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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 2021**

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 2021 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Notes	Year ended 31 December 2021 <i>HK\$'000</i>	Year ended 31 December 2020 <i>HK\$'000</i>
Revenue and gain on securities investment	4	322,981	270,560
Cost of sales		(181,152)	(136,078)
Gross profit and gain on securities investment		141,829	134,482
Other income	6	23,064	11,706
Other gains, net	7	5,097	3,724
Distribution costs		(51,102)	(47,559)
Administrative expenses		(76,351)	(67,657)
Reversal of expected credit loss (“ECL”)/(ECL) on trade and bills receivables		703	(910)
Operating profit		43,240	33,786

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

for the year ended 31 December 2021

		Year ended 31 December 2021	Year ended 31 December 2020
	Notes	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance income	8	2,280	463
Finance costs	8	<u>(10,645)</u>	<u>(18,617)</u>
Finance costs, net	8	<u>(8,365)</u>	<u>(18,154)</u>
Share of results of associates		2,285	9,617
Share of result of a joint venture		588	—
Gain on disposal of an associate		<u>8,668</u>	<u>—</u>
Profit before income tax		46,416	25,249
Income tax expenses	9	<u>(8,134)</u>	<u>(5,599)</u>
Profit for the year attributable to owners of the Company		38,282	19,650
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		<u>1,093</u>	<u>218</u>
Total comprehensive income for the year attributable to owners of the Company		<u>39,375</u>	<u>19,868</u>
Earnings per share	10		
Basic and diluted earnings per share		<u>2.63 HK cents</u>	<u>1.35 HK cents</u>

CONSOLIDATED BALANCE SHEET

as at 31 December 2021

	<i>Notes</i>	As at 31 December 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		74,414	73,146
Investment properties		26,806	26,943
Right-of-use assets		19,939	27,290
Intangible assets		23,615	22,281
Interests in associates		2,278	247,684
Interest in a joint venture		9,167	—
Financial assets at fair value through profit or loss (“FVTPL”)		5,143	—
Deferred income tax assets		3,575	9,578
Other non-current assets	12	—	4,904
		<u>164,937</u>	<u>411,826</u>
Current assets			
Inventories		48,605	35,227
Trade and other receivables	12	236,922	145,909
Financial assets at FVTPL		689	43,635
Cash and cash equivalents		308,462	116,609
		<u>594,678</u>	<u>341,380</u>
Total assets		<u><u>759,615</u></u>	<u><u>753,206</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		145,500	145,500
Share premium		95,240	95,240
Other reserves		33,266	610,114
Retained profits/(Accumulated losses)		74,583	(541,640)
Total equity		<u><u>348,589</u></u>	<u><u>309,214</u></u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

as at 31 December 2021

		As at 31 December 2021 HK\$'000	As at 31 December 2020 HK\$'000
LIABILITIES			
Non-current liabilities			
Long-term borrowing		—	92,103
Lease liabilities		1,757	8,357
Deferred income		1,028	1,163
Deferred income tax liabilities		7,249	6,966
		<u>10,034</u>	<u>108,589</u>
Current liabilities			
Trade and other payables	13	271,863	111,316
Contract liabilities		14,437	56,097
Short-term borrowing		94,982	1,899
Lease liabilities		9,388	10,360
Income tax payables		10,322	13,164
Convertible bonds		—	142,567
		<u>400,992</u>	<u>335,403</u>
Total liabilities		<u>411,026</u>	<u>443,992</u>
Total equity and liabilities		<u>759,615</u>	<u>753,206</u>
Net current assets		<u>193,686</u>	<u>5,977</u>
Total assets less current liabilities		<u>358,623</u>	<u>417,803</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, and its address of the principal place of business is Unit 02-03, 69/F, International Commerce Centre, 1 Austin Road West, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Group is principally engaged in Surface Mount Technology ("SMT") equipment manufacturing and securities investment.

In the opinion of the Directors, 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 consolidated financial statements are presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

The consolidated financial statements were approved for issue by the Board on 23 March 2022.

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

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

3. ADOPTION OF NEW AND AMENDED HKFRSs

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

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

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

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

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

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

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

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ Effective date not yet determined

⁴ Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual periods beginning on or after 1 January 2022

⁵ Effective for annual periods beginning on or after 1 April 2021

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

5. SEGMENT INFORMATION

The executive Directors of the Company, being the chief operating decision maker, have identified the operating segments around differences in products and services.

The Group has identified the following reporting segments:

- Production and sales of industrial products; and
- Securities investment.

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

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

5. SEGMENT INFORMATION (Continued)

	As at 31 December 2021			
	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>
Reporting segment assets	<u>540,398</u>	<u>4,141</u>	<u>215,076</u>	<u>759,615</u>
Reporting segment liabilities	<u>398,955</u>	<u>40</u>	<u>12,031</u>	<u>411,026</u>

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>
Revenue from external customers	<u>233,784</u>	<u>36,278</u>	<u>498</u>	<u>270,560</u>
Segment gross profit	98,386	35,598	498	134,482
Other income	11,004	—	702	11,706
Other gains/(losses), net	3,759	—	(35)	3,724
Distribution costs	(47,559)	—	—	(47,559)
Administrative expenses	(49,271)	(12,050)	(6,336)	(67,657)
ECL on trade and bills receivables	(910)	—	—	(910)
Finance income	286	—	177	463
Finance costs	(5,755)	(5)	(12,857)	(18,617)
Share of results of associates	—	—	9,617	9,617
Profit/(Loss) before income tax	<u>9,940</u>	<u>23,543</u>	<u>(8,234)</u>	<u>25,249</u>

5. SEGMENT INFORMATION (Continued)

	As at 31 December 2020			
	Production and sales of industrial products	Securities investment	Unallocated activities	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Restated)</i>	<i>(Restated)</i>		
Reporting segment assets	<u>382,607</u>	<u>53,234</u>	<u>317,365</u>	<u>753,206</u>
Reporting segment liabilities	<u>277,900</u>	<u>40</u>	<u>166,052</u>	<u>443,992</u>

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

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

6. OTHER INCOME

	Year ended 31 December 2021	Year ended 31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income from		
– investment properties	7,409	4,620
– motor vehicle included in property, plant and equipment	240	276
– right-of-use assets	3,723	—
	<u>11,372</u>	4,896
Government grants	7,246	6,573
Agency fee income	3,649	—
Income from provision of administrative services	651	—
Income from sales of scraps	146	237
	<u>23,064</u>	<u>11,706</u>

7. OTHER GAINS/(LOSSES), NET

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

8. FINANCE COSTS, NET

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

9. INCOME TAX EXPENSES

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

10. EARNINGS PER SHARE

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

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

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

11. DIVIDENDS

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

12. TRADE AND OTHER RECEIVABLES

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

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

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

13. TRADE AND OTHER PAYABLES

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

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

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

14. COMPARATIVE FIGURES

Certain comparative figures as disclosed in note 5 have been adjusted to conform with current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SMT Equipment Manufacturing and Related Business

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SMT Equipment Manufacturing and Related Business (Continued)

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SMT Equipment Manufacturing and Related Business (Continued)

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

Strategy and Outlook

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

Securities Investment Business

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Securities Investment Business (Continued)

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

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

Name of investee	Total investment income/ (loss) for the year ended 31 December 2021 <i>HK\$'000</i>
SMIC (stock code: 981.HK)	13,862
GOME FIN TECH (stock code: 628.HK)	(104)
GUODIAN TECH (stock code: 1296.HK)	386
	<hr/>
	14,144
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The Group's investments in the above-mentioned securities were classified as financial assets at FVTPL under current assets on the consolidated balance sheet, which amounted to approximately HK\$689,000 as at 31 December 2021.

Name of investee	Financial assets at FVTPL as at 31 December 2021 <i>HK\$'000</i>	Percentage of total financial assets at FVTPL %
GOME FIN TECH	109	15.82
GUODIAN TECH	580	84.18
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	689	100
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FINANCIAL REVIEW

Revenue

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

	Year ended 31 December 2021 <i>HK\$'000</i> (Audited)	Year ended 31 December 2020 <i>HK\$'000</i> (Audited)
SMT equipment manufacturing and related business	308,837	233,784
Securities investment	14,144	36,278
Unallocated activities	—	498
Total	<u>322,981</u>	<u>270,560</u>

Other income

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

Distribution costs

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

Administrative Expenses

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

FINANCIAL REVIEW (CONTINUED)

Finance costs

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

Profit for the year

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

Earnings before interest, tax, depreciation and amortisation

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

	Year ended 31 December 2021 <i>HK\$'000</i>	Year ended 31 December 2020 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company	38,382	19,650
Finance costs, net	8,365	18,154
Income tax expenses	8,134	5,599
Depreciation and amortisation	17,522	16,077
Earnings before interest, tax, depreciation and amortisation	<u>72,403</u>	<u>59,480</u>

FINANCIAL REVIEW (CONTINUED)

Liquidity, financial resources and gearing ratio

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

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

Operating capital management

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

Capital expenditure on property, plant and equipment

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

Charges on the Group's assets

As at 31 December 2021, the Group's banking facilities including its import/export loan, letter of credit, documentary credits, trust receipt and bank borrowings were secured by:

- (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\$81,581,000.

FINANCIAL REVIEW (CONTINUED)

Equity and liabilities

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

PRINCIPAL RISKS AND UNCERTAINTIES

Operational risk

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

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

Financial risk

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

Credit risk

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

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

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 US dollars. During the year, the Group did not utilise any financial instruments for hedging purposes, and the Group will continue to closely monitor its foreign exchange risk associated to the currencies, and will take appropriate hedging measures when necessary.

Price risk

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

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

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

DIVIDENDS

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

HUMAN RESOURCES

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

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 2021. 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 GRANT THORNTON HONG KONG LIMITED

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 2021 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 2021. 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 2021 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, 23 March 2022

As at the date of this announcement, the Company's 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. Wang Yanxin, Mr. Cui Yuzhi, Mr. Bao Yi and Mr. Ping Fan as Independent Non-executive Directors.