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 2023

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 2023 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2023

	Notes	**Year ended 31 December 2023** *HK$'000*	Year ended 31 December 2022 *HK$'000* (Restated)
Continuing operations			
Revenue	*4*	**211,795**	231,140
Cost of sales		**(150,424)**	(136,626)
Gross profit		**61,371**	94,514
Other income	*6*	**23,276**	20,664
Other gains/(losses), net	*7*	**1,196**	(2,814)
Distribution costs		**(34,929)**	(45,193)
Administrative expenses		**(97,311)**	(88,139)
Reversal of expected credit losses ("ECL") allowance of trade and bills receivables		**326**	7
Operating loss		**(46,071)**	(20,961)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Notes	**Year ended 31 December 2023** ***HK$'000***	Year ended 31 December 2022 *HK$'000* (Restated)
Finance income	*8*	**2,506**	2,472
Finance costs	*8*	**(24,355)**	(7,015)
Finance costs, net	*8*	**(21,849)**	(4,543)
Share of results of associates		**(4,033)**	54
Share of result of a joint venture		**1,203**	887
Loss before income tax		**(70,750)**	(24,563)
Income tax (expenses)/credit	*9*	**(231)**	549
Loss for the year from continuing operations		**(70,981)**	(24,014)
Discontinued operation			
Loss for the year from discontinued operation	*10*	**(35,831)**	(9,315)
Loss for the year		**(106,812)**	(33,329)
Other comprehensive income/(expense) arising from continuing operations			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment upon transfer to investment properties		**13,661**	3,614
Deferred income tax on revaluation of property, plant and equipment upon transfer to investment properties		**(3,415)**	(903)
		10,246	2,711
Item that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(2,719)**	(9,832)
		7,527	(7,121)
Other comprehensive expense arising from discontinued operation			
Item that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(418)**	(1,387)
Total comprehensive expense for the year, net of tax		**(99,703)**	(41,837)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Note	Year ended 31 December 2023 HK$'000	Year ended 31 December 2022 HK$'000 (Restated)
Loss for the year attributable to:			
Owners of the Company			
– Continuing operations		**(37,786)**	(18,313)
– Discontinued operation		**(24,723)**	(6,428)
		(62,509)	(24,741)
Non-controlling interests			
– Continuing operations		**(33,195)**	(5,701)
– Discontinued operation		**(11,108)**	(2,887)
		(44,303)	(8,588)
		(106,812)	(33,329)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(54,982)**	(31,862)
Non-controlling interests		**(44,721)**	(9,975)
		(99,703)	(41,837)
		HK cents	HK cents
Loss per share for loss attributable to owners of the Company			
Basic and diluted	*11*		
– Continuing operations		**(2.60)**	(1.26)
– Discontinued operation		**(1.70)**	(0.44)
		(4.30)	(1.70)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	Notes	**As at 31 December 2023 *HK$'000***	As at 31 December 2022 *HK$'000* (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**418,929**	449,446
Investment properties		**52,079**	29,768
Right-of-use assets		**23,341**	35,375
Intangible assets		**17,309**	27,811
Interests in associates		**8,363**	12,735
Interest in a joint venture		**10,402**	9,346
Financial assets at fair value through profit or loss ("FVTPL")		**16,288**	18,765
Deferred income tax assets		**3,646**	3,705
Trade and other receivables	*13*	**4,176**	7,054
		554,533	594,005
Current assets			
Inventories		**24,080**	23,450
Trade and other receivables	*13*	**185,944**	266,755
Financial assets at FVTPL		**111**	85
Cash and cash equivalents		**183,169**	273,446
		393,304	563,736
Assets classified as held for sale	*14*	**12,665**	—
		405,969	563,736
Total assets		**960,502**	1,157,741
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**145,500**	145,500
Share premium		**95,240**	95,240
Other reserves		**33,672**	26,145
(Accumulated losses)/Retained profits		**(12,667)**	49,842
Equity attributable to owners of the Company		**261,745**	316,727
Non-controlling interests		**(8,168)**	36,553
Total equity		**253,577**	353,280

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	**As at 31 December 2023** *HK$'000*	As at 31 December 2022 *HK$'000* (Restated)
Non-current liabilities			
Bank and other borrowings		**365,135**	442,290
Lease liabilities		**706**	12,230
Deferred income		**617**	783
Deferred income tax liabilities		**11,409**	7,994
Long service payment obligations		**308**	237
		378,175	463,534
Current liabilities			
Trade and other payables	*15*	**234,887**	294,017
Contract liabilities		**7,563**	6,177
Bank and other borrowings		**75,212**	28,631
Lease liabilities		**8,861**	9,819
Income tax payables		**2,227**	2,283
		328,750	340,927
Total liabilities		**706,925**	804,461
Total equity and liabilities		**960,502**	1,157,741
Net current assets		**77,219**	222,809
Total assets less current liabilities		**631,752**	816,814

Notes:

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Its address of the principal place of business is Unit 02-03, 69/F, International Commerce Centre, 1 Austin Road West, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the directors of the Company, the immediate holding company of the Company is Sino Xin Ding Limited, a company incorporated in Hong Kong, and the ultimate holding company of the Company is UNIC Capital Management Co., Ltd.* (中青芯鑫 (蘇州工業園區) 資產管理有限責任公司), a company established in the People's Republic of China (the "PRC").

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in (i) Surface Mount Technology ("SMT") equipment manufacturing; (ii) sale of electricity and provision of electricity spot market transaction and auxiliary services ("Energy Business"); and (iii) manufacturing and sales of advanced domestic radar hardware and development application and integration of intelligent software ("Radar Business") in the PRC. Radar Business was discontinued during the year ended 31 December 2023. Details of the discontinued operation are set out in note 10.

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

The consolidated financial statements for the year ended 31 December 2023 were approved for issue by the Board on 28 March 2024.

2. BASIS OF PREPARATION

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong.

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

* *For identification purposes only.*

3. ADOPTION OF NEW AND AMENDED HKFRSs

(a) New and amended HKFRSs that are effective for annual periods beginning on 1 January 2023

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2023:

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 how the results and financial position for the current and prior periods have been prepared and presented.

(b) Issued but not yet effective HKFRSs

At the date of authorisation of the consolidated financial statements, certain amended HKFRSs have been published but are not yet effective for the current period and have not been adopted early by the Group:

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	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKAS 21	Lack of exchangeability[2]

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

2 Effective for annual periods beginning on or after 1 January 2025

3 Effective date not yet determined

The directors of the Company anticipate that all of the amended HKFRSs will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the amended HKFRSs. The amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

(c) New HKICPA guidance on the accounting implication of the Mandatory Provident Fund ("MPF")-Long Service Payment ("LSP") offsetting mechanism

In June 2022, the Hong Kong SAR Government (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will take effect on 1 May 2025 (the "Transition Date"). The Amendment Ordinance abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset LSP in respect of an employee's service from the Transition Date (the "Abolition"). In addition, the last month's salary immediately preceding the Transition Date is used to calculate the portion of the LSP in respect of the employment period before the Transition Date.

Prior to 1 January 2023, the Group applied practical expedient in paragraph 93(b) of HKAS 19 (the "Practical Expedient") to account for the offsetable MPF benefits as deemed employee contributions to reduce the current service costs in the period in which the related services were rendered.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" ("the Guidance") that provides guidance for the accounting for the offsetting mechanism and the impact arising from the abolition of the MPF-LSP offsetting mechanism.

By following the Guidance, the Group has changed its accounting policy in connection with its LSP obligations. As a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the employer's mandatory MPF contribution after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, the Group ceased to apply the Practical Expedient and reattribute the deemed employee contributions to periods of service in the same manner as the gross LSP benefit by applying paragraph 93(a) of HKAS 19. This change in accounting policy upon the cessation in applying the Practical Expedient has resulted in a catch-up adjustment in profit or loss in June 2022 for the service cost up to that date and consequential impacts on current service cost, interest expense and remeasurement effects from changes in actuarial assumptions for the rest of 2022, with the corresponding adjustment to the carrying amount of the LSP obligations during the year ended 31 Decemeber 2022. This change in accounting policy did not have any impact on the opening balance of equity as at 1 January 2022. The company-level statements of financial position as at 31 December 2022 has been restated to reflect the impact.

This change in accounting policy has been applied retrospectively by restating the balances as at 31 December 2022.

4. REVENUE

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 2023	Year ended 31 December 2022
	HK$'000	*HK$'000*
Revenue from contacts with customers		
Production and sales of industrial products	**205,185**	231,140
Sales of electricity	**6,610**	—
	211,795	231,140
Timing of revenue recognition		
At a point in time	**211,795**	231,140
Geographical markets		
The PRC, excluding Hong Kong	**207,811**	227,265
Hong Kong	**3,984**	3,875
	211,795	231,140

5. SEGMENT INFORMATION

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

The Group has identified the following reporting segments:

Continuing operations

- Production and sales of industrial products – manufacturing and sales of SMT equipment; and
- Energy Business – sales of electricity and provision of electricity spot market transaction and auxiliary services.

Discontinued operation

- Radar Business – manufacturing and sales of advanced domestic radar hardware and development, application and integration of intelligent software.

The following segment does not met the quantitative thresholds for the reporting segment, and therefore grouped under "other gains/(losses), net".

- Securities investment – investment in listed equity securities.

5. **SEGMENT INFORMATION (CONTINUED)**

The segment information reported below does not included any amounts for this discontinued operation, which is described in more detail in note 10.

	Production and sales of industrial products *HK$'000*	Energy Business *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Year ended 31 December 2023				
Reportable segment revenue				
Revenue from external customers from continuing operations	**205,185**	**6,610**	**—**	**211,795**
Segment gross profit/(loss)	**83,151**	**(21,780)**	**—**	**61,371**
Other income	**18,635**	**—**	**4,641**	**23,276**
Other (losses)/gains, net	**(1,074)**	**1**	**2,269**	**1,196**
Distribution costs	**(34,929)**	**—**	**—**	**(34,929)**
Administrative expenses	**(46,299)**	**(26,908)**	**(24,104)**	**(97,311)**
Reversal of/(Provision for) ECL allowance of trade and bills receivables	**329**	**(3)**	**—**	**326**
Finance income	**1,269**	**50**	**1,187**	**2,506**
Finance costs	**(4,947)**	**(19,105)**	**(303)**	**(24,355)**
Share of results of associates	**—**	**—**	**(4,033)**	**(4,033)**
Share of result of a joint venture	**—**	**—**	**1,203**	**1,203**
Profit/(Loss) before income tax from continuing operations	**16,135**	**(67,745)**	**(19,140)**	**(70,750)**
As at 31 December 2023				
Reportable segment assets	**496,143**	**405,019**	**59,340**	**960,502**
Interests in associates	**—**	**—**	**8,363**	**8,363**
Interest in a joint venture	**—**	**—**	**10,402**	**10,402**
Additions to non-current segment assets (other than financial instruments and deferred income tax assets) during the year	**6,210**	**32,428**	**69**	**38,707**
Assets classified as held for sale				**12,665**
Reportable segment liabilities	**379,971**	**325,320**	**1,634**	**706,925**

5. SEGMENT INFORMATION (CONTINUED)

	Production and sales of industrial products *HK$'000*	Energy Business *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Year ended 31 December 2022 (Restated)				
Reportable segment revenue				
Revenue from external customers from continuing operations	231,140	—	—	231,140
Segment gross profit	94,514	—	—	94,514
Other income	15,679	14	4,971	20,664
Other gains/(losses), net	7,491	—	(10,305)	(2,814)
Distribution costs	(45,193)	—	—	(45,193)
Administrative expenses	(61,862)	(9,697)	(16,580)	(88,139)
Reversal of ECL allowance of trade and bills receivables	7	—	—	7
Finance income	959	129	1,384	2,472
Finance costs	(4,419)	(2,082)	(514)	(7,015)
Share of results of associates	—	—	54	54
Share of result of a joint venture	—	—	887	887
Profit/(Loss) before income tax from continuing operations	7,176	(11,636)	(20,103)	(24,563)
As at 31 December 2022 (Restated)				
Reportable segment assets	596,453	404,943	156,345	1,157,741
Interests in associates	—	—	12,735	12,735
Interest in a joint venture	—	—	9,346	9,346
Additions to non-current segment assets (other than financial instruments and deferred income tax assets) during the year	6,012	377,235	32,486	415,733
Reportable segment liabilities	454,865	322,163	27,433	804,461

6. OTHER INCOME

	Year ended 31 December 2023 *HK$'000*	Year ended 31 December 2022 *HK$'000* (Restated)
Continuing operations		
Rental income from		
– investment properties	**11,797**	8,616
– motor vehicle included in property, plant and equipment	**561**	240
– right-of-use assets	**4,227**	4,257
	16,585	13,113
Government grants	**5,173**	3,608
Agency fee income	**922**	3,383
Income from provision of administrative services	**408**	450
Income from sales of scraps	**152**	110
Others	**36**	—
	23,276	20,664

7. OTHER GAINS/(LOSSES), NET

	Year ended 31 December 2023 *HK$'000*	Year ended 31 December 2022 *HK$'000* (Restated)
Continuing operations		
Exchange losses, net	**(2,220)**	(4,167)
Compensation income	**124**	145
Unrealised gain on listed equity securities	**26**	476
Unrealised (loss)/gain on unlisted equity securities	**(2,477)**	56
Gain on fair value changes in investment properties	**5,908**	560
(Loss)/Gain on disposal of property, plant and equipment	**(214)**	32
Gain/(Loss) on early termination of leases	**4**	(199)
Others	**45**	283
	1,196	(2,814)

8. FINANCE COSTS, NET

	Year ended 31 December 2023	Year ended 31 December 2022
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Finance income		
Interest income from bank deposits	**2,506**	2,472
Finance costs		
Interest expenses on bank borrowings	**4,954**	4,425
Interest expenses on other borrowings	**19,066**	2,082
Finance charges on lease liabilities	**327**	502
Net interest expense on LSP obligations	**8**	6
	24,355	7,015
Finance costs, net	**21,849**	4,543

9. INCOME TAX EXPENSES/(CREDIT)

	Year ended 31 December 2023	Year ended 31 December 2022
	HK$'000	*HK$'000*
Current tax		
– PRC Enterprise Income Tax	**231**	—
Deferred income tax	**—**	(549)
Total income tax expenses/(credit)	**231**	(549)

10. DISCONTINUED OPERATION

On 13 October 2023, the board of directors of the subsidiary - Sintech Intelligent Technology (Guangdong) Co., Ltd. (芯泰智能科技 (廣東) 有限公司) ("Sintech Guangdong") passed a resolution for the closure of the Radar Business on 31 October 2023. The closure is consistent with the Group's long-term strategy to focus its operating activities in the production and sales of industrial products and its Energy Business. The Group is actively seeking buyers for certain assets and expects the net proceeds of sales to be less than the carrying amount of the related net assets and, accordingly, impairment losses on equipment and intangible assets of HK$8,567,000 were recognised.

As at 31 December 2023, certain assets of the Radar Business have been reclassified as "Assets classified as held for sale", the details of which are set out in note 14.

The loss for the year from the discontinued Radar Business is set out below. The comparative figures in the consolidated statement of comprehensive income have been restated to re-present the Radar Business as discontinued operation.

	Year ended 31 December 2023	Year ended 31 December 2022
	HK$'000	*HK$'000*
Revenue	**295**	—
Cost of sales	**(131)**	—
Gross profit	**164**	—
Other losses, net	**(466)**	(1)
Distribution costs	**(2)**	—
Administrative expenses	**(20,613)**	(9,320)
Impairment losses on equipment and intangible assets	**(8,567)**	—
Write-down of inventories	**(6,162)**	—
Operating loss from discontinued operation	**(35,646)**	(9,321)
Finance income	**19**	78
Finance costs	**(204)**	(72)
Finance costs, net	**(185)**	6
Loss before income tax from discontinued operation	**(35,831)**	(9,315)
Income tax expense	**—**	—
Loss for the year from discontinued operation	**(35,831)**	(9,315)
Loss for the year attributable to:		
Owners of the Company	**(24,723)**	(6,428)
Non-controlling interests	**(11,108)**	(2,887)
	(35,831)	(9,315)

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:

	Year ended 31 December 2023	Year ended 31 December 2022 (Restated)
Loss		
Loss for the purpose of basic and diluted loss per share (loss for the year attributable to owners of the Company) *(HK$'000)*		
– Continuing operations	**37,786**	18,313
– Discontinued operation	**24,723**	6,428
	62,509	24,741
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

12. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

13. TRADE AND OTHER RECEIVABLES

	As at 31 December 2023	As at 31 December 2022
	HK$'000	*HK$'000*
Non-current		
Prepayments for purchase of property, plant and equipment	**—**	2,701
Deposits	**4,176**	4,353
	4,176	7,054
Current		
Trade receivables	**53,638**	67,541
Bills receivables	**4,689**	8,086
Trade and bills receivables, gross	**58,327**	75,627
Less: ECL allowance	**(3,085)**	(3,579)
Trade and bills receivables, net	**55,242**	72,048
Prepayments	**1,661**	2,161
Tax reserve certificate	**1,807**	1,807
Amount due from a non-controlling shareholder	**25,180**	25,180
Amount due from Sino IC Leasing Co., Ltd.	**—**	75,918
Receivables from agency services	**86,474**	87,920
Deposits and other receivables	**2,615**	1,721
Other tax recoverable	**12,965**	—
	185,944	266,755
	190,120	273,809

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group allows an average credit period of 30 – 90 days (2022: 30 – 90 days) to its customers, except for certain trade receivables are on acceptance bills or documents against payment. Based on the invoice dates (or date of revenue recognition if earlier), the ageing analysis of the trade and bills receivables is as follows:

	As at 31 December 2023	As at 31 December 2022
	HK$'000	*HK$'000*
0 – 90 days	**50,359**	45,589
91 – 180 days	**2,807**	16,726
Over 180 days	**5,161**	13,312
	58,327	75,627

14. ASSETS CLASSIFIED AS HELD FOR SALE

As disclosed in note 10, the Group is seeking to dispose certain assets of the Radar Business. Certain equipment, intangible assets and inventories of the Radar Business at the end of the reporting period amounted of HK$4,576,000, HK$1,964,000 and HK$6,125,000, respectively are reclassified as "Assets classified as held for sale".

15. TRADE AND OTHER PAYABLES

	As at 31 December 2023	As at 31 December 2022
	HK$'000	*HK$'000*
Trade payables	**24,850**	16,232
Salaries payables	**25,570**	33,351
Other taxes payables	**28,413**	31,684
Payables to suppliers upon agency services	**92,306**	109,662
Payable to suppliers upon equipment leases	**41,258**	98,275
Payables to suppliers for construction in progress	**16,634**	—
Accruals and other payables	**5,856**	4,813
	234,887	294,017

The Group was granted by its suppliers' credit periods ranging from 30 – 60 days (2022: 30 – 60 days). Based on the invoice dates, the ageing analysis of the trade payables is as follows:

	As at 31 December 2023	As at 31 December 2022
	HK$'000	*HK$'000*
0 – 90 days	**24,091**	11,553
91 – 120 days	**7**	931
Over 120 days	**752**	3,748
	24,850	16,232

16. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with the disclosure requirement in respect of the change in accounting policy in connection with its LSP obligations arising from the abolition of the MPF-LSP offsetting mechanism, details of which are set out in note 3(c) and discontinued operation set out in note 10. In addition, the comparative figures in the consolidated statement of comprehensive income have been restated as if the operation discontinued during the current year had been discontinued at the beginning of the prior period.

MANAGEMENT DISCUSSION AND ANALYSIS

Looking back on 2023, the world experienced many negative impacts. The Federal Reserve's continuous rate hikes have caused both short-term and long-term interest rates to rise significantly more than the market had anticipated. This has put significant pressure on property investment, consumer spending and corporate operations. Global inflation was severe, economic growth slowed down, and European countries such as Germany, Hungary and Sweden even experienced economic downturns of less than 1%. Furthermore, the two-year Russian-Ukrainian conflict is still going on, and the two sides are engaged in a tug-of-war that consumes capital and manpower. The unpredictable conflict between Israel and Palestine exacerbated global unrest and raised geopolitical threats. In addition, even if the worldwide pandemic has subsided, the market is still mainly inactive, which is dragging down the rate of economic recovery. China's manufacturing Purchasing Managers' Index (PMI) for 2023 was 49.9% on average, which is 0.8 percentage points higher than the yearly average for 2022 and was just steady.

Under such economic conditions, the Group adopts a stable development policy to stabilise the operation of SMT and semiconductor equipment manufacturing related business. Meanwhile the Group continues to develop the Energy Business.

For the year ended 31 December 2023, the Group's revenue amounted to approximately HK$211,795,000, representing a year-on-year decrease of HK$19,345,000. The gross profit amounted to approximately HK$61,371,000, representing a year-on-year decrease of HK$33,143,000. The gross profit margin was 29%, representing a year-on-year decrease of 12 percentage points. The decrease in some of the Group's financial figures compared to 2022 include: (i) the Group's main business was affected by the market environment and the segment's gross profit contribution decreased; (ii) the Group's Energy Business has a long industry cycle and is still in the growth stage, with a high initial total investment amount, which in turn leads to an increase in financing costs and fixed asset depreciation, reflecting in an increase in loss attributable to the owners of the Company; (iii) due to the adjustment of the Company's business planning this year, the administrative expenses have increased; and (iv) there were many uncertainties in the macroeconomic environment this year, which affected the overall performance of the Group.

SMT and Semiconductor Equipment Manufacturing related Business

SMT and semiconductor equipment manufacturing related business is the core business of the Group and the main source of revenue for the Group. As a result of the global economic slowdown, the Group's SMT and semiconductor equipment manufacturing related business had performed weak during the year, with decreases in revenue and gross profit. For the year ended 31 December 2023, the revenue of SMT and semiconductor equipment manufacturing and related business amounted to approximately HK$205,185,000, representing a year-on-year decrease of HK$25,955,000, the segment's gross profit amounted to HK$83,151,000, representing a year-on-year decrease of HK$11,363,000, the segment's gross profit margin was 41%, unchanged.

During the year, the Group's performance is this sector was unsatisfactory. The United States crackdown on China's information technology industry led to the inability of mainland Chinese companies to meet certain of its high-end needs for dies, wafers, equipment and development tools, which will not change in the short term. In 2023, the volume of imports of integrated circuit in China declined by 10.8% year-on-year, while the volume of exports declined by 1.8% year-on-year. In term of value, the value of imports declined by 15.4% year-on-year, while the value of exports declined by 10.1% year-on-year.

Despite the above factors, the Group is optimistic about the development prospects of the SMT industry. SMT is an electronic assembly technology that does not require the drilling of holes in the pads, but rather directly affixes and welds surface-mounted components onto the pad surface of the printed circuit boards, and then electrically connects them to the conductor graphics. The technology is suitable for high-density, highly integrated micro-device welding assembly process. Its upstream is mechanical parts, temperature control modules, precision screw visual system, motors, guide rails, computers, sensors and other industries, and its downstream consumer electronics, automotive electronics and integrated circuit industry including colour TVs, notebooks and mobile phones.

SMT and Semiconductor Equipment Manufacturing related Business (Continued)

In 2023, the total shipment of mobile phones in the domestic market increased by 6.5% year-on-year, of which the shipment of 5G mobile phones increased by 11.9% year-on-year, showing signs of recovery in the mobile phone market. According to the data released by China Business Industry Research Institute, China's LED market reached RMB 68.4 billion in 2023 and is expected to reach RMB 72.1 billion in 2024. On the market side, MicroLED products have grown from small volume production to a gradual increase in volume, the value of production continues to grow. According to Omdia forecast, by 2026, the global production value of MicroLED panels will reach US$796 million. In addition, as the cost of MiniLED-backlight TVs continues to fall, the MiniLED-backlight market is expected to grow at a rapid pace. It is estimated that global shipments will exceed 25 million units in 2026, with a penetration rate of more than 10%, and a compound growth rate of approximately 70% over the next four years.

Under the current environment of accelerated evolution of cloud technology, 5G network construction, automotive electronics, big data, artificial intelligence, shared economy, Industry 4.0, Internet of Tings, etc., the PCB industry, as the "mother of electronic products", will become the fundamental force in the electronic industry chain. According to the analysis of China Business Industry Research Institute, it is forecasted the market size will reach RMB309.663 billion in 2023 and increase to RMB330.71 billion in 2024 based on the current market size. With the increasing domestic demand for semiconductor equipment, coupled with policy support and technological breakthroughs, China's semiconductor equipment parts sales are expected to continue to climb to US$22.46 billion by 2024 (2023: US$19.54 billion).

In line with the market development, the Group has been committed to the independent R&D of SMT and semiconductor equipment. Our products adopt humanised design with features of low-cost operation, energy saving and environmental protection. Therefore, our new equipment has always been widely recognised by the market and praised by the industry. In 2023, the Group launched a variety of IC laminators (IC貼合機), semiconductor ovens (半導體烤箱) and vertical curing ovens (垂直固化爐), which significantly outperformed the old models in terms of function, performance, stability, reliability, safety, maintainability and easy operability. Meanwhile, the Group was granted 5 new patents during the year. As of 31 December 2023, the Group had a total of 59 design patents.

SMT and Semiconductor Equipment Manufacturing related Business (Continued)

In terms of marketing, the Group has always adhered to the "Go Global" strategy, actively participated in large exhibitions at home and abroad to introduce the performance and features of its major products to customers by experienced senior technological engineers. In 2023, the Company participated in some major industry exhibitions including Productronica (德國慕尼克電子生產設備展覽會)、NEPCON China (中國國際電子生產設備暨微電子工業展)、CSEAC 2023 (半導體設備材料與核心部件展示會)、SEMICON JAPAN (日本半導體展覽會) and NEPCON ASIA (亞洲電子生產設備暨微電子工業展覽會). Such movements have further deepened our influence in the industry.

Energy Business

In July 2021, the National Energy Administration (NEA) and the Development and Reform Commission (DRC) issued the "Guiding Opinions on Accelerating the Development of New Type of Energy Storage"* (《關於加快推動新型儲能發展的指導意見》), which set out China's energy storage scale development target - 30 million kilowatts (kW) anchored in 2025 as the basic scale target, with a view to realising a full-scale marketisation in 2030; emphasised the co-ordination of comprehensive development of energy storage on the power side, the grid side and the user side, and made the development of new energy storage an important measure for the construction of a new power system, as well as a key support for carbon peaking and carbon neutralisation. The development of new energy storage is regarded as an important measure for the construction of a new power system and a key support for carbon peaking and carbon neutrality. Since then, the central and local governments have issued a number of policies to encourage the construction and development of energy storage, including the "Implemetation Programme for the Development of New Energy Storage under the 14th Five-Year Plan"* (《「十四五」新型儲能發展實施方案》), the "Notice on Further Promoting the Participation of New Energy Storage in the Electricity Market and Dispatch"* (《關於進一步推動新型儲能參與電力市場和調度運用的通知》), the "Implementation Plan for Industrial Peak Carbon Achievement"* (《工業領域碳達峰實施方案》), and the "Energy Carbon Achievement and Carbon-Neutrality Standardisation and Enhancement Action Plan"* (《能源碳達峰碳中和標準化提升行動計劃》), etc; and Guangdong, Henan, Shandong and other places have also successively issued documents mandating that power generation projects can be connected to the grid only after a certain proportion of energy storage facilities have been configured, and there are more stringent requirements on the commissioning time. Driven by the mandatory policy constraints and favourable policies, China's energy storage market has exploded in the past two years.

* *For identification purposes only.*

Energy Business (Continued)

The Company also established a joint venture company, Sino New Energy Utilisation (Hengqin) Technology Co., Ltd. (中鑫電聯(珠海橫琴)能源科技有限公司)("Sino New Energy") and seized market opportunity by tapping in the grid-side energy storage market, built and operated large scale independent energy storage power stations with dual regulation functions such as frequency regulation and peak regulation to explore new sources of profitability for the Group. In March 2023, the He Rong Power Station in Datong City, Shanxi Province, which was designed, invested, constructed and operated by Sino New Energy, was successfully completed. It was successfully connected to the grid in May of the same year and was included in the unified dispatch management of the Shanxi Provincial Power Grid. With a planned total capacity of 500MW/1,000MWh, the He Rong Power Station can participate in spot electricity trading as an independent market entity. By the end of 2023, the power station had been put into commercial operation, however, due to the longer cycle of the energy storage business and the higher cost of investment in equipment infrastructure and other costs, the business is still at the stage of development and growth and has yet to break even at the present time.

In addition, the Group decided to end its Radar Business after conducting detailed market analyses and carefully considering the development prospects of the industry.

FINANCIAL REVIEW

Revenue

In 2023, the Group recorded a total revenue of approximately HK$211,795,000. An analysis of the revenue by business segments is as follows:

	Year ended 31 December 2023	Year ended 31 December 2022
	HK$'000	*HK$'000*
SMT equipment manufacturing and related business	**205,185**	231,140
Energy Business	**6,610**	—
Total	**211,795**	231,140

FINANCIAL REVIEW (CONTINUED)

Other income

During the year, the Group recorded other income of approximately HK$23,276,000, representing an increase of approximately HK$2,612,000 as compared with that of last year. This was mainly due to an increase in rental income.

Distribution costs

During the year, the Group recorded distribution costs of approximately HK$34,929,000, representing a decrease of approximately 22.71% as compared with that of the previous reporting period.

Administrative expenses

During the year, administrative expenses amounted to approximately HK$97,311,000, representing an increase of approximately 10.40% as compared with the same period of last year.

Finance costs, net

During the year, net finance costs were approximately HK$21,849,000, representing an increase of approximately HK$17,306,000 as compared with the same period of last year, which is mainly attributable to an increase in the interest in bank and other borrowings.

Loss for the year

As a result of the foregoing, the loss of the year attributable to owners of the Company was approximately HK$62,509,000, representing an increase as compared with that of last year.

FINANCIAL REVIEW (CONTINUED)

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

The following table illustrates the Group's earnings/(loss) before interest, tax, depreciation and amortisation for the respective years. The Group's earnings/(loss) before interest, tax, depreciation and amortisation ratio this year was approximately 6.45%.

	Year ended 31 December 2023	Year ended 31 December 2022
	HK$'000	*HK$'000*
		(Restated)
Loss for the year attributable to owners of the Company	**(62,509)**	(24,741)
Finance costs, net	**21,849**	4,543
Income tax expenses/(credit)	**231**	(549)
Depreciation and amortisation	**54,098**	18,981
Earnings/(Loss) before interest, tax, depreciation and amortisation	**13,669**	(1,766)

Liquidity, financial resources and gearing ratio

The Group has maintained sufficient operating capital. As at 31 December 2023, the net current assets of the Group amounted to approximately HK$77,219,000, and the liquidity ratio of the Group was maintained at about 123.49%, which was sufficient to fulfill the day-to-day operation of the Group.

Operating capital management

As at 31 December 2023, the Group held cash and cash equivalents of approximately HK$183,169,000. This represents a decrease of approximately HK$90,277,000 as compared with approximately HK$273,446,000 at the beginning of the year. The Group's average inventory turnover days were approximately 57 days, which represented a decrease of 38 days as compared with those of last year (2022: 95 days); average trade receivable turnover days were approximately 108 days, representing an increase of 1 day as compared with those of last year (2022: 107 days); and average trade payables turnover days were approximately 49 days, representing a decrease of 18 days as compared with those of last year (2022: 67 days).

FINANCIAL REVIEW (CONTINUED)

Capital expenditure on property, plant and equipment

During the year, the Group's total capital expenditure amounted to approximately HK$37,473,000. Of the capital expenditure, approximately HK$1,618,000 was spent on the purchase of machinery and equipment, approximately HK$388,000 was spent on the purchase of transportation equipment, approximately HK$234,000 was spent on the refurbishment and renovation of office, and approximately HK$29,816,000 was spent on construction in progress.

Charges on the Group's assets

As at 31 December 2023, the Group's banking facilities (including its import/export loan, letter of credit, documentary credit, trust receipt and bank borrowings) were secured by:

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$92,295,000.

Equity and liabilities

As at 31 December 2023, the net assets of the owners of the Company amounted to approximately HK$261,745,000. This represents a decrease of approximately 17.36% as compared with that as of 31 December 2022. The decrease in net assets during the year was mainly attributed to the loss for the year.

PRINCIPAL RISKS AND UNCERTAINTIES

Operational risk

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

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Operational risk (Continued)

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 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.

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 year.

DIVIDENDS

The Board did not recommend a final dividend for the year ended 31 December 2023 (2022: nil).

HUMAN RESOURCES

As at 31 December 2023, the Group employed approximately 324 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.

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 2023.

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 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.

SCOPE OF WORK OF AUDITOR OF THE COMPANY

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 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 2023. 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 enquiries 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 2023 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

CAUTION STATEMENT

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

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

Hong Kong, 28 March 2024

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.