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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Sino ICT Holdings Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended	Year ended
	<i>Notes</i>	31 December 2020	31 December 2019
			(Restated)
		HK\$'000	HK\$'000
Revenue	4	270,560	201,163
Cost of sales		(136,078)	(116,839)
Gross Profit		134,482	84,324
Other income	5	11,706	14,401
Other gains/(losses), net	6	3,724	(1,126)
Distribution costs		(47,559)	(35,534)
Administrative costs		(67,657)	(59,110)
(Provision for)/reversal of impairment of trade receivables		(910)	4,516
Operating profit		33,786	7,471

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		Year ended Notes 31 December 2020	Year ended 31 December 2019 (Restated)
		HK\$'000	HK\$'000
Finance income	7	463	236
Finance costs	7	(18,617)	(17,720)
Finance costs, net	7	(18,154)	(17,484)
Share of results of associate(s)		9,617	3,211
Profit/(loss) before income tax		25,249	(6,802)
Income tax expense	8	(5,599)	(4,809)
Profit/(loss) for the year attributable to equity holders of the Company		19,650	(11,611)
Other comprehensive income			
<i>Item(s) that will not be reclassified subsequently to profit or loss</i>			
Loss arising from conversion from owner-occupied property to investment property		—	(773)
<i>Item(s) that may be classified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		218	(1,218)
Other comprehensive income/(loss) for the year, net of tax		218	(1,991)
Total comprehensive income/(loss) for the year		19,868	(13,602)
Total comprehensive income/(loss) attributable to: Equity holders of the Company		19,868	(13,602)
Basic earnings/(losses) per share	9(a)	1.35 Cents	(0.80) Cents
Diluted earnings/(losses) per share	9(b)	1.35 Cents	(0.80) Cents

CONSOLIDATED BALANCE SHEET

	As at <i>Notes</i> 31 December 2020	As at 31 December 2019 (Restated)	As at 1 January 2019 (Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	73,146	73,939	102,782
Investment property	26,943	25,049	—
Right-of-use assets	27,290	36,087	9,251
Intangible assets	22,281	14,134	5,868
Deferred income tax assets	9,578	11,947	13,534
Other non-current assets	4,904	—	2,410
Investment in associate(s)	247,684	238,067	234,856
	<u>411,826</u>	<u>399,223</u>	<u>368,701</u>
Current assets			
Inventories	35,227	27,786	36,385
Trade receivables and other receivables	10 145,909	53,242	41,580
Tax reserve certificates and pending deduct VAT on purchase	—	16,645	5,325
Financial assets at fair value through profit or loss	43,635	157,573	137,339
Security and restricted deposits	—	1,571	2,279
Cash and cash equivalents	116,609	43,408	43,305
	<u>341,380</u>	<u>300,225</u>	<u>266,213</u>
TOTAL ASSETS	<u><u>753,206</u></u>	<u><u>699,448</u></u>	<u><u>634,914</u></u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital and share premium	240,740	240,740	240,740
Other reserves	610,114	609,896	611,887
Accumulated losses	(541,640)	(561,290)	(549,679)
TOTAL EQUITY	<u>309,214</u>	<u>289,346</u>	<u>302,948</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at	As at	As at
	Notes	31 December 2020	31 December 2019	1 January 2019
			(Restated)	(Restated)
		HK\$'000	HK\$'000	HK\$'000
LIABILITIES				
Non-current liabilities				
Long-term borrowings	12	92,103	—	—
Convertible bonds	13	—	129,978	118,463
Lease liabilities		8,357	18,057	—
Deferred income		1,163	1,249	4,565
Deferred income tax liabilities		6,966	6,501	3,253
		<u>108,589</u>	<u>155,785</u>	<u>126,281</u>
Current liabilities				
Trade payables and other payables	11	111,316	82,870	74,333
Lease liabilities		10,360	9,349	—
Contract liabilities	11	56,097	7,901	12,092
Short-term borrowings	12	1,899	100,958	68,478
Income tax payables		13,164	53,239	50,782
Non-current liabilities due within one year		<u>142,567</u>	<u>—</u>	<u>—</u>
		<u>335,403</u>	<u>254,317</u>	<u>205,685</u>
TOTAL LIABILITIES		<u>443,992</u>	<u>410,102</u>	<u>331,966</u>
TOTAL EQUITY AND LIABILITIES		<u><u>753,206</u></u>	<u><u>699,448</u></u>	<u><u>634,914</u></u>

1. GENERAL INFORMATION

Sino ICT Holdings Limited (the “Company”), which was formerly known as Sun East Technology (Holdings) Limited and Unisplendour Technology (Holdings) Limited, is a limited liability company incorporated in Bermuda. Its registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is at 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 Company and its subsidiaries (collectively the “Group” hereafter) are principally engaged in SMT equipment manufacturing and securities investment.

On 17 September 2019, UNIC Capital Management Co., Ltd. (“UNIC Capital”), Sino Xin Ding Limited (“Sino Xin Ding”) and the Company jointly announced that Unis Technology Strategy Investment Limited (“Unis Strategy Investment Company”), Sino Xin Ding and Beijing Unis Capital Management Co., Ltd. (the parent company of Unis Strategy Investment Company) entered into a share purchase agreement, pursuant to which Sino Xin Ding conditionally agreed to acquire from Unis Strategy Investment Company the sale shares, being 986,829,420 shares and representing approximately 67.82% of the total issued share capital of the Company, for a total consideration of HK\$990 million (equivalent to approximately HK\$1.00 per sale share). Completion of the share purchase agreement took place on 26 September 2019. Upon completion, Sino Xin Ding became the direct controlling shareholder of the Company and UNIC Capital is the actual controlling shareholder of the Company. Pursuant to Rule 26.1 of The Codes on Takeovers and Mergers and Share Buy-backs, UNIC Capital and Sino Xin Ding were required to make a mandatory unconditional general offer in cash for all the issued shares. On 4 November 2019 (the last date for acceptance of the offer), UNIC Capital and Sino Xin Ding had received valid acceptances in respect of 346,810 shares. Aggregating with the shares of the Company already held by UNIC Capital and Sino Xin Ding, it represents 67.847% of the issued share capital of the Company. On 31 December 2020, Sino Xin Ding accounted for 67.847% of the issued share capital of the Company.

The consolidated financial statements are presented in Hong Kong dollar (unless otherwise stated). These consolidated financial statements were approved for issue by the Board of the Company on 31 March 2021.

2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”). The Group continues to adopt the going concern basis in preparing its consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) The revised standards adopted by the Group

The following amendments have been adopted by the Group for the first time for the year commencing from 1 January 2020:

- Amendments to HKFRS 3 – Definition of Business
- Revised to Conceptual Framework for Financial Reporting
- Amendments to HKAS 1 and HKAS 8 – Definition of Material

The adoption of these amendments did not have any significant impact to the financial performance and position of the Group.

(b) Amendments that have not yet been adopted

The following are amendments to existing standards that are relevant to the Group but were not effective in the financial year commencing from 1 January 2020 and have not been early adopted by the Group:

	Effective for the financial year beginning on or after
Amendments to HKFRS 3 – Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 – Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Annual improvements to HKFRSs Standards 2018-2020	1 January 2022
Amendments to HKAS 1 – Classification of liabilities as current or non-current	1 January 2023

The above amendments to standards are effective for the financial year beginning after 1 January 2021 and have not been applied in the consolidated financial statements. None of these amendments is expected to have a significant effect on the consolidated financial statements of the Group.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) Changes in accounting policies

The major properties and plants held by the Group include the properties of 日東電子發展(深圳)有限公司, the properties of 日東智能裝備科技(深圳)有限公司 and the properties of 日東電子設備有限公司, which are the subsidiaries of the Group. Prior to the change in accounting policy, the Group adopted the revaluation model to measure its properties and plants. The Group regularly reviews the accounting policies it adopts. As the Group's major shareholders, customers, suppliers and other listed companies in the industry generally use the historical cost model to measure the properties and plants they own, the Group thus changed its existing accounting policy to adopt the historical cost model for measurement. After the change in accounting policy, the Group has adopted the historical cost model to measure the value of property and plant, which means that properties and plants are stated at cost less accumulated depreciation and impairment losses.

4. SEGMENT INFORMATION

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

For the year ended 31 December 2020, the Group's two operating segments are as follows:

- (1) Production and sales of industrial products; and
- (2) Securities investment.

The executive Directors assess the performance of the operating segments based on the revenue and profit before tax in each segment, and they do not focus on the total liabilities of the segments. The unallocated activities are mainly management support for each segment from the headquarter. Its assets are mainly the monetary funds used by the Company for daily operations, office equipment and investment in joint ventures, and its liabilities are mainly financial liabilities as a result of the issuance of the convertible bonds by the Company.

4. SEGMENT INFORMATION (CONTINUED)

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

	Year ended 31 December 2020			
	Production and Sales of industrial products <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Unallocated activities <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	233,784	36,278	498	270,560
Segment profit	98,386	35,598	498	134,482
Other income	11,004	—	702	11,706
Other gains/(losses), net	3,759	—	(35)	3,724
Distribution costs	(47,559)	—	—	(47,559)
Administrative costs	(49,271)	(12,050)	(6,336)	(67,657)
Provision for impairment of trade receivables	(910)	—	—	(910)
Finance costs, net	(5,469)	(5)	(12,680)	(18,154)
Share of results of associate(s)	—	—	9,617	9,617
Profit/(loss) before income tax	9,940	23,543	(8,234)	25,249
	As at 31 December 2020			
	Production and Sales of industrial products <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Unallocated activities <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment total assets	377,135	58,706	317,365	753,206

4. SEGMENT INFORMATION (CONTINUED)

The segment information for the year ended 31 December 2019 is presented as follows:

	Year ended 31 December 2019			
	Production and sales of industrial products (Restated) HK\$'000	Securities investment HK\$'000	Unallocated activities HK\$'000	Total (Restated) HK\$'000
Segment revenue	180,170	20,234	759	201,163
Segment profit	63,408	20,157	759	84,324
Other income	13,017	1,384	—	14,401
Other loss, net	(995)	—	(131)	(1,126)
Distribution costs	(35,534)	—	—	(35,534)
Administrative costs	(38,141)	(11,913)	(9,056)	(59,110)
Reversal of impairment of trade receivables	4,516	—	—	4,516
Finance costs, net	(5,931)	(10)	(11,543)	(17,484)
Share of results of associate(s)	—	—	3,211	3,211
Profit/(loss) before income tax	340	9,618	(16,760)	(6,802)

	As at 31 December 2019 (Restated)			
	Production and sales of industrial products HK\$'000	Securities investment HK\$'000	Unallocated activities HK\$'000	Total HK\$'000
Segment total assets	245,165	170,526	283,757	699,448

4. SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2020 and for the year ended 31 December 2019, the revenue of the Group was mainly arising from Mainland China and Hong Kong.

Revenue of approximately HK\$8,281,000 (for the year ended 31 December 2019: HK\$8,282,000) was derived from a single external customer. Such revenue was derived from the production and sales of industrial products segment.

As at 31 December 2020 and 31 December 2019, except for the financial instruments, the Group's non-current assets were located in Mainland China and Hong Kong.

5. OTHER INCOME

	Year ended 31 December 2020 <i>HK\$'000</i>	Year ended 31 December 2019 <i>HK\$'000</i>
Income from sales of scraps	237	85
Cash dividends	—	1,384
Rental income	4,896	5,917
Government grants	6,573	6,925
Others	—	90
	<u>11,706</u>	<u>14,401</u>

6. OTHER GAINS/(LOSSES), NET

	Year ended 31 December 2020 <i>HK\$'000</i>	Year ended 31 December 2019 <i>HK\$'000</i>
Exchange gains/(losses)	3,173	(1,100)
Compensation income	126	221
Waiver of account payables	—	1,226
Change in fair value of investment property	264	(1,304)
Others	161	(169)
	<u>3,724</u>	<u>(1,126)</u>

7. FINANCE COSTS, NET

	Year ended 31 December 2020 HK\$'000	Year ended 31 December 2019 HK\$'000
Finance income:		
– Interest income from bank deposits	463	236
Finance costs:		
– Interest expenses on bank and other borrowings	4,941	6,002
– Amortisation of interest expense on convertible bonds	12,589	11,515
– Finance costs related to finance lease	1,087	203
	18,617	17,720
Finance costs, net	18,154	17,484

8. INCOME TAX EXPENSE

Hong Kong profits tax had been provided at the rate of 16.5% (year ended 31 December 2019: 16.5%) on the estimated assessable profit for the year. The applicable tax rate of 日東智能裝備科技(深圳)有限公司, a subsidiary of the Group in Mainland China, was 15% (year ended 31 December 2019: 15%), and other subsidiaries of the Group in Mainland China were taxed at a rate of 25% (year ended 31 December 2019: 25%). Taxation on overseas profits had been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	Year ended 31 December 2020 HK\$'000	Year ended 31 December 2019 (Restated) HK\$'000
Current income tax	3,111	3,578
Deferred income tax	2,488	1,231
Income tax expense	5,599	4,809

8. INCOME TAX EXPENSE (CONTINUED)

The differences between the tax on the Group's profit/(loss) before tax and the theoretical amount that would arise from using the weighted average tax rate applicable to profit/(loss) of the consolidated entities are presented as follows:

	Year ended 31 December 2020 <i>HK\$'000</i>	Year ended 31 December 2019 (Restated) <i>HK\$'000</i>
Profit/(loss) before income tax	25,249	(6,802)
Tax at the statutory tax rates	6,241	2,561
Tax effects of:		
– Income not subject to tax	(411)	(231)
– Expenses not deductible for tax purposes	705	1,573
– Utilisation of previously unrecognised tax losses	(1,616)	(2,931)
– Tax loss for unrecognised deferred income tax assets	2,077	3,398
– Differences between settlement and payment of previous annual income tax	(583)	951
– Research and development expenses add-on deduction	(814)	(512)
Income tax expense	5,599	4,809

9. EARNINGS/(LOSSES) PER SHARE

(a) Basic

Basic earnings/(losses) per share are calculated by dividing the earnings/(losses) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December 2020 <i>HK\$'000</i>	Year ended 31 December 2019 (Restated) <i>HK\$'000</i>
Earnings/(losses) attributable to equity holders of the Company	19,650	(11,611)
Weighted average number of ordinary shares in issue (<i>in thousands</i>)	1,455,000	1,455,000
Basic earnings/(losses) per share	1.35 Cents	(0.80) Cents

9. EARNINGS/(LOSSES) PER SHARE (CONTINUED)

(b) Diluted

In 2020 and 2019, as it is assumed that the conversion of the Company's outstanding convertible bonds will result in an increase/(decrease) in earnings/(losses) per share for the year, it is not considered that the Company's outstanding convertible bonds have been exercised in the calculation of the diluted earnings/(losses) per share for the year 2020 and year 2019.

10. TRADE RECEIVABLES AND OTHER RECEIVABLES

	As at 31 December 2020 HK\$'000	As at 31 December 2019 HK\$'000
Non-current portion		
Other non-current assets	4,904	—
Current portion		
Trade and bills receivables	99,990	57,887
Less: Provision for impairment of trade and bills receivables	(5,715)	(13,397)
Trade and bills receivables, net	94,275	44,490
Prepayments	50,239	2,798
Other receivables	1,395	5,954
	145,909	53,242

10. TRADE RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

Parts of the Group's sales are on acceptance bills or documents against payment. The remaining amounts are with credit terms of thirty to ninety days. As at 31 December 2020 and 31 December 2019, the aging analysis of the trade and bills receivables based on invoice date is as follows:

	As at 31 December 2020 HK\$'000	As at 31 December 2019 HK\$'000
3 months or less	37,027	23,732
3 to 6 months	28,561	12,691
More than 6 months	34,402	21,464
	<u>99,990</u>	<u>57,887</u>

Movements on the Group's provision for impairment of trade receivables are presented as follows:

	As at 31 December 2020 HK\$'000	As at 31 December 2019 HK\$'000
At the beginning of the year	13,397	20,500
Written-off	(9,419)	(2,263)
Provision for/(reversal) of impairment charges	910	(4,516)
Exchange adjustments	827	(324)
At the end of the year	<u>5,715</u>	<u>13,397</u>

The creation and reversal of a provision for impaired receivables is included in "provision for/(reversal of) impairment of trade receivables" in the consolidated statement of comprehensive income. The amount charged to the allowance account is generally written off when additional cash is not expected to be recovered.

The other classes within trade and bills receivables do not contain impaired assets.

As at the balance sheet date, the maximum exposure to credit risk is the carrying value of each class of receivables mentioned above.

11. TRADE PAYABLES, OTHER PAYABLES, AND CONTRACT LIABILITIES

	As at 31 December 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
Trade payables	48,181	32,421
Bills payables	—	3,747
Employee salaries payables	35,112	23,737
Other taxes payables	22,425	16,128
Contract liabilities	56,097	7,901
Other payables	2,349	1,937
Accrued expenses	3,125	4,734
Interest payables	124	166
	<u>167,413</u>	<u>90,771</u>

As at 31 December 2020 and 31 December 2019, the aging analysis of trade and bills payables based on the invoice date is as follows:

	As at 31 December 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
Within 90 days	38,593	29,295
91 to 120 days	908	327
Over 120 days	8,680	6,546
	<u>48,181</u>	<u>36,168</u>

11. TRADE PAYABLES, OTHER PAYABLES, AND CONTRACT LIABILITIES (CONTINUED)

The carrying value of the Group's trade payables, bills payables and other payables are denominated in the following currencies:

	As at 31 December 2020 HK\$'000	As at 31 December 2019 HK\$'000
Renminbi	50,502	38,011
Hong Kong dollar	28	94
	<u>50,530</u>	<u>38,105</u>

12. BORROWINGS

	As at 31 December 2020 HK\$'000	As at 31 December 2019 HK\$'000
Secured bank borrowings due for repayment within one year (a)	1,899	89,200
Secured bank borrowings due for repayment within two years (a)	92,103	—
Short-term credit borrowings due for repayment within one year	—	11,758
	<u>94,002</u>	<u>100,958</u>

(a) The bank borrowings are secured by the properties of the Group with a net value of HK\$81,689,000.

As at 31 December 2020, the average annual borrowing interest rate was 4.67% (31 December 2019: 6.28%)

The above borrowings are carried at amortised cost. The fair value approximated to its carrying amount as the term is short.

12. BORROWINGS (CONTINUED)

The carrying amounts of the Group's borrowings are denominated in the following currency:

	As at 31 December 2020 HK\$'000	As at 31 December 2019 HK\$'000
Renminbi	94,002	89,200
US dollar	—	11,758
	<u>94,002</u>	<u>100,958</u>

13. CONVERTIBLE BONDS

On 30 May 2016, the Company issued 730,000,000 ordinary shares at a price of HK\$0.4 per share and zero coupon convertible bonds with face value of HK\$148,000,000 to Unis Strategy Investment Company. The bonds shall be matured in five years from the date of issue at their face value of HK\$148,000,000 or converted into ordinary shares of the Company at HK\$0.4 per share (subject to adjustment) by the holder before the maturity date of the bonds. Such transaction was approved in the special general meeting held on 9 May 2016. The above-mentioned convertible bonds are classified as financial liabilities at fair value through profit or loss.

On 30 March 2017, the special general meeting approved the supplementary agreement for the convertible bonds signed by the Company and Unis Strategy Investment Company. The supplementary agreement removed the relevant terms in relation to the conversion price adjustment under the original agreement. Accordingly, the convertible bonds issued by the Company pursuant to the original agreement were derecognised. According to the supplementary agreement, the convertible bonds were recognised as compound financial instruments. As at 30 March 2017, such financial liability at fair value through profit or loss of HK\$678,487,000 was derecognised. Pursuant to the amended terms and the fair value at the date, the Company recognised the convertible bonds as compound financial instruments, among which the fair value of the liability component was HK\$100,546,000, the fair value of the equity component was HK\$577,941,000, and the liability component of the compound financial instrument was subsequently measured by the amortised cost method. In 2018, the recognised interest expense of the convertible bonds was HK\$10,494,000. In 2019, the recognised interest expense of the convertible bonds was HK\$11,515,000. For the year, the recognised interest expense of the convertible bonds was HK\$12,589,000.

No convertible bonds were converted into ordinary shares of the Company during the year.

14. COMMITMENTS

Operating lease commitment – the Group as lessee

The Group rents certain office premises or staff quarter under non-cancellable operating lease agreements. The lease terms are within one year, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The aggregate future minimum rental payments under non-cancellable operating leases are as follows:

	As at 31 December 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
Within one year	<u>70</u>	<u>220</u>

As at 31 December 2020 and 31 December 2019, the Group had no non-cancellable contracted capital commitments.

Operating lease commitment – the Group as lessor

The Group leases certain factory buildings and staff quarters under non-cancellable operating lease agreements. The minimum rents to be collected in the future are as follows:

	As at 31 December 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
Within one year	6,315	4,862
More than one year but not more than five years	<u>33,654</u>	<u>13,775</u>
	<u>39,969</u>	<u>18,637</u>

15. RELATED PARTY TRANSACTIONS

Key management remuneration

Key management includes Directors (executive Directors and non-executive Directors), Company Secretary and executives in key departments such as operations. The remuneration paid or payable to key management personnel for employee services is as follows:

	Year ended 31 December 2020 <i>HK\$'000</i>	Year ended 31 December 2019 <i>HK\$'000</i>
Salaries and other short-term employee benefits	7,220	6,810
Post-employment benefits	<u>—</u>	<u>—</u>
	<u>7,220</u>	<u>6,810</u>

MANAGEMENT DISCUSSION AND ANALYSIS

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

After suffering from the US-China trade war, in 2020, COVID-19 brought a devastating blow to the global economy just when it began to recover. The outbreak of the pandemic prompted governments to implement shutdown measures, resulted in the rapid economic contractions in various countries. On the contrary, the PRC is expected to be the only major economy in the world to record growth in 2020 as the pandemic was contained within the country, followed by the resumption of work and production afterwards. Looking at the data from the manufacturing industry and the electronics manufacturing industry alone, the China manufacturing PMI in December 2020 was 53, down from the previous month, but still significantly higher than the 50% threshold. Meanwhile, driven by the booming development of 5G communication and the server industry, the global printed circuit board (PCB) industry also showed strong growth in demand. It is expected that the global PCB production value will reach approximately US\$64 billion in 2020, representing a year-on-year growth of 4.40%. With such performance despite the influence of the pandemic, it is evident that the electronics industry comes to a new era of expansion brought by emerging demands.

Under such economic environment, the Group established stable development as its operation goal for the year. For the year ended 31 December 2020, benefited from the floating profit from our securities investment business of approximately HK\$36,278,000, as well as the initial recovery of domestic manufacturing industry and the steady growth of the electronics industry, the revenue and profit from the Group's core SMT equipment manufacturing and related business recorded a significant increase, facilitating the overall result to turn from loss to profit. Meanwhile, the overall gross profit margin of the Group experienced a significant year-on-year increase, while the profit attributable to the equity holders of the Company for the year increased significantly to approximately HK\$19,650,000.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SMT Equipment Manufacturing and Related Business

Electronic assembly technology is an integral part of modern electronics advanced manufacturing technology, an important parameter in judging the comprehensive strength technological development of a country, and a key to producing small, lightweight, multifunctional and reliable electronic products. Among which, surfaced mounting technology (SMT) is an electronic assembly technology which directly places and solders surface mount components to the surface of a pad to achieve electrical connection with the conductive pattern without requiring to drill holes on the pad. During the year, SMT equipment manufacturing and related business was at the core of the Group's development. For the year ended 31 December 2020, the gross profit margin of the SMT equipment manufacturing and related business of the Group was 42%, representing an increase of approximately 7% as compared to last year. The revenue of the segment also increased year-on-year by 28% to approximately HK\$233,784,000.

In terms of credit management, trade receivables and other receivables increased during the year due to the impact of fine-tuning by the Company to the reasonable demand of quality customers with higher credit ratings. The average debtors turnover days and average creditors turnover days recorded a slight increase year-on-year. Furthermore, the average inventory turnover days were approximately 83 days during the year, representing a year-on-year decrease of 17 days.

In today's world, technology is advancing by leaps and bounds, the competitiveness of enterprises is increasingly manifested by its technological strength with independent innovation as the core. As an integrated service provider of SMT and semiconductor intelligent equipment, the Group has focused on the design, research and development, production and sales of equipment under its own brand. In 2020, the Group launched a series of new products, including die bonder for semiconductor chip mounting, which can be used for chip mounting and high speed and high precision packaging equipment for cell phones, automotive electronics, communication products and smart home products; efficient heat transfer reflow soldering device, which adopts dual track and dual speed, drawer type heating device and efficient modular flux recovery design to realise efficient heat transfer; intelligent wave soldering machine for flexible manufacturing, which is suitable for quick swapping between multiple items in small lots, and data information management can be realised. In addition, in 2020, the Group was granted seven utility model patents, one software copyright registration and one trademark registration. At the same time, the Group's subsidiaries obtained ISO9001:2015 certification in September 2020, and was recognised again as a national high-tech enterprise in December 2020, and received the municipal sales incentives for first sales of major technical equipment and ancillary incentives in Baoan District, Shenzhen.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SMT Equipment Manufacturing and Related Business (Continued)

In terms of market promotion, the Group continued to adhere to the “Go Out” strategy and actively participated in large-scale domestic and foreign exhibitions. Through quality promotion before and during the exhibitions and with live introductions and demonstrations of our products performed by our experienced engineers to existing and potential customers, we demonstrated not only the value of the Group’s products, but also the value of the Group’s services, employees and image, which further enhanced brand awareness. Affected by the COVID-19 pandemic, industry-related exhibitions in the first half of 2020 were either cancelled or postponed. The Group grasped the opportunities to participate in the few exhibitions available in the second half of 2020, including the 6th Shenzhen International Intelligent Equipment Industry Exposition, the International Electronics Manufacturing and Microelectronics Industry Exhibition (NEPCON ASIA 2020) and South China International Industry Fair 2020 held in Shenzhen, in order to create more opportunities for promotion.

2020 was a challenging year for all countries around the globe. According to the World Economic Outlook Update published by the International Monetary Fund in January 2021, it is estimated that the global gross domestic product dropped by 3.50% in 2020. Although the PRC’s trade driven recovery has given impetus to global economy, economic recovery of the PRC is to a certain extent affected by the prospect of the global economy, while the severe recession in global economic activities means that the economy is not capable of rebounding back to the level before the pandemic. Hence, looking forward to 2021, the global economy still faces high level of uncertainties. The Group will continue to adhere to its strategies of stable development and operation, focusing on its core business while planning the research and development and sales of products according to the market demand. Meanwhile, the Group will insist on maintaining its brand reputation, so as to further consolidate the Group’s leading position in the SMT equipment manufacturing and related business. In long term, the management believes that, with rapid development of 5G communication, further popularisation of new energy automotive, continued growth of 3C wearable devices and rapid advances in IoT, intelligent home and other technologies, the electronics manufacturing industry has entered a new era of prosperity. The Group will timely grasp any opportunities in market, while at the same time expand towards the semiconductor intelligent equipment industry.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Securities Investment Business

The Group has been managing its securities business with a low-frequency trading strategy and focusing on the upstream and downstream companies which can create synergy effects with SMT equipment manufacturing business and businesses related to semiconductor. All the invested companies are high-tech companies listed on the Stock Exchange, and their stable business performance will enhance the stabilisation of the share prices. For the year ended 31 December 2020, the securities investment segment recorded a floating gain of approximately HK\$36,278,000, representing a significant increase of approximately 79.29% as compared to that of last year.

In the first half of 2020, in view of the market conditions, the Company disposed part of shares of SMIC and all shares of Legend Holdings hold by it, respectively. As at 31 December 2020, The Group's financial assets at fair value through profit or loss amounted to approximately HK\$43,635,000, with its proportion in the total assets of the Company further decreased to 5.79%.

On 18 January 2021, the Group disposed of a total of 1,956,000 shares of SMIC in the open market which were included in financial assets at fair value through profit or loss. The average disposal price was HK\$29.19 per share and the total disposal proceeds amounted to approximately HK\$56,914,000 (net of transaction costs), representing an investment gain of HK\$13,868,000.

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

Name of investee	Total investment gain/(loss) for the year ended 31 December 2020 <i>HK\$'000</i>
SMIC (stock code: 981.hk)	43,509
GOME FIN TECH (stock code: 628.hk)	(58)
GUODIAN TECH (stock code: 1296.hk)	(47)
LEGEND HOLDINGS (stock code: 3396.hk)	(7,126)
	<hr/>
	36,278
	<hr/>

During the year, the Group disposed an aggregate of 4,510,000 shares of Legend Holdings and an aggregate of 4,520,000 shares of SMIC.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Securities Investment Business (Continued)

The Group's investments in above-mentioned securities were recorded as financial assets at fair value through profit or loss on the consolidated balance sheet, which amounted to approximately HK\$43,635,000 as at 31 December 2020.

Name of investee	Financial assets at fair value through profit or loss as at 31 December 2020 <i>HK\$'000</i>	Percentage of total financial assets at fair value through profit or loss %
SMIC	43,228	99.07
GOME FIN TECH	213	0.49
GUODIAN TECH	194	0.44
	<u>43,635</u>	<u>100</u>

FINANCIAL REVIEW

Income

In 2020, the Group recorded a total income of approximately HK\$270,560,000. An analysis of the income by business segments is as follows:

	Year ended 31 December 2020 (Audited) <i>HK\$'000</i>	Year ended 31 December 2019 (Audited) <i>HK\$'000</i>
SMT equipment manufacturing and related business	233,784	180,170
Securities investment	36,278	20,234
Unallocated activities	498	759
Total	<u>270,560</u>	<u>201,163</u>

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (CONTINUED)

Other gains

During the year, the Group recorded other gains of approximately HK\$11,706,000, representing a decrease of approximately 18.71% compared to that of last year. The decrease was mainly due to the decrease from rental income of HK\$1,021,000, decrease from government grants of approximately HK\$352,000, decrease from cash dividends of approximately HK\$1,384,000, and decrease from other income of approximately HK\$90,000.

Distribution costs

During the year, the Group recorded distribution costs of approximately HK\$47,559,000, representing an increase of approximately 33.84% compared to that of last year.

Administrative costs

During the year, the administrative costs amounted to approximately HK\$67,657,000, representing an increase of approximately 14.46% compared to the restated figure of last year.

Finance costs

During the year, the net finance costs amounted to approximately HK\$18,154,000, representing an increase of approximately HK\$670,000 compared to that of last year, mainly attributable to the amortisation of interest expense on bonds.

Profit for the year

As a result of the foregoing, the profit attributable to the equity holders of the Company for the year was approximately HK\$19,650,000, representing a turnaround from the loss of approximately HK\$11,611,000 for year 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (CONTINUED)

Profit before interest, tax, depreciation and amortisation

The following table illustrates the Group's profit before interest, tax, depreciation and amortisation for the respective years. The Group's profit before interest, tax, depreciation and amortisation ratio was approximately 21.98% for the year.

	Year ended 31 December 2020 <i>HK\$'000</i>	Year ended 31 December 2019 (Restated) <i>HK\$'000</i>
Profit/(loss) for the year attributable to equity holders of the Company	19,650	(11,611)
Finance costs, net	18,154	17,484
Income tax expense	5,599	4,809
Depreciation and amortisation	16,077	7,371
Profit before interest, tax, depreciation and amortisation	<u>59,480</u>	<u>18,053</u>

Liquidity, financial resources and gearing ratio

The Group has maintained sufficient operating capital. As at 31 December 2020, the net current assets of the Group amounted to approximately HK\$341,380,000, and the liquidity ratio of the Group was maintained at about 101.78%, which was sufficient to support the ordinary operation of the Group. With reference to total borrowings over equity attributable to the equity holders of the Company as at 31 December 2020, the gearing ratio of the Group was 30.40%.

As of 31 December 2020, the borrowings balance of the Group was approximately HK\$94,002,000.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (CONTINUED)

Operating capital management

As at 31 December 2020, the Group held cash and cash equivalents of approximately HK\$116,609,000, representing an increase of approximately HK\$73,201,000 compared with HK\$43,408,000 as at the beginning of the year. The Group's average inventory turnover days were approximately 83 days, representing a decrease of 17 days compared with that of last year (31 December 2019: 100 days), the average debtors turnover days were 107 days, representing an increase of 50 days compared with that of last year (31 December 2019: 57 days), and the average creditors turnover days were approximately 112 days, representing an increase of 8 days compared with that of last year (31 December 2019: 104 days).

Capital expenditure on property, plant and equipment

During the year, the total capital expenditure was approximately HK\$545,000, in which approximately HK\$407,000 was on the purchase of machinery and equipment, and approximately HK\$138,000 was on the renovation and decoration of office.

Charges on the Group's assets

As at 31 December 2020, 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 certain of the Group's land and properties, which had an aggregate net carrying value at the balance sheet date of approximately HK\$81,689,000.

Equity and liabilities

As at 31 December 2020, the Group's net assets amounted to HK\$309,214,000. The increase in net assets during the year as compared with the restated net assets of HK\$289,346,000 as at 31 December 2019 was mainly attributed to gains for the year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency risks as its certain business, assets and liabilities are denominated in Renminbi, Hong Kong dollar, and US dollar. 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, REDEEM OR SELL THE COMPANY'S LISTED SECURITIES

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

DIVIDENDS

The Board did not recommend a final dividend for the year ended 31 December 2020 (31 December 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

HUMAN RESOURCES

As at 31 December 2020, the Group employed approximately 316 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 of directors, sound internal controls and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavours to ensure that its businesses are conducted in accordance with 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 2020.

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 2020. 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.

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 2020 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
Du Yang
Chairman

Hong Kong, 31 March 2021

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