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 2023

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 2023 (the "Period"). The Results have not been audited but they have been reviewed by the audit committee of the Company (the "Audit Committee") on 31 August 2023.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**Six months ended 30 June 2023** *HK$'000* **(Unaudited)**	Six months ended 30 June 2022 *HK$'000* (Unaudited)
Revenue	*5*	**117,039**	143,749
Cost of sales		**(62,734)**	(78,225)
Gross profit		**54,305**	65,524
Other income	*7*	**3,815**	1,195
Other losses, net		**(2,079)**	(3,225)
Distribution costs		**(20,479)**	(25,678)
Administrative expenses		**(66,164)**	(38,995)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Notes	**Six months ended 30 June 2023** ***HK$'000*** **(Unaudited)**	Six months ended 30 June 2022 *HK$'000* (Unaudited)
Finance income	*8*	**1,176**	1,593
Finance costs	*8*	**(13,832)**	(2,088)
Finance costs, net	*8*	**(12,656)**	(495)
Share of result of a joint venture		**(296)**	5
Share of results of associates		**(2,924)**	(130)
Loss before income tax		**(46,478)**	(1,799)
Income tax expenses	*9*	**(526)**	(63)
Loss for the Period		**(47,004)**	(1,862)
Other comprehensive expense for the Period			
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(226)**	(6,497)
Other comprehensive expense for the Period, net of tax		**(226)**	(6,497)
Total comprehensive expense for the Period		**(47,230)**	(8,359)
Loss for the Period attributable to:			
Owners of the Company		**(27,959)**	(1,862)
Non-controlling interests		**(19,045)**	—
		(47,004)	(1,862)
Total comprehensive expense for the Period attributable to			
Owners of the Company		**(28,185)**	(8,359)
Non-controlling interests		**(19,045)**	—
		(47,230)	(8,359)
Loss per share for loss attributable to owners of the Company			
Basic and diluted	*11*	**(1.92) HK cents**	(0.13) HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2023** **HK$'000** **(Unaudited)**	As at 31 December 2022 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**434,371**	449,446
Investment properties		**29,768**	29,768
Right-of-use assets		**34,611**	35,375
Intangible assets		**20,836**	27,811
Interests in associates		**9,801**	12,735
Interest in a joint venture		**8,830**	9,346
Financial assets at fair value through profit or loss ("FVTPL")		**17,661**	18,765
Deferred income tax assets		**3,183**	3,705
Trade and other receivables	*12*	**—**	7,054
		559,061	594,005
Current assets			
Inventories		**37,224**	23,450
Trade and other receivables	*12*	**239,047**	266,755
Financial assets at FVTPL		**70**	85
Cash and cash equivalents		**176,463**	273,446
		452,804	563,736
Total assets		**1,011,865**	1,157,741
Equity and reserves			
Share capital		**145,500**	145,500
Share premium		**95,240**	95,240
Other reserves		**25,919**	26,145
Retained profits		**22,120**	50,079
Equity attributable to owners of the Company		**288,779**	316,964
Non-controlling interests		**17,508**	36,553
Total equity		**306,287**	353,517

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	As at 30 June 2023 HK$'000 (Unaudited)	As at 31 December 2022 HK$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	*14*	**440,601**	442,290
Lease liabilities		**12,850**	12,230
Deferred income		**684**	783
Deferred income tax liabilities		**8,001**	7,994
		462,136	463,297
Current liabilities			
Trade and other payables	*13*	**214,699**	294,017
Contract liabilities		**7,006**	6,177
Bank and other borrowings	*14*	**10,858**	28,631
Lease liabilities		**8,422**	9,819
Income tax payables		**2,457**	2,283
		243,442	340,927
Total liabilities		**705,578**	804,224
Total equity and liabilities		**1,011,865**	1,157,741
Net current assets		**209,362**	222,809
Total assets less current liabilities		**768,423**	816,814

Notes:

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. 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 Group principally engaged in (i) Surface Mount Technology ("SMT") equipment manufacturing; (ii) energy storage business, which develops, constructs and operates energy storage power stations in the PRC ("Energy Storage Business"); and (iii) radar business, which focuses on the manufacturing of advanced domestic radar hardware, and the development, application and system integration of radar intelligent software ("Radar Business").

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

The condensed consolidated interim financial information was approved for issue by the Board on 31 August 2023.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2023 has 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").

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has 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 new and amended Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, which are effective for the six months ended 30 June 2023, 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 2022.

HKFRS 17	Insurance Contracts and related amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The adoption of the new and amended HKFRSs had no material impact on the financial performance and position of the Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

In preparing these condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and key sources of estimation uncertainty are consistent with those applied to the consolidated financial statements for the year ended 31 December 2022.

5. REVENUE

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

	Six months ended 30 June 2023	Six months ended 30 June 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Production and sales of industrial products	**116,757**	143,230
Sales, research and development of bird detection radar equipment and customised integrated solutions for bird detection and dispersal	**297**	—
	117,054	143,230
Revenue from other sources		
Realised and unrealised (losses)/gains on listed equity securities	**(15)**	519
	117,039	143,749
Timing of revenue recognition		
At a point in time	**117,054**	143,230

6. SEGMENT INFORMATION

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 maker ("CODM"), for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

In the Period, the presentation of reportable segments of the Group are revised as the CODM believes the current segments could provide better summary to them in reviewing the Group's operating performance and making decision in resource allocation. Accordingly, the comparative figures of the segments have been re-presented for the purpose of presenting segment information.

During the year ended 31 December 2022, the Group commenced two new operating and reporting segments, namely (i) Energy Storage Business; and (ii) Radar Business. Details of the Radar Business are set out in the Company's announcement dated 17 November 2022. The securities investment segment was insignificant to present as a separate segment and grouped under unallocated segment.

The segment information for the six months ended 30 June 2023 is presented as follows:

	Production and sales of industrial products	**Energy storage business**	**Radar business**	**Unallocated**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Revenue from external customers	**114,488**	**—**	**297**	**2,254**	**117,039**
Segment gross profit	**51,870**	**—**	**181**	**2,254**	**54,305**
Other income	**3,810**	**—**	**5**	**—**	**3,815**
Other losses, net	**(1,152)**	**—**	**—**	**(927)**	**(2,079)**
Distribution costs	**(20,479)**	**—**	**—**	**—**	**(20,479)**
Administrative expenses	**(22,799)**	**(21,845)**	**(10,075)**	**(11,445)**	**(66,164)**
Finance costs, net	**(2,436)**	**(10,579)**	**(116)**	**475**	**(12,656)**
Share of result of a joint venture	**—**	**—**	**—**	**(296)**	**(296)**
Share of results of associates	**—**	**—**	**—**	**(2,924)**	**(2,924)**
Profit/(Loss) before income tax	**8,814**	**(32,424)**	**(10,005)**	**(12,863)**	**(46,478)**

6. SEGMENT INFORMATION (CONTINUED)

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

	Production and sales of industrial products *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Revenue from external customers	142,165	1,584	143,749
Segment gross profit	63,945	1,579	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 costs, net	(1,404)	909	(495)
Share of result of a joint venture	—	5	5
Share of results of associates	—	(130)	(130)
Profit/(Loss) before income tax	14,359	(16,158)	(1,799)

7. OTHER INCOME

	Six months ended 30 June 2023 ***HK$'000*** **(Unaudited)**	Six months ended 30 June 2022 *HK$'000* (Unaudited)
Income from sales of scraps	**58**	64
Governement grants	**3,757**	1,131
	3,815	1,195

8. FINANCE COSTS, NET

	Six months ended 30 June 2023 HK$'000 (Unaudited)	Six months ended 30 June 2022 HK$'000 (Unaudited)
Finance income		
Interest income from bank deposits	**1,176**	1,593
Finance costs		
Interest expenses on bank and other borrowings	**(13,832)**	(2,088)
Finance costs, net	**(12,656)**	(495)

9. INCOME TAX EXPENSES

	Six months ended 30 June 2023 HK$'000 (Unaudited)	Six months ended 30 June 2022 HK$'000 (Unaudited)
Current tax		
PRC Enterprise Income Tax	**526**	63

10. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 June 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

11. LOSS PER SHARE

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

	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share (loss for the Period attributable to owners of the Company) *(HK$'000)*	**(27,959)**	(1,862)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per shares *(in thousands)*	**1,455,000**	1,455,000
Basic and diluted loss	**(1.92) HK cents**	(0.13) HK cents

12. TRADE AND BILLS RECEIVABLES

As at 30 June 2023 and 31 December 2022, the ageing analysis of trade and bills receivables based on the invoice date (or date of revenue recognition if earlier) is as follows:

	As at 30 June 2023 ***HK$'000*** **(Unaudited)**	As at 31 December 2022 *HK$'000* (Audited)
0 – 90 days	**28,464**	45,589
91 – 180 days	**11,731**	16,726
Over 180 days	**18,859**	13,312
	59,054	75,627

13. TRADE AND BILLS PAYABLES

As at 30 June 2023 and 31 December 2022, the ageing analysis of trade and bills payables based on the invoice date is as follows:

	As at 30 June 2023 HK$'000 (Unaudited)	As at 31 December 2022 HK$'000 (Audited)
0 – 90 days	**23,076**	11,553
91 – 120 days	**475**	931
Over 120 days	**41,216**	3,748
	64,767	16,232

14. BANK AND OTHER BORROWINGS

	As at 30 June 2023 HK$'000 (Unaudited)	As at 31 December 2022 HK$'000 (Audited)
Current		
Secured bank borrowing	**10,858**	11,191
Secured other borrowing	**—**	17,440
	10,858	28,631
Non-current		
Secured bank borrowing	**127,360**	136,862
Secured other borrowing	**313,241**	305,428
	440,601	442,290
	451,459	470,921

The secured bank borrowing are secured by the Group's properties.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period, the Group was principally engaged in SMT and semiconductor equipment manufacturing related business, energy storage business and radar business.

The Group prepares its financial information in accordance with HKFRSs. During the Period, the Group recorded a loss attributable to owners of the Company of approximately HK$27,959,000 and a comprehensive expense of approximately HK$28,185,000. For the six months ended 30 June 2023, the Group recorded a total revenue of approximately HK$117,039,000, representing a decrease of 18.58% year on year. The Group's performance in the first half of 2023 was lower than expected due mainly to the delay in revenue generation of Energy Storage and Radar Businesses for both are still in their investment phase, and the sluggish post-pandemic economic recovery that affects industrial performance and thus the revenue. Notwithstanding the above, the overall financial, business and operating conditions of the Group remain sound.

The Group will stay tuned to the development of various businesses, industrial and market changes, maintain prudent operating practices and seize development opportunities to maximise returns for shareholders.

SMT AND SEMICONDUCTOR EQUIPMENT MANUFACTURING RELATED BUSINESS

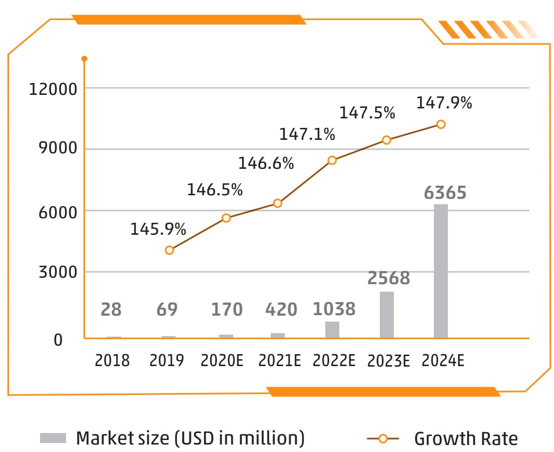
As of six months ended 30 June 2023, the segment revenue was around HK$114,488,000, representing a decrease of 19.47% compared with the same period last year. The segment gross profit decreased by 18.88% year-on-year to nearly HK$51,870,000, and the profit before income tax was around HK$8,814,000. The segment revenue accounts for 97.82% of the Group's total revenue, and the segment gross profit contributes to 95.52% of the total, demonstrating its core position in the Group's business. During the period, the distribution costs and administrative expenses of this segment were approximately HK$20,479,000 and HK$22,799,000 respectively, both within a controllable range.

China's Ministry of Industry and Information Technology announced a list of 45 national advanced manufacturing clusters last year; in May, the State Council executive meeting reviewed and approved the "Opinions on Accelerating the Development of Advanced Manufacturing Clusters", further emphasising the dominant position of manufacturing in the national economy. Suneast Intelligent Equipment Technology (Shenzhen) Co., Ltd.* ("Suneast (Shenzhen)"), a wholly-owned subsidiary of the Company, has been serving its clients for over 35 years since the establishment of its Shenzhen site and has competitive advantages among peers. In March, Suneast (Shenzhen) was honoured as a "Specialized and Sophisticated Enterprise" by the Shenzhen Municipal Government, becoming a key player in promoting China's high-quality manufacturing development with its technological innovation capabilities and economic/social contributions well recognised.

In terms of marketing, the Group participated in two exhibitions in the first half of 2023, namely the Productronica China 2023 and the CICD, through which consolidating its brand influence and strengthening its customer base.

In terms of industry development, Mini LED and Micro LED have performed well in the high-end display and backlight fields in recent years. During the Period, more than 42 new Mini LED backlight products have been launched with an increasing market share. According to Arizton, the global Mini LED and Micro LED market size will exceed US$2 billion this year. According to Trend Force, global Mini LED TV shipments will reach 4.4 million units with an annual growth rate of 13% this year. With industry leaders' testing the water, Micro LED technology is expected to rapidly expand to glasses, smartphones, automotive displays and other devices. The Group's self-developed full nitrogen-filled reflow oven can meet the high-precision soldering requirements of Mini LED, and the self-developed multi-channel tunnel oven can be used in the encapsulation and curing process. It is believed that the relevant market demand increase will bring positive contributions to the Group's revenue.

Global Market Size and Growth Rate for Mini/Micro LED

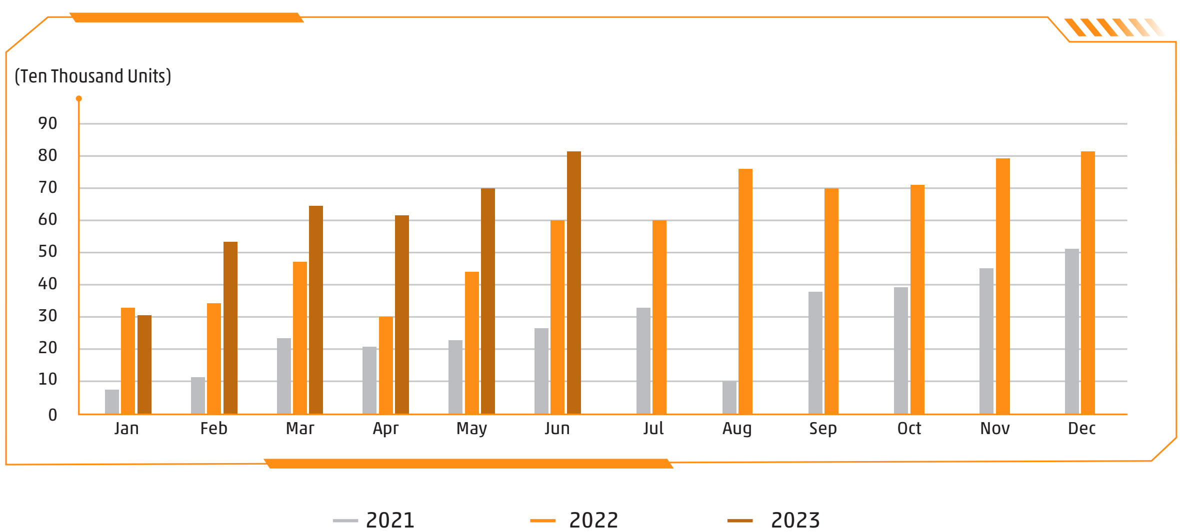


Source: Artizon (including forecast), CITIC Securities Research Department

* *For identification purposes only.*

In addition, the whole industrial chain demand for new energy vehicles continues to grow. As of May, the market penetration rate of China's new energy vehicles was 30.1%, and the average market penetration rate in the first five months was 27.7%. According to the China Association of Automobile Manufacturers, in June, the production and sales of China's new energy vehicles were 784,000 and 806,000 with a month-on-month increase of 9.9% and 12.5%. The Group's tunnel oven is suitable for the packaging and curing process of electronic control modules of new energy vehicles, securing the system's safety and reliability, and is highly renowned and widely used. The China Business Industry Research Institute predicts that by 2025, the assembly rate of China's intelligent networked systems in the automotive industry will reach 83%, and vehicle shipments will increase to 24.9 million units, with a CAGR of 16.1%. Thus, the widespread intelligent network technology and growing acceptance of automobile intelligence will simultaneously drive the market expansion of China's Internet of Vehicles.

Monthly Sales of New Energy Vehicle



Source: China Association of Automobile Manufacturers

China is a global electronics manufacturing centre and the largest exporter of electronic products. With the accelerated development of the semiconductor industry, the market demand for China's semiconductor equipment has increased significantly, jumping from less than 10% ten years ago to 26.3% in 2022, and constituting the largest global market share for three consecutive years. According to the statistics, the global sales of semiconductor equipment in 2022 was US$107.65 billion, with a year-on-year increase of 4.9%. It is predicted that the sales of China's semiconductors equipment will hit a new high this year-end. Driven by demographic dividends, industrial policies and market demand, the semiconductor industry in China has developed rapidly, as well as the market size of the integrated circuit industry, which is expected to drive the growth of the printed circuit board ("PCB") market and stimulate market interest in financing semiconductor equipment companies. Meanwhile, as AI technology-driven tools such as ChatGPT become widely used in scenarios like the Internet of Things, big data, cloud storage and 5G, we predict the growth rate of China's PCB market will reach RMB 309.663 billion in 2023 and will contribute to the demand for our selective soldering machines.

In conclusion, the Group will focus on independent innovation, equipment upgrades, and market development to increase the quality and efficiency of the Company and bring in money for group investors while deepening its technological investigation of SMT and semiconductor equipment manufacturing related industry.

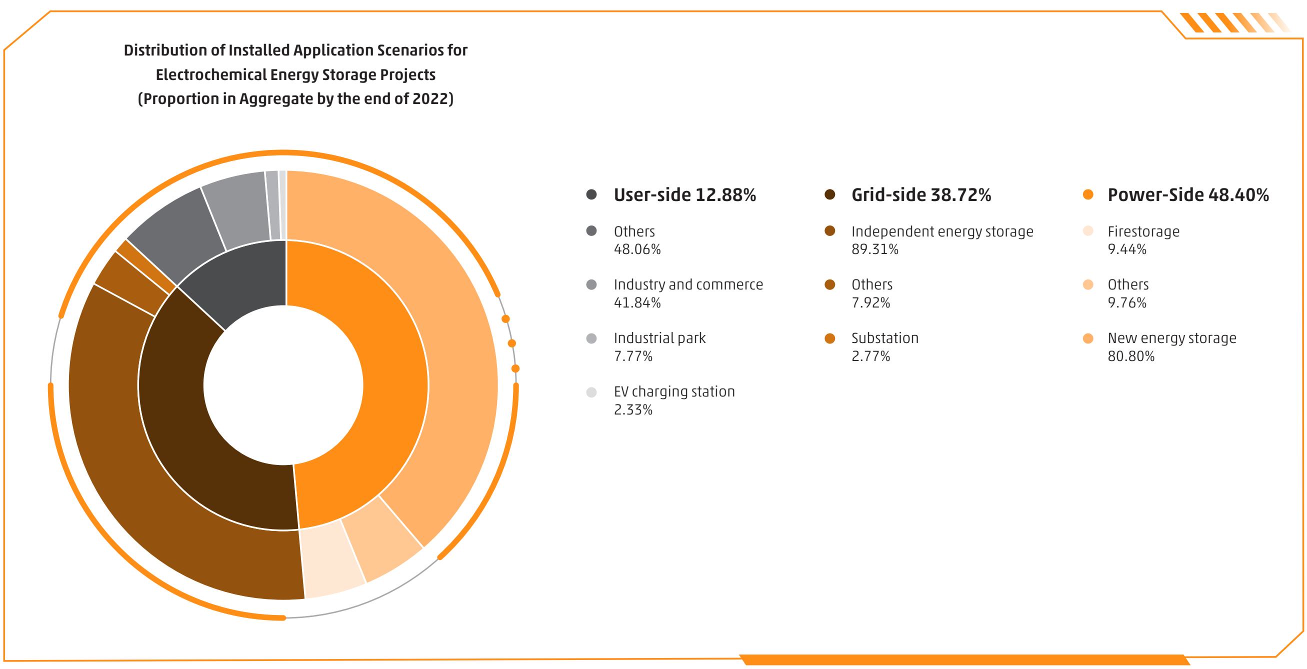
ENERGY STORAGE BUSINESS

At the end of 2021, the Group established Sino New Energy Utilization (Hengqin) Technology Co., Ltd. ("Sino New Energy") to carry out an energy storage business. The first phase of the Herong Power Station developed, invested in, built, and operated by Sino New Energy was finished in Datong City, Shanxi Province in March of this year, and unified dispatching control of the provincial power grid in May. Herong Power Station has a planned capacity of 500 MW/1,000 MWh, it will engage in the electricity spot market as an independent market entity and is the first new grid-side energy storage power station in the country that completely conducts spot transactions and provides auxiliary services. This segment's business has not yet generated income as of 30 June 2023, but it is projected to be progressively placed into commercial operation beginning in the second half of the year and continue to bring positive economic and social advantages. At the same time, Sino New Energy has reserved multiple projects in more than ten provinces such as Guizhou and Henan, adopting the parallel development strategy of two business models, independent construction and cooperative development, to quickly deploy and steadily advance its business.

In recent years, as China has adopted climate change as a national strategy and actively promoted "carbon peaking and carbon neutrality", its installed capacity for new energy power generation has continued to grow rapidly. According to the National Energy Administration, China's newly installed renewable energy power generation capacity was 109 million kW between January and June, accounting for 77% of the country's total newly installed capacity. China's renewable energy power generating capacity has surpassed 1.3 billion kW, representing an 18.2% growth year on year and accounting for around 48.8% of the country's total installed capacity. Renewable energy is further constituted as the primary body of China's newly installed power production capacity, as well as its significant role in assuring energy supply and supporting clean and low-carbon transformation. However, it is challenging for new energy power generation to meet electricity demand on time. As the proportion of new energy power such as wind power and photovoltaics grows, it poses serious challenges to the safe and stable operation of power systems, highlighting the need to increase the scale of energy storage and build new power systems.

Driven by policy and market, the scale of energy storage power stations has increased rapidly, and the market has continued to grow. Since last year, China's energy storage sector has advanced from research and development to commercialisation, making advances in technology, projects, and business model exploration, and the business model of energy storage power stations has been clarified and determined further. The National Development and Reform Commission published the "14th Five-Year Renewable Energy Development Plan" in June 2022, clarifying energy storage's independent market player status, and enhancing the trading mechanism and profit-making methods for market participants. At the end of 2022, the National Energy Administration issued the "Basic Rules for the Electricity Spot Market (Draft for Comments)" and "Measures for the Supervision of the Electricity Spot Market (Draft for Comments)", accelerating the process of implementing the spot power market. In February 2023, the National Energy Administration announced the annual development of the national power market in 2022. Last year, the national power market traded 5.25 trillion kWh, an increase of 39% year on year, accounting for 60.8% of total society electricity consumption, up 15.4 percentage point year on year. The volume of transactions and the number of entities in China's power market reached new highs.

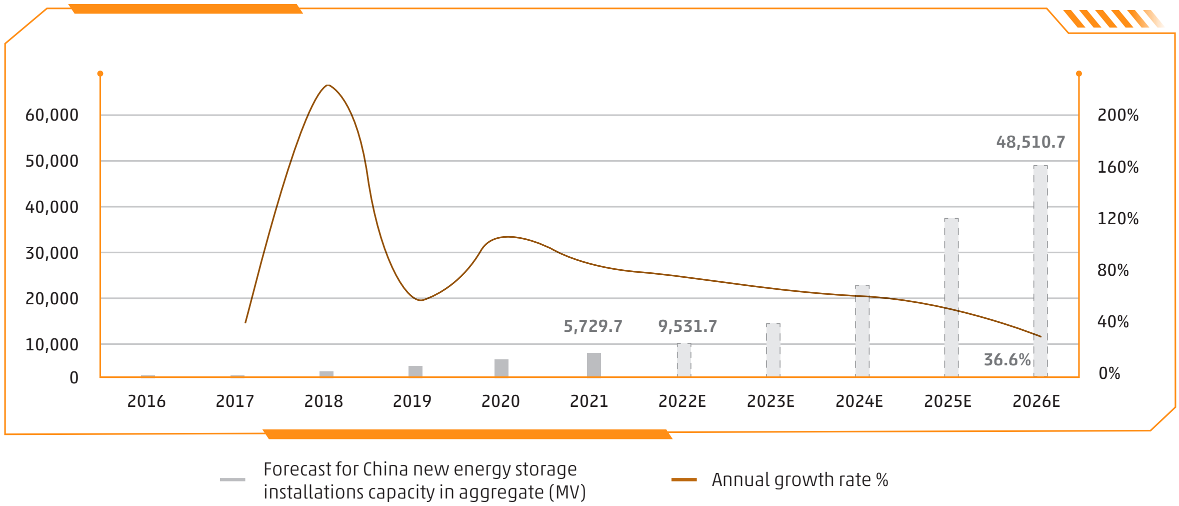
On the other hand, the mandatory energy storage policy requires that the newly installed capacity of new energy must be allocated with energy storage in proportion, and new energy leased energy storage capacity from independent energy storage power plants can be considered energy storage quotas. The rapid growth of new energy installed capacity has promoted the development of independent energy storage, which has become the main driving force for installed capacity in various provinces. Under the current situation of different regional storage allocation ratio standards, we believe that capacity leasing will become a widely accepted method of flexible storage allocation. According to statistics, in 2022, the total bidding capacity of China's energy storage market exceeded 44 GWh, and a total of 20.93 GWh of independent energy storage projects completed bidding, the market has great potential for development. Meanwhile, the proportion of new energy storage installed capacity in China has increased significantly. According to CNESA, China's cumulative installed capacity of operational new energy storage has reached 13.1GW/27.1GWh, making it the market with the highest share of new energy storage projects (36%).



Source: CNESA Project Database

Conservative view

It is expected that the cumulative scale of new energy storage will reach 48.5GW in 2026, with the compound annual growth rate (CAGR) from 2022-2026 amounts to 53.3%. The market will show a trend of stable, fast growt



Source: CNESA Project Database

Furthermore, as battery prices fall, so will the cost of energy storage systems, effectively stimulating the willingness to invest in the energy storage market. We believe that by improving supporting policies and technical standards, a good and fair operating environment for the energy storage industry and market will be created, increasing demand for energy storage.

The Group's independent energy storage power station participates in the local electricity spot market and provides power auxiliary services for the power grid, as well as capacity leasing services for regional new energy power generation. The scale advantage of shared energy storage lowers power station costs, and its flexible operation modes can quickly open up the market. We anticipate a large energy storage industry market that will benefit the Group's long-term development, promote the Group's integration into China's low-carbon development process, and achieve the goals of carbon peaking in 2030 and carbon neutrality in 2060, and empower green, low-carbon, and high-quality development, owing to the price advantage compared to international price fluctuations, as well as high demand from industry heat.

RADAR BUSINESS

In 2022, the Company established SD Technologies (Haining) Co., Ltd. and SD Technologies (Guangdong) Co., Ltd.* ("SD Technologies"), focusing on low-altitude economic fields to engage in hardware manufacturing, software development and application of advanced domestic radars, system integration, with the Guangdong-Hong Kong-Macao Greater Bay Area as a strategic base, providing domestic and international customers with professional, scientific, efficient and customised one-stop bird detection and repellent solutions. In February, the Zhuhai site was officially put into use; in May, the self-developed Nemesis-Shield Radar S8 series was unveiled at the 3rd Civil Aviation Technology, Equipment & Service Exposition. As of 30 June 2023, the business revenue of this segment was approximately HK$297,000, and more products will be delivered in the second half of the year.

During this Period, SD Technologies has primarily completed the independent research and development of the Nemesis-Shield Radar S8 series and 90% of the products have entered the testing stage. The Nemesis-Shield Radar S9 series has also entered the internal beta stage. Up to now, SD Technologies' products include the Nemesis- Shield radars, the Gillnet software system, the UAV Monitoring and Countermeasure System, the Birdstrike Avoidance Radar Software System, Titron-S1, Polaris-XI and Acoustic Device (Huteron) all of which can be used in commercial airports, wind power, substations, low-altitude monitoring, security monitoring, natural resources, offshore oil exploration, and many other fields.

Last year, the Civil Aviation Administration of China issued a policy emphasising transport airport headroom protection, and transport airports held civil aviation and aviation safety work conferences to carry out a three-year special rectification on bird strike prevention. Bird strikes and unmanned UAVs are currently two major hidden threats to flight take-off and landing safety. Both are small flying objects with low speed and altitude, and effective monitoring and identification of them become the focus of ensuring the safety of air routes. Their low flying altitudes and small radar reflection areas contribute to urban environment clutter interference, making radar detection more difficult. SD Technologies prioritises research and development, strives to improve its radar recognition capabilities, and focuses on customer pain points to optimise products and technologies to consistently promote the company strategy's implementation. It will continue to improve product performance, stabilize and expand the customer base, explore collaboration opportunities, and actively promote the modernization of harmonious coexistence between nature and humans, contributing to the construction of smart cities and the realisation of a win-win situation of economic development and environmental protection in the future.

* *For identification purposes only.*

FINANCIAL REVIEW

Revenue

During the Period, an analysis of the revenue by business segments is as follows:

	Six months ended 30 June 2023 *HK$'000* **(Unaudited)**	Six months ended 30 June 2022 *HK$'000* (Unaudited)
SMT equipment manufacturing and related business	**114,488**	142,165
Sales, research and development of bird detection radar equipment and customised integrated solutions for bird detection and dispersal	**297**	—
Comprehensive services	**2,254**	1,584
	117,039	143,749

Other income

During the Period, the Group recorded other income of approximately HK$3,815,000, which were mainly attributable to government grants.

Distribution costs

During the Period, the Group recorded distribution costs of approximately HK$20,479,000, representing a decrease of approximately HK$5,199,000 as compared with the six months ended 30 June 2022.

Administrative expenses

During the Period, the Group recorded administrative expenses of approximately HK$66,164,000, representing an increase of approximately HK$27,169,000 as compared with the six months ended 30 June 2022 mainly from continuous investment in Energy Storage Business and Radar Business.

Finance costs, net

During the Period, net finance costs were approximately HK$12,656,000, representing an increase of approximately HK$12,161,000 as compared with the six months ended 30 June 2022, mainly attributable to an increase in interest costs.

Loss for the Period

As a result of the foregoing, the loss for the Period attributable to owners of the Company was approximately HK$27,959,000.

(Loss)/Earnings before interest, tax, depreciation and amortisation ("EBITDA")

The following table presents the Group's EBITDA for each period. During the Period, the Group's EBITDA ratio was approximately -8.36%.

	Six months ended 30 June 2023	Six months ended 30 June 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the Period attributable to owners of the Company	**(27,959)**	(1,862)
Finance costs, net	**12,656**	495
Income tax expenses	**526**	63
Depreciation and amortisation	**4,996**	3,181
EBITDA	**(9,781)**	1,877

Gearing ratio

With reference to borrowing over equity attributable to the owners of the Company as at 30 June 2023, the gearing ratio of the Group was 47.86%.

Operating capital management

As at 30 June 2023, the Group held cash and cash equivalents of approximately HK$176,463,000. This represents a decrease of approximately HK$96,983,000 as compared with approximately HK$273,446,000 at the beginning of the period. During the Period, the Group's average inventory turnover days were approximately 207 days (31 December 2022: 185 days); average trade receivable turnover days were approximately 232 days (31 December 2022: 152 days); and average trade payables turnover days were approximately 174 days (31 December 2022:197 days).

Charges on the Group's assets

As at 30 June 2023, 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 end of the reporting period of approximately HK$71,201,000.

Equity and liabilities

As at 30 June 2023, the net assets of the Group were approximately HK$306,287,000 (31 December 2022: HK$353,517,000), and the equity decreased by HK$47,230,000 during the Period.

HUMAN RESOURCES

As at 30 June 2023, the Group employed approximately 342 full-time employees and workers in Mainland China, and employed approximately 23 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.

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 and foreign exchange risk.

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 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.

PURCHASE, SALE OR REDEMPTION OR 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 six months ended 30 June 2023.

DIVIDENDS

The Board did not recommend a final dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: 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 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 throughout the six months ended 30 June 2023.

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 six months ended 30 June 2023.

AUDIT COMMITTEE

The Audit Committee 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 six months ended 30 June 2023. 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.

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 2023 and the six months ended 30 June 2022 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
Sino ICT Holdings Limited
Yuan I-Pei
Chairman

Hong Kong, 31 August 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.