	<hr/>
	13,113	11,372
Government grants	3,608	7,246
Agency fee income	3,383	3,649
Income from provision of administrative services	450	651
Income from sales of scraps	110	146
	<hr/>	<hr/>
	20,664	23,064
	<hr/> <hr/>	<hr/> <hr/>

7. OTHER (LOSSES)/GAINS, NET

	Year ended 31 December 2022 <i>HK\$'000</i>	Year ended 31 December 2021 <i>HK\$'000</i>
Exchange (losses)/gains, net	(4,167)	4,972
Compensation income	145	92
Unrealised gain on unlisted equity securities	56	89
Gain/(Loss) on fair value changes in investment properties	560	(960)
Gain/(Loss) on disposal of property, plant and equipment	32	(1)
Loss on early termination of leases	(199)	—
Others	282	905
	<hr/>	<hr/>
	(3,291)	5,097
	<hr/> <hr/>	<hr/> <hr/>

8. FINANCE COSTS, NET

	Year ended 31 December 2022 <i>HK\$'000</i>	Year ended 31 December 2021 <i>HK\$'000</i>
Finance income		
Interest income from bank deposits	2,550	2,280
Finance costs		
Interest expenses on bank and other borrowings	6,507	4,480
Interest expenses on convertible bonds	—	5,433
Finance charges on lease liabilities	574	732
	7,081	10,645
Finance costs, net	4,531	8,365

9. INCOME TAX (CREDIT)/EXPENSES

	Year ended 31 December 2022 <i>HK\$'000</i>	Year ended 31 December 2021 <i>HK\$'000</i>
Current tax		
– PRC Enterprise Income Tax	—	3,407
– Over-provision in respect of prior years	—	(1,524)
	—	1,883
Deferred income tax	(549)	6,251
	(549)	8,134

10. (LOSS)/EARNINGS PER SHARE

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

	Year ended 31 December 2022 <i>HK\$'000</i>	Year ended 31 December 2021 <i>HK\$'000</i>
<u>(Loss)/Earnings</u>		
(Loss)/Earnings for the purpose of basic and diluted (loss)/earnings per share ((loss)/profit for the year attributable to owners of the Company)	<u>(24,504)</u>	<u>38,282</u>
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per shares (<i>in thousands</i>)	<u>1,455,000</u>	<u>1,455,000</u>

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

12. TRADE AND OTHER RECEIVABLES

	As at 31 December 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
Non-current		
Prepayments for purchase of property, plant and equipment	2,701	—
Deposits	4,353	—
	<u>7,054</u>	<u>—</u>
Current		
Trade receivables	67,541	61,847
Bills receivables	8,086	8,823
	<u>75,627</u>	<u>70,670</u>
Less: ECL allowance	(3,579)	(5,138)
	<u>72,048</u>	<u>65,532</u>
Trade and bills receivables, net	72,048	65,532
Prepayments	2,161	2,723
Tax reserve certificate	1,807	—
Amount due from a non-controlling shareholder	25,180	—
Amount due from Sino IC Leasing	75,918	—
Receivables from agency services	87,920	161,085
Deposits and other receivables	1,721	7,582
	<u>266,755</u>	<u>236,922</u>
	<u><u>273,809</u></u>	<u><u>236,922</u></u>

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group allows an average credit period of 30 – 90 days (2021: 30 – 90 days) to its customers, except for 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 is as follows:

	As at 31 December 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
0 – 90 days	45,589	32,357
91 – 180 days	16,726	20,247
Over 180 days	13,312	18,066
	<u>75,627</u>	<u>70,670</u>

13. TRADE AND OTHER PAYABLES

	As at 31 December 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
Trade payables	16,232	34,248
Salaries payables	33,351	38,517
Other taxes payables	31,684	19,507
Payables from agency services	109,662	176,327
Payables to suppliers of leased machinery	98,275	—
Accruals and other payables	4,813	3,264
	<u>294,017</u>	<u>271,863</u>

13. TRADE AND OTHER PAYABLES (CONTINUED)

The Group was granted by its suppliers' credit periods ranging from 30 – 60 days (2021: 30 – 60 days). Based on the invoice dates, the ageing analysis of the trade payables is as follows:

	As at 31 December 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
0 – 90 days	11,553	25,458
91 – 120 days	931	1,619
Over 120 days	3,748	7,171
	<hr/> 16,232 <hr/>	<hr/> 34,248 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

During the year, the Group was principally engaged in SMT and semiconductor equipment manufacturing related business, continued to develop energy storage and radar business, and operated its securities investment business stably.

2022 is a turbulent year. The conflict between Russia and Ukraine devastated the global economy, the price of raw materials and food rose drastically, the soaring prices were beyond expectations. To inhibit inflation, the U.S. Federal Reserve rose the interest rate for four times throughout the year which led to the sharp fluctuation in the foreign exchange market. After entering the second half of 2022, although the COVID-19 pandemic eased somewhat, the slowdown of global economy would plunge many countries into recession. The overall manufacturing industry in China also affected by the pandemic to a great extent. In December 2022, the Chinese manufacturing purchasing managers index (PMI) was 47.0%, and during the year the manufacturing index were below the tipping point in many months, the level of economic prosperity of production and operation was not high.

Under such economic condition, the Group adopts a stable development policy to stabilise the operation of SMT and semiconductor equipment manufacturing related business. Meanwhile, the Group also expands its business into new areas, actively develops energy storage and radar business to further enhance the commercial value of the enterprise while exploring new sources of profitability for the Group.

For the year ended 31 December 2022, the Group's revenue and gain on securities investment amounted to approximately HK\$231,616,000, representing a year-on-year decrease of HK\$91,365,000. The gross profit and gain on securities investment amounted to approximately HK\$94,990,000, representing a year-on-year decrease of HK\$46,839,000. The gross profit margin was 41.01%, representing a year-on-year decrease of 2.9 percentage points. The decrease in some of the Group's financial figures compared to 2022 was mainly due to the fact that the Group have established joint ventures and subsidiaries during the year in order to expand its new business in line with the strategic planning, and each new company were in the investment period, thus the relevant expenses were relatively high. Secondly, during the year of 2022, foreign exchange rate fluctuated greatly, which led to the increase in foreign exchange losses, gains from investment in listed equity securities decreased, together with the ongoing COVID-19 pandemic, all of these have impacted the core business of the Group in SMT and semiconductor equipment manufacturing related business.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SMT and Semiconductor Equipment Manufacturing related Business

SMT and semiconductor equipment manufacturing related business is the core business of the Group and the main source of revenue for the Group. Due to the continuous outbreaks of COVID-19 pandemic in various places and the continuous attacks of China-U.S. trade war, the Group's SMT and semiconductor equipment manufacturing related business had performed weak during the year. For the year ended 31 December 2022, the revenue of SMT and semiconductor equipment and related business amounted to approximately HK\$231,140,000, representing a year-on-year decrease of HK\$77,697,000, the segment's gross profit amounted to HK\$94,514,000, representing a year-on-year decrease of HK\$33,347,000.

In 2022, the economic sentiment of China's manufacturing sector was not high, the smartphone market was in the downturn, and the global smartphone shipment declined by 18% year-on-year in the 4th quarter. Mini LED has not yet completed its commercialisation process and the downstream demand growth was hampered. Due to the impacts of COVID-19, the supply chain and logistic chain of semiconductor industry were severely hampered. The U.S. crackdown on China's information technology industry also led to the inability of mainland Chinese companies to meet certain of its high-end needs for dies, wafers, equipment and development tools, which will not change in the short term.

However, the long-term growth of semiconductor industry and consumer electronics is promising. The high-end TV panel market will enhance gradually, it is expected that the penetration rate of Mini LED TV will increase from 0.3% in 2020 to 10.0% in 2025, and the sales volume of global Mini LED backlight TV products will increase to 25,500,000 units in 2025. The development momentum of Chinese NEV sector is also strong and resilient. In 2022, Chinese NEV market was the largest driver to the global growth in terms of sales volume, growth rate, market share and penetration rate. Its share of global sales climbed quarter by quarter, increasing from 55.0% in the first quarter to 64.0% in the third quarter, and its global penetration rate of NEVs is expected to further increase in 2023, and outperformed the rest of the world. Charging piles are the infrastructure to safeguard the travel of electric vehicles users. Benefited from the fast growth of NEVs, charging piles continues to maintain rapid growth, there were a total of 1,797,000 units of public charging piles reported by members of the China Electric Vehicle Charging Infrastructure Promotion Alliance (the "EVCIPA"(充電聯盟)) with an average monthly increase of about 54,000 units as of December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SMT and Semiconductor Equipment Manufacturing related Business (Continued)

The new version of 5G was also released during the year. The new version improves the commercial features of 5G, introduces new functions, further broadens the application scenarios of 5G network, explores the infusion of 5G and AI technology for the first time and formulates uniformed functional framework. Meanwhile, 5G technology has designed and adopted a hierarchical network big data intelligent analysis architecture for the first time to provide platform-based capabilities for large operators. In addition, in the first half of 2022, the IoT market in Mainland China maintained a growth rate of over 25%. According the statistical forecast from Internet Data Center, the market size growth of China's IoT is in a leading position worldwide, the compound growth rate from 2020 to 2025 is 13.0%, which is higher than those in the regions where the industry applications are more mature such as the U.S. and Western Europe. According to the forecast from GSM Association, the market size of China's IoT market is expected to reach about trillion RMB in 2025.

In line with the market development, the Group has been committed to the independent R&D of SMT and semiconductor equipment. Our products adopt humanised design with features of low-cost operation, energy saving and environmental protection. Therefore, our new equipment has always been widely recognised by the market and praised by the industry. In 2022, the Group launched the wholly new semiconductor packaging equipment IC soldering machine (半導體封裝設備IC貼合機) which significantly outperformed the old models in terms of function, performance, stability, reliability, safety, maintainability and easy operability. Meanwhile, the Group obtained three new patents during the year, including automatic tin buffer device (自動加錫緩衝裝置), wave oxidation reduction II cover plate structure (波峰二降氧化量蓋板結構), the anti-oxidation cover structure of tin stove of wave soldering machine (波峰焊接機的錫爐防氧化罩結構). As of 31 December 2022, the Group has achieved 7 technological invention patents, 38 utility model patents, 12 appearance patents, and 11 soft copyrights.

In terms of marketing, the Group has always adhered to the “Go Global” strategy, actively participated in large exhibitions at home and abroad to introduce the performance and features of its major products to customers by experienced senior technological engineers. In the past three years, as impacted by the pandemic, most of the exhibitions that are large scale and with industry recognition have been postponed or canceled. Until the pandemic gradually eased in 2022, the Group increased its marketing efforts. In the second half of 2022, the Company participated in the CEIA China Electronic Intelligent Manufacturing Summit Forum (CEIA中國電子智能製造高峰論壇) held in Chengdu City, Sichuan Province and Wuhan City, Hubei Province, the 10th Annual Conference of China Semiconductor Equipment (第十屆中國半導體設備年會) held in Wuxi City, Jiangsu Province, the 20th China International Semiconductor Expo held in Hefei City, Anhui Province, respectively. Such movements have further deepened our influence in the industry.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Energy Storage Business

Under the global goal of “Carbon Neutrality”, clean energy will gradually replace fossil energy, and wind power, photovoltaic power will be the main forces of clean energy, with a continuously increasing installed capacity. Since 2008, the total installed capacity of China has been increasing at an average annual growth rate of approximately 150 million kWh and will maintain the growth rate in the next four years. Energy storage projects can provide various services such as peak regulation, frequency regulation, backup, black start and demand response support for power grid operation. It can improve the flexibility, efficiency and safety of traditional power systems, and can significantly improve the consumption level of renewable energy such as wind power, photovoltaic power to promote openness and sharing of energy production and consumption, achieving multi-energy synergy.

From 2017 to 2020, each power grid responded to the decision of the National Energy Administration and National Development and Reform Commission on lowering the curtailment rate of wind power and curtailment rate of PV power, fully utilising the flexible resources of power systems to consume new energy. In 2021, several important policies on the energy storage industry were released. Amongst them, the “Guiding Opinions of the National Development and Reform Commission and the National Energy Administration on Accelerating the Development of New Energy Storage” required that by 2025, the installed capacity of new energy storage will be reaching over 30 million KW, and energy storage will meet historical opportunities. Amongst them, the installed capacity of electrochemical energy storage grew rapidly, and its global installed capacity has grown at a high speed since 2014, from 2014 to 2021, the compound annual growth rate was 56.2%. Coupled with the strong demands for the installed capacity of wind power and photovoltaic power in mainland China since early 2022, the demand for renewable energy distribution and storage on the power generation side grows at a multiplier.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Energy Storage Business (Continued)

Under such circumstances, the Company's wholly-owned subsidiary Sino ICT Technology Macao Co. Ltd. ("Sino ICT Technology Macao"), 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 Utilisation (Hengqin) Technology Co., Ltd. (中鑫電聯(珠海橫琴)能源科技有限公司) ("Sino New Energy"), and seized market opportunities by tapping in the grid-side energy storage market, built and operated large scale independent energy storage power stations with dual regulation functions such as frequency regulation and peak regulation to explore new sources of profitability for the Group. During the year, Sino New Energy mainly invested in the early stage, and took the lead to start the construction of an energy storage power station in Xinrong District, Datong City of Shanxi Province with an installed capacity of 100MW/200MWH (500MW/1000MWH in overall planning) at the end of 2022, quickly making deployment in energy storage industry to achieve long-term development.

Radar Business

On January 2022, through Sino ICT Technology Macao, the Company and MD Technologies China Co., Ltd.* (梅林泰特(北京)科技有限公司) established a joint venture, SD Technologies (Haining) Co., Ltd.* (芯泰智能科技(海寧)有限公司) ("SD Technologies"). In July of the same year, SD Technologies (Guangdong) Co., Ltd.* (芯泰智能科技(廣東)有限公司) was newly established and was located at Zhuhai National Hi-Tech Industrial Development Zone in Guangdong Province. Based in the Greater China region, it provides bird detection radar equipment, supporting technologies and scenic application software and systems worldwide, as well as customised integrated solutions for bird detection and dispersal. With the completion of a world-class airport complex in the Greater China region, and the further development of wind power generation as clean energy, together with the increased efforts of oil and gas exploration and development in mainland China, high-end commercial bird detection radars have wide market application and comply with the requirements of national policies.

During the year, SD Technologies mainly invested in the early stage. Currently, it has completed its development of a domestic low-altitude target monitoring radar system, which incorporated the experience of the most advanced radar low altitude target monitoring algorithm at home and abroad, and adopted the domestically-leading radar recognition technology for bird activity, which realises a new generation of enhanced 3D UI human-computer interaction function with excellent performance.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Radar Business (Continued)

In terms of marketing, it is actively engaging with potential customers across the country such as major airports and customers in the field of the power industry, and natural resources, enhancing its marketing efforts in new clients and new industries to meet customer needs to the greatest extent, using its technology and product solutions to solve customer problems. Furthermore, SD Technologies is also actively exploring the market demand and business potential in areas of smart cities, government defence and international markets. It is believed that the Company can achieve sales breakthroughs in the domestic and even international markets in the near future.

Securities Investment Business

The Group followed a low-frequency trading strategy and focused on investments in high tech companies which are synergistic with the principal business, SMT and semiconductor equipment manufacturing related business. It is believed that the stable performance of such investing targets would maintain the stability of their stock price. During the period, Guodian Technology & Environment Group Corporation Limited (國電科技環保集團股份有限公司) (Stock Code: 1296.HK, “GUODIAN TECH”) was officially privatised on 30 May 2022, with a price of HK\$1.08 per share. The Group then held 1,000,000 shares of GUODIAN TECH, and the total amount received from privatisation was approximately HK\$1,079,200 (net of transaction cost), representing an investment gain of HK\$500,000. As of 31 December 2022, the Company only held financial assets measured at fair value through profit or loss amounting to a total of HK\$85,000, accounting for less than 1% of the total assets, which effectively avoided possible revenue risk arising from fluctuations in the securities market and protected 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Securities Investment Business (Continued)

Name of investee	Total investment income/(loss) for the year ended 31 December 2022 <i>HK\$'000</i>
GOME FIN TECH (stock code: 628.HK)	(24)
GUODIAN TECH (stock code: 1296.HK)	500
	<hr/>
	476
	<hr/> <hr/>

The Group's investment in the above-mentioned securities were classified as finance assets at FVTPL under current assets on the consolidated balance sheet, which amounted to approximately HK\$85,000 as at 31 December 2022.

Name of investee	Financial assets at FVTPL as at 31 December 2022 <i>HK\$'000</i>	Percentage of total Financial assets at FVTPL %
GOME FIN TECH	85	100
	<hr/>	<hr/>
	85	100
	<hr/> <hr/>	<hr/> <hr/>

FINANCIAL REVIEW

Revenue

In 2022, the Group recorded a total revenue of approximately HK\$231,616,000. An analysis of the revenue by business segments is as follows:

	Year ended 31 December 2022 <i>HK\$'000</i>	Year ended 31 December 2021 <i>HK\$'000</i>
SMT equipment manufacturing and related business	231,140	308,837
Securities investment	476	14,144
Total	<u>231,616</u>	<u>322,981</u>

Other income

During the year, the Group recorded other income of approximately HK\$20,664,000, representing a decrease of approximately HK\$2,400,000 as compared with that of last year. This was mainly due to an increase in rental income of approximately HK\$1,741,000, a decrease in government grants of approximately HK\$3,638,000 and a decrease in agency and administrative service income of approximately HK\$467,000.

Distribution costs

During the year, the Group recorded distribution costs of approximately HK\$45,193,000, representing a decrease of approximately 11.56% as compared with that of the previous reporting period.

Administrative expenses

During the year, administrative expenses amounted to approximately HK\$97,228,000, representing an increase of approximately 27.34% 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\$4,531,000, representing a decrease of approximately HK\$3,834,000 as compared with that of last year, mainly attributable to a reduction in the amortisation of interest accrued on the convertible bonds.

Loss for the year

As a result of the foregoing, the loss of the year attributable to owners of the Company was approximately HK\$24,504,000, representing a decrease as compared with the profit of HK\$38,282,000 in 2021.

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 0.11%.

	Year ended 31 December 2022 <i>HK\$'000</i>	Year ended 31 December 2021 <i>HK\$'000</i>
(Loss)/Profit for the year attributable to owners of the Company	(24,504)	38,282
Finance costs, net	4,531	8,365
Income tax (credit)/expenses	(549)	8,134
Depreciation and amortisation	<u>20,780</u>	<u>17,522</u>
Earnings before interest, tax, depreciation and amortisation	<u><u>258</u></u>	<u><u>72,303</u></u>

FINANCIAL REVIEW (CONTINUED)

Liquidity, financial resources and gearing ratio

The Group has maintained sufficient operating capital. As at 31 December 2022, the total current assets of the Group amounted to approximately HK\$563,736,000, and the liquidity ratio of the Group was maintained at about 165%, 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 2022, the gearing ratio of the Group was 148.57%.

As of 31 December 2022, the balance of the borrowing of the Group was approximately HK\$470,921,000.

Operating capital management

As at 31 December 2022, the Group held cash and cash equivalents of approximately HK\$273,446,000. This represents a decrease of approximately HK\$35,016,000 as compared with approximately HK\$308,462,000 at the beginning of the year. The Group's average inventory turnover days were approximately 95 days, which represented an increase of 12 days as compared with those of last year (2021: 83 days); average trade receivable turnover days were approximately 107 days, representing an increase of 12 days as compared with those of last year (2021: 95 days); and average trade payables turnover days were approximately 67 days, representing a decrease of 15 days as compared with those of last year (2021: 82 days).

Capital expenditure on property, plant and equipment

During the year, the Group's total capital expenditure amounted to approximately HK\$376,366,000. Of the capital expenditure, approximately HK\$359,869,000 was spent on the purchase of machinery and equipment, approximately HK\$400,000 was spent on the purchase of transportation equipment, approximately HK\$4,932,000 was spent on the refurbishment and renovation of office, and approximately HK\$11,165,000 was spent on construction in progress.

FINANCIAL REVIEW (CONTINUED)

Charges on the Group's assets

As at 31 December 2022, the Group's banking facilities including its import/export loan, letter of credit, documentary credit, trust receipt and bank borrowings were secured by:

- (i) 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\$74,087,000.

Equity and liabilities

As at 31 December 2022, the net assets of the owners of the Company amounted to approximately HK\$316,964,000. This represents a decrease of approximately 9.07% as compared with the net assets of approximately HK\$348,589,000 as at 31 December 2021. The decrease in net assets during the year was mainly attributed to the loss 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.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

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.

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 United States 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 2022 (2021: nil).

HUMAN RESOURCES

As at 31 December 2022, the Group employed approximately 358 full-time employees and workers in Mainland China, and employed approximately 22 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 retirement scheme and performance related bonuses.

CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent Board, 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 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 to ensure its continuous compliance with the Code. The Company was in compliance with the Code for the year ended 31 December 2022.

AUDIT COMMITTEE

The Audit Committee of the Company has been established in accordance with the requirements of the Code for the purpose of reviewing and monitoring the internal control and financial reporting matters of the Group, including reviewing the annual results for the year ended 31 December 2022. The Audit Committee comprises one non-executive Director and two independent non-executive Directors of the Company, and is chaired by an independent non-executive Director.

SCOPE OF WORK OF AUDITOR OF THE COMPANY

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this results announcement have been agreed by the Company's auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the audited consolidated financial statements of the Group for the year ended 31 December 2022. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton Hong Kong Limited in this results announcement.

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 of the Listing Rules as the code of conduct regarding securities transactions by Directors of the Company. Having made specific enquiry of all Directors, the Company confirmed that they had complied with the required standard as set out in the Model Code for the year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this announcement and within the knowledge of the Directors, the Company's securities have a sufficient public float as required under the Listing Rules.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.sino-ict.com). The annual report of the Company for the year ended 31 December 2022 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

CAUTION STATEMENT

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
Sino ICT Holdings Limited
Yuan I-Pei
Chairman

Hong Kong, 29 March 2023

As at the date of this announcement, the Company's 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 Non-executive Directors.