



SINO ICT HOLDINGS LIMITED

芯成科技控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 365

**INTERIM REPORT
2020**

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. DU Yang (*Chairman*)

Mr. YUAN I-Pei

Mr. XIA Yuan (*Chief Executive Officer*)

NON-EXECUTIVE DIRECTORS

Mr. LI Jinxian

Mr. LI Yongjun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CUI Yuzhi

Mr. BAO Yi

Mr. PING Fan

AUDIT COMMITTEE

Mr. CUI Yuzhi (*Chairman*)

Mr. LI Jinxian

Mr. BAO Yi

REMUNERATION COMMITTEE

Mr. BAO Yi (*Chairman*)

Mr. YUAN I-Pei

Mr. PING Fan

NOMINATION COMMITTEE

Mr. DU Yang (*Chairman*)

Mr. CUI Yuzhi

Mr. PING Fan

COMPANY SECRETARY

Mr. LIU Wei

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Unit 02-03, 69/F
International Commerce Centre
1 Austin Road West
Tsim Sha Tsui, Kowloon
Hong Kong

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited
Units 1208-18 Miramar Tower
132-134 Nathan Road
Tsim Sha Tsui, Kowloon
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



		Six months ended 30 June 2020 (Unaudited) HK\$'000	Six months ended 30 June 2019 (Unaudited) HK\$'000
	Notes		
Revenue	5	160,211	95,777
Cost of Sales		(76,003)	(60,436)
Gross profit		84,208	35,341
Other income	6	7,191	420
Other (losses)/gains, net	7	(970)	8,365
Distribution costs		(15,395)	(15,801)
Administrative costs		(27,208)	(23,468)
Operating profit		47,826	4,857
Finance income	8	267	258
Finance costs	8	(9,295)	(8,829)
Finance costs, net	8	(9,028)	(8,571)
Profit/(loss) before income tax		38,798	(3,714)
Income tax expense	10	(7,446)	(404)
Profit/(loss) for the Period attributable to equity holders of the Company		31,352	(4,118)
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		1,073	(164)
Other comprehensive income/(loss) for the Period, net of tax		1,073	(164)
Total comprehensive income/(loss) for the Period		32,425	(4,282)
Total comprehensive income/(loss) attributable to: equity holders of the Company		32,425	(4,282)
Basic earnings/(losses) per share	11(a)	2.15 Cents	(0.28) Cents
Diluted earnings/(losses) per share	11(b)	2.15 Cents	(0.28) Cents



CONDENSED CONSOLIDATED BALANCE SHEET

		At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment		100,189	105,762
Investment property		24,636	25,049
Right-of-use assets		22,552	36,087
Intangible assets		26,807	14,134
Deferred income tax assets		4,466	11,947
Investment in associates		242,648	238,067
		421,298	431,046
Current assets			
Inventories		28,885	27,786
Trade receivables and other receivables	12	91,079	53,242
Tax reserve certificates and pending deduct VAT on purchase		—	16,645
Financial assets at fair value through profit or loss		53,375	157,573
Security and restricted deposits		—	1,571
Cash and cash equivalents		120,069	43,408
		293,408	300,225
TOTAL ASSETS		714,706	731,271
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital and share premium		240,740	240,740
Other reserves		675,431	674,358
Accumulated losses		(568,977)	(600,329)
TOTAL EQUITY		347,194	314,769



		At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
	Notes		
LIABILITIES			
Non-current liabilities			
Convertible bonds	9	136,046	129,978
Long-term borrowings	14	87,656	—
Lease liabilities		8,370	18,057
Deferred income		1,150	1,249
Deferred income tax liabilities		12,901	12,901
		246,123	162,185
Current liabilities			
Trade payables and other payables	13	63,738	82,870
Lease liabilities		14,488	9,349
Contract liabilities		7,882	7,901
Short-term borrowings	14	—	100,958
Current tax liabilities		35,281	53,239
		121,389	254,317
TOTAL LIABILITIES		367,512	416,502
TOTAL EQUITY AND LIABILITIES		714,706	731,271



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
Balance at 1 January 2020	145,500	95,240	674,358	(600,329)	314,769
Profit for the Period	—	—	—	31,352	31,352
Exchange differences on translation of foreign operations	—	—	1,073	—	1,073
Total comprehensive profit	—	—	1,073	31,352	32,425
Balance at 30 June 2020 (Unaudited)	145,500	95,240	675,431	(568,977)	347,194
Balance at 1 January 2019	145,500	95,240	674,140	(586,756)	328,124
Loss for the Period	—	—	—	(4,118)	(4,118)
Exchange differences on translation of foreign operations	—	—	(164)	—	(164)
Total comprehensive loss	—	—	(164)	(4,118)	(4,282)
Balance at 30 June 2019 (Unaudited)	145,500	95,240	673,976	(590,874)	323,842

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS



	Six months ended 30 June 2020 (Unaudited) HK\$'000	Six months ended 30 June 2019 (Unaudited) HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(59,483)	(11,254)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	149,324	(1,723)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(14,379)	19,971
NET INCREASE IN CASH AND CASH EQUIVALENTS	75,462	6,994
Cash and cash equivalents at beginning of the Period	44,978	43,305
Effect of foreign exchange rate changes on cash and cash equivalents	(371)	(65)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	120,069	50,234



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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 changed to Unit 02-03, 69/F, ICC-International Commerce Centre, 1 Austin Road West, Tsim Sha Tsui, Kowloon, Hong Kong with effect from 31 October 2016. 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 the shares of the Company already held by UNIC Capital and Sino Xin Ding representing 67.847% of the issued share capital of the Company. On 31 December 2019, Sino Xin Ding accounted for 67.847% of the issued 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 27 August 2020.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2020 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The condensed consolidated interim financial statements should be read in conjunction with the financial statements for the year ended 31 December 2019, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2.1 GOING CONCERN

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore adopts the going concern basis in preparing its condensed consolidated interim financial statements.



3. ACCOUNTING POLICIES

Except as for the adoption of new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the six months ended 30 June 2020, the accounting policies applied in preparing the condensed consolidated interim financial statements are consistent with those of the financial statements for the year ended 31 December 2019, as described in the annual financial statements.

The adoption of these new standards, amendments and improvements to HKFRSs and HKAS did not have any significant impact on the Group's financial performance and position for the six months ended 30 June 2020.

4. ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the consolidated financial statements for the year ended 31 December 2019 with the exception of changes in estimates that are required in determining the provision for income taxes and disclosure of exception items.

5. SEGMENT INFORMATION

The executive directors are the Group's chief decision-makers. Management has determined the operating segments based on the report reviewed by the executive directors for the purposes of allocating resources and assessing performance. During the six months ended 30 June 2020, the Group's operating segments of the followings:

- (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. The executive directors do not focus on the total liabilities of the segments. The unallocated activities primarily consist of corporate headquarter which manage and support the segments. The assets are mainly the monetary funds and office equipment used by the Company for daily operations, and investments in associates and financial assets at fair value through profit or loss. The liabilities are mainly the financial liabilities as a result of the issuance of the convertible bonds by the Company and bank borrowings granted to the Company.



**NOTES TO THE CONDENSED INTERIM
FINANCIAL STATEMENTS**

5. SEGMENT INFORMATION (CONTINUED)

The segment information for the six months ended 30 June 2020 is as follows:

	Six months ended 30 June 2020 (Unaudited)			
	Production and sales of industrial products HK\$'000	Securities investment HK\$'000	Unallocated activities HK\$'000	Total HK\$'000
Segment revenue	113,921	46,018	272	160,211
Segment profit	38,359	45,577	272	84,208
Other income	2,610	—	4,581	7,191
Other (losses)/gains, net	(982)	—	12	(970)
Distribution costs	15,395	—	—	15,395
Administrative costs	12,542	—	14,666	27,208
Financial costs, net	2,433	242	6,353	9,028
Profit/(loss) before income tax	9,617	45,335	(16,154)	38,798

The segment information for the six months ended 30 June 2019 is as follows:

	Six months ended 30 June 2019 (Unaudited)			
	Production and sales of industrial products HK\$'000	Securities investment HK\$'000	Unallocated activities HK\$'000	Total HK\$'000
Segment revenue	92,745	2,448	584	95,777
Segment profit	32,309	2,448	584	35,341
Other income/(loss)	1,528	—	(1,108)	420
Other gains/(losses), net	8,383	—	(18)	8,365
Distribution costs	15,801	—	—	15,801
Administrative costs	9,049	—	14,419	23,468
Financial costs, net	3,032	2	5,537	8,571
Profit/(loss) before income tax	14,338	2,446	(20,498)	(3,714)



6. OTHER INCOME

	Six months ended 30 June 2020 (Unaudited) HK\$'000	Six months ended 30 June 2019 (Unaudited) HK\$'000
Income from sales of scraps	—	23
Government grants	2,610	1,505
Share of results of associates	4,581	(1,108)
	7,191	420

7. OTHER (LOSSES) / GAINS, NET

	Six months ended 30 June 2020 (Unaudited) HK\$'000	Six months ended 30 June 2019 (Unaudited) HK\$'000
Reversal of bad debt written off	467	5,353
Gain on disposal of property, plant and equipment	—	486
Compensation income	—	67
Others	(1,437)	2,459
	(970)	8,365



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

8. FINANCE COSTS, NET

	Six months ended 30 June 2020 (Unaudited) HK\$'000	Six months ended 30 June 2019 (Unaudited) HK\$'000
Finance income:		
– Interest income from bank deposits	267	258
Finance costs:		
– Interest expenses on bank and other borrowings	9,295	8,829
Finance costs, net	9,028	8,571

9. 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 at the special general meeting held on 9 May 2016. The management initially recognised the convertible bonds issued in whole as financial liabilities at fair value through profit or loss based on analysis and assessment on relevant terms of the agreement and in consideration of the substance of the agreement.

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 removes 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 amended terms, the convertible bonds issued by the Company 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 has recognised the convertible bond 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 instruments were subsequently measured by the cost method. In 2017, the recognised gains from change in fair value of convertible bonds for the year were HK\$78,405,000, the recognised interest expense was HK\$7,423,000, and the recognised book value of the convertible bonds as at 31 December 2017 was HK\$107,969,000. As at 31 December 2018, the recognised book value of the convertible bonds was HK\$118,463,000. As at 31 December 2019, the recognised book value of the convertible bonds was HK\$129,978,000. As at 30 June 2020, the recognised book value of the convertible bonds was HK\$136,046,000.

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



10. INCOME TAX EXPENSE

Hong Kong profits tax had been provided at the rate of 16.5% (six months ended 30 June 2019: 16.5%) on the estimated assessable profit for the Period. The applicable preferential 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% (six months ended 30 June 2019: 25%), and other subsidiaries of the Group in Mainland China were taxed at a rate of 25% (six months ended 30 June 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.

	Six months ended 30 June 2020 (Unaudited) HK\$'000	Six months ended 30 June 2019 (Unaudited) HK\$'000
Current income tax:		
Current tax on profits for the Period	7,446	404
Total current income tax	7,446	404
Deferred income tax	—	—
Income tax expense	7,446	404

- (a) The tax review conducted by Hong Kong Inland Revenue Department on the offshore claim lodged on profit has been completed. The Company and its subsidiaries have reached a settlement with the Hong Kong Inland Revenue Department on the above matter.



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

11. EARNINGS/(LOSSES) PER SHARE

(a) BASIC

Basic earnings/(losses) per share is 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 Period.

	Six months ended 30 June 2020 (Unaudited) HK\$'000	Six months ended 30 June 2019 (Unaudited) HK\$'000
Earnings/(losses) attributable to equity holders of the Company	31,352	(4,118)
Weighted average number of ordinary shares in issue (<i>in thousands</i>)	1,455,000	1,455,000
Basic earnings/(losses) per share	2.15 Cents	(0.28) Cents

(b) DILUTED

As it is assumed that the conversion of the Company's outstanding convertible bonds will result in a decrease in earnings/(losses) per share for the Period, it is not assumed that the Company's outstanding convertible bonds have been exercised in the calculation of the diluted earnings/(losses) per share for the six months ended 30 June 2020.



12. TRADE AND BILLS RECEIVABLES

At 30 June 2020 and 31 December 2019, the ageing analysis of the trade and bills receivables based on invoice date is as follows:

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Less than 3 months	53,817	23,732
3 to 6 months	8,615	12,691
More than 6 months	23,342	21,464
	85,774	57,887

13. TRAND AND BILLS PAYABLES

At 30 June 2020 and 31 December 2019, the ageing analysis of trade and bills payables based on the invoice dates is as follows:

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Within 90 days	36,501	29,295
91 to 120 days	950	327
Over 120 days	6,400	6,546
	43,851	36,168



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

14. BORROWINGS

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Secured bank loans due for repayment within one year (a)	—	89,200
Secured bank loans due for repayment within two years (a)	87,656	—
Short-term credit facilities due for repayment within one year	—	11,758
	87,656	10,958

- (a) The bank loans granted are secured by the Group's properties and land use rights with guarantees provided by the Company and its subsidiaries.

At 30 June 2020, all bank and other borrowings are due for repayment within two years. At 30 June 2020, the average annual borrowing rate was 4.75%.

15. COMMITMENTS

OPERATING LEASE COMMITMENTS – THE GROUP AS LESSEE

The Group leases certain office premises or staff quarter under non-cancellable operating lease arrangements. The lease terms are between one and three years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

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

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Within one year	196	220



Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Sino ICT Holdings Limited (the "Company"), I hereby present the report on the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2020 (the "Period").

OVERVIEW

Looking back at the first half of 2020, the global economy faced serious challenges. Affected by the COVID-19 epidemic, China and many other countries have suffered various degrees of impact, resulting in the suspension or significant slowdown of a large number of production and consumption activities and increasing the pressure on operations. In addition, trade globalisation has been hindered, and the China-US trade dispute brought new challenges to China's technology-based industries. However, the public's demand for technological development is so strong that short-term frustrations will not undermine the overall development trend in the future. Following the gradually large-scale application of 5G technology, the upstream and downstream industries closely tied to 5G technology will continuously benefit from it, forming a vibrant 5G ecosystem. During the Period, the Group prudently operated its SMT equipment manufacturing business and securities investment business in response to the changes in the social atmosphere and the international situation, recorded a significant year-on-year increase in net profit despite adverse market conditions, and maintained the volatility of various operating expenses within a reasonable range, which provided stable support for the Group's development in the second half of the year.

BUSINESS REVIEW

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

SMT equipment manufacturing and related business are the core business of the Group. During the first half of 2020, this business segment endured considerable challenges from the rapid development of the epidemic. As a leading company with decades of experience in the industry, the Group is committed to ensuring the stability of various business activities while actively seeking all appropriate development opportunities within its reach, always aiming to expand the Group's business territory. Thanks to the long-established, positive brand image and proven sales strategy, the SMT equipment manufacturing and related business segment recorded sales revenue of approximately HK\$113,921,000 during the Period, a significant increase of 23% as compared to the same period last year. Meanwhile, both the distribution costs and finance costs recorded year-on-year decreases, only the administrative costs increased due to the impact of the epidemic. Accordingly, the gross profit margin of the segment during the Period was basically maintained at the same level as that in the same period last year, which are considerably outstanding operating results.

The securities investment segment is a business area with relatively higher risk. Since entering into this business segment in 2016, the Group has been adhering to a low-frequency trading strategy and has been reviewing the investment plans from time to time in light of the market conditions. The Group's investment portfolio mainly consists of Hong Kong-listed high-tech companies closely linked to the SMT equipment manufacturing industry, covering semiconductor, computer, and software industries. Since 2020, the investment market has been under pressure with no significant signs of positive news. Fortunately, with the management's insightful investment philosophy and scientific control of this business segment, the securities investment segment recorded a floating profit of approximately HK\$46,018,000 for the Period, an increase of almost 18 times as compared to approximately HK\$2,448,000 for the same period last year.

INDUSTRY TRENDS

SMT (Sourced Mounting Technology) is an electronic assembly technology applicable to the soldering and assembly process of micro-device manufacturing with high density and high integration characteristics. It is widely used in communication equipment, embedded controllers, and program-controlled switches. Since the introduction of the SMT production line in the 1980s, China's SMT equipment manufacturing industry has gradually developed and expanded, and its self-developed equipment has been constantly released and updated, getting rid of the passive status of entire reliance on imported equipment in the early days. Entering into the new century, the typical applications of SMT have expanded from TV displays to consumer electronics products including 5G, smartphones, automotive electronics, smart wearables, and the Internet of Things. Intelligent, lightweight, and highly integrated products have become the mainstream of consumer electronics industry. Driven by the booming downstream consumption demand, the SMT equipment manufacturing industry has maintained a steady growth for a long time.

However, the epidemic slowed down the whole domestic manufacturing industry in the first half of 2020. Although the PMI for manufacturing industry rebounded in the second quarter, the overall PMI of manufacturing industry for the first half of the year fell by one percentage point over the same period last year, indicating that the whole industry was under pressure. Meanwhile, domestic downstream industries such as smartphones and automobiles recorded declines in sales of approximately 16.6%¹ and 16.9%² respectively during the period from January to June over the same period last year, reflecting that the upstream manufacturing industry failed to release production capacity as expected. The good news is that as the epidemic gradually comes under control, the recovery of economic activities is accelerating and the reopening of companies with a higher degree of automation is faster than those labour-intensive companies. On the downstream side, 5G construction is in full swing. According to the press conference of the State Council Information Office of the People's Republic of China, as of the end of June 2020, a total of 257,000 5G base stations had been set by the country's three main network providers, representing an average of 15,000 base stations per week, and the construction is expected to accelerate further in the third quarter. In addition, as of the end of June, the number of users who registered for 5G plans had reached 110 million according to the main telecommunications service providers, indicating a prosperous future. Furthermore, MiniLED, with its advantages of ultra-slim, high performance, high durability, and power saving, has begun to vie for market share end products, such as TVs, displays, Virtual Reality devices, and in-vehicle displays, and is expected to be the next strong driver of demand. Other major downstream industries such as smart wearables, automotive electronics, and the Internet of Things will continue to drive the rapid development of SMT smart equipment manufacturing in the future.

¹ Source: Wind, Huaxi Securities Institute

² Source: CAAM, TF Securities Institute

OUTLOOK

The shadow of the epidemic still lingers over the world in the second half of 2020. It is notable that the ups and downs of the epidemic and the changing circumstance of international trades will have a deep impact in many industries, and it will take a long time for these impacts to be fully released and absorbed. The Group will constantly monitor the market movement and policy changes and consider the normalisation of epidemic and the international situation as important risk factors in making business decisions to reduce the Group's overall risk exposure. At the same time, the management is well aware that a sustainable and healthy business development is fundamental to the survival of the Group. Thus, the Group will also pay close attention to the latest development opportunities in the market, those in the semiconductor sector in particular, to integrate and synergise them with the existing SMT equipment manufacturing business of the Group.

The first half of 2020 is tough and challenging for the whole world, and there is an urgent need for every industries to stand by each other and work together to navigate this difficult times. On behalf of all members of the Board, I would like to take this opportunity to express my sincere gratitude to the management, all our staff members, business partners and shareholders of Sino ICT for their dedication and trust in the Group. The Group will strive to generate greater value for the shareholders, establish a better platform for the employees, and pave a path to mutual success with the business partners.

Du Yang

Chairman

Hong Kong
27 August 2020



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

In the first half of 2020, dragged by the weak global economic performance and the negative effect arising from the widespread of COVID-19 on the growth of major economies worldwide, various industries have suffered from differing degrees of impact, among which import and export trade, manufacturing, retail and tourism suffered the most, along with the significant increase in unemployment rates across the world. Meanwhile, the impact of the pandemic has led to changes to relationship between China and the U.S., which had shown signs of easing by the end of 2019. The continuing Sino-U.S. trade dispute will pose further obstacles to economic recovery. In view of this, by taking stable development as its operating strategy, the Group during the Period focused on its core business through further deepening the development of its SMT equipment manufacturing and related business and optimising existing SMT equipment, so as to cope with the demands from the market and corporate customers, while at the same time strengthened its internal risk management policies and further enhanced its internal management standards.

In general, for the six months ended 30 June 2020, benefiting from a floating profit of approximately HK\$46,018,000 recorded in the securities investment business, the Group's revenue and profit improved significantly. The overall gross profit of the Company for the Period amounted to approximately HK\$84,208,000, representing a significant increase of 138% as compared to the same period of last year. At the same time, the profit for the Period attributable to the equity holders of the Company also increased substantially to approximately HK\$31,352,000.

SMT EQUIPMENT MANUFACTURING AND RELATED BUSINESS

SMT equipment manufacturing and related business are at the core of the Group's development during the reporting period.

SMT (Surfaced Mounting Technology) is a type of electronics assembly technology that is an integral part of modern electronics advanced manufacturing technology and a key to producing small, lightweight, multifunctional and reliable electronic products. During the Period, the gross profit margin of the SMT equipment manufacturing and related business segment was 34%, maintaining a stable level compared to the same period last year. The revenue of the segment recorded during the Period also increased from approximately HK\$92,745,000 for the same period last year by approximately 23% to approximately HK\$113,921,000. However, due to the exchange loss caused by macro adverse factors, the profit before income tax of the SMT equipment manufacturing and related business segment decreased as compared to the same period of last year, amounted to approximately HK\$9,617,000.



SMT EQUIPMENT MANUFACTURING AND RELATED BUSINESS (CONTINUED)

In line with the operating strategy of stable development, the Group placed emphasis on cost management and credit policy. During the Period, the distribution costs of the segment recorded a year-on-year decrease of 2.57% to approximately HK\$15,395,000. While the administrative costs increased compared to that of the last year, the rise was mainly attributed to acquiring anti-pandemic materials under the special circumstances. In terms of credit management, fine adjustments were made on the basis of the prevailing credit policies of the Company, in response to the reasonable demand of qualified customers with high credit levels, which resulted in an increase of trade receivables and bills receivables, while most of which with a credit period of three months or less. Moreover, the Group recorded the average creditors turnover days shortened to 93 days, representing a year-on-year fall of 11%, and the average inventory turnover days was also reduced to approximately 79 days, representing a year-on-year fall of 21%.

In respect of market promotion, the Group continued to adhere to the "Go Out" strategy and actively participated in large-scale domestic and foreign exhibitions. Through interaction within the industry as well as on-the-spot demonstrations and promotions of our products to downstream customers, the close connections between equipment R&D and the sales market was reinforced, and the brand image of middle to high-end SMT equipment manufacturer was strengthened. However, due to the outbreak of COVID-19, relevant industrial exhibitions in the first half of 2020 were either cancelled or postponed to the second half of the year. The Group will closely monitor related information concerning the exhibitions in the second half of 2020, so as to seize marketing opportunities.

In the first half of 2020, due to the pandemic, the average China Manufacturing PMI fell to 48.8 from 49.8 comparing to the same period of last year. However, the comparison between the PMI in May and in June shows that there was an improvement, which rose from 50.7 to 51.2, indicating an overall rebound in manufacturing industry in the second quarter. In the long run, with the further development of 5G communication technology and Mini LED, as well as the consistent growth of the 3C wearable device market, the Group believes that the electronics manufacturing industry will see a new round of booming growth. The Group shall seize market opportunities in a timely manner with an aim to develop into a global leading supplier of SMT intelligent equipment, while at the same time actively explore the semiconductor intelligent equipment industry.



SECURITIES INVESTMENT BUSINESS

The Group has always been operating its securities investment business based on a low-frequency trading strategy, focusing on upstream and downstream companies having synergy effect with the Company's main SMT equipment manufacturing and related business. At present, the investments are concentrated in high-tech companies listed on the Stock Exchange, mainly including the outstanding enterprises in such industries as semiconductor, computer and software. For the six months ended 30 June 2020, the securities investment segment recorded a floating profit of approximately HK\$46,018,000. In the first half of 2020, in accordance with the market condition, the Company sold part of the SMIC shares and all of the LEGEND HOLDINGS shares held. As at 30 June 2020, the Company's financial assets at fair value through profit or loss amounted to approximately HK\$53,375,000, with its proportion in the total assets of the Company further decreased to approximately 7.47%.

In view of the risk characteristics of the investment market, the Group has established a strict reporting mechanism to ensure that the management can promptly monitor all the investment activities, so as to mitigate the investment risks and ensure investment security.

Name of investee	Total investment gain/(loss) for the six months ended 30 June 2020 (Unaudited) HK\$'000
SMIC (stock code: 981.hk)	53,093
GOME FIN TECH (stock code: 628.hk)	96
GUODIAN TECH (stock code: 1296.hk)	46
LEGEND HOLDINGS (stock code: 3396.hk)	(7,217)
	46,018

During the Period, the Group disposed an aggregate of 4,510,000 shares of LEGEND HOLDINGS and disposed an aggregate of 4,520,000 shares of SMIC.



SECURITIES INVESTMENT BUSINESS (CONTINUED)

The Group's investments in the listed shares were recorded as financial assets at fair value through profit or loss on the consolidated balance sheet, which was approximately HK\$53,375,000 as at 30 June 2020:

Name of investee	Financial assets at fair value through profit or loss as at 30 June 2020 (Unaudited) HK\$'000	Approximate percentage of total financial assets at fair value through profit or loss %
SMIC	52,812	98.9
GOME FIN TECH	368	0.69
GUODIAN TECH	195	0.41
	53,375	100



FINANCIAL REVIEW

INCOME

An analysis of the Group's income by business segment for the Period is as follows:

	Six months ended 30 June 2020 (Unaudited) HK\$'000	Six months ended 30 June 2019 (Unaudited) HK\$'000
SMT equipment manufacturing and related business	113,921	92,745
Securities investment	46,018	2,448
Comprehensive services	272	584
	160,211	95,777

OTHER LOSSES

During the Period, the Group recorded other losses of approximately HK\$970,000 mainly attributable to exchange loss.

DISTRIBUTION COSTS

During the Period, benefited from the effective cost control policy, the Group recorded distribution costs of approximately HK\$15,395,000, representing a decrease of approximately 2.57% as compared with the six months ended 30 June 2019.

ADMINISTRATIVE COSTS

The Group recorded administrative costs of approximately HK\$27,208,000 during the Period, representing an increase of approximately HK\$3,740,000 as compared with the six months ended 30 June 2019. The increase was mainly due to the purchase of epidemic prevention materials in response to the outbreak of COVID-19.

FINANCE COSTS, NET

During the Period, the net finance costs amounted to approximately HK\$9,028,000, representing an increase of approximately HK\$457,000 as compared to the six months ended 30 June 2019.

PROFIT FOR THE PERIOD

As a result of the foregoing, the profit attributable to the equity holders of the Company for the Period was approximately HK\$31,352,000, while the loss attributable to the equity holders of the Company for the six months ended 30 June 2019 was approximately HK\$4,118,000.



EARNING BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION

The following table illustrates the Group's earning before interest, tax, depreciation and amortisation for the respective periods. The Group's earning ratio before interest, tax, depreciation and amortisation was approximately 31.28% for the Period.

	Six months ended 30 June 2020 (Unaudited) HK\$'000	Six months ended 30 June 2019 (Unaudited) HK\$'000
Profit/(loss) for the Period attributable to equity holders of the Company	31,352	(4,118)
Finance costs, net	9,028	8,571
Income tax expense	7,446	404
Depreciation and amortisation	2,288	2,296
Earning before interest, tax, depreciation and amortisation	50,114	7,153

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group had sufficient operating capital and maintained a high level of net current assets at approximately HK\$293,408,000 and a healthy current ratio at 2.42 times. With reference to the total borrowings to the total equity attributable to the equity holders of the Company as at 30 June 2020, the gearing ratio of the Group was 25.25%.

OPERATING CAPITAL MANAGEMENT

At 30 June 2020, the Group held cash and bank balances of approximately HK\$120,069,000, representing an increase of HK\$76,661,000 comparing with HK\$43,408,000 as at the beginning of the Period. During the Period, the Group recorded the average debtors turnover days of approximately 98 days (31 December 2019: 57 days), the average creditors turnover days of approximately 93 days (31 December 2019: 104 days), and the average inventory turnover days of approximately 79 days (31 December 2019: 100 days).



CHARGES ON THE GROUP'S ASSETS

At 30 June 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 the Group's certain land and properties, which had an aggregate net book value at the reporting date of HK\$71,145,000; and
- (ii) cross guarantee provided by the Company and its subsidiaries.

EQUITY AND LIABILITIES

At 30 June 2020, the Group's net assets was approximately of HK\$347,194,000, compared with the net assets of approximately HK\$314,769,000 at 31 December 2019. The increase on equity was mainly attributed to the profit of approximately HK\$31,352,000 for the Period and the gains from the translation of foreign currency financial statements of approximately HK\$1,073,000.

EMPLOYEES

At 30 June 2020, the Group employed approximately 304 staff and workers in Mainland China and approximately 16 staff 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 industry's practice. In Mainland China, the Group provides staff welfare and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, the Group provides employee benefits including retirement scheme and performance bonuses.

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

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.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2020, none of the directors had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), that was required to be recorded in the register to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children by the Company, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDER'S INTEREST IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, according to the register required to be kept by the Company under section 336 of the SFO, the following persons (other than the directors or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:



LONG POSITIONS IN THE SHARES

Name of Shareholder	Nature of Interest	Number of the ordinary shares held	Approximate percentage of total shareholding %
Substantial Shareholders			
Sino Xin Ding Limited (<i>note 1</i>)	Beneficial owner	987,176,230	67.85
Chen Ping	Beneficial owner	100,000,000	6.87
Reach General (<i>note 2</i>)	Beneficial owner	93,152,000	6.40
But Tin Fu (<i>note 3</i>)	Beneficial owner/interest of controlled corporation	87,783,168	6.03

Notes:

- Sino Xin Ding Limited is wholly owned by Shanghai Qingxin Enterprise Management Consulting Co., Ltd. ("Shanghai Qingxin") (上海青芯企業管理諮詢有限公司), which in turn, is owned as to 50.1% by 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), 28% owned to Shanghai Semiconductor Equipment and Materials Industry Investment Fund Partnership (Limited Partnership) (上海半導體裝備材料產業投資基金合夥企業(有限合夥)), and 21.9% owned by Henan Zhanxing Industrial Investment Fund (Limited Partnership) (河南戰興產業投資基金(有限合夥)).
- Reach General International Limited ("Reach General") is 100% beneficially owned by Mr. Wu Xin.
- Mr. But Tin Fu is interested in 87,783,168 shares, comprising (a) 37,525,200 shares directly held by Mr. But Tin Fu, (b) 3,796,000 shares directly held by Sun East Group Limited, which is beneficially owned as to 50% by Mr. But Tin Fu and 50% by Ms. Leung Hau Sum, who is the wife of Mr. But Tin Fu, (c) 2,424,800 shares directly held by Sum Win Management Corp., which is wholly owned by Mr. But Tin Fu, and (d) 44,037,168 shares directly held by Mind Seekers Investment Limited, which is wholly owned by Mr. But Tin Fu.

Save as disclosed above, the Company had not been notified of any other person (other than the directors or chief executive of the Company) who had an interests (whether direct or indirect) or short positions in the shares or underlying shares of the Company that were required to be recorded in the register kept by the Company under section 336 of the SFO as at 30 June 2020.

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 endeavors to ensure that its businesses are conducted in accordance with relevant 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 to the Listing Rules.

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the Code. The Company was in compliance with the Code for the six months ended 30 June 2020.

AUDIT COMMITTEE

The Company has established the Audit Committee (the "Committee") in accordance with the requirements of the Code, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Committee comprises one non-executive director and two independent non-executive directors of the Company. The Group's interim results for the six months ended 30 June 2020 has been reviewed by the Committee. The Committee is of the opinion that these statements comply with the applicable accounting standards, regulations and the Stock Exchange's requirements, and that adequate disclosures have been made.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: nil).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as a code of conduct securities transactions by directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2020.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE'S WEBSITE

The Company's interim report containing all the information required by the Listing Rules will be published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.sino-ict.com) and be despatched to shareholders in due course.



CAUTION STATEMENT

The Board wishes to remind investors that the above unaudited interim financial results and operational statistics for the six months ended 30 June 2020 and the six months ended 30 June 2019 are based on the Group's internal information. Investors should note that undue reliance on or use of such information may cause investment risks. Investors are advised to exercise caution when dealing in the securities of the Company.

This report 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.